An hourglass-shaped graphic with a globe in the top bulb and a smaller globe in the bottom bulb. The hourglass is light blue and has a dark blue top cap. The globe in the top bulb is dark blue, while the globe in the bottom bulb is light blue. The text is centered within the hourglass shape.

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Congressional Research Service

Report RL32233

*Cash and Noncash Benefits for Persons with Limited  
Income: Eligibility Rules, Recipient and Expenditure Data,  
FY2000-FY2002*

Vee Burke, Domestic Social Policy Division

Updated November 25, 2003

**Abstract.** This report provides basic eligibility rules, recipient numbers, and FY2000-FY2002 expenditure data for 80 programs that have provided cash or noncash benefits to low-income persons. It summarizes spending trends by income-tested programs since FY1968, by form of benefit and level of government.

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## **Cash and Noncash Benefits for Persons with Limited Income: Eligibility Rules, Recipient and Expenditure Data, FY2000-FY2002**

**November 25, 2003**

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# Cash and Noncash Benefits for Persons With Limited Income: Eligibility Rules, Recipient and Expenditure Data, FY2000-FY2002

## Summary

More than 80 benefit programs provide aid — in cash and noncash form — that is directed primarily to persons with limited income. Such programs constitute the public “welfare” system, if welfare is defined as income-tested or need-based benefits. This definition omits social insurance programs like Social Security and Medicare.

Income-tested benefit programs in FY2002 cost \$522.2 billion: \$373.2 billion in federal funds and \$149 billion in state-local funds (**Table 1**). Welfare spending represented almost 19% of all federal outlays, with medical aid accounting for 8% of the budget. Total welfare spending equaled 5% of the gross domestic product and set a new record high, up \$45.3 billion (9.5%) from the previous peak of FY2001. In current dollars, spending increased during the year for all forms of aid except jobs and training. Higher medical spending accounted for \$32.8 billion of the net increase, and 54 cents of every welfare dollar went for medical assistance. Expressed in constant FY2002 dollars (**Table 2**), welfare spending increased by 7.9% from the 2001 level.

The composition of welfare spending differed by level of government (**Tables 3 and 4**). Medical aid consumed 80% of state-local welfare funds, but 43.9% of federal welfare dollars.

Most income-tested programs provide benefits, in the form of cash, goods, or services, to persons who make no payment and render no service in return. However, in the case of the job and training programs and some educational benefits, recipients must work or study. Further, the block grant program of Temporary Assistance for Needy Families (TANF) requires adults to start work after a period of enrollment, the food stamp program imposes work and training requirements, and public housing requires residents to engage in “self-sufficiency” activities or perform community service. Finally, the Earned Income Tax Credit (EITC) is available only to workers.

An unduplicated count of welfare beneficiaries is not available. Enrollment in TANF and food stamps remained far below 1994/1995 peak levels during 2000-2002, but Medicaid enrollment set a new record high. Average 2002 monthly numbers: Food stamps, 20.2 million; TANF, 5.1 million; and Supplemental Security Income (SSI), 6.9 million. During the year 50.9 million persons received Medicaid services, and in 2001, EITC payments went to an estimated 16.8 million tax filers. Census Bureau data indicate that 5.4 million families with children were poor in 2002 before receiving cash aid from TANF, General Assistance (GA) or the EITC, compared with 6.7 million in 1996 (last full year of the pre-TANF welfare program). Among these families, the EITC was received by 53.7% of those with a female head and by 71.7% of those with a male present (**Figure 3**).

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TANF child care	Vee Burke
TANF services	Vee Burke
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Thomas Gabe prepared **Figure 3**.

# Cash and Noncash Benefits for Persons With Limited Income: Eligibility Rules, Recipient and Expenditure Data, FY2000-FY2002

## Introduction

More than 80 benefit programs provide cash and noncash aid that is directed primarily to persons with limited income. These benefit programs cost \$522.2 billion in FY2002, a record high. This sum was up \$45.3 billion (9.5%) from the previous peak of FY2001, and it equaled 5% of the gross domestic product (GDP). Federal funds provided 71.5% of the total. Higher medical spending accounted for \$32.8 billion of the year's net increase, and 54 cents out of every welfare dollar went for medical benefits. Federal welfare outlays represented 18.6% of the federal budget, with 8% attributed to medical assistance. See **Table 1** for FY2000-FY2002 summary.

After adjustment for price inflation, 2002 welfare spending was up \$38.2 billion (7.9%) from that of 2001, the previous peak. Real spending increases (2002 dollars) were dominated by medical assistance (up \$29.1 billion). Other increases were: education benefits, \$4.1 billion; food benefits, \$3.3 billion; housing, \$2.3 billion; and services, \$1.2 billion. Outlays for cash aid dropped by \$1.2 billion; and for jobs and training, by \$0.5 billion.

Spending for "human capital" programs (ones providing education and employment and training activities) accounted for 7.3% of all welfare dollars (compared with 19.6% for cash assistance).

This report consists of a catalog of 85 need-based programs.<sup>1</sup> For each program the report provides the funding formula, eligibility requirements, and benefit levels. At the back of the report, summary **Table 14** gives expenditure data (federal and state/local) and recipient data for FY2000-FY2002 by program. Two programs are new to this series of reports: farmers' market nutrition programs (formerly treated as a component of the food stamp program) and housing assistance for special populations — elderly and disabled. Historical tables have been revised to account for these additions.

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<sup>1</sup> The number of programs in this report is somewhat arbitrary. For example, General Assistance, listed under both cash and medical aid, could be viewed as a single program.

Most of these programs base eligibility on individual, household, or family income, but some use group or area income tests (see **Table 7** — page 16); and a few offer help on the basis of presumed “need.” Most provide income “transfers.” That is, they transfer income, in the form of cash, goods, or services, to persons who make no payment and render no service in return. However, in the case of the job and training programs and some educational benefits, recipients must work or study for wages, training allowances, stipends, grants, or loans. Further, the TANF block grant program requires adults to commence work (defined by the state) after a period of enrollment, the Food Stamp program imposes work and training requirements, and public housing programs require recipients to engage in “self-sufficiency” activities or to perform community service. Finally, the Earned Income Tax Credit (EITC.) is available only to workers.

This report excludes income maintenance programs that are not income-tested, including social insurance and many veterans’ benefits, and all but two tax-transfer programs. Thus, it excludes Social Security cash benefits, unemployment compensation, and Medicare. Outlays for the Old-Age, Survivors, and Disability Insurance programs (Social Security cash benefit programs) in FY2002 totaled \$456 billion, financed primarily from payroll tax collections. The report also excludes payments, even though financed with general revenues, that may be regarded as “deferred compensation,” such as veterans’ housing benefits and medical care for veterans with a service-connected disability.

The report includes two tax-transfer programs, the EITC for low-income workers with children and the child tax credit. The EITC reduces the taxes of working families with gross income below specified limits and makes direct payments (“refunds”) to those whose income is below the tax threshold or whose tax liability is smaller than their credit. Before the 2001 tax law, the child tax credit was refundable only to some taxpayers with three or more children, but it now is refundable (up to certain limits) for those with earnings above \$10,000. This report treats the direct payment component of these credits, but not the reduction in tax liability, as a welfare expenditure. Other tax benefits are excluded from the report because they are not refundable (make no direct payments). Further, in most cases they impose no income test for eligibility. Examples of these other tax benefits are the deductibility of mortgage interest and property taxes on owner-occupied homes (equivalent to outlays of \$63.3 billion and \$21.8 billion, respectively, in 2002). These tax transfers increase families’ disposable income by reducing their tax liability and are known as “tax expenditures.” (The standard deduction and personal exemption in the income tax code also decrease families’ taxable income.)

**Table 1. Expenditures of Major Need-Tested Benefit Programs, by Form of Benefit and Level of Government, FY2000-FY2002**

(millions of current dollars)

	Federal expenditures			State-local expenditures			Total expenditures		
	FY2000	FY2001	FY2002	FY2000	FY2001	FY2002	FY2000	FY2001	FY2002
Medical care	130,461	145,076	163,760	94,411	104,594	118,708	224,872	249,670	282,468
Cash aid	74,974	82,600	82,476	19,433	19,242	19,681	94,407	101,842	102,157
Food benefits	31,983	33,177	36,824	2,165	2,313	2,482	34,148	35,490	39,306
Housing aid	30,656	32,070	34,861	509	750	705	31,165	32,820	35,566
Education	14,936	24,401	28,783	1,372	1,617	1,701	16,308	26,018	30,484
Services	14,278	16,566	17,525	3,776	4,130	4,690	18,054	20,696	22,215
Jobs/training	6,392	6,978	6,893	1,146	1,222	915	7,538	8,200	7,808
Energy aid	1,979	2,009	2,030	85	118	122	2,064	2,127	2,152
<b>Total</b>	<b>305,659</b>	<b>342,877</b>	<b>373,152</b>	<b>122,897</b>	<b>133,986</b>	<b>149,004</b>	<b>428,556</b>	<b>476,863</b>	<b>522,156</b>

**Source:** Table prepared by the Congressional Research Service (CRS).

**Note:** Program data on which this table is based are found in summary table (**Table 14**) at the back of the report.

## Trends in Spending

### Annual Spending Data

Total expenditures on cash and noncash welfare programs multiplied many times between 1968 and 2002 (**Table 2**). Even after allowance for price inflation, spending sextupled (rising 523%) over the 34 years, a period when the U.S. population rose by an estimated 43%.<sup>2</sup> Measured in constant 2002 dollars,<sup>3</sup> the annual rate of growth in spending over the whole period was 5.5%. However, the growth pattern was uneven. Real spending almost tripled in the first 10 years, declined in some years (1982, 1996, and 1997), and in the last 5 years rose at an annual rate of 3.9%. Total per capita welfare spending grew in real terms (constant FY2002 dollars) from \$416 in FY1968 to a peak above \$1,800 in FY2002.

**Table 2. Total Expenditures for Need-Based Benefits,  
FY1968-FY2002**  
(in millions of dollars)

Fiscal year	Federal current dollars	State-local current dollars	Total spending	
			Current dollars	Constant dollars
1968	11,406	4,710	16,116	83,861
1973	27,294	10,054	37,348	153,493
1975	40,208	14,753	54,961	185,940
1976	50,506	16,990	67,496	214,820
1977	56,187	18,892	75,079	225,174
1978	64,432	20,151	84,583	236,991
1979	71,336	21,304	92,640	235,282
1980	81,403	24,633	106,036	237,093
1981	89,408	29,045	118,453	238,425
1982	90,543	31,706	122,249	229,345
1983	95,495	33,982	129,477	234,471
1984	100,837	36,191	137,028	238,350
1985	107,267	38,230	145,497	244,087
1986	109,476	40,811	150,287	246,077
1987	115,608	43,364	158,972	253,071
1988	126,098	46,580	172,678	263,990
1989	136,254	51,587	187,841	274,145
1990	153,673	61,065	214,738	298,497
1991	180,494	73,933	254,427	336,689
1992	211,121	88,146	299,267	384,425
1993	227,325	88,683	316,008	393,991
1994	250,405	102,421	352,826	428,633
1995	262,905	108,210	371,115	438,553
1996	268,823	107,213	376,036	432,261

<sup>2</sup> Based on the resident U.S. population.

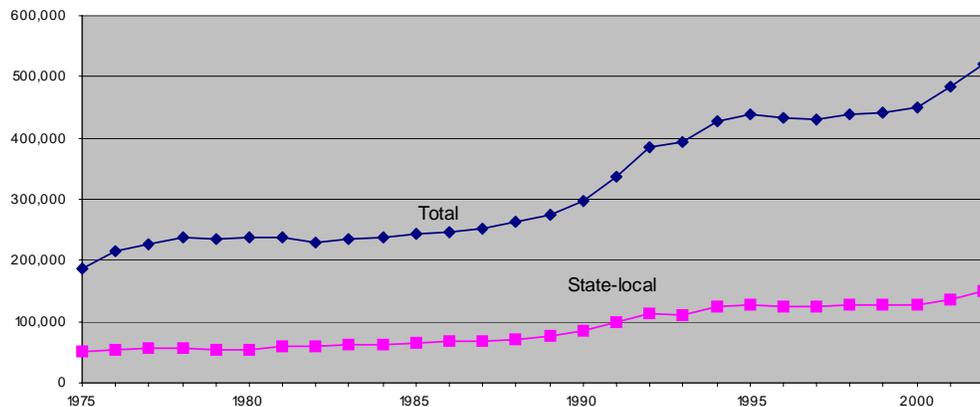
<sup>3</sup> Current dollars were translated into FY2002 constant value dollars by use of the Consumer Price Index (CPI) for all urban consumers.

Fiscal year	Federal current dollars	State-local current dollars	Total spending	
			Current dollars	Constant dollars
1997	274,980	110,312	385,292	431,398
1998	280,965	114,554	395,519	437,997
1999	291,798	117,389	409,187	442,318
2000	305,659	122,897	428,556	448,985
2001	342,877	133,986	476,863	484,005
2002	373,152	149,004	522,156	522,156

**Source:** Table prepared by the Congressional Research Service (CRS). FY1968 and FY1973 data are from: *Income Security for Americans: Recommendations of the Public Welfare Study*. Report of the Subcommittee on Fiscal Policy of the Joint Economic Committee. December 5, 1974. **Table 4**, p. 28 of Joint Economic Committee study, (1968 federal total has been increased by \$54 million to correct a typographical error in that table, and the 1973 federal total has been increased by \$101 million to include Title X family planning, previously omitted from this report series). Data for FY1975-FY1999 are from previous editions of this report (revised to incorporate public housing capital fund costs, to account for new estimates of some program outlays, and to provide historical data for some newly added programs ). Data for FY2000-FY2002 are from **Table 1** of this report.

**Figure 1** shows the course of expenditures for income-tested benefits from FY1975-FY2002. The upper line shows total real spending (federal and state-local spending); the bottom line shows state-local spending alone; the space between represents federal spending. Throughout this period federal expenditures accounted for more than 70% of the total. The federal share rose above 76% in 1978-1980, then began a general decline. In the 1993-2002 decade it averaged 71.4%.

**Figure 1. Expenditures for Income-Tested Benefits, FY1975-FY2002 (millions of constant 2002 dollars)**



**Source:** Figure prepared by the Congressional Research Service (CRS)

**Major Welfare Policy Changes (1968-2002).** During 1968-1976, Congress liberalized some old welfare programs and established new ones. Some of the major expansions follow. Effective in 1969, Congress gave a work incentive bonus to all mothers who received Aid to Families with Dependent Children (AFDC) checks; the bonus, virtually repealed in late 1981, was the right to a welfare supplement even after their earnings rose above the state standard of need. In 1969, minimum rents for public housing were abolished (reinstated, at a lower level, in 1974). By 1970 amendment, the Food Stamp program was converted into a federal income guarantee in participating counties. By 1972 amendment, basic educational opportunity grants were adopted for all needy college students (extended to “middle-income” students by 1978 law and renamed Pell grants in 1980). In 1972, effective in 1974, a federal cash income guarantee — Supplemental Security Income (SSI) — was enacted for the aged, blind, and disabled, and Congress established the Special Supplemental Food Program for Women, Infants, and Children (WIC). Effective in 1974, food stamps were extended to all counties, providing a national income guarantee in the form of food stamps. In 1975, a rebatable tax credit was adopted for low-income workers with children.

In 1981, Congress moved to restrict eligibility for some programs and to lower some benefits. For example, it imposed gross income eligibility limits for AFDC and food stamps, reduced AFDC and food stamp benefits for families with earnings, raised public housing rents, and reduced subsidies for school lunches. Effective in FY1983, it temporarily reduced the food stamp guarantee. Thereafter, Congress restored food stamp benefit rules for workers (1985), expanded Medicaid eligibility for some needy persons not enrolled in cash welfare, sharply expanded the EITC (and gave it inflation protection) (1986), and required all states to offer AFDC to needy two-parent families in which the primary earner is unemployed or underemployed (1988). It also established the Job Opportunities and Basic Skills (JOBS) program for AFDC recipients and expanded federal matching funds for work and training and for related child care. In 1993 (P.L. 103-66), Congress again expanded the EITC, with the goal of ending poverty for a family of four with a parent who works full time at the minimum wage (counting food stamps toward the antipoverty goal). At the same time, it established a small EITC for childless workers.

In 1996, effective July 1, 1997 at the latest, Congress repealed AFDC, JOBS, and Emergency Assistance, replacing them with a fixed annual block grant for Temporary Assistance for Needy Families (TANF), through FY2002. It specified that state TANF programs must condition eligibility on work, impose a lifetime limit (5 years at most) on federally funded basic ongoing aid (traditional cash aid), and achieve prescribed work participation rates for full funding. The 1996 law (P.L. 104-193) also ended eligibility for most welfare benefits for non-citizens, added to the Food Stamp program a stringent work requirement for childless persons aged 18-50, and sharply expanded federal funding for child care, consolidating the funds in the Child Care and Development Block Grant. In 1997, Congress added special welfare-to-work grants to TANF (for FY1998 and FY1999 years only), moderated some of the rules affecting non-citizens (see later section on *Non-Citizen Eligibility for Major Federal Benefits*), established a new program of State-Children’s Health Insurance (S-CHIP), and created a child tax credit (made refundable, by the 2001 tax act) for taxpayers with more than \$10,000 in annual earnings.

**Spending Trends by Level of Government.** Tables 3, 4, and 5 present 1968-2002 welfare spending in constant 2002 dollars, by form of benefit; Table 3 displays federal outlays, Table 4, corresponding state-local data, and Table 5, total welfare spending amounts. Measured in constant 2002 dollars, federal spending for income-tested benefits climbed from \$59.4 billion in FY1968 to \$373.2 billion in FY2002, an increase of 529%. State-local welfare spending (constant dollars) rose from \$24.5 billion to \$149 billion over the same period, an increase of 508%. Total welfare outlays increased from \$83.9 billion to \$522.2 billion in these years, an increase of 523%.

Cash aid was the leading form of federal welfare until 1980, when it was overtaken by medical benefits. Two years later, in 1982, federal welfare spending declined for all forms of aid except subsidized housing, in which case outlays reflected earlier commitments, and education benefits. However, beginning in 1983, real federal welfare outlays climbed steadily before declining in FY1996 and FY1997. After 1979, state-local outlays rose in all years except 1993 and 1996. Both federal and state-local outlays set successive new record highs in FY1998-FY2002.

**Medical Benefits.** Since 1979, medical spending has accounted for more than 50 cents out of every welfare dollar spent by state-local governments. In 1989, the share climbed to 60%, and since 1979 it has exceeded 70%. Medical assistance has accounted for a much smaller share of federal welfare outlays: about 25% until the mid-80s, above 30% in the 1990s, and an average of 43% in 2000-2002.

**Welfare Share of Federal Budget.** As a component of the federal budget, welfare spending averaged 13% from 1975-1979, dropped to 12% in the 1980s, and since 1994 has equaled or exceeded 17% each year. In 2001 it rose above 18%, and in 2002 reached 18.6%.

**Refundable Income Tax Credits.** The earned income tax credit has become the nation's largest program of income-tested cash benefits for families with children. In FY2002, the U.S. Treasury paid out \$27.8 billion in refundable earned income tax credits (chiefly for earners with children) and \$5.7 billion in child tax credits. The total almost equaled federal SSI payments for the aged, blind and disabled (\$33.9 billion) and was five times as much as cash assistance from TANF federal dollars (\$6.5 billion). (TANF expenditures for work activities, child care, and other services exceeded TANF cash aid. See Table 14 — page 227.)

**Table 3. Federal Spending for Income-Tested Benefits by Form of Benefit, FY1968-FY2002**  
(millions of constant FY2002 dollars)

Fiscal year	Medical benefits	Cash aid	Food benefits	Housing benefits	Education benefits	Jobs/training	Services	Energy aid	Total aid <sup>a</sup>
1968	14,263	26,211	4,647	4,074	4,475	3,689	1,993	0	59,352
1973	27,367	35,242	15,843	15,519	7,484	3,793	6,925	0	112,173
1975	32,427	43,098	21,784	17,190	7,375	7,270	6,885	0	136,029
1976	34,835	47,489	24,593	18,657	11,757	14,660	8,667	89	160,746
1977	39,529	47,078	23,261	21,336	10,428	16,264	9,711	906	168,514
1978	40,812	44,962	23,841	21,880	11,395	27,178	9,697	765	180,531
1979	41,680	43,003	26,355	24,440	12,219	23,533	9,278	668	181,176
1980	43,376	42,434	29,267	24,520	10,934	19,285	8,351	3,848	182,015
1981	44,791	42,189	31,579	24,820	9,635	15,128	7,776	4,044	179,963
1982	43,224	40,476	29,405	25,043	14,605	7,484	5,821	3,805	169,863
1983	42,686	40,562	32,767	25,611	13,441	8,161	5,983	3,705	172,916
1984	43,214	41,369	32,555	25,258	13,935	9,353	5,982	3,733	175,399
1985	46,772	41,078	32,482	27,372	15,964	6,534	5,957	3,793	179,952
1986	48,751	43,109	31,343	24,505	16,464	5,937	5,551	3,594	179,254
1987	55,946	43,713	31,668	22,261	15,550	6,021	5,742	3,138	184,039
1988	59,045	46,344	30,906	24,060	17,042	5,730	6,863	2,789	192,778
1989	61,893	48,400	30,408	25,466	18,220	5,568	6,525	2,377	198,857
1990	69,817	50,661	33,182	27,394	19,129	5,525	5,677	2,230	213,614
1991	82,643	55,939	37,060	28,454	19,669	5,808	6,889	2,390	238,852
1992	101,069	62,578	42,149	31,815	17,473	6,446	7,503	2,164	271,197
1993	106,041	66,516	43,357	34,513	17,845	5,948	7,291	1,913	283,424
1994	113,818	77,018	43,871	34,224	17,782	5,905	9,260	2,329	304,207
1995	119,841	80,266	43,492	34,729	17,888	5,467	7,104	1,892	310,679
1996	119,464	80,479	42,729	35,362	17,729	4,644	7,256	1,355	309,018
1997	120,685	80,446	39,615	35,431	18,485	4,250	7,472	1,503	307,885
1998	122,824	80,777	36,743	34,544	18,809	4,624	11,426	1,392	311,140
1999	129,364	80,385	35,237	32,094	18,680	5,164	13,085	1,415	315,424
2000	136,680	78,548	33,508	32,117	15,648	6,697	14,959	2,073	320,230
2001	147,249	83,837	33,674	32,550	24,766	7,083	16,814	2,039	348,013
2002	163,760	82,476	36,824	34,861	28,783	6,893	17,525	2,030	373,152

**Source:** Table prepared by the Congressional Research Service (CRS).

a. Rows may not add to total shown because of rounding.

**Table 4. State-Local Spending for Income-Tested Benefits by Form of Benefit, FY1968-FY2002**

(millions of constant FY2002 dollars)

Fiscal year	Medical benefits	Cash aid	Food benefits	Housing benefits	Education benefits	Jobs/ training	Services	Energy aid	Total <sup>a</sup>
1968	10,725	12,957	na	na	na	224	604	0	24,509
1973	17,117	21,770	na	na	na	230	2,203	0	41,320
1975	22,366	22,840	1,891	na	484	132	2,199	0	49,911
1976	24,838	24,411	2,015	na	497	124	2,190	na	54,074
1977	26,660	24,518	2,438	na	555	171	2,318	na	56,660
1978	27,349	23,541	2,446	na	664	177	2,284	na	56,461
1979	28,283	21,776	1,003	na	637	198	2,210	na	54,107
1980	29,515	21,792	1,022	na	639	181	1,930	na	55,079
1981	31,460	22,135	1,167	na	588	169	2,943	na	58,463
1982	32,936	20,959	1,349	na	505	141	3,564	28	59,482
1983	34,192	21,385	1,418	na	547	143	3,803	45	61,532
1984	35,712	21,546	1,652	na	525	136	3,305	75	62,952
1985	36,169	22,061	1,726	na	762	136	3,229	52	64,135
1986	37,771	23,123	1,806	na	811	120	3,111	82	66,823
1987	39,172	23,592	1,858	na	813	113	3,152	331	69,032
1988	41,515	23,533	1,741	na	832	110	3,210	271	71,211
1989	45,264	24,065	1,696	na	795	142	3,065	263	75,289
1990	50,870	24,757	1,717	na	874	371	6,122	172	84,884
1991	62,790	25,608	1,736	na	724	581	6,249	150	97,837
1992	73,443	27,113	1,854	2,954	789	611	6,351	113	113,228
1993	72,253	26,745	1,952	1,658	955	701	6,215	89	110,568
1994	82,311	27,847	2,150	1,962	1,097	795	8,171	93	124,427
1995	86,521	27,977	2,163	2,747	1,129	958	6,283	96	127,873
1996	85,075	25,800	2,207	2,827	1,098	740	5,413	84	123,243
1997	87,640	23,775	2,210	2,750	1,149	199	5,718	72	123,512
1998	91,588	20,626	2,146	2,888	1,259	792	7,469	87	126,857
1999	94,448	20,797	2,200	na	1,286	945	7,126	92	126,894
2000	98,912	20,359	2,268	533	1,437	1,201	3,956	89	128,755
2001	106,161	19,530	2,348	761	1,641	1,240	4,192	120	135,993
2002	118,708	19,681	2,482	705	1,701	915	4,690	122	149,004

**Source:** Table prepared by the Congressional Research Services (CRS).

a. Rows may not add to total shown because of rounding.

na=not available

**Table 5. Total Spending for Income-Tested Benefits by Form of Benefit, FY1968-FY2002**

(millions of constant FY2002 dollars)

Fiscal year	Medical benefits	Cash aid	Food benefits	Housing aid	Education benefits	Jobs/training	Services	Energy aid	Total <sup>a</sup>
1968	24,988	39,168	4,647	4,074	4,475	3,913	2,597	0	83,861
1973	44,485	57,011	15,843	15,519	7,484	4,024	9,128	0	153,493
1975	54,793	65,937	23,675	17,190	7,859	7,402	9,084	0	185,940
1976	59,673	71,901	26,607	18,657	12,253	14,784	10,856	89	214,820
1977	66,189	71,596	25,700	21,336	10,983	16,435	12,030	906	225,174
1978	68,161	68,503	26,287	21,880	12,059	27,355	11,981	765	236,991
1979	69,962	64,779	27,358	24,440	12,856	23,731	11,487	668	235,282
1980	72,890	64,226	30,288	24,520	11,573	19,466	10,281	3,848	237,093
1981	76,252	64,324	32,747	24,820	10,223	15,297	10,718	4,044	238,425
1982	76,160	61,435	30,754	25,043	15,110	7,624	9,386	3,833	229,345
1983	76,886	61,953	34,188	25,614	13,989	8,305	9,786	3,750	234,471
1984	78,926	62,915	34,208	25,258	14,460	9,489	9,287	3,808	238,350
1985	82,941	63,138	34,208	27,372	16,726	6,670	9,187	3,845	244,087
1986	86,522	66,232	33,149	24,505	17,274	6,057	8,662	3,676	246,077
1987	95,119	67,305	33,526	22,261	16,363	6,134	8,894	3,469	253,071
1988	100,560	69,877	32,647	24,060	17,873	5,840	10,073	3,059	263,990
1989	107,156	72,465	32,104	25,466	19,015	5,709	9,590	2,640	274,145
1990	120,687	75,417	34,899	27,394	20,003	5,897	11,799	2,402	298,497
1991	145,433	81,547	38,796	28,454	20,392	6,389	13,138	2,539	336,689
1992	174,512	89,691	44,002	34,769	18,261	7,057	13,854	2,278	384,425
1993	178,294	93,260	45,309	36,171	18,800	6,649	13,506	2,001	393,991
1994	196,129	104,865	46,021	36,186	18,879	6,700	17,431	2,422	428,633
1995	206,362	108,243	45,654	37,477	19,016	6,425	13,388	1,988	438,553
1996	204,539	106,279	44,936	38,188	18,827	5,384	12,669	1,439	432,261
1997	208,325	104,221	41,825	38,181	19,633	4,450	13,190	1,574	431,398
1998	214,412	101,403	38,890	37,432	20,068	5,416	18,896	1,479	437,997
1999	223,812	101,182	37,437	32,094	19,967	6,109	20,211	1,507	442,318
2000	235,591	98,907	35,776	32,651	17,085	7,897	18,915	2,162	448,985
2001	253,410	103,367	36,022	33,312	26,408	8,323	21,006	2,159	484,005
2002	282,468	102,157	39,306	35,566	30,484	7,808	22,215	2,152	522,156

**Source:** Table prepared by the Congressional Research Services (CRS).

a. Rows may not add to total shown because of rounding.

## Composition of Spending

The dramatic change since 1978 in the composition of total spending for income-tested benefits is shown in **Figure 2** and in **Table 6**. In FY1978 spending for cash relief and medical aid was about equal. Each accounted for 29% of total welfare spending covered by this report. Thereafter, outlays for medical benefits rapidly overtook cash aid, topping 50% in FY2000 and reaching 54% in 2002.

**Figure 2. Composition of Income-Tested Benefits**

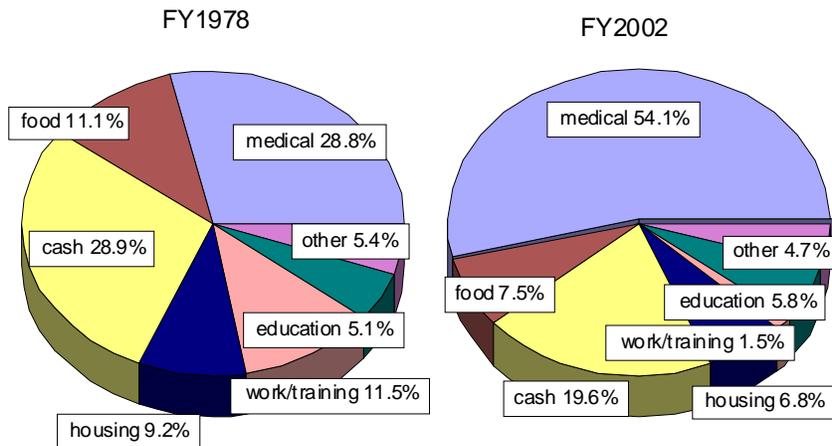


Figure prepared by the Congressional Research Service (CRS).

**Table 6. Outlay Trends by Form of Benefits, FY1978-FY2002**  
(billions of constant 2002 dollars)

	FY1978	FY1988	FY1992	FY1996	FY1998	FY2000	FY2002
Medical aid	\$68.2	\$100.6	\$174.5	\$204.5	\$214.4	\$235.6	\$282.5
Cash	68.5	69.9	89.7	106.3	101.4	96.9	101.2
Food aid	26.3	32.6	44.0	44.9	38.9	35.8	39.3
Housing	21.9	24.1	34.5	38.2	37.4	32.7	35.6
Education	12.1	17.9	18.3	18.8	20.1	17.1	30.5
Jobs/training	27.4	5.8	7.1	5.4	5.4	7.9	7.8
Services	12.1	10.1	13.9	12.7	18.9	18.9	22.2
Energy aid	.8	3.1	2.3	1.4	1.5	2.2	2.2
<b>Total</b>	<b>\$237.0</b>	<b>\$264.0</b>	<b>\$384.0</b>	<b>\$432.3</b>	<b>\$438.0</b>	<b>\$449.0</b>	<b>\$522.2</b>

Source: Table prepared by the Congressional Research Service (CRS).

## Noncitizen Eligibility for Major Federal Benefits

The eligibility of noncitizens for major federal means-tested benefit programs largely depends on their immigration status and whether they arrived in the United States, or were enrolled in a benefit program, before enactment of the 1996 welfare law (P.L. 104-193) on August 22, 1996. That law sharply restricted welfare eligibility for noncitizens, though it has since been modified. For noncitizens entering after August 22, 1996, many of the restrictions imposed by the 1996 law remain essentially unchanged. However, for persons who legally resided in the United States before enactment of the new law, provisions have been significantly revised by 1997, 1998, and 2002 amendments. The most significant recent change (made in the 2002 farm bill, P.L. 107-171) opened up food stamp eligibility to all legal permanent resident (LPR) children, regardless of date of entry or length of residence, and to legal permanent residents (LPRs) who meet a 5-year residence test.

Those LPRs who were admitted to the United States as refugees and asylees are treated differently from other LPRs, as follows:

*Refugees and asylees.* Eligible for SSI benefits, Medicaid, and food stamps for 7 years after arrival, and for 5 years for TANF. After this term, they generally are ineligible for SSI, but states may extend federally aided TANF and Medicaid to them.

### *Legal permanent residents (LPRs)*

- Who have a work history or military connection. If they have (a) a substantial work history, generally 10 years (40 quarters) of work documented by Social Security or other employment records, or (b) a military connection (active duty military personnel, veterans, and their families), LPRs are eligible for major benefits;
- Who were legally resident as of August 22, 1996. If they received SSI as of August 22, 1996, these LPRs continue to be eligible for SSI. If they are disabled, they are eligible for SSI and, as a result, for food stamps (regardless of the date of disability). If they were elderly (65+) as of August 22, 1996, they are eligible for food stamps. If they were children (under 18) as of August 22, 1996, they are eligible for food stamps until they become 18;
- Who are qualified SSI recipients. If they meet SSI noncitizen eligibility tests, these LPRs must receive Medicaid; and
- Who entered the United States after August 22, 1996. These LPRs are barred from TANF, food stamps, and Medicaid for 5 years. Thereafter, the state may extend federally-aided TANF, food stamps, and Medicaid to them. (A notable exception is that LPR children are eligible for food stamps no matter when they entered the country or how long they have lived here.)

## Aid Received by Poor Families With Children

The Census Bureau reports that 7.2 million families (including 5.4 million with children) in 2002 had total pre-tax money income — after counting any cash from the welfare programs of TANF, Supplemental Security Income (SSI), and General Assistance (GA) — that was below their poverty threshold.<sup>4</sup> The Bureau found that the money income poverty rate among related children in families was 16.3%, the highest since 1999 (16.6%).

Overall, 34.6 million persons were classified as poor on the basis of 2002 pre-tax *money* income (compared with 31.1 millions in 2000). Of these persons, 66.6% were in households that received means-tested aid from at least one of eight programs (TANF, SSI, GA, school lunch, food stamps, Medicaid, subsidized housing, low-income home energy assistance). By race and ethnicity, the following percentages of poor persons were in households that received pre-tax aid from one or more of the eight programs: non Hispanic whites, 53.5%, blacks, 80%, and persons of Hispanic origin, 78.6%.

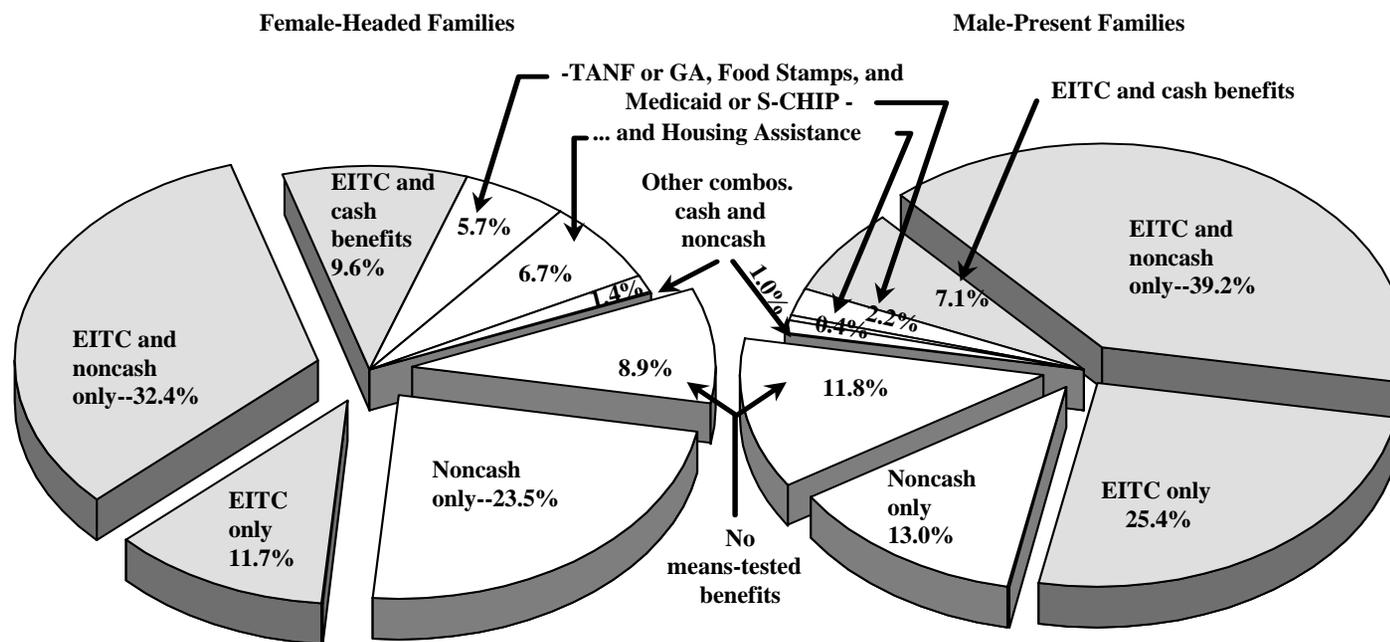
**Figure 3** depicts income-tested aid provided to families with children who were poor *before* receiving any cash aid from TANF, GA, or the EITC. In 2002, these families totaled 5.7 million (compared with 5.1 million in 2000): 3.4 million with a female householder and 2.3 million with a male householder (chiefly two-parent families). These numbers, based on CRS estimates, include unrelated subfamilies (the Bureau excludes these subfamilies from its “family” counts). As the chart shows, all but 8.9% of the female-headed families and 11.8% of the male-present families whose pre-tax, pre-welfare money income fell short of the poverty threshold received means-tested aid. For male-present families, the EITC, which goes only to persons with earnings, was the dominant form of aid. In all, 71.7% of male-present families who were poor before transfers received the EITC (compared with 75.2% in 2000); for 25.4% it was the only aid. Among female-headed families who were poor before transfers, 53.7% received the EITC (compared with 59.6% in 2000); for 11.7% it was the only aid. Various combinations of cash assistance (TANF, GA, EITC) and noncash aid (food stamps, housing subsidies, Medicaid or coverage under the State Children’s Health Insurance Program (S-CHIP), went to 23.5% of female-headed families and to 10.6% of male-present families.<sup>5</sup>

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<sup>4</sup> U.S. Bureau of the Census, *Poverty in the United States: 2002*. Current Population Reports, Series P-60, no. 222, Sept. 2003, and unpublished tables available through [<http://ferret.bls.census.gov>].

<sup>5</sup> These combinations are shown in four slices of the pie charts, labeled as: (1) EITC and (other) cash benefits, (2) TANF or GA, food stamps, and Medicaid or SCHIP; (3) TANF or GA, food stamps, and Medicaid or SCHIP and housing assistance; and (4) other combinations of cash and noncash aid.

**Figure 3. Cash and Noncash\* Welfare Benefits Received by Poor\*\* Families with Children, 2002**



\* Cash welfare benefits shown are: Temporary Assistance to Needy Families (TANF) and General Assistance (GA). Noncash benefits shown are: Food Stamps, Medicaid, State Children's Health Insurance Program (S-CHIP) and Housing Assistance.

Receives Earned Income Tax Credit

\*\*Poor before receiving cash welfare.

Chart based on CRS analysis of March 2003 Current Population Survey data.

## Income Tests of the Benefit Programs

More than 90% of the programs in this report have an explicit test of income. The others base eligibility on area of residence, enrollment in another welfare program, or other factors that presume need. The explicit income tests are of five kinds: Income ceiling related to (1) one of the federal government's official poverty measures (federal poverty income guidelines or Census Bureau poverty thresholds); (2) state or area median income; (3) the lower living standard income level of the Bureau of Labor Statistics; (4) an absolute dollar standard; (5) level deemed to indicate "need." **Table 7** classifies the programs in this report by type of income test. **Tables 8-11** present, respectively, Census Bureau poverty thresholds for 2002, federal poverty income guidelines for 2003, income eligibility limits for subsidized meals, July 2003-July 2004, and lower living standard income levels, effective in May 2003.

Table 7. Income Eligibility Tests Used by Benefit Programs

Limit related to:								
Program*	Official poverty measure	Lower living income level	State/ area median income	Dollar amount	Income deemed needy	Area of residence	Enrollment/eligibility for other program	Other
<b>Medical Benefits</b>								
1. Medicaid	X <sup>a</sup>				X <sup>b</sup>		X <sup>c</sup>	
2. Veterans' medical care (no service disability)				X			X <sup>d</sup>	
3. S-CHIP	X							X <sup>e</sup>
4. General assistance (medical)					X <sup>b</sup>			
5. Indian health services						X		
6. Maternal and child health services	X <sup>f</sup>							
7. Consolidated health centers	X <sup>g</sup>					X <sup>h</sup>		
8. Title X family planning	X <sup>g</sup>							
9. Medical aid for refugees, asylees, others					X <sup>b</sup>			
<b>Cash aid</b>								
10. SSI				X <sup>i</sup>	X <sup>j</sup>			
11. EITC (refunds)				X				
12. TANF					X <sup>b</sup>			
13. Foster care					X <sup>b</sup>		X <sup>c</sup>	
14. Child tax credit				X				

Limit related to:								
Program*	Official poverty measure	Lower living income level	State/ area median income	Dollar amount	Income deemed needy	Area of residence	Enrollment/eligibility for other program	Other
15. Veterans' pensions				X				
16. General assistance					X <sup>b</sup>			
17. Adoption assistance				X <sup>k</sup>	X <sup>b</sup>		X <sup>c,k</sup>	
18. General assistance to Indians					X <sup>b</sup>			
19. Cash aid — refugees, asylees, others					X <sup>b</sup>			
20. DIC (vets' parents)				X				
<b>Food benefits</b>								
21. Food stamps	X						X <sup>l</sup>	
22. School lunch (free/reduced price)	X						X <sup>m</sup>	
23. WIC	X						X <sup>n</sup>	
24. Child and adult care food program	X							
25. School breakfast (free/reduced price)	X						X <sup>m</sup>	
26. Nutrition program for the elderly								X <sup>o</sup>
27. The emergency food assistance program					X <sup>b</sup>			
28. Summer food service	X							

Limit related to:								
Program*	Official poverty measure	Lower living income level	State/ area median income	Dollar amount	Income deemed needy	Area of residence	Enrollment/eligibility for other program	Other
29. Commodity supplemental food						X	X	
30. Food distribution for Indians					X			
31. Farmers' market nutrition programs	X						X	
32. Special milk (free)	X							
<b>Housing benefits</b>								
33. Section 8 lower-income housing assistance			X					
34. Public housing			X					
35. Rural housing loans			X					
36. HOME			X					
37. Housing for special groups (aged/disabled)			X					
38. Rural rental assistance (section 521)			X				X	
39. Section 236 interest reduction payments			X					
40. Housing for people with AIDS			X					
41. Rural rental housing loans (section 515)			X					

http://wikileaks.org/wiki/CRS-RL32233

Limit related to:								
Program*	Official poverty measure	Lower living income level	State/ area median income	Dollar amount	Income deemed needy	Area of residence	Enrollment/eligibility for other program	Other
42. Rural housing repair loans and grants			X					
43. Farm labor housing loans and grants					X			
44. Section 101 rent supplements			X					
45. Rural self-help grants and site loans			X		X			
46. Indian housing improvement grants					X			
47. Section 235 homeownership			X					
48. Rural housing preservation grants			X					
49. HOPE			X				X	
<b>Education</b>								
50. Pell grants					X <sup>P</sup>			
51. Head Start	X							
52. Stafford and Stafford/Ford loans					X <sup>P</sup>			
53. Federal work-study					X <sup>P</sup>			
54. TRIO programs	X							
55. Supplemental educ. opportunity grants					X <sup>P</sup>			

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Limit related to:								
Program*	Official poverty measure	Lower living income level	State/ area median income	Dollar amount	Income deemed needy	Area of residence	Enrollment/eligibility for other program	Other
69. Community services block grant	X							
70. Legal services	X							
71. Social services for refugees, asylees, others					X <sup>b</sup>			
72. Emergency food and shelter								X <sup>y</sup>
<b>Jobs and training</b>								
73. TANF work activities					X			
74. Job Corps	X <sup>z</sup>	X <sup>z</sup>					X	
75. Youth training	X <sup>z</sup>	X <sup>z</sup>					X	
76. Adult training								X <sup>aa</sup>
77. Senior community service employment	X						X	
78. Welfare-to-work							X	
79. Food stamp employment/training					X			
80. Foster grandparents	X							
81. Senior companions	X							
82. Targeted aid for refugees, asylees, others					X <sup>b</sup>			
83. Native employment. works					X <sup>b</sup>		X	

Limit related to:								
Program*	Official poverty measure	Lower living income level	State/ area median income	Dollar amount	Income deemed needy	Area of residence	Enrollment/eligibility for other program	Other
<b>Energy aid</b>								
84. Low-income home energy aid	X <sup>bb</sup>		X			X	X	
85. Weatherization assistance	X						X	

\* Short titles and abbreviations are used in this table. See table of contents for full titles.

- a. States must extend Medicaid to certain persons whose income is below the federal poverty income guideline (or a multiple of it) but who do not receive cash aid. These persons are pregnant women, children born since September 30, 1983, the aged, the blind, and the disabled.
- b. Need is decided by state, locality, Indian tribe (or Alaskan Native village).
- c. Eligible for Medicaid, foster care, and adoption assistance are persons who do not qualify for TANF cash assistance but who would be income-eligible for AFDC under the terms of July 16, 1996 (with some modifications allowed) if that program had not been replaced by TANF. Also eligible for Medicaid in most states are persons eligible for SSI.
- d. Veterans receiving veterans' pensions or eligible for Medicaid are automatically eligible for free VA medical care.
- e. If a state's Medicaid limit for children is at or above 200% of the poverty guideline, it may give S-CHIP to children whose family income is within 150% of the Medicaid limit (thus, up to 50% above the Medicaid limit).
- f. The stated purpose of the Maternal and Child Health (MCH) Services Block Grant law is to enable states to assure access to quality MCH services to mothers and children, particularly those with low income (or limited availability of health services). The law defines low income in terms of the federal poverty income guidelines. This block grant, which took effect in FY1981, includes funding for crippled children's services.
- g. The law limits free care to those below the federal poverty income guidelines.
- h. All residents of the area served are eligible, but fees must be charged the nonpoor.
- i. For basic federal SSI payment.
- j. States decide need for an optional state supplement to SSI.
- k. A blind or disabled child who is eligible for SSI also is eligible for adoption assistance.
- l. Households composed *wholly* of recipients of SSI or GA or of recipients of TANF cash *or services* automatically meet food stamp assets and income tests but their benefits must be calculated by food stamp rules.
- m. Food stamp eligibility is accepted as documentation of eligibility for the free school lunch and free school breakfast programs.
- n. States may give automatic eligibility to public assistance recipients.

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- o. The law requires preference for those with greatest economic or social need.
- p. Need is decided by a system known as the federal needs analysis methodology, which is set forth in Part F of Title IV of the Higher Education Act (HEA) as amended.
- q. There is no income test. Migratory children are presumed to be needy.
- r. For forgiveness of loans made to needy students who fail to complete studies.
- s. Need for loans is decided by the educational institution, by use of a needs analysis system approved by the Secretary of Education “in combination with other information” about the student’s finances. For all health professional scholarships and for loans to students of medicine and osteopathy, federal regulations define the required “exceptional financial need.”
- t. Regulations require the educational institution to determine that migratory students need the financial assistance provided.
- u. Law makes eligible middle school and secondary students who are “economically disadvantaged.”
- v. Federal income ceiling is 85% of state median for family of same size
- w. Under the law, at least 70% of *entitlement* Child Care Development Block Grant (CCDBG) funds must be used for families receiving TANF, trying to leave welfare through work, or at risk of becoming eligible for TANF.
- x. Applies to families aided with TANF dollars transferred to Title XX (their income cannot exceed 200% of the federal poverty guidelines).
- y. Need is decided by agencies administering the benefits.
- z. The federal poverty income guideline is used if higher than 70% of the lower living standard income level of the Department of Labor.
- aa. The law requires preference for “low-income” persons if funds are limited.
- bb. States have the option of setting limits below outer federal ceilings (but cannot set a ceiling below 110% of the federal poverty income guideline).

**Table 8. Bureau of the Census Poverty Thresholds for 2002**

1 person (unrelated individual) .....	\$ 9,182
Under 65 years .....	9,360
65 years and over .....	8,547
2 persons .....	11,752
Householder under 65 years .....	12,108
Householder 65 years and over .....	10,884
3 persons .....	14,351
4 persons .....	18,390
5 persons .....	21,743
6 persons .....	24,578
7 persons .....	27,952
8 persons .....	31,111
9 persons or more .....	36,860

**Source:** U.S. Department of Commerce, Bureau of the Census (Jan. 23, 2003).

**Table 9. 2003 Federal Poverty Income Guidelines**

Size of family unit	Forty-eight contiguous states and DC	Alaska	Hawaii
1	\$ 8,980	\$11,210	\$10,330
2	12,120	15,140	13,940
3	15,260	19,070	17,550
4	18,400	23,000	21,160
5	21,540	26,930	24,770
6	24,680	30,860	28,380
7	27,820	34,790	31,990
8	30,960	38,720	35,600
For each additional person, add	3,140	3,930	3,610

**Source:** *Federal Register*, v. 68, no. 26, Feb. 7, 2003, pp. 6456-6458.

**Table 10. Eligibility Levels for Free and Reduced Price Meals  
for the Period of July 1, 2003-June 30, 2004**

Family size	Maximum annual income levels	
	Free meals: 130% federal poverty income guidelines	Reduced price meals: 185% federal poverty income guidelines
<b>Forty-eight Contiguous United States, District of Columbia, Guam and Territories</b>		
1	\$11,674	\$16,613
2	15,756	22,422
3	19,838	28,231
4	23,920	34,040
5	28,002	39,849
6	32,084	45,658
7	36,166	51,467
8	40,248	57,276
Add for each additional member	+4,082	+5,809
<b>Alaska</b>		
1	\$14,573	\$20,739
2	19,682	28,009
3	24,791	35,280
4	29,900	42,550
5	35,009	49,821
6	40,118	57,091
7	45,227	64,362
8	50,336	71,632
Add for each additional member	+5,109	+7,271
<b>Hawaii</b>		
1	\$13,429	\$19,111
2	18,122	25,789
3	22,815	32,468
4	27,508	39,146
5	32,201	45,825
6	36,894	52,503
7	41,587	59,182
8	46,280	65,860
Add for each additional member	+4,693	+6,679

**Source:** *Federal Register*, v. 68, no. 49, Mar. 13, 2003. P. 12030.

**Table 11. Lower Living Standard Income Level (LLSIL) for a Family of Four<sup>a</sup> — Effective May 30, 2003**

(For use in programs under the Workforce Investment Act and the Work Opportunity Tax Credit)<sup>b</sup>

<b>Area</b>	<b>2003 adjusted LLSIL<sup>c</sup></b>	<b>70% of LLSIL<sup>d</sup></b>
<b>Northeast</b>		
Metropolitan	\$31,750	\$22,230
Non-Metropolitan	30,870	21,610
<b>Midwest</b>		
Metropolitan	29,220	20,450
Non-Metropolitan	27,520	19,270
<b>South</b>		
Metropolitan	27,580	19,310
Non-Metropolitan	26,100	18,270
<b>West</b>		
Metropolitan	31,650	22,150
Non-Metropolitan	30,550	21,390
<b>Alaska</b>		
Metropolitan	38,750	27,130
Non-Metropolitan	38,350	26,850
<b>Hawaii/Guam</b>		
Metropolitan	39,360	27,560
Non-Metropolitan	40,950	28,670
<b>Metropolitan Statistical Area (MSA)</b>		
Anchorage, AK	38,750	27,130
Atlanta, GA	27,890	19,520
Boston-Brockton-Nashua, MA/NH/ME	35,060	24,540
Chicago-Gary-Kenosha, IL/IN/WI	30,790	21,550
Cincinnati-Hamilton, OH/KY/IN	29,290	20,500
Cleveland-Akron, OH	30,000	21,000
Dallas-Ft Worth, TX	26,850	18,800
Denver-Boulder-Greeley, CO	31,630	22,150
Detroit-Ann Arbor-Flint, MI	28,970	20,280
Honolulu, HI	39,360	27,560
Houston-Galveston-Brazoria, TX	25,480	17,840
Kansas City, MO/KS	28,520	19,970
Los Angeles-Riverside-Orange County, CA	32,210	22,550
Milwaukee-Racine, WI	29,270	20,490
Minneapolis-St Paul, MN/WI	29,540	20,680

Area	2003 adjusted LLSIL <sup>c</sup>	70% of LLSIL <sup>d</sup>
New York-Northern New Jersey-Long Island	33,210	23,250
Philadelphia-Wilmington-Atlantic City, Pittsburgh, PA	30,780	21,540
St. Louis, MO-IL	29,350	20,550
San Diego, CA	27,670	19,370
San Francisco-Oakland-San Jose, CA	34,820	24,380
San Francisco-Oakland-San Jose, CA	34,440	24,110
Seattle-Tacoma-Bremerton, WA	34,920	24,450
Washington-Baltimore, DC/MD/VA/WA	34,610	24,227

**Source:** *Federal Register*, v. 68, no. 104, May 30, 2003. PP. 32552-32554.

- a. For LLSILs for other family sizes, see *Federal Register* entry noted above.
- b. The LLSIL is used for several purposes under the Workforce Investment Act (WIA). WIA defines “low income individual” for eligibility purposes in terms of the LLSIL or the poverty line. For purposes of state formula allotments, it defines the terms “disadvantaged adult” or “disadvantaged youth” in terms of the LLSIL or the poverty line.
- c. To assess whether employment will lead to “self-sufficiency,” WIA sets 100% of the LLSIL as the minimum pay needed.
- d. WIA provides that the terms “low-income” person and “disadvantaged adult” may be defined as a member of a family that received total family income that, in relation to family size, does not exceed 70% of the LLSIL. Further, the Internal Revenue Code provides that the term “economically disadvantaged” may be defined as 70% of the LLSIL for purposes of the Work Opportunity Tax Credit (WOTC).

## Medical Aid

# 1. Medicaid<sup>1</sup>

**Note:** Effective on July 1, 1997 (earlier in most states), P. L. 104-193 ended Aid to Families with Dependent Children (AFDC), a cash assistance program under which recipients were automatically eligible for Medicaid. The replacement block grant program of Temporary Assistance for Needy Families (TANF) does not entitle all TANF recipients to Medicaid coverage. However, those who meet the income, resource, and categorical eligibility criteria of the former AFDC program, as in effect in their state on July 16, 1996 (and subsequently modified, if applicable), are entitled to Medicaid. The description below summarizes Medicaid as it operated *after* AFDC was replaced by TANF.

## Funding Formula

The federal government shares in the cost of Medicaid services by means of a variable matching formula. The formula is inversely related to a state's per capita income and is adjusted annually. For FY2000-FY2002, the federal matching rate for services averaged about 57% for the Nation as a whole. The federal share of administrative costs generally is 50%, but as high as 100% for certain items. Preliminary data indicate that federal outlays in FY2002 totaled \$146.2 billion.

The federal share of a state's medical vendor payments is called the federal medical assistance percentage (FMAP). The FMAP is higher for states with lower per capita incomes and lower for states with higher per capita incomes. If a state's per capita income is equal to the national average per capita income, its FMAP would be 55%. The law establishes a minimum FMAP of 50% and a maximum of 83%<sup>2</sup> (though the highest rate in FY2003 was 76.62% for Mississippi). Federal matching for the territories is set at 50%, but a dollar ceiling also applies. The statutory formula for determining the FMAP follows:

$$\text{FMAP} = 100\% - \text{state share (with a minimum of 50\% and a maximum of 83\%)}$$

$$\text{State share} = \frac{(\text{state per capita income})^2}{(\text{national per capita income})^2} \times 45\%$$

The percentages are based on the average per capita income of each state and the United States for the three most recent calendar years for which satisfactory data are available from the Department of Commerce.

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<sup>1</sup> Regulations governing Medicaid are found in 42 CFR. Parts 430-456 (Oct. 2002). This program is No. 93.778 in the Catalog of Federal Domestic Assistance. It is codified at 42 U.S.C. 1396 et seq.

<sup>2</sup> In FY2003, federal funds paid exactly 50% of medical vendor payments in the 12 states with the highest per capita income (CA, CO, CT, DE, IL, MD, MA, MN, NH, NJ, NY, and WA) and 70% or higher in the 10 states with the lowest per capita income (AL, AR, ID, LA, MS, MT, NM, OK, UT and WV). Effective in FY1998, a special provision of P.L. 105-33 raised the federal share of Medicaid costs in DC from 50% to 70%.

The law provides one exception to the FMAP for benefits. Family planning services (instruction in contraceptive methods and family planning supplies) are federally matched at a 90% rate.

To provide fiscal relief to states, federal matching rates were changed temporarily by the Jobs and Growth Tax Relief Reconciliation Act (P.L. 108-27), which altered the rates for certain expenditures for the last two quarters of FY2003 and the first three quarters of FY2004. For these 5 quarters, the federal matching rate for each state is held harmless for declines from the prior fiscal year, and then is increased by 2.95 percentage points. A state is eligible for an increase in its FMAP for any of the specified quarters only if eligibility under Medicaid in effect for that quarter is no more restrictive than eligibility in effect on September 2, 2003. Program costs totaled \$258 billion in FY2002, with \$147 billion (57%) from federal funds.

## Eligibility Requirements

The requirements of federal law, coupled with the decisions of individual states in structuring their Medicaid programs, determine who is actually eligible for Medicaid in a given state. Some groups are mandatory, meaning all states must cover them; others are optional. In general, federal law places limitations on the categories of individuals that can be covered and establishes specific eligibility rules for groups within those broad categories. Traditionally, Medicaid eligibility was limited to the following categories: low-income families with dependent children (in which one parent was absent, incapacitated or unemployed), low-income persons with disabilities, and low-income elderly. In addition, certain individuals with higher income, especially those facing large costs for medical care, were eligible as “medically needy.” Beginning in the 1980s, additional coverage groups were added to Medicaid for higher income children and pregnant women. Other coverage groups are identified in statute as needing special protection against the high cost of medical care.<sup>3</sup> Over 50 distinct population groups are identified in federal law. Some are mandatory groups that all states must cover; some are optional eligibility groups.

Contributing to the complexity of the Medicaid program are financial criteria. Medicaid is a means-tested entitlement program. To qualify, applicants’ income and resources<sup>4</sup> must be within certain limits, most of which are determined by states, again within federal statutory parameters. States have flexibility in defining countable income and assets. Consequently, income and resource standards vary considerably among states, and different standards apply to different population

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<sup>3</sup> An example of such a group is uninsured women diagnosed with breast or cervical cancer through a special Centers for Disease Control (CDC) program that provides screening services to those with modest income (up to 250% of the federal poverty level). This optional coverage group was added by the Breast and Cervical Cancer Prevention and Treatment Act of 2000 (P.L. 106-354).

<sup>4</sup> Resources may include bank accounts and similar liquid assets, as well as real estate, automobiles, and other personal property for which the value may not exceed specified limits. Certain resources, such as an individual’s home, are excluded when determining eligibility.

groups within a state. In general, individuals in similar circumstances may be automatically eligible for coverage in one state, but required to assume a certain portion of their medical expenses before they can obtain coverage in another state, and not eligible at all in a third state.

**Families, Pregnant Women, and Children.** Medicaid-eligible families, pregnant women, and children fall into two basic groups: those meeting AFDC standards as of July 16, 1996, and those qualifying under a series of targeted Medicaid expansions that began in the 1980s.

**AFDC-Related Groups.** Medicaid eligibility for AFDC-related groups was affected significantly by both the Personal Responsibility and Work Opportunities Reconciliation Act of 1996 (PRWORA, P.L. 104-193), which replaced the AFDC cash assistance program with the Temporary Assistance for Needy Families (TANF) block grant program, and the Balanced Budget Act of 1997 (BBA 97, P.L. 105-33).

**Mandatory.** Members of families that meet the eligibility requirements of the old AFDC programs in effect in their states on July 16, 1996 must be covered under Medicaid. States may modify their rules governing income and resource standards for such AFDC-related groups. These modifications can be made by raising income/resource standards up to the percentage increase in the Consumer Price Index (CPI) after July 16, 1996, or by lowering income standards to applicable levels no lower than those in effect on May 1, 1988, or by using income/resource methodologies that are less restrictive than those in effect on July 16, 1996.

States must provide Medicaid assistance for recipients of adoption assistance and foster care under Title IV-E of the Social Security Act. Transitional or extended benefits are available to families who lose Medicaid eligibility because of increased hours of employment, increased earnings, loss of a time-limited earned income disregard, or increased child or spousal support payments. If the family loses Medicaid eligibility because of increased earnings or hours of employment, Medicaid coverage is extended for 6 to 12 months.<sup>5</sup> (During the second 6 months, a premium can be imposed, the scope of benefits might be limited, or alternate delivery systems might be used.) If the family loses Medicaid because of increased child or spousal support, coverage is extended for 4 months. Pregnant women and children are exempt from TANF work requirements and retain their Medicaid eligibility.

**Optional.** States are permitted to cover additional AFDC-related groups. States may provide Medicaid to former foster care recipients ages 18, 19 and 20, and can limit such coverage to those eligible for Title IV-E before turning 18. States may also extend Medicaid to children up to age 21 in families whose income and resources are within AFDC standards (as of July 16, 1996), but who do not meet the definition of a dependent child (also known as Ribicoff children), and may limit this coverage to reasonable subgroups, such as children in two-parent families, those in

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<sup>5</sup> The requirement for 6 months of transitional Medicaid, which originally applied to families who lost AFDC eligibility because of work, was carried over in the 1996 TANF law. It has been extended beyond September 30, 2002 (along with basic TANF grants) by several laws, most recently by P.L. 108-89 — through March 31, 2004.

privately subsidized foster care, or those who live in certain institutional settings.<sup>6</sup> Finally, states may deny Medicaid benefits to nonpregnant adults and heads of households who lose TANF benefits because of refusal to work.

**Poverty-Related<sup>7</sup> Pregnant Women and Children.** Beginning in 1984, Congress gradually extended Medicaid coverage to groups of pregnant women and children who are defined in terms of family income and resources, rather than in terms of their ties to cash welfare programs.

**Mandatory.** States must cover pregnant women and children under age 6 with family incomes below 133% of the federal poverty income guidelines. (The state may impose a resource standard that is no more restrictive than that for SSI, in the case of pregnant women, or AFDC as of July 16, 1996, in the case of children.) Coverage for pregnant women is limited to services related to the pregnancy or complications of the pregnancy through 60 days postpartum. Children receive full Medicaid coverage.

States are also required to cover all children under age 19 who were born after September 30, 1983, and whose family income is below 100% of the federal poverty level.

**Optional.** States may cover pregnant women and infants under age 1 with family incomes up to 185% of the federal poverty level (FPL). In addition, through other provisions of Medicaid law, states are permitted to cover additional pregnant women and children with incomes above applicable federal mandatory minimum levels. Such key provisions include waivers of eligibility rules (through Section 1115), use of more liberal methods for calculating income and resources for some categories of eligibles (through Section 1902(r)(2)), as well as through Medicaid expansions under the State Children's Health Insurance Program (SCHIP; program no. 3 in this report). For example, under SCHIP, most states now cover at least some groups of children under age 19 in families with income at or above 200% of the federal poverty level.

Finally, states have the option of continuing Medicaid eligibility for current child beneficiaries for up to 12 months without a redetermination of eligibility. States are also allowed to extend Medicaid coverage to pregnant women and children under 19 years of age on the basis of "presumptive" eligibility until formal determinations are completed.

**Aged and Disabled Persons.** In general, Medicaid provides coverage to certain groups of individuals receiving (or qualifying for) cash assistance through the Supplemental Security Income (SSI) program. It also covers the Medicare cost-

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<sup>6</sup> This group will become largely obsolete as states are required to phase in coverage of children under age 19 with incomes below poverty. However, some states might still choose to cover Ribicoff children aged 19 and 20.

<sup>7</sup> In 2003, the poverty guideline in the 48 contiguous states and DC was \$18,400 for a family of four.

sharing obligations for certain individuals. In addition, Medicaid covers certain individuals needing institutional care or other types of long-term care services.

**SSI-Related Groups.** The SSI program was established in 1972, replacing previous federal-state cash assistance programs for the aged, blind, and disabled. Income and resource standards are defined in federal law. For 2003, individuals applying for SSI could not have countable monthly income in excess of \$552, and their countable resources could not exceed \$2,000. Similar criteria for couples were \$829 in monthly income and \$3,000 in resources. However, states have the option of supplementing SSI payments (SSP) for aged persons living independently, and using the resulting higher income levels as the applicable financial standard for determining Medicaid eligibility.

**Mandatory.** States are generally required to cover SSI recipients under their Medicaid programs. However, states may use more restrictive eligibility standards for Medicaid than those for SSI if they were using those standards on January 1, 1972 (before the implementation of SSI), as authorized under Section 209(b) of the Social Security Act. There were 11 such Section 209(b) states in 2001.<sup>8</sup> States using more restrictive income standards must allow applicants to “spend down” — deduct incurred medical expenses from income before determining eligibility. For example, if an applicant has a monthly income of \$600 (not including any SSI or state supplement payment) and the state’s maximum allowable income is \$500, the applicant would become eligible for Medicaid after incurring \$100 in medical expenses in that month.

States must continue Medicaid coverage for several defined groups of individuals who lose SSI or SSP eligibility. The “qualified severely impaired” are disabled persons who return to work and lose SSI eligibility because of earnings, but still have the condition that originally rendered them disabled and who meet all nondisability criteria for SSI except income. Medicaid must be continued for these persons if they need on-going medical assistance to continue working and their earnings are not sufficient to provide the equivalent of SSI, Medicaid, and attendant care benefits for which they would qualify in the absence of earnings. States must also continue Medicaid coverage for persons who were once eligible for both SSI and Social Security payments and who lose SSI because of a cost-of-living adjustment (COLA) in their Social Security benefits. Similar Medicaid continuations have been provided for certain other persons who lose SSI as a result of eligibility for or increases in Social Security or veterans’ benefits. Finally, states must continue Medicaid for certain SSI-related groups who received benefits in 1973, including “essential persons” (persons who care for a disabled individual).

**Optional.** States are permitted to provide Medicaid to individuals who are not receiving SSI but are receiving state-only supplementary cash payments. Effective in August of 1997, under provisions of the Balanced Budget Act of 1997 (BBA 97), states may make Medicaid available to disabled SSI beneficiaries with incomes up to 250% of the FPL. These individuals may “buy into” Medicaid by paying a premium based on income as determined by the state. The 1999 Ticket to Work

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<sup>8</sup> These 11 states are CT, HI, IL, IN, MN, MO, NH, ND, OH, OK, and VA.

legislation (P.L. 106-170) further allows states to cover employed, disabled persons at higher income and resource levels (i.e., income over 250% of the FPL and resources exceeding \$2,000 for an individual or \$3,000 for a couple). States may also cover financially eligible working individuals whose medical condition has improved such that they no longer meet the SSI definition of disability. Such individuals may have to buy into Medicaid by paying premiums or other cost-sharing charges on a sliding fee scale based on income, as established by the state. Finally, states have the option of extending Medicaid to certain additional elderly or disabled persons. These include individuals eligible for SSI but not receiving it, and elderly and disabled persons whose income does not exceed 100% of the FPL and whose resources do not exceed the SSI standard.

**Qualified Medicare Beneficiaries and Related Groups.** Certain low-income individuals who are aged or have disabilities as defined under SSI and who are eligible for Medicare are also eligible to have some of their Medicare cost-sharing expenses paid for by Medicaid. There are four categories of such persons:

- *Qualified Medicare Beneficiaries (QMB).* Qualified Medicare beneficiaries are aged or disabled Medicare beneficiaries with incomes no greater than 100% of the FPL and assets no greater than \$4,000 for an individual and \$6,000 for a couple. States are required to cover, under their Medicaid programs, the costs of Medicare premiums, deductibles, and coinsurance for Medicare covered benefits for such persons. Other Medicaid covered services, such as nursing facility care, prescription drugs and primary and acute care services, are not covered for these individuals unless they qualify for Medicaid through other eligibility pathways (e.g., via SSI, medically needy, or the special income rule for institutionalized persons described below).
- *Specified Low-Income Medicare Beneficiaries (SLMB).* Specified low-income Medicare beneficiaries meet QMB criteria, except that their income is greater than 100% of the FPL but does not exceed 120% of the FPL. Under this Medicaid pathway, states are required to cover only the monthly Medicare Part B premium. Other Medicaid services are not covered for these individuals unless they qualify for Medicaid through other eligibility pathways.
- *Qualifying Individuals (QI-1).* The QI-1 eligibility pathway<sup>9</sup> applies to aged and disabled Medicare beneficiaries whose income is between 120% and 135% of the FPL. For these individuals, states are required to pay the monthly Medicare Part B premium, only until the federal allotment for this purpose is depleted.<sup>10</sup> These individuals are not otherwise eligible for Medicaid.

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<sup>9</sup> The program known as Qualifying Individuals-2 (QI-2) ended on Dec. 31, 2002.

<sup>10</sup> In general, Medicaid payments are shared between the federal government and the states according to the matching formula described above. However, expenditures under the QI-1 program are paid 100% by the federal government (from the Part B trust fund) up to the state's allocation level. A state is only required to cover the number of persons which would bring its spending on these population groups in a year up to its allocation level. This temporary program, originally slated to end Sept. 30, 2002, was extended through Sept.

(continued...)

- *Qualified Disabled and Working Individuals (QDWIs)*. States are required to pay the Medicare Part A premiums for persons who were previously entitled to Medicare on the basis of a disability, who lost their entitlement based on earnings from work, but who continue to have a disabling condition. Such persons may only qualify if their incomes are below 200% of the FPL, their resources are below 200% of the SSI limit (\$4,000), and they are not otherwise eligible for Medicaid.

***Persons Receiving Institutional or Other Long-Term Care and Related Groups (all optional)***. States may provide Medicaid to certain otherwise ineligible groups of persons who are in nursing facilities (NFs) or other institutions, or who would require institutional care if they were not receiving alternative services at home or in the community.

States may establish a special income standard for institutionalized persons, not to exceed 300% of the maximum SSI benefit that would be payable to a person living at home and with no other resources (\$1,656 per month in 2003). In states without a medically needy program (described below), this “300% rule” is an alternative way of providing NF coverage to persons with incomes above SSI or State Supplementary Payment (SSP) levels.<sup>11</sup>

Both the medically needy and those becoming eligible under the “300% rule” must contribute their available income to the costs of their care. Medicaid has distinct post-eligibility rules to determine how much of a beneficiary’s income must be applied to the cost of care before Medicaid makes its payment. Special rules exist for the treatment of income and resources of married couples when one of the spouses requires nursing home care and the other remains in the community. These rules are referred to as the “spousal impoverishment” protections of Medicaid law, because they are intended to prevent the impoverishment of the spouse remaining in the community.

A state may obtain a waiver under Section 1915(c) of the Act to provide home and community-based services to a defined group of individuals who would otherwise require institutional care. The waiver coverage may include persons who would be eligible under the “300%” rule if they were in an institution, or those eligible through a medically needy program.

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<sup>10</sup> (...continued)  
2004, by P.L. 108-173.

<sup>11</sup> Until OBRA-93, persons with incomes in excess of these limits could not qualify for Medicaid coverage for their nursing home care, even if their income was insufficient to cover the costs of such care. OBRA-93 included provisions that allow individuals to deposit excess income above the 300% limit into a trust, sometimes referred to as a “Miller Trust,” and receive Medicaid coverage. The funds in the trust are recoverable by the state after the person’s death. This arrangement, which is essentially a delayed spend-down, has reduced access barriers that may have been encountered by persons in states that do not otherwise permit spend-down under Medicaid.

A state may also provide Medicaid to several other classes of persons who need the level of care provided by an institution and would be eligible if they were in an institution. These include children who are being cared for at home, persons of any age who are ventilator-dependent, and persons receiving hospice benefits in lieu of other covered services. States electing these options must cover all persons who are in the class and living in the state.

**The Medically Needy.** In 2002, 35 states and the District of Columbia provided Medicaid to at least some groups of “medically needy” persons. These are persons who meet the nonfinancial standards for inclusion in one of the groups covered by Medicaid, but who do not meet the income or resource requirements for such coverage. Under medically needy programs, individuals can spend down to the medically needy standard set by the state by incurring medical expenses, in the same way that SSI recipients in Section 209(b) states may spend down to Medicaid eligibility.

Under medically needy programs, states may set income standards at any level up to 133 and 1/3% of the standard used for the most closely related cash assistance program. For families with children, the maximum applicable medically needy income standard would be up to one-third more than that which was in effect for a similar family under the state’s former AFDC program. For individuals who have a disability or are elderly, it would be up to one-third more than the SSI income standard. States may limit the groups of individuals who receive medically needy coverage. If the state provides any medically needy coverage, however, it must include all children under 18 who would qualify under one of the welfare-related groups, and all pregnant women who would qualify under either a mandatory or optional group, if their income or resources were lower.

**Individuals Qualifying Under Demonstration Waivers.** Demonstration waivers available under the authority of Section 1115 (of the Social Security Act) enable states to experiment with new approaches for providing health care coverage that promote the objectives of the Medicaid program. Section 1115 allows the Secretary of HHS to waive a number of Medicaid rules — including many of the federal rules relating to Medicaid eligibility. The Health Insurance Flexibility and Accountability (HIFA) Initiative, introduced by the Bush Administration in 2001, is an explicit effort to encourage states to seek Section 1115 waivers to extend Medicaid and SCHIP to the uninsured, with a particular emphasis on statewide approaches that maximize private health insurance coverage options and target populations with incomes below 200% of the FPL. Some states have used such waivers to enact broad-based and sometimes statewide health reforms although demonstrations under Section 1115 need not be statewide. Some states have extended comprehensive health insurance coverage to low-income children and families who would not otherwise be eligible for Medicaid.

**Aliens.** Legal immigrants arriving in the United States after August 22, 1996 are ineligible for Medicaid for their first 5 years in this country. Coverage of these persons after the 5-year ban is a state option. States are required to provide Medicaid to legal immigrants who resided in the country and were receiving benefits on August 22, 1996 (and who continue to meet the criteria) and to those residing in the country as of that date who become disabled in the future.

States are also required to provide coverage to: (1) refugees for the first 7 years after entry into the United States, (2) asylees for the first 7 years after asylum is granted, (3) individuals whose deportation is being withheld by the Immigration and Naturalization Service (INS) for the first 7 years after grant of deportation withholding, (4) lawful permanent aliens after they have been credited with 40 quarters of coverage under Social Security, and (5) lawful permanent aliens who are honorably discharged U.S. military veterans or active duty military personnel, and their spouses and unmarried dependent children who otherwise meet the state's financial eligibility criteria.

States are required to provide emergency Medicaid services to all legal and undocumented non-citizens who meet the financial and categorical eligibility requirements for Medicaid.

**Medicaid Purchase of COBRA Coverage.** COBRA<sup>12</sup> provides that employees or dependents who leave an employee health insurance group in a firm with 20 or more employees must be offered an opportunity to continue buying insurance through the group for 18 to 36 months (depending on the reason for leaving the group). The employer may charge a premium of no more than 102% of the average plan cost (150% for months 19 to 29 for certain disabled persons). Under OBRA 90, state Medicaid programs may pay the premiums for COBRA continuation coverage when it is cost-effective to do so, and the individual otherwise meets the state's eligibility requirements.

## Benefits

States are required to offer the following services to most groups of recipients: inpatient and outpatient hospital services; rural health clinic services; laboratory and X-ray services; nursing facility services for those over age 21; home health services for those over age 21 and to those under 21 if entitled to nursing facility care; the early and periodic screening, diagnostic and treatment program (EPSDT) for those under age 21; family planning services and supplies; federally qualified health center services; nurse-midwife, certified family and pediatric nurse-practitioner services; and physicians' services and medical and surgical dental services furnished by a dentist. States must also assure transportation of any Medicaid-eligible individual to and from providers of medical care.

Federal law includes two basic coverage requirements for the medically needy. First, if a state provides medically needy coverage to any group, it must provide ambulatory services to children under 18 and individuals entitled to institutional services, prenatal and delivery services for pregnant women (as well as 60 days of postpartum care for those eligible for and receiving pregnancy-related services), and home health services to individuals entitled to nursing facility services. Second, if the state provides medically needy coverage for persons in institutions for mental diseases or intermediate care facilities for the mentally retarded (ICFs/MR), it must offer to all groups covered in its medically needy program all of the mandatory services required for the categorically needy (except services provided by pediatric

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<sup>12</sup> COBRA is the Consolidated Omnibus Budget Reconciliation Act of 1985 (P.L. 99-272).

and family nurse practitioners), or alternatively, any of seven categories of care and services listed in Medicaid law defining covered benefits.

Finally, states may also choose to provide one or more optional services to categorically and medically needy beneficiaries. These additional services include, for example, prescription drugs, eyeglasses, other dental services, physical therapy, and inpatient psychiatric care for individuals under age 21 or over 65.

States may limit the amount, duration and/or scope of care provided under any mandatory or optional service category (such as limiting the number of days of covered hospital care or number of physical therapy visits). Federal law permits states to impose nominal cost-sharing charges on some Medicaid beneficiaries and for some services.

In FY2000, the most recent year for which enrollment data are available, 44.3 million persons were covered by Medicaid. The aged, blind and disabled represented 25% of Medicaid enrollment but accounted for 70% of program spending. Non-disabled children and adults, in contrast, comprised 67% of enrollment but only 26% of spending. Between FY2000 and FY2002, total federal and state Medicaid spending increased by about 25% from \$206.1 billion to \$258.2 billion. In FY2002, Medicaid outlays from federal funds totaled \$146.2 billion. Total FY2003 Medicaid expenditures are expected to reach roughly \$278 billion, with federal outlays estimated at \$158 billion.

**Note:** For more information, see CRS Report RS20245, *Medicaid: A Fact Sheet*, CRS Report RS21071, *Medicaid Expenditures, FY2000 and FY2001*, and *2003 Green Book, Section 15: Other Programs*, U.S. House of Representatives, Committee on Ways and Means (forthcoming).

## 2. Medical Care For Veterans Without Service-Connected Disability

### Funding Formula

Medical care from the Department of Veterans Affairs (VA) is funded by the federal government. VA medical services are defined as *discretionary* in the federal budget. Appropriations requests are guided by estimates of the expected caseload, and for FY2003, Congress provided \$23.9 billion, for an expected caseload of nearly 4.9 million “unique” patients. VA is also authorized to use proceeds of the Medical Care Collections Fund (MCCF)<sup>1</sup> for medical care, an amount estimated to be \$1.836 billion in FY2003.

In addition to care provided in VA facilities and under contract, the VA provides per diem payments to states for care of eligible veterans in state facilities. The VA also provides for medical care to certain spouses and children of certain service-connected disabled and other veterans under the Civilian Health and Medical Program (CHAMPVA). The amount of FY2002 appropriations used to provide free care to veterans who qualified because of having low income and/or low assets is estimated at \$8.1 billion.<sup>2</sup>

### Eligibility Requirements<sup>3</sup>

Unlike other medical benefit *entitlements* such as Medicare or Medicaid, eligibility for medical benefits from VA conveys varying degrees of rights. In principle, all veterans are eligible to receive services from VA medical facilities, although the potential total amount of services available to all veterans is contingent on appropriations. Veterans with *high-priority* rights under VA law are generally assured a full array of services, and those with *lower-priority* are provided services if space and resources are available. Highest priority for the full range of medical services is granted to veterans with severe, service-connected disabilities. Other veterans have varying degrees of access for the different types of medical services, with distinctions based on the severity of the condition, whether or not it is service-connected, level of income, and type of medical service provided.

In practice, there is no evidence that any veterans were denied services at any VA facility in FY2002, and no denials are expected during FY2003 (except for nursing home care, which is provided only on a space-available basis, regardless of priority status). As a general rule, no veteran is denied medical services upon

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<sup>1</sup> The MCCF receives reimbursements from medical insurers with some responsibility for care provided by VA to veterans enrolled in those insurer’s health plans, and copayments and deductibles paid by about 10% of veterans receiving care whose eligibility obligates them for such cost sharing.

<sup>2</sup> All but 10% of the veterans served by VA receive their care free (but most do not have to satisfy a needs test).

<sup>3</sup> Eligibility rules are set forth in 38 CFR. Part 17.47 (2002). This program is no. 64.009 in the Catalog of Federal Domestic Assistance.

presenting a health complaint to qualified personnel at a VA medical facility. For administrative purposes, and to best manage the medical needs of individual patients, veterans are encouraged to enroll in regional VA health care plans (enrollment for veterans who do not have a service-connection, whose enrollments are above the threshold for means-tested services, or who are not already enrolled has been temporarily halted). There are 23 of these Veterans Integrated Service Networks (VISNs) nationwide.

The largest category of veterans provided free medical care by VA consists of persons who qualify for that care because their assets and income are below certain annually adjusted standards (in 2003: single person, \$24,644; with one dependent, \$29,576; for each additional dependent, \$1,586), with possible additional adjustments for regional differences in medical costs. VA estimates that out of 25 million veterans, about 7 million would qualify for free care because they meet the low-income standards. Veterans whose incomes in the previous calendar year were no higher than the pension of a veteran in need of regular aid and attendance (in 2003: single person, \$16,169; with one dependent, \$19,167; for each additional dependent, \$1,653) are also eligible for free medications; others pay copayments of \$7 monthly for prescriptions filled in VA pharmacies, up to a maximum of \$840 per year. A veteran applying for care under the low-income eligibility test is advised that reported income is subject to verification by matching the amount shown on the application with income reported to the Internal Revenue Service (IRS). Once eligible under the income rules, a veteran remains eligible until determined upon (annual) reevaluation to no longer meet the income standard. VA has estimated that about 38% of the applications for medical services are from veterans entitled to free care because of meeting the income standards.<sup>4</sup>

## Benefit Levels

Benefits in VA facilities include inpatient hospital care, nursing home care, domiciliary care, and outpatient care. The VA contracts with other facilities to provide care to veterans in areas where VA medical facilities are unavailable. VA is the largest provider of inpatient psychiatric services, specializes in treatments for spinal injuries and prosthetics, and conducts or sponsors research in numerous medical fields, with special emphasis on conditions traceable to a period of military service. The VA offers medical care to the nation's 25 million veterans, although a relatively few (about 15%) of those eligible avail themselves of the services. In FY2002, the VA provided care for 4.7 million persons, through 732 thousand inpatient episodes and 47 million outpatient visits.

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<sup>4</sup> Data from VA show that about 38% of veterans who applied for care since the inception of enrollment in VA health care plans at the start of FY1999 qualified as a result of meeting the means-tested requirements for VA health care or qualified because of being eligible for other means-tested programs such as VA pensions or Medicaid.

During FY2003, the Veterans Health Administration (VHA) operated 172 hospitals, 137 nursing homes, 843 outpatient clinics, 43 domiciliaries, and an extensive pharmaceutical supply apparatus. Veterans' medical care appropriations were \$21.3 billion in FY2002, \$23.5 billion in FY2003 and are projected to reach \$24.8 billion in FY2004.

### 3. State Children's Health Insurance Program (SCHIP)

#### Funding Formula

The Balanced Budget Act of 1997 (BBA 97, P.L. 105-33) established the State Children's Health Insurance Program (SCHIP) under Title XXI of the Social Security Act.<sup>1</sup> The program offers federal matching funds for states and territories to provide health insurance to targeted low-income children. In the original law, Congress appropriated \$39.7 billion in SCHIP federal matching grants for 10 years, FY1998 through FY2007.<sup>2</sup> For each year from FY1998 through FY2001, total federal funding available to states and territories was approximately \$4.3 billion. For each of FY2002, FY2003, and FY2004, federal funding equals \$3.2 billion. State matching funds for FY2002 are estimated at \$1.6 billion.

Allotment of funds among the states is determined by a formula set in law. This formula is based on a combination of the number of low-income children and low-income, uninsured children in the state, and includes a cost factor that represents average health service industry wages in the state compared to the national average. All states have submitted SCHIP program plans to the Centers for Medicare and Medicaid Services (CMS) (formerly known as the Health Care Financing Administration). States have 3 fiscal years in which to draw down a given year's funding. Under SCHIP law as enacted in 1997, allotments not spent by the end of the applicable 3-year period will be redistributed — by a method to be determined by the Secretary of Health and Human Services (HHS) — to states that have fully spent their original allotments for that year. Redistributed funds not spent by the end of the fiscal year in which they are reallocated will officially expire.<sup>3</sup>

Like Medicaid, SCHIP is a federal-state matching program. For each dollar of state spending, the federal government makes a matching payment, up to the state's

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<sup>1</sup> The program number for SCHIP in the Catalog of Federal Domestic Assistance is 93.767. It is codified at 42 U.S.C. 1397aa et seq. The final rule governing SCHIP was published on January 11, 2001 (42 CFR Parts 431, 433, 435, etc.) and was revised by an interim final rule published June 25, 2001 (42 CFR Parts 431, 433, et al.), which took effect on August 24, 2001.

<sup>2</sup> The law set aside 0.25% of SCHIP funds for territories and commonwealths (Puerto Rico, Guam, Virgin Islands, American Samoa, and the Northern Marianas). It also set aside \$60 million annually for Special Diabetes Grants for FY1998 through FY2002 only.

<sup>3</sup> The Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA-2000), incorporated by reference into P.L. 106-554, created a special rule for the redistribution and availability of unused FY1998 and FY1999 SCHIP allotments. The rule allowed states that had not spent all of their allotments to retain a portion of their unspent funds, thus decreasing the amount available for redistribution to states that had spent all of their allotments. Unspent funds from FY1998 and FY1999 were made available through the end of FY2002. For a more detailed discussion on SCHIP financing issues, see CRS Report RL31977, *SCHIP Financing Issues in the 108<sup>th</sup> Congress*.

allotment. The state's share of program spending is equal to 100% minus the enhanced federal medical assistance percentage (the enhanced FMAP). The enhanced FMAP is equal to the state's Medicaid FMAP (for the regular FMAP formula, see program no. 1 of this report), increased by the number of percentage points that is equal to 30% multiplied by the number of percentage points by which the FMAP is less than 100%.<sup>4,5</sup>

There is a limit on spending for SCHIP administrative expenses, which include activities such as data collection and reporting, as well as outreach and education. For federal matching purposes, a 10% cap applies to state administrative expenses. It is imposed on the dollar amount that the state actually draws down from its allotment to cover benefits under SCHIP, as opposed to 10% of its total allotment for a given year.

## Eligibility Requirements

Each state defines the group of targeted low-income children who may enroll in SCHIP. The law allows states to use these factors in determining eligibility: geography, age, income and resources, residency, disability status, access to other health insurance and duration of eligibility for SCHIP. In general, funds cannot be used for children who are eligible for the state's Medicaid program or for children covered by a group health plan or other insurance.

Under SCHIP states may cover children in families with incomes that are either: (1) above the state's applicable Medicaid eligibility standard under the rules in effect in the state on March 31, 1997, but less than 200% of the federal poverty guideline,<sup>6</sup> or (2) in states with Medicaid income levels for children already at or above 200% of the poverty line, within 50 percentage points over the state's Medicaid income eligibility limit for children. Many states cover at least some groups of children in families with income at or above 200% FPL.

In addition, several states have sought approval for special waivers of SCHIP rules to use SCHIP funds to cover new groups, including some categories of adults. Under Section 1115 of the Social Security Act, the Secretary of HHS has broad

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<sup>4</sup> For example, if a state has a Medicaid FMAP of 60%, under Medicaid a state must spend 40 cents for every 60 cents that the federal government contributes. The enhanced FMAP would be equal to the Medicaid federal matching percentage increased by 12 percentage points, (60%+[30% multiplied by 40 percentage points]=72%.) The state share would be equal to 100%-72%=28%. Compared with Medicaid FMAPs, which range from 50% to 76.62% in FY2003 (a maximum of 83% is allowed in statute), the enhanced FMAP for the SCHIP programs ranges from 65% to 83.63%. The enhanced FMAP is subject to a ceiling of 85%.

<sup>5</sup> On May 28, 2003, the *Jobs and Growth Tax Relief Reconciliation Act of 2003* (P.L. 108-27) was enacted and included a temporary increase in the Medicaid FMAP for the last 2 quarters of FY2003 and the first 3 quarters of FY2004.

<sup>6</sup> In 2003, 200% of the federal poverty guideline was \$24,240 for a family of two, \$30,520 for a family of three, and \$36,800 for a family of four (higher guidelines apply in Alaska and Hawaii).

statutory authority to conduct research and demonstration projects under six programs, including Medicaid and SCHIP. Using waiver authority, the Health Insurance Flexibility and Accountability (HIFA) Initiative, announced by the Bush Administration in August 2001, encourages states to develop statewide projects that coordinate Medicaid and SCHIP with private health insurance coverage and targets uninsured individuals with income below 200% of the federal poverty level, just as SCHIP does. Later, the Administration indicated that unspent SCHIP funds could be used to finance the HIFA initiative.<sup>7</sup> As of June 12, 2003, CMS approved 14 SCHIP 1115 waivers (6 others were in review). Seven of the 14 approved waivers are SCHIP HIFA demonstrations.<sup>8</sup> Several of the approvals allow states to use SCHIP funds to cover new groups of individuals such as pregnant women, parents of SCHIP and Medicaid-eligible children, and childless adults.

## Benefit Levels

States may choose from three options when designing their SCHIP programs. They may expand their existing Medicaid program,<sup>9</sup> create a new “separate state” insurance program, or devise a combination of both approaches. As of July 8, 2003, 20 jurisdictions implemented Medicaid expansions (ME), 19 created separate state programs (SSP), and the remaining 17 developed a combination approach (COMBO).<sup>10</sup>

States that choose to cover targeted low-income children under Medicaid must provide the full range of mandatory Medicaid benefits, as well as all optional services specified in their state Medicaid plans. In creating a new separate state insurance program, states may choose any of three benefit options: (1) a benchmark benefit package, (2) benchmark equivalent coverage, or (3) any other health benefits plan that the Secretary determines will provide appropriate coverage to the targeted population of uninsured children.

A benchmark benefit package is one of the following three plans: (1) the standard Blue Cross/Blue Shield preferred provider option plan offered under the Federal Employees Health Benefits Program (FEHBP), (2) the health coverage that

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<sup>7</sup> Department of Health & Human Services, Centers for Medicare and Medicaid Services, *Report on the Health Insurance Flexibility and Accountability (HIFA) Initiative: State Accessibility to Funding for Coverage Expansions*, Oct. 4, 2001.

<sup>8</sup> [<http://www.cms.gov/schip/1115waiv.pdf>].

<sup>9</sup> Under Medicaid, states may cover targeted low-income children in one or more of the following three ways: (1) by establishing a new optional eligibility group for such children as authorized in BBA-97; (2) by liberalizing the financial rules for any of several existing Medicaid eligibility categories using Section 1902(r)(2) authority, or (3) by liberalizing the income standards or methodologies applicable to family coverage under Section 1931. When states use the second or third approach (rather than creating a new optional coverage group) services provided to the subset of targeted low-income children *without* other health insurance are paid for out of the SCHIP allotments at the enhanced SCHIP FMAP rate. Services delivered to the remaining children *with* other health insurance are paid for by Medicaid at the regular FMAP rate.

<sup>10</sup> [<http://www.cms.hhs.gov/schip/statemap.asp>].

is offered and generally available to state employees in the state involved, or (3) the health coverage that is offered by an HMO with the largest commercial (non-Medicaid) enrollment in the state involved.

Benchmark equivalent coverage is defined as a package of benefits that has the same actuarial value as one of the benchmark benefit packages. A state choosing to provide benchmark equivalent coverage must cover each of the benefits in the “basic benefits category.” The benefits in the basic benefits category are inpatient and outpatient hospital services, physicians’ surgical and medical services, lab and x-ray services, and well-baby and well-child care, including age-appropriate immunizations. Benchmark equivalent coverage must also include at least 75% of the actuarial value of coverage under the benchmark plan for each of the benefits in the “additional service category.” These additional services include prescription drugs, mental health services, vision services, and hearing services. States are encouraged to cover other categories of services not listed above. Abortions may not be covered, except in the case of a pregnancy resulting from rape or incest, or when an abortion is necessary to save the mother’s life.

Title XXI gives states authority to determine the amount, duration and scope of the services covered unless the state chooses to provide a benchmark plan. Benchmark equivalent plans may limit their benefit packages in any way they choose as long as the entire package is certified to be an actuarial equivalent of the benchmark plan.

While federal law permits states to impose cost-sharing for some beneficiaries and services, cost-sharing is not permitted for well-baby or well-child care services, and American Indian and Alaskan Native children are exempt from all cost sharing. Apart from these general exceptions, states that choose to cover targeted low-income children under Medicaid must follow the cost-sharing rules of the Medicaid program. Generally, Medicaid does not allow cost sharing for medical services (e.g., deductibles, co-payments, and co-insurance), and cost sharing associated with program participation (e.g., enrollment fees, and premiums) is limited to nominal amounts. If the state implements SCHIP through a separate state program, premiums or enrollment fees may be imposed, but they are subject to limits.

Under separate state programs, for families with incomes under 150% of the federal poverty line, income-related charges (i.e., enrollment fees, premiums, or similar charges tied to the total gross family income) may not exceed the amounts set forth in federal Medicaid regulations.<sup>11</sup> For children whose family income is at or below 100% FPL, service-related cost-sharing is limited to nominal amounts as defined in Medicaid regulations.<sup>12</sup> For children whose family income is between 101% and 150% FPL, service-related cost-sharing must meet “adjusted nominal amounts.”<sup>13</sup> These adjusted amounts reflect the enrollees’ increased ability to pay.

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<sup>11</sup> 42 CFR. §447.52 (2002)

<sup>12</sup> 42 CFR. §447.54 (2002)

<sup>13</sup> 42 CFR. §457.555 (2002).

Cumulative cost-sharing maximums for each 12-month enrollment period must not exceed 5% of the family's annual income.<sup>14</sup>

For families with income above 150% of the federal poverty line, service-related cost sharing may be imposed in any amount, provided cost-sharing for higher income children is not lower than cost-sharing for lower income children. However, the total annual aggregate cost-sharing (including premiums, deductibles, co-payments and any other charges) for all targeted low-income children in the family may not exceed 5% of total family income for the year. Regardless of the family's cumulative cost-sharing maximum, states must: (1) inform families of these limits; (2) provide a mechanism for families to stop paying once the cost-sharing limits have been reached; and (3) provide reasonable notice of any missed payments prior to disenrollment.

Early in the program, enrollment rates were low, but by FY2002, the pace of enrollment had increased. Estimates from CMS<sup>15</sup> indicated that as of December 1998, nearly 1 million children (982,000) were enrolled in SCHIP under 43 operational state programs, and by the end of FY1999, nearly 2 million children (1,979,459) were enrolled under 53 operational state programs.<sup>16</sup> Preliminary data show that total SCHIP enrollment reached 5.3 million children in FY2002. Of this total, 1.3 million were targeted low-income children covered under Medicaid expansions, and 4.0 million children were covered in separate state programs.<sup>17</sup> Preliminary data show that total SCHIP enrollment for adults reached 349,118 in FY2002.

SCHIP spending during the first 4 years of the program, (FY1998-FY2001), was well below federal appropriations, but has increased over time.<sup>18</sup> For FY1998, SCHIP program federal expenditures totaled \$122 million; for FY1999, \$922 million; for FY2000, \$1.93 billion, and for FY2001 federal expenditures increased to \$2.62 billion. In FY2002, federal SCHIP expenditures equaled \$3.78 billion.

FY2002 is the first fiscal year in which state spending of available SCHIP funds exceeded the SCHIP program appropriations for that year. This trend is likely to continue as additional states spend all of their available funds and are eligible for redistributions of unspent funds from earlier annual allotments. However, while more states will be eligible for redistributions there will be fewer funds available for

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<sup>14</sup> 42 CFR. §457.560(b) (2002)

<sup>15</sup> Centers for Medicare and Medicaid Services (formerly known as HCFA), *A Preliminary Estimate of the Children's Health Insurance Program Aggregate Enrollment Numbers Through December 31, 1998* (background only), Apr. 20, 1999.

<sup>16</sup> Health Care Financing Administration, *The State Children's Health Insurance Program, Annual Enrollment Report, October 1, 1998-September 30, 1999*. (no date)

<sup>17</sup> Centers for Medicare and Medicaid Services, *Fiscal Year 2002 Number of Children Ever Enrolled in SCHIP — Preliminary Data Summary*, Jan. 30, 2003.

<sup>18</sup> For each of FY1998 through FY2001, total federal funding available to states and territories was approximately \$4.3 billion. For each of FY2002, FY2003, and FY2004, federal funding available to states and territories equals \$3.2 billion.

redistribution to such states. In the absence of statutory changes to SCHIP financing provisions, CMS projects shortfalls for some states over the second half of the program (FY2003-FY2006). In its March 2003 baseline, CBO projected that total federal SCHIP spending will grow to \$5.0 billion in FY2007.

**Note:** For more information about SCHIP, see CRS Report RL30473, *The State Children's Health Insurance Program (SCHIP): A Brief Overview*; CRS Report RL30642, *The State Children's Health Insurance Program: Eligibility, Enrollment, and Program Funding*; and CRS Report RL31977, *SCHIP Financing Issues for the 108<sup>th</sup> Congress*.

## 4. General Assistance (Medical Care Component)<sup>1</sup>

### Funding Formula

No federal funds are available for this program.

As of mid-1998, medical assistance for recipients of non-federally funded cash aid (generally known as General Assistance (GA)) and for other persons ineligible for Medicaid<sup>2</sup> was offered in 32 states, including the District of Columbia (D.C.). In 13 jurisdictions, this aid was fully state funded;<sup>3</sup> in seven states, costs generally were paid by a combination of state and local funds;<sup>4</sup> in seven states, medical benefits were wholly paid with local funds.<sup>5</sup> In five states, even though they were not in categories usually eligible for federally-funded medical assistance, recipients of GA cash received Medicaid.<sup>6</sup> This aid was allowed under waivers from Medicaid law, and costs were paid by federal and state funds. In the remaining 19 states, ongoing medical benefits generally were not offered to persons ineligible for federally-funded aid.<sup>7</sup> Estimated GA medical payments (state-only dollars) in FY2002 totaled \$5 billion.

### Eligibility Requirements

To receive GA medical assistance, a person generally must be deemed needy and live where the program is available. In 1998, most of the 32 states offering this aid made eligible all recipients of GA cash payments, but several specified that persons had to be in medical need and some imposed special medical income eligibility requirements. Thus, Ohio offered medical assistance to all GA recipients and to needy able-bodied persons who would become incapacitated without medication. However, some jurisdictions set more liberal eligibility rules for GA medical and than for GA cash benefits.

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<sup>1</sup> Most data reported here are based on the most recent national study of state general assistance programs (*State General Assistance Programs, 1998*, conducted by the Urban Institute) and subsequent information from some states.

<sup>2</sup> Using waivers from federal law, some states provide Medicaid to all recipients of GA cash benefits, even if they are not in categories usually eligible.

<sup>3</sup> AL, CO, KS, MD, MI, MN, MO, NE (program for the disabled), PA, RI, UT, VT, and WA.

<sup>4</sup> IL, ME, NJ, NY, OH, VA (some counties) and WI (some counties).

<sup>5</sup> CA, ID, MT (some counties), NV, NH, NC (some counties) and SD. (Not counted here in NE program for the nondisabled, which provides medical aid at county expense.)

<sup>6</sup> DE, DC, HI, MA, and OR. In addition, TN, which has no GA cash program, offered medical aid to a wide range of needy persons under a Medicaid waiver.

<sup>7</sup> Ten of these states had no statewide GA program (AL, AK, LA, MS, OK, SC, TN, TX, WV, and WY). AZ, CO, and NM offered uniform statewide cash GA but no GA medical assistance; in some of their counties, FL, GA, KY, and ND offered GA cash aid, but no medical benefits; Indiana and Iowa offered GA cash aid statewide, but not medical benefits.

## Benefit Levels

Using waivers from federal law, some states in mid-1998 made all GA recipients eligible for Medicaid and its comprehensive services: Delaware (for its Diamond State Health Plan), Hawaii (for QUEST), and Oregon (for the Oregon Health Plan). D.C. and Massachusetts also offered Medicaid to all GA cash recipients. Among the other 27 states with medical assistance for recipients of GA cash, benefits generally were less comprehensive than those of Medicaid. Five states<sup>8</sup> offered inpatient and outpatient hospital care, physician services, and prescription drugs; another six<sup>9</sup> added nursing home care to the foregoing list of benefits. Some restricted GA medical benefits to physician services and prescription drugs, and some offered aid only in emergencies. Maryland's programs of Primary Care for the Medically Indigent and Maryland Pharmacy Assistance (for GA disabled adults and others who meet medical income eligibility limits) provided only basic physician services and a limited list of prescription drugs. The Urban Institute study noted that most of the states and counties without a medical component in their GA program have alternative medical assistance available to at least some GA cash recipients. Examples include indigent health care programs or charity hospital systems.

Data from the Centers for Medicare and Medicaid Services (Office of the Actuary, National Health Statistics Group) indicate that state-local outlays for GA medical assistance in FY2002 totaled \$4,955.8 million, up 5% from FY2001, but down 10.4% from the FY1992 record high of \$5,531.7 million. These data exclude premiums paid by welfare agencies for Medicare and for health maintenance organizations (HMOs) and health insurance, which presumably are reimbursed by Medicaid. Composition of FY2002 GA medical spending: hospital care, 37.5%; prescription drugs, 43.4%; payments to medical professionals, 12.4% (physician and clinical services, 10.2%; dentists, 0.9%; and other professionals, 1.2%); nursing homes, 3.9%; home health care, 0.5%; other care, 2%; and durable medical equipment, 0.2%.

The composition of GA medical outlays changed over the 1993-2003 decade. Spending on prescription drugs rose from \$901 million to \$2.2 billion; but outlays for hospitals dropped from \$3.2 billion to \$1.9 billion. The share of expenditures attributed to prescription drugs more than doubled; the hospital share dropped by 40%.

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<sup>8</sup> CA (Los Angeles County); CT; IL (Chicago), prescription drugs only if required for life maintenance or to avert a life-threatening condition; MN; and MO.

<sup>9</sup> ID (Ada County); KS; NE; NV (Clark County); SD (Minnehaha Country); and WA.

## 5. Indian Health Services

### Funding Formula

Indian Health Service (IHS) appropriations are allocated among its 12 service areas through a “historical,” or “program continuity” basis, under which each area can expect to receive its recurring base budget from the previous year, plus an increase in certain mandatory cost categories. Using a Resource Allocation Methodology (RAM), the Service distributes a small portion of its appropriation to areas and tribes based on documented health deficiencies. Tribes may assume from the IHS the administration and operation of health services and programs in their communities, and about 52% of IHS funds are used by Indian tribes to deliver IHS services to their own communities. The Service collects reimbursements from the Medicare and Medicaid programs for services that it provides to members of its eligible population who are also eligible for those programs. In FY2001, IHS collected \$484 million in reimbursements, while in FY2002, this number increased to \$514 million. For FY2002, total program appropriations were \$2.824 billion, up \$135 million from the FY2001 appropriation of \$2.689 billion.

### Eligibility Requirements<sup>1</sup>

Eligible under Public Health Service regulations are persons of American Indian or Alaskan Native (AI/AN) descent who: (1) are members of a federally recognized Indian tribe; (2) reside within an IHS Health Service Delivery Area (HSDA); or (3) are the natural minor children (18 years old or younger) of such an eligible member and reside within an IHS HSDA. The program imposes no income test; any eligible AI/AN can receive health services. The program serves Indians living on federal reservations, Indian communities in Oklahoma and California, and Indian, Eskimo, and Aleut communities in Alaska. According to the 2000 census, more than 57% of AI/AN reside in urban areas. Under the Indian Health Care Improvement Act of 1976, P.L. 94-437, as amended, the IHS contracts with 34 urban Indian organizations to make health services more accessible to 605,000 urban Indians. Combined, all IHS programs serve between 1.6 million AI/AN.

### Benefit Levels

The IHS provides hospital, medical, and dental care and environmental health and sanitation services as well as outpatient services and the services of mobile clinics and public health nurses, and preventive care, including immunizations and health examinations of special groups, such as school children. All services are provided free of charge to beneficiaries. If the eligible AI/AN has private insurance, IHS will be reimbursed for the services provided. Benefits are provided through 155 service units, 49 IHS hospitals, 5 school health centers, 231 health centers, and over 309 smaller health stations and satellite clinics; Alaskan village clinics; contracts

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<sup>1</sup> Regulations are found at 42 CFR. Part 136 (2002). This program is no. 93.228 in the Catalog of Federal Domestic Assistance.

with non-federal hospitals, clinics, private physicians and dentists; and contractual arrangements with state and local health organizations.

## 6. Consolidated Health Centers

### Funding Formula

The Health Care Safety Net Amendments of 2002, P.L. 107-251, amended the Public Health Service Act (PHS Act) to reauthorize the health centers grant program through FY2006. The health centers program includes community health centers, migrant health centers, health centers for the homeless, and health centers for residents of public housing. They are codified under Section 330 of the PHS Act. The program does not have a statutory formula. The grant applicant must assume part of the project costs, which are determined on a case-by-case basis.

Centers receive grant money to provide primary care services to groups that are determined to be medically underserved. Grants are awarded through the Bureau of Primary Health Care of the Health Resources and Services Administration (HRSA) of the U.S. Department of Health and Human Services (HHS). Centers are required to seek third-party reimbursement from other sources, such as Medicare and Medicaid. State and local governments may also contribute. Centers may receive one or more of the following types of grants: (1) planning grants, to plan and develop health centers or a comprehensive service delivery network; (2) operating grants, to assist with operation costs of a center; and (3) infant mortality grants, to assist in the reduction of infant mortality and morbidity among children less than 3 years of age and to develop and coordinate service and referral arrangements between health centers and other entities for the health management of pregnant women and children. FY2002 appropriations were \$1.3 billion.

### Eligibility Requirements<sup>1</sup>

A health center is an entity that provides health care services to a medically underserved population, or a special medically underserved population comprised of migratory and seasonal agricultural workers, the homeless, and residents of public housing by providing required primary health services and additional health services as may be appropriate for particular centers. By regulation, medically underserved areas are designated by the HHS Secretary on the basis of such factors as: (1) ratio of primary care physicians to population, (2) infant mortality rate, (3) percentage of population aged 65 and over, and (4) percentage of population with family income below the poverty level. Profit-making organizations are not eligible for health center grants.

All residents of an area served by a health center are eligible for its services.

### Benefit Levels

Regulations limit free service to families with income at or below the federal poverty income guidelines. The 2003 federal poverty income guideline in the 48

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<sup>1</sup> Regulations for community health centers are found at 42 CFR Subpart 51c (2002). This program is no. 93.224 in the Catalog of Federal Domestic Assistance.

contiguous states is \$18,400 for a family of four. Nominal fees may be collected from these individuals and families, under certain circumstances. Individuals and families with annual incomes greater than the poverty guideline but below 200% of it are required to pay for services from a fee schedule adjusted on the basis of the patient's ability to pay. Full payment is required from those with income that exceeds twice the poverty level.

The centers provide a range of primary health services on an ambulatory basis, including diagnostic, treatment, preventive, emergency, transportation, and preventive dental services. They can arrange and pay for hospital and other supplemental services in certain circumstances if approved by the Secretary.

Funding for the health centers for FY2003 was \$1.5 billion (appropriations), and the annual service population was an estimated 9.6 million persons.

**Note:** For more information, see CRS Report 97-757, *Federal Health Centers Program*.

## 7. Maternal and Child Health Services Block Grant<sup>1</sup>

### Funding Formula

The Maternal and Child Health (MCH) Services Block Grant supports activities to improve the health status of mothers and children. Most of the funds are distributed to state governments to pay for services; however, some funds are set aside for use by the federal government to finance special projects of regional and national significance (SPRANS) and the community integrated service systems program (CISS). State allocations are based on: (1) a state's share of FY1981 levels of funding for programs that were combined into the block grant when it was authorized in 1981; and (2) the number of low-income children in the state. States must contribute \$3 for every \$4 of federal funds awarded. States are required to use at least 30% of their block grant allocations for preventive and primary care services for children and 30% for services for children with special needs. States may use the remaining 40% for services for either of these groups or for other appropriate maternal and child health services, including preventive and primary care services for pregnant women, mothers, and infants up to age 1. States may use no more than 10% of their allocations for administrative costs.

Federal law requires that 15% of the appropriation for the block grant up to \$600 million be set aside for SPRANS activities in categories that include research, training, genetic disease programs and newborn genetic screening, hemophilia programs, and maternal and child health improvement, especially infant mortality.

When the appropriation for the block grant exceeds \$600 million, the law authorizes that 12.75% of the amount over \$600 million be set aside for CISS projects. Funds from this set-aside are used for initiatives that include case management, projects to increase the participation of obstetricians and pediatricians in both the block grant program and Medicaid, integrated delivery systems, rural or hospital-based MCH projects, and community-based programs including day care for children who usually receive services on an inpatient basis. FY2002 appropriations were \$731 million, and non-federal matching funds were estimated at \$548 million. (The FY2003 appropriation declined to \$730 million.)

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<sup>1</sup> P.L. 97-35, the Omnibus Budget Reconciliation Act of 1981, established a Maternal and Child Health (MCH) Services Block Grant under Title V of the Social Security Act. The block grant replaced the previous programs of Maternal and Child Health Services and Crippled Children's Services, also in Title V, and included the following other existing federal programs: supplemental security income services for disabled children, lead-based paint poisoning prevention, genetic diseases, sudden infant death syndrome, hemophilia centers, and adolescent pregnancy prevention.

## Eligibility Requirements<sup>2</sup>

States determine eligibility criteria for MCH block grant services. The law provides that block grant funds are to be used by the states “to provide and to assure mothers and children (in particular those with low income or with limited availability of health services) access to quality maternal and child health services.” Low-income mothers and children are those with family income below 100% of federal poverty guidelines — \$18,400 per year for a family of four in 2003 (higher in Alaska and Hawaii).

## Benefit Levels

States determine the level of services provided under the block grant. These services may include prenatal care, well-child care, dental care, immunization, family planning, and vision and hearing screening services. They may also include inpatient services for children with special health care needs, screening services for lead-based poisoning, and counseling services for parents of sudden infant death syndrome victims.

States are allowed to charge for services; however, they may not charge mothers and children whose family incomes are below federal poverty guidelines. Charges must be based on a sliding scale that reflects the income, resources, and family size for those with family incomes above poverty.

In FY2002 Title V provided services to 2.2 million pregnant women, 3.7 million infants, almost 1 million children with special health care needs, and 2.2 million other women of child-bearing age.

**Note:** For more information, see CRS Report 97-350, *Maternal and Child Health Block Grant*.

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<sup>2</sup> Regulations are found at 45 C.F.R. Part 96 (2002). This program is no. 93.994 in the Catalog of Federal Domestic Assistance. It is codified at 42 U.S.C.701 et seq.

## 8. Title X Family Planning Services

### Funding Formula

Grants are provided for voluntary family planning services through the family planning program, established by Title X of the Public Health Service Act. There is no requirement that grantees match federal funds at a specified rate, but regulations specify that no family planning clinic project may be fully supported by Title X funds. Congress has continued to appropriate money for the program even though Title X has not been reauthorized since FY1985. Grants for family planning clinics are made to states and territorial health departments, hospitals, universities and other public and nonprofit agencies. Appropriations for FY2003 were \$273 million.

### Eligibility Requirements<sup>1</sup>

The law requires that priority for clinic services go to persons from low-income families. Clinics must provide family planning services to all persons who request them, but the priority target group has been women aged 15-44 from low-income families who are at risk of unplanned pregnancy. Clinics are required to encourage family participation.

Clinics must provide services free of charge (except to the extent that Medicaid or other health insurers cover these services) to persons whose incomes do not exceed 100% of the federal poverty income guidelines (\$18,400 for a family of four in the 48 contiguous states in 2003). A sliding payment scale must be offered for those whose incomes are between 100% and 250% of the poverty guideline.

### Benefit Levels

Participating clinics must offer a broad range of family planning methods and services. Required services include natural family planning methods and supplies, counseling services, physical examinations (including testing for cancer and sexually transmitted diseases), infertility services, services for adolescents, pregnancy tests, periodic follow-up examinations, referral to and from other social and medical service agencies, and ancillary services. The law forbids use of any Title X funds in programs where abortion is a method of family planning.

In FY2002, approximately 4.8 million persons received family planning services through 4,600 clinic sites supported by 85 service grantees. The clinics administered more than 3 million cervical cancer screenings, 2.8 million breast cancer screenings, and 600,000 HIV tests. An estimated one-third of all clients served at Title X clinics, 1.6 million per year, are adolescents.

**Note:** For more information, see CRS Report 98-1048, *The Title X Family Planning Program*.

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<sup>1</sup> Regulations governing Title X family planning services are found in 42 CFR Part 59 (2002). This program is no. 93.217 in the Catalog of Federal Domestic Assistance.

## 9. Medical Assistance to Refugees, Asylees, Other Humanitarian Cases

### Funding Formula

The Immigration and Nationality Act (INA) authorizes 100% federally funded medical assistance for needy refugees and asylees during their first 3 years in the United States, and other legislation authorizes similar assistance for certain Cuban and Haitian entrants<sup>1</sup> and for certain Amerasians.<sup>2</sup> However, since FY1992, funding has been appropriated to provide medical care only for the first 8 months after entry. These benefits are administered by the Department of Health and Human Service's Office of Refugee Resettlement (ORR). For refugee medical assistance (RMA), ORR expenditures amounted to an estimated \$74 million in FY2002.<sup>3</sup>

### Eligibility Requirements<sup>4</sup>

A person must (a) have been admitted to the United States as a refugee or asylee under the Immigration and Nationality Act or have been paroled as a refugee or asylee under the Act, (b) be a Cuban or Haitian paroled into the United States between April 15 and October 20, 1980, and designated a "Cuban/Haitian entrant," or be a Cuban or Haitian national paroled into the United States after October 10, 1980, (c) be a person who has an application for asylum pending or is subject to exclusion or deportation and against whom a final order of deportation has not been issued, or (d) be a Vietnam-born Amerasian immigrant fathered by a U.S. citizen.

If a needy person in one of the above groups meets the income and assets tests prescribed by his state for Medicaid eligibility but does not otherwise qualify for that program because of its categorical requirements, such as family composition, the person is eligible for RMA. Under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193), as amended by P.L. 105-33, these persons are now eligible for 7 years after entry (earlier law gave permanent eligibility). After 7 years their continued participation is at state option, as it is with other legal permanent residents.<sup>5</sup>

### Benefit Levels

Medical benefits consist of payments made on behalf of needy refugees to doctors, hospitals, and pharmacists. Federal law requires state Medicaid programs

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<sup>1</sup> Title V of the Refugee Education Assistance Act (P.L. 96-422)

<sup>2</sup> Section 584 of the FY1988 Foreign Operations Appropriations Act (P.L. 100-202).

<sup>3</sup> Estimate, based on 1998-1999 proportion of combined medical and cash refugee expenditures attributed to medical services.

<sup>4</sup> Regulations governing this program are found in 45 CFR Parts 400-401 (2002). This program is no. 93.566 in the Catalog of Federal Domestic Assistance.

<sup>5</sup> Wyoming has opted to limit noncitizens, including legal permanent residents, to emergency Medicaid only.

to offer certain basic services, but authorizes states to determine the scope of services and reimbursement rates, except for hospital care.

## Cash Aid

## 10. Supplemental Security Income (SSI)

### Funding Formula

Since its January 1974 beginning, Supplemental Security Income (SSI) has provided a minimum income floor, financed by U.S. general revenue and administered by the Social Security Administration (SSA), to persons eligible under federal rules. Some states chose to provide additional payments to SSI recipients at their own expense. In addition, a “grandfather” clause requires states to provide supplements to a small number of persons, previously enrolled in the pre-SSI programs of federal-state cash aid for needy aged persons and blind or disabled adults, whose income otherwise would fall below what it was in December 1973.<sup>1</sup>

If a state chooses to have the federal government administer its supplements, it must agree to provide supplements for all federal SSI recipients of the same class and pay an administration fee to SSA for the service.<sup>2</sup> If states administer their own supplements, they are generally free to design their own supplementary programs and may adopt more restrictive eligibility rules than those of SSI. As of January 2003, the federal government administered supplements for 15 jurisdictions.

Total SSI outlays in FY2002 were \$38.5 billion, with \$33.9 billion (87% of the total) from federal funds. The federal share of maximum SSI benefits ranged from 50% in Alaska to 100% in the seven jurisdictions where no recipient received a supplement (Arkansas, Georgia, Kansas, Mississippi, Tennessee, West Virginia, and the Northern Mariana Islands).

### Eligibility Requirements<sup>3</sup>

Title XVI of the Social Security Act entitles to SSI payments persons who are (1) aged 65 and over, blind or disabled (adults and children of any age); (2) whose counted income and resources fall within limits set by law and regulations, and (3) who live in one of the 50 states, the District of Columbia, or the Northern Mariana Islands. Also eligible is a child who lives overseas with a parent who is on military assignment, provided the child received SSI before the parent reported for overseas duty.

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<sup>1</sup> The U.S. Social Security Administration (SSA) reported the number of recipients of mandatory state supplementary payments at 1,220 in March 2003.

<sup>2</sup> Since FY1994, Congress has required states to pay for federal administration of state supplementary payments. Fees began at \$1.67 per monthly payment in FY1994 and reached \$8.50 in FY2002. P.L. 105-33 provided that after FY2002, the rate was to be adjusted for changes in the Consumer Price Index or set at a level determined by the Commissioner of Social Security. For FY2003, the fee is \$8.59.

<sup>3</sup> Federal regulations governing SSI are found in 20 CFR Part 416 (2002). Income and resources rules are in Subparts K and L, respectively. This program is no. 96.006 in the Catalog of Federal Domestic Assistance. SSI is codified in 42 U.S.C. Section 1381 et seq.

To be eligible for SSI on grounds of disability, an adult must be unable to engage in any “substantial gainful activity”<sup>4</sup> because of a medically determined physical or mental impairment expected to result in death or that has lasted, or can be expected to last, for at least 12 months. Under terms of the 1996 welfare reform law (P.L. 104-193) a child under age 18 may qualify as disabled if he or she has an impairment that results in “marked and severe” functional limitations. Previously a child could qualify if his impairment were of “comparable severity” to that of an eligible adult.

In addition, to qualify for SSI a person must be (1) a citizen of the United States or (2) if not a citizen, (a) an immigrant who was enrolled in SSI on August 22, 1996 or who entered the United States by that date and subsequently became disabled; (b) a refugee or asylee who has been in the country or granted asylum, respectively, for fewer than 7 years, (c) a person who has worked long enough to be insured for Social Security, usually 10 years (work test gives credit to work by spouse or parent of an alien child); or (d) a veteran or active duty member of the armed forces (spouses or unmarried dependent children of veterans/military personnel also qualify).

For basic federal benefits, countable income limits in 2003 are \$582 monthly per individual and \$829 per couple. These income ceilings equal maximum federal benefits of the program (see below for benefit details and for rules about what income is disregarded). For states with supplementary SSI benefits, countable income limits are higher, ranging in 2002 up to \$907 monthly per individual (living independently) in Alaska.

Since 1989, the countable resource limit has been \$2,000 per individual and \$3,000 per couple. Excluded assets include a home; the first \$2,000 in equity value of household goods and personal effects; the full value of an auto if needed for employment or medical treatment, or if modified for use by a handicapped person, otherwise, the first \$4,500 in market value of the auto; and a life insurance policy not exceeding \$1,500 in cash surrender value and burial plots and funds, subject to a limit.

P.L. 98-21 requires the Social Security Administration (SSA), when notifying Social Security beneficiaries aged 64 about their approaching eligibility for Medicare, to inform them also about SSI.

## **Benefit Levels**

The Social Security Act establishes benefit levels and requires that whenever Social Security benefits are increased because of an automatic cost-of-living adjustment (COLA), SSI benefits be increased at the same time and by the same percentage.

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<sup>4</sup> Defined by regulation as monthly earnings, net of impairment-related expenses, of \$800, effective January 1, 2003. The amount is to be adjusted annually.

SSI basic monthly guarantees:<sup>5</sup>

	1996	1997	1998	1999	2000	2001	2002	2003
Individual	\$470	\$484	\$494	\$500	\$512	\$530	\$545	\$552
Couple	705	726	741	751	769	796	817	829

From 1975 through 1982, COLAs were paid each July. In passing the Social Security Amendments of 1983, Congress accepted President Reagan's proposal to delay the 1983 COLA for 6 months, to January 1984, and thereafter to adjust benefits each January. At the same time it voted an increase of \$20 monthly in SSI benefits (\$30 per couple), payable in July 1983.

States that supplement SSI benefits are required to "pass through" to recipients an increase in the federal basic benefit.<sup>6</sup> However, when Congress deferred the 1983 COLA and instead enacted the \$20 benefit increase (about 7%), it required states to pass through only about half this amount (the 3.5% increase that the regular COLA would have yielded). As of January 2002, state supplements for aged persons living independently were offered in 25 states and ranged from \$1.70 in Oregon to \$362 in Alaska.

To assure some gain from work, SSI disregards a portion of recipients' earnings; namely, \$65 per month, plus 50% of the balance.<sup>7</sup> Because of this rule, aged SSI recipients without Social Security benefits or other unearned income who work remain eligible for a declining SSI payment until gross earnings equal double their basic benefit plus \$85 monthly.<sup>8</sup> In a state that does not supplement the basic federal benefit, the gross income limit in 2003 for an aged SSI recipient with only wage income is \$1,189 monthly in earnings. The gross income limit is higher in states that supplement the federal benefit.

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<sup>5</sup> The law requires a one-third SSI benefit reduction for those who live in another person's household and receive support and maintenance in kind from him.

<sup>6</sup> The requirement for passthrough can be satisfied by either of these conditions: (1) if a state's total spending for SSI supplements during the relevant 12-month period is not below that for the preceding 12 months (P.L. 94-585) or (2) if state SSI supplementary payment levels equal those in effect in March 1983 (P.L. 98-21).

<sup>7</sup> For blind or disabled recipients, the law provides additional deductions from earnings. Blind: disregard the first \$65 earned, plus one-half of the rest, plus reasonable work expenses. Disabled: disregard the first \$65 earned, work and living expenses caused by the disability, plus one-half of the rest. For both blind and disabled SSI recipients, income needed for the fulfillment of a self-support plan approved by the SSA Commissioner also is disregarded. (The special expense deduction for the disabled was enacted in June 1980 as a provision of P.L. 96-265.)

<sup>8</sup> The \$85 disregard consists of the first \$20 of any income plus \$65 in earnings.

In all but 11 states,<sup>9</sup> SSI recipients automatically are eligible for Medicaid. In the 11 states with more restrictive eligibility rules, states must deduct medical expenses of SSI recipients in determining their countable income.

Disabled SSI recipients whose counted monthly earnings exceed the \$800 “substantial gainful activity” test that determines disability status are eligible for special cash benefits (calculated as though they still had disability status), as long as their gross earnings are below the regular SSI ceiling (\$1,189 in 2003 in a state without supplementation). The special cash benefit preserves Medicaid eligibility for the disabled worker.<sup>10</sup> In 1996 (P.L. 104-121), Congress ended SSI (and Social Security Disability Insurance) benefits for persons disabled because of their addiction to drugs or alcohol.

In December 2002, federally administered SSI benefits went to 6,787,867 persons,<sup>11</sup> including 914,821 children. Benefits averaged \$322 to aged recipients, \$439 to the blind, \$418 to the disabled (and \$488 for children). About 36% of the Nation’s SSI recipients of federally administered payments also receive Social Security, and 4.1% have earnings (December 2002 data). As of that date, SSI checks were supplementary to Social Security benefits for 58% of aged SSI recipients, 34% of blind recipients, and 30% of disabled recipients. In December 2001, income was earned by about 2% of aged recipients and by 7% and 5%, respectively, of blind and disabled recipients. Social Security benefits of dual recipients averaged \$414. Earnings of SSI recipients averaged \$318 monthly.<sup>12</sup>

FY2002 SSI expenditures totaled \$38.5 billion (federal funds, \$33.9 billion; state funds, \$4.7 billion). Federal SSI spending represented 1.7% of all federal outlays.

**Note:** See also CRS Report 94-486, *Supplemental Security Income (SSI): A Fact Sheet*.

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<sup>9</sup> CT, HI, IL, IN, MN, MO, NH, ND, OH, OK, and VA.

<sup>10</sup> The Balanced Budget Act of 1997 permitted states to provide Medicaid to disabled persons who lost SSI eligibility because of earnings, provided their incomes did not exceed 250% of the federal poverty guidelines. P.L. 106-170, enacted in December 1999, allows states to provide Medicaid to disabled working persons with incomes above 250% of the poverty guidelines.

<sup>11</sup> In December 2002, 151,989 other persons received only state-administered supplementary SSI benefits.

<sup>12</sup> Social Security Administration, Annual Statistical Supplement, 2002.

## 11. Earned Income Tax Credit (EITC)<sup>1</sup>

### Funding Formula

This benefit is 100% federally funded and is provided through the tax system. FY2002 outlays (tax year 2001) totaled \$27.8 billion. (Another \$4.5 billion in credits was used to offset taxes and is not included in this report.)

### Eligibility Requirements

Unlike most tax credits, the EITC is a “refundable” credit. A person need *not* owe or pay any income tax to receive the EITC. However, an eligible worker must apply for the credit by filing an income tax return at the end of the tax year. A person may receive advance payment of the credit by filing an earned income eligibility certificate with his or her employer.<sup>2</sup> To be eligible for the EITC, married couples generally must file a *joint* income tax return. The EITC is a percentage of the person’s earnings, based on the number of children, up to a maximum earned income amount. Beginning at the phase-out income level, the EITC is reduced by the phase-out percentage for every dollar of earnings (or adjusted gross income [AGI], whichever is greater) above the phase-out income level. Persons with earnings above the level at which the EITC is reduced to \$0 are not eligible for the EITC.

The Earned Income Tax Credit (EITC) is available to a parent (or parents) with earnings and a qualifying child. A qualifying child must be: (1) a son, daughter, grandson, granddaughter, stepson, stepdaughter or foster child of the tax filer; (2) be less than age 19 (24 if a full-time student); and reside with the tax filer for more than one-half of the tax year (all year if a foster child). The tax filer does not have to meet a financial support test for the child and the child does not need to be claimed by the tax filer as a dependent to qualify for the earned income credit. The tax filer must be a U.S. citizen or resident alien and live in the United States for more than one-half of the tax year, unless the tax filer is in the U.S. military and on duty overseas.

The EITC also is available to workers ages 25 through 64 who have no eligible children and whose AGI is less than \$11,060 (\$12,060 for married couples) in tax year 2002.<sup>3</sup>

In 1995, Congress established a limit on investment income for EITC eligibility.<sup>4</sup> The 1996 welfare reform law changed filing procedures to make it less likely that undocumented workers could gain access to the EITC by requiring both

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<sup>1</sup> Called Earned Income Credit (EIC) by the Internal Revenue Service (IRS) in tax forms and literature.

<sup>2</sup> The option for advance payments by an addition to paychecks is not available for childless couples or individuals.

<sup>3</sup> The EITC became available for adults with no eligible children in 1994.

<sup>4</sup> P.L. 104-7 set a limit of \$2,350 in annual income from interest and dividends. P.L. 104-193 changed this “disqualifying income” limit, setting it at \$2,200 in 1996 dollars and applied it to net capital gains and net passive income as well as interest and dividends.

the tax filer and qualifying children to have social security numbers. In 1996 and 1997, Congress broadened the definition of income used to phase out the EITC for filing units above the phase-out income threshold.<sup>5</sup>

In response to an Internal Revenue Service (IRS) study indicating a high incidence of unwarranted claims from tax filers, Congress enacted provisions against fraud in the Taxpayer Relief Act of 1997 (P.L. 105-34). A tax filer found to have claimed the credit fraudulently is barred from claiming the EITC for 10 years; one who claimed the credit by reckless or intentional disregard of EITC rules is barred for 2 years. The law also imposes a \$100 penalty on paid preparers who fail to fulfill “due diligence requirements” (as specified by IRS) in filing EITC claims.

## Benefit Levels

The EITC was enacted in 1975 as a temporary measure to return a portion of the employment taxes paid by lower income workers with children. The EITC became permanent in 1978, with a maximum benefit of \$500 and no adjustment for family size. In the 1990s, Congress increased the credit, provided expansion of the credit based on family size and extended the credit to childless workers.

The Economic Growth and Tax Relief Reconciliation Act of 2001 (P.L. 107-16), contained changes to the EITC with respect to married tax filers filing jointly. The law increased the beginning and ending of the EITC phase-out range for married couples filing jointly by \$1,000 in taxable years beginning in 2002-2004; by \$2,000 in taxable years 2005-2007; and by \$3,000 in years after 2007 (adjusted annually for inflation after 2008). The law also simplified the definition and calculation of the credit: tax filers no longer must include nontaxable income from employment (for example, excludable dependent care or education assistance benefits) and may use adjusted gross income (AGI – a prominent line on all tax returns) rather than modified adjusted gross income (which required a number of additions and subtractions to AGI).

***EITC Treatment by Other Means Tested Programs.*** Before 1996, the federal rules for treatment of the EITC in determining eligibility for means-tested programs varied by program and changed several times. The Omnibus Reconciliation Act of 1990 (OBRA 1990, P.L. 101-508) provided that EITC payments were not to be counted as income by the Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), Medicaid, Food Stamps, and certain low-income housing programs. The 1996 welfare reform law (P.L. 104-193), by repealing AFDC, ended federal rules for the treatment of the EITC by the family welfare program; thus, states now may treat the EITC in any way they wish in their

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<sup>5</sup> Effective in 1996, the income used to phase out the EITC was enlarged for some filers by the exclusion of certain losses: net capital losses, net losses from nonbusiness rents and royalties, net losses from estates and trusts, and half of net business losses (P.L. 104-193). The Taxpayer Relief Act of 1997 (P.L. 105-34) further modified the AGI definition for the EITC phaseout by including nontaxable income from tax-free interest and nontaxable pensions, annuities, and distributions from individual retirement plans in AGI calculations and by excluding 75% of net business losses.

Temporary Assistance to Needy Families (TANF) programs. However, P.L. 105-34 disallowed TANF recipients engaged in work experience or community service (“workfare”) the EITC for TANF earnings to the extent the payments are subsidized.

**EITC Benefit Levels.** The following table shows the parameters for the EITC for tax years 2001 through 2003.

**Table 12. EITC Parameters for Tax Years 2001-2003**

	2001	2002	2003	Credit rate	Phase-out rate
<b>No Children</b>				7.65%	7.65%
Maximum earned income amount	\$4,760	\$4,910	\$4,990		
Maximum credit	\$364	\$376	\$382		
Phase-out income level					
Joint returns	\$5,950	\$7,150	\$7,240		
Other returns	\$5,950	\$6,150	\$6,240		
Income where EITC =\$0					
Joint returns	\$10,710	\$12,060	\$12,230		
Other returns	\$10,710	\$11,060	\$11,230		
<b>One child</b>				34%	15.98%
Maximum earned income amount	\$7,140	\$7,370	\$7,490		
Maximum credit	\$2,428	\$2,506	\$2,547		
Phase-out income level					
Joint returns	\$13,090	\$14,520	\$14,730		
Other returns	\$13,090	\$13,520	\$13,730		
Income where EITC =\$0					
Joint returns	\$28,281	\$30,201	\$30,666		
Other returns	\$28,281	\$29,201	\$29,666		
<b>Two or more children</b>				40%	21.06%
Maximum earned income amount	\$10,020	\$10,350	\$10,510		
Maximum credit	\$4,008	\$4,140	\$4,204		
Phase-out income level					
Joint returns	\$13,090	\$14,520	\$14,730		
Other returns	\$13,090	\$13,520	\$13,730		
Income where EITC =\$0					
Joint returns	\$32,121	\$34,178	\$34,692		
Other returns	\$32,121	\$33,178	\$33,692		
<b>Disqualifying investment income level</b>	\$2,450	\$2,550	\$2,600		

**Note:** For more information about EITC, see CRS Report RL31768, *The Earned Income Tax Credit (EITC): An Overview*.

## 12. Temporary Assistance for Needy Families (TANF)

**Note:** This entry describes use of TANF block grant funds for cash aid. Federal plus state expenditures in FY2002 for TANF cash aid<sup>1</sup> were estimated at \$10.4 billion (excluding administrative costs). For TANF child care, TANF work programs and activities, and TANF services, see separate entries in this report.

### Funding Formula

**Federal Funding.** The 1996 welfare reform law (P.L. 104-193) repealed Aid to Families with Dependent Children (AFDC), Emergency Assistance (EA), and the Job Opportunities and the Basic Skills (JOBS) training program, and combined recent federal funding levels for the three programs into a block grant (\$16.5 billion preappropriated annually through FY2002) for Temporary Assistance for Needy Families (TANF).<sup>2</sup> The law entitles each state to an annual family assistance grant roughly equal to peak funding received for the repealed programs in FY1992-FY1995. It also entitles the territories to TANF grants, and it permits Indian tribes, defined to include Native Alaskan Organizations, to operate their own tribal family assistance plans with a block grant<sup>3</sup> deducted from their state's TANF grant.

Added to the basic federal block grant for qualifying states are other funds of five kinds: supplemental grants for 17 states with low TANF grants per poor person, compared with the national average, and/or high population growth (\$800 million, FY1998-FY2001);<sup>4</sup> bonuses for up to five states with the greatest decline in non-marital birth ratios and a decline in abortion rates (\$400 million, FY1999-FY2002); bonuses for states with "high performance" in meeting program goals (\$1 billion, FY1999-FY2003); matching grants (at the Medicaid matching rate) from a contingency fund for states with high unemployment and/or increased food stamp caseloads (\$1.96 billion, FY1997-FY2001); and Welfare-to-Work (WtW) grants (most of which required 33.3% state matching funds) for efforts, including job creation, to move into jobs long-term welfare recipients with barriers to employment

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<sup>1</sup> Cash assistance reported here consists of basic ongoing cash aid, state contributions to Individual Development Accounts, state earned income credits and other refundable tax credits, and short-term, non-recurring benefits (such as diversion payments).

<sup>2</sup> In both 2002 and 2003, the House passed a bill to reauthorize TANF for another 5 years, but, as of autumn 2003, the Senate had not. Since October 1, 2002, TANF has operated under temporary spending authority that continues FY2002 terms. The most recent extension is through March 31, 2004 (P.L. 108-89).

<sup>3</sup> In early 2003, 38 tribal family assistance plans were in operation in 15 states. Tribes design their own programs. Work participation rules, time limits, and penalty rules are set by HHS with tribal participation.

<sup>4</sup> Congress later extended supplemental grants, at the FY2001 level of \$319 million, through March 31, 2004.

(\$3 billion for FY1998-FY1999).<sup>5</sup> For a description of the separate WtW program, which is administered by the Labor Department, see program no. 78 — page 213. TANF law also established a \$1.7 billion revolving loan fund for state use in TANF operations.

**State-local Funding.** To avoid penalties, states must spend a specified amount of their own funds on TANF-eligible families.<sup>6</sup> The required “maintenance-of-effort” (MOE) level is from 75% to 80% of the state’s “historic” expenditures, defined as the state share of FY1994 expenditures on AFDC, EA, JOBS, and AFDC-related child care. Nationally, the 75% MOE level equals \$10.4 billion annually; if a state fails to meet work participation minimums, the MOE level rises to 80%. Expenditures of state funds in separate state programs (or in TANF programs that segregate state funds from federal funds) are countable toward the general TANF MOE rule. However, for the contingency fund<sup>7</sup>, a higher state spending requirement is imposed (100% of the historic level), and spending in separate state programs cannot be counted toward this MOE.

In FY2002, TANF outlays for cash assistance were estimated at \$10.419 billion, with \$4.848 billion (47%) from federal funds. Total administrative costs for the TANF block grant (including those for child care services, work activities, and other services) were \$2.6 billion, with \$1.6 billion (62%) from federal funds.

## Eligibility Requirements<sup>8</sup>

**Basic Eligibility.** TANF permits a state to give ongoing basic cash aid<sup>9</sup> to any needy family that includes (a) a minor child who lives with his/her parent or other caretaker relative; or (b) a pregnant woman. As under AFDC, states decide who is “needy.” Unlike AFDC, TANF allows states to aid needy children with an able-bodied and employed second parent in the home. More than 30 states have expanded eligibility by adopting one of more of these policies: treating needy two-parent families on the same basis as one-parent families, liberalizing treatment of earnings as a work incentive, and increasing asset limits. Most states also aid pregnant women, but many require them to be in the last trimester of pregnancy, as AFDC did. Many state policy choices tend to restrict the caseload. They include benefit cutoff

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<sup>5</sup> P.L. 106-554 extended the deadline for spending WtW funds to September 30, 2004.

<sup>6</sup> Qualifying to meet the state spending requirement are expenditures under all state programs for TANF-eligible families on cash aid (including child support collections passed through to the family without reducing the TANF benefit), child care, educational activities (excluding general public education spending), job training and work. For this purpose, TANF-eligible families are defined to include those ineligible because of the 5-year time limit or the federal ban on benefits to new immigrants.

<sup>7</sup> The contingency fund provides capped matching grants (a total of \$2 billion) for use by state TANF programs in case of recession.

<sup>8</sup> TANF law is found in Title IV, Part A of the Social Security Act (and in Title 42, Section 601 et seq. of the U.S. Code). TANF regulations are at 45 CFR, Parts 260-270 (2002). This program is no. 93.558 in the Catalog of Federal Domestic Assistance.

<sup>9</sup> The law uses the term “assistance.” See footnote no. 10 for a definition.

time limits shorter than the limit in federal law, tough sanctions, welfare avoidance (diversion) payments, and family caps (reduced or zero benefits for new babies born to TANF mothers). Some of these changes, expansive and restrictive, were first adopted by states under waivers from AFDC law.

**Ineligible Persons.** Federal law makes ineligible for TANF-funded basic ongoing cash aid unwed mothers under 18 (and their children) unless they live in an adult-supervised arrangement and, if they are high school dropouts, attend school once their youngest child is 12 weeks old. Also ineligible: persons convicted of a drug-related felony for an offense occurring after August 22, 1996 (date of enactment of TANF) unless the state exempts itself by state law; aliens who enter the country after August 22, 1996 (barred from TANF for 5 years after entry) and persons who fraudulently misrepresented residence to obtain TANF, food stamps, SSI, or Medicaid in more than one state. TANF may not be paid to a person who fails to assign child support or spousal support rights to the state. Except for limited “hardship” exemptions,<sup>10</sup> federal TANF funds may not be used for basic ongoing aid to a family that includes an adult who has received 60 months of TANF “assistance”<sup>11</sup> while an adult, a minor household head, or a minor married to a household head (benefit cutoff time limit). Seventeen jurisdictions have adopted time limits shorter than the federal 60-month limit, and three others reduce benefits (by deducting the parent’s share of the grant) before 60 months are reached. Twenty-five jurisdictions impose the federal time limit. Four continue aid (for children only) beyond 60 months, funding benefits with state dollars (California, District of Columbia, Rhode Island, and Washington). Five states continue full family benefits with their own funds (Maine, Maryland, Michigan, New York — generally in noncash form — and Vermont).<sup>12</sup> According to HHS calculations, 767,241 TANF families (out of 1,825,239 families who had accrued fewer than 5 years of TANF assistance in FY2002) were exempt from the time limit: 88% because they were child-only units; 6.4% because their programs were state-funded, 5% because of approved welfare waivers, and 0.5% because they were in Indian country. In their TANF plans, more than half of the states said they would make “diversion” payments, usually one-time payments for immediate needs, in lieu of ongoing TANF aid.

**Work/conduct Requirements.** States must require a parent or caretaker who receives federally funded TANF basic ongoing aid to engage in work, as defined by the state, after a maximum of 24 months of ongoing basic aid (work trigger limit); 25 out of the 54 TANF jurisdictions with TANF have chosen a shorter work trigger limit. Adopting a work first philosophy, many states require immediate work, and some identify job search as the immediate work activity. To enforce the work requirement, the law sets fiscal penalties for states that fail to achieve minimum

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<sup>10</sup> Under a “hardship” exemption, a state may provide federally fund assistance beyond 60 months for up to 20% of its caseload. Also, a state may use its own MOE funds for aid beyond 60 months.

<sup>11</sup> Assistance is defined by regulation as cash, payments, vouchers, and other forms of benefits directed at ongoing, basic needs; it excludes non-recurrent, short-term benefits for crisis situations and various services.

<sup>12</sup> See CRS Report RS21069, *TANF Time Limits: Basic Facts and Implications*.

participation rates.<sup>13</sup> For this purpose, only specified work activities are countable.<sup>14</sup> Furthermore, to be counted as a participant, a TANF recipient must work for a minimum average number of hours weekly. The work week is 20 hours for single adults with a child under 6 years old (almost half of all TANF adults) and 30 hours for single adults with an older child, effective in FY2000. A longer work week is imposed on two-parent families. States may exempt single parents caring for a child under age 1 from work requirements (and disregard them in calculating work participation rates). According to the fifth annual TANF report, 23 states exempt these parents, but 19 states require a care-giving parent to work before the child is one, and four grant no exemptions.

The law imposes several sanctions for non-compliance with TANF rules. It requires states to sanction TANF recipients for refusal to engage in required work by discontinuing aid or by reducing aid to the family “pro rata” with respect to the period of work refusal. According to state plans, the penalty for a first work violation in 19 jurisdictions is loss of 100% of benefits until compliance or after a minimum penalty period (this count includes two states that end benefits for quitting a job). For repeat offenses, penalties are increased; ultimately, under some circumstances 38 states end family benefits (seven for life). The law requires TANF recipients to assign child support and spousal support rights to the state; if a recipient does not cooperate in efforts to establish paternity or to establish or enforce a support order, the state must reduce the family’s benefit by at least 25%. If a TANF family’s benefits are reduced because of failure to perform a required action, the state may not give the family an offsetting increase in food stamps, and it may reinforce the cash penalty by cutting food stamp benefits by up to 25%.<sup>15</sup> The law also allows states to reduce the family’s benefit for failure to comply with a signed individual responsibility plan.<sup>16</sup> Illustrative recipient obligations include school attendance, immunization of children, attendance at parenting or money management classes, and needed substance abuse treatment. On the other hand, states that adopt a provision known as the Family Violence Option (FVO) are permitted under certain conditions to waive federal TANF rules regarding work, time limits and child support cooperation for victims of domestic violence. In FY2002, all but 10 TANF jurisdictions had adopted the FVO.

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<sup>13</sup> The statutory work participation rates are reduced for caseload declines from FY1995 average levels. The statutory rates were set at 30% for all TANF families for FY1998 and rise by 5 percentage points yearly to a peak of 50% for FY2002. The rate for two-parent families was increased from 75% for FY1998 to a peak of 90% for FY1999 and thereafter.

<sup>14</sup> Unsubsidized employment, subsidized private or public sector employment, work experience, on-the-job training, job search and job readiness assistance (generally limited to 6 weeks), community service programs, vocational educational training (12 months maximum,), job skills training directly related to employment, education directly related to employment (recipient without high school diploma or equivalent), satisfactory attendance at secondary school (high school dropout), and provision of child care services to a TANF recipient engaged in community service.

<sup>15</sup> The law also permits states to end Medicaid for adults who refuse TANF work requirements, but requires continued Medicaid for their children.

<sup>16</sup> Penalties for refusal to work, cooperate in child support efforts, and sign individual responsibility plans may be waived for good cause established by the state.

**Income and Resource Limits.** Under TANF, states have freedom to set income and resource limits. As of January 2003, all but seven states had raised *countable* asset limits for cash recipients above the AFDC ceiling of \$1,000 per family (about half doubled the limit); more than half the states now exclude one vehicle from countable assets; some permit restricted savings accounts; and one (Ohio) has eliminated asset limits altogether.

## Benefit Levels

**Cash Assistance.** States determine amounts paid to families with no countable income and whether to disregard any earnings as a work incentive and any assets as a savings incentive, (and if so, how much). Almost all jurisdictions have liberalized treatment of earnings to bolster work (two states, Connecticut and Virginia, disregard all recipient earnings below the federal poverty guideline). One state (West Virginia) pays a \$100 monthly bonus to married couples. At least three states (California, Hawaii, and Massachusetts) have established a lower maximum benefit schedule for persons required to work than for those exempt from work. More than 20 states pay a reduced benefit, or zero benefit, on behalf of a new baby born to a TANF mother (family cap).

A CRS telephone survey found that maximum benefits for a three-person TANF family in January 2003 ranged from \$170 in Mississippi to \$709 in Vermont and \$923 in Alaska. In half the states, TANF maximum benefits for three persons were unchanged from those for AFDC in July 1996, just before passage of TANF. This means that their real value, after adjustment for price inflation, was down almost 15.7%. However, four states increased benefits in real value (Louisiana, up 10%; Maryland, 9%; Mississippi, 22%, and West Virginia, 55%).

Wisconsin has made the most drastic change. Its TANF program, known as W-2 (for Wisconsin Works) no longer bases benefits on family size; it pays flat benefits and conditions them on hours of required activity. For those in a community service job (CSJ), it pays \$673 monthly (about 75% of full-time monthly minimum wages) plus food stamps, for 30 hours of weekly work (plus up to 10 hours in education and training). For those unable to participate in a CSJ, it pays \$628 monthly.<sup>17</sup> For each missed hour, it reduces benefits by \$5.15, the minimum wage rate. The Wisconsin program also seeks to create jobs for TANF recipients by offering employers a \$300 maximum wage subsidy monthly, and it establishes child care plans and health care plans that all low-income families may join for a fee.

**Related Programs.** Although the 1996 law ended AFDC, it retained AFDC eligibility limits for use in Medicaid and in the programs of foster care and adoption assistance. It requires states to provide Medicaid coverage and benefits to children and family members who would be eligible for AFDC cash aid (under terms of July 16, 1996) if that program still existed. For this purpose, states may increase AFDC income and resource standards by the percentage rise in the consumer price index since enactment of TANF; they also may adopt more liberal methods of determining

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<sup>17</sup> The July 1996 WI maximum AFDC benefit for a family of three was \$517; for a family of four, \$617.

income and resources. The law requires 12 months of medical assistance to those who lose TANF eligibility because of earnings that lift counted income above the July 16, 1996 AFDC eligibility limit. The law also makes foster care and adoption assistance matching funds available for children who would be eligible for AFDC cash aid (under terms of July 16, 1996) if that program still were in effect.

**Other Benefits.** Benefits other than basic ongoing assistance are known as “nonassistance.” They are not subject to TANF’s time limits or work requirements, but they must promote one or more of the goals of TANF. States define who is eligible and may set different income limits for different services. See entries on TANF child care, TANF work activities, and TANF services.

**Note:** For more detail, see CRS Report RL30695, *Welfare Reform: State Programs of Temporary Assistance for Needy Families*, CRS Report 96-720, *TANF Block Grant Program: Current Provisions Compared with AFDC*, and *Section 7 of Ways and Means Committee Print 108-6, the 2003 Green Book: Temporary Assistance for Needy Families (TANF)*, available on the Committee’s web site at [<http://waysandmeans.house.gov/media/pdf/greenbook2003/Section7.pdf>]

## 13. Foster Care<sup>1</sup>

### Funding Formula

Title IV-E of the Social Security Act provides federal matching funds to states for maintenance payments for the care of certain low-income children placed in licensed foster care homes, private child care institutions (non-profit or for-profit), or public child care institutions that house no more than 25 persons. The matching rate for a state is that state's Medicaid matching rate (see program no. 1 — page 29). The FY2003 federal matching rate ranged from 50% to 76.62%. For certain administrative costs of the program and expenses related to child placement, the federal government offers 50% matching funds. States receive 75% federal matching for certain training expenses. FY2002 outlays were \$8.6 billion, with \$4.5 billion (52%) from federal funds.

### Eligibility Requirements<sup>2</sup>

For a state to be eligible to claim federal foster care payments on behalf of a child, the child's removal from the home must be the result of a judicial determination that reasonable efforts have been made to enable the child to remain home and that continuation in the home would be contrary to the child's welfare. States also may claim federal payments for children placed into foster care under a voluntary placement agreement between the child welfare agency and the child's parents, if certain judicial findings are made within 180 days of the child's placement. In addition, a child must meet the eligibility standards of the repealed AFDC program, as it existed in his state on July 16, 1996.<sup>3</sup> Finally, the child must be placed in a licensed home or institution.

### Benefit Levels

States determine payments to foster parents and institutions, and children are automatically eligible for Medicaid. P.L. 96-272 requires that states make reasonable efforts to prevent the need to place children in foster care, and to reunify children with their families when possible. (P.L. 105-89, enacted in 1997, allows certain exceptions to this requirement.) Each child in foster care must have a written case

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<sup>1</sup> This program was established on October 1, 1980, under a new part (Part IV-E) of the Aid to Families with Dependent Children (AFDC) title of the Social Security Act, by the Adoption Assistance and Child Welfare Act of 1980 (P.L. 96-272). Previously, foster care was a separate component of the regular AFDC program.

<sup>2</sup> Regulations for this program are found in 45 CFR Parts 1355 and 1356 (2002). This program is no. 93.658 in the Catalog of Federal Domestic Assistance. It is codified at 42 U.S.C. 670 et seq.

<sup>3</sup> This rule took effect on July 1, 1997, mandatory start date for TANF, which replaced AFDC. The TANF law (P.L. 104-193) originally established the "look-back" AFDC eligibility date as June 1, 1995 for foster care and adoption assistance use. However, it was changed to July 16, 1996 (the look-back date for Medicaid use) by the Balanced Budget Act of 1997 (P.L. 105-33).

plan, and states must hold administrative and judicial reviews of each child's case according to a prescribed schedule.

In FY2002, administrative costs (including training and data collection expenses) were estimated to represent 54% of total federal spending for foster care. According to the most recent data collected from states by the Child Welfare League of America, maintenance payments vary widely among states, ranging in FY2000 from \$216 monthly for a 2-year-old child in Missouri to \$760 for a 16-year-old in Connecticut. Nationwide average monthly maintenance payments in FY2000 were \$389 for a child age 2, \$406 for a child age 9, and \$465 for a child age 16.

(Note: A related program, now known as the Chafee Foster Care Independence Program, was created in 1986 (P.L. 99-272) and expanded in 1999 (P.L. 106-169) and 2001 (P.L. 107-133). As most recently amended, Section 477 of the Social Security Act authorizes grants to states to assist foster children who are likely to "age out" of foster care without returning to their original homes or being placed for adoption, and former foster children, with their transition to independent living. The law also authorizes a separate grant to states to provide education and training vouchers to these youth. These programs are not means-tested, although it is assumed that the majority of beneficiaries are low-income. Expenditures for these programs are not included in this report.)

## 14. Child Tax Credit

### Funding Formula

This benefit is 100% federally funded and is provided through the tax system. FY 2002 outlays (tax year 2001) totaled \$5.1 billion. (Another \$22.5 billion was used to offset taxes and is not included in this report.)

### Eligibility Requirements

To be eligible for the credit, taxpayers must have a child under age 17 at the close of the calendar year in which their tax year begins. The taxpayer must be able to claim a dependent exemption for the child, and the child must be their son, daughter, grandson, granddaughter, stepson, stepdaughter, or an eligible foster child. The credit is phased out at higher income levels.

### Benefit Levels

The Taxpayer Relief Act of 1997 (P.L. 105-34) created a child credit of \$400 in 1998, increasing to \$500 for 1999 and thereafter. The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA, P.L. 107-16) increased the credit limit to \$600 in tax years 2001 through 2004, to \$700 in tax years 2005 through 2008, \$800 in tax year 2009, and \$1,000 in tax year 2010. The increases will expire in tax year 2011 with the credit reverting to the prior law level of \$500. The Jobs and Growth Tax Relief Reconciliation Act of 2003 (P.L. 108-27) raised the maximum credit to \$1,000 per child for tax years 2003 through 2004.

The credit is refundable for up to 10% of the taxpayer's earned income in excess of \$10,000 for calendar years 2001-2004, indexed for inflation beginning in 2002 (resulting in \$10,500 for tax year 2003). Beginning in 2005, the credit is refundable for up to 15% of the taxpayer's earned income above \$10,000 (indexed). Before passage of EGTRRA, the child credit was refundable in two ways: (1) as a supplemental credit in coordination with the Earned Income Tax Credit (EITC) (the credit was part of the child credit calculations, and had no separate form or calculation requirements for taxpayers); and (2) as an additional credit for taxpayers with three or more children, limited to the amount by which their social security taxes exceeded their earned income tax credit.<sup>1</sup>

The credit is phased out at the rate of \$50 for each \$1,000 (or fraction thereof) by which modified adjusted gross income (AGI) exceeds certain thresholds: for singles and heads of households, \$75,000; for married couples filing jointly, \$110,000; and for married couples filing separately, \$55,000.

**Treatment by Other Means-Tested Programs.** EGTRRA specified that the refundable portion of the child credit does not constitute income and shall not be

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<sup>1</sup> The old rule will apply for taxpayers with three or more children if it provides a larger refundable credit than the new general rule.

treated as a resource for purposes of determining eligibility or the amount or nature of benefits under any federal program or any state or local program financed with federal funds.

## 15. General Assistance (Nonmedical Care Component)<sup>1</sup>

### Funding Formula

No federal funds are provided for General Assistance (GA). GA is a general name for state and local programs that help some of the low-income persons who do not qualify for federally aided cash payments from Temporary Assistance for Needy Families (TANF) or Supplemental Security Income (SSI).<sup>2</sup> GA is the most common term, but several other names are used.<sup>3</sup>

As of mid-1998, 25 states, including the District of Columbia (D.C.), operated statewide GA cash programs with uniform eligibility rules and, usually, uniform benefit schedules. Of these programs, 20 were funded 100% by the state,<sup>4</sup> and five required counties or localities to share costs with the state.<sup>5</sup> Nine states had statewide programs with county variations; in these states, all counties/localities were required to operate and fully fund GA programs.<sup>6</sup> One state (Nebraska) had a uniform statewide program for the disabled and a statewide program with county variation for others. In addition, under state supervision, and with state/local funding, most Virginia counties and many Wisconsin counties offered GA. In six states, with county funding only, some counties offered GA.<sup>7</sup> Finally, 10 states<sup>8</sup> had no program.

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<sup>1</sup> Most state data reported here are based on the most recent national study of state general assistance programs and subsequent information from some states. The national study, entitled State General Assistance Programs, 1998, was conducted by the Urban Institute in the summer of 1998 as part of the Institute's project on Assessing the New Federalism. The study is available at [[http://newfederalism.urban.org/html/ga\\_programs/ga\\_full.html](http://newfederalism.urban.org/html/ga_programs/ga_full.html)].

<sup>2</sup> Some states use GA for interim assistance to SSI applicants (and later are reimbursed with SSI funds).

<sup>3</sup> Some states use the term, General Relief: AK, CA, MO and VA. Other names include: safety net assistance (NY); poor relief (IN and SD); direct assistance (NV); and relief block grant (WI).

<sup>4</sup> The 20 jurisdictions with 100% state funding: AK, AZ, CT, DE, DC, HI, KS, MD, MA, MI, MN, MO, NE (disability program), NM, OR, PA, RI, UT, VT, and WA.

<sup>5</sup> The five states with uniform statewide programs and shared state/local funding: CO, ME, NJ, NY, and OH.

<sup>6</sup> The nine states in which all counties/localities were required to operate and fund GA programs: CA, ID, IL (state funds paid all GA costs in Chicago and about 60 other localities), IN, IA, NE (for the non-disabled), NV, NH, and SD.

<sup>7</sup> The six states in which some counties offered GA (funded by counties): FL, GA, KY, MT, NC, ND.

<sup>8</sup> The 10 states with no program were AL, AR, LA, MS, OK, SC, TN, TX, WV, and WY.

## Eligibility Requirements

To receive GA, a person must be judged in financial need and must live where the program is available. Further, in most states, one must be disabled, elderly, or otherwise deemed unemployable. In mid-1998, 18 states (including New York and California, the two most populous states) allowed GA for needy able-bodied adults, but 13 restricted this aid to persons with children, and most conditioned it on meeting work requirements. Many states provided GA to disabled or elderly persons who had applied for SSI and were awaiting determination of SSI eligibility (states are reimbursed by the Social Security Administration for interim payments made to persons found eligible). Some aided persons with a temporary disability that did not qualify them for SSI. A few offered GA to persons enrolled in a drug or alcohol abuse treatment program. Some states made eligible “unattached” children, those not living with a relative and hence ineligible for TANF.

Eleven of the statewide programs imposed no categorical eligibility limits; they (or some of their counties or localities) offered aid to any person needy under their standards who did not qualify for federally funded aid: Alaska; California (Los Angeles County); Idaho (Ada County); Indiana (Center Township of Marion County); Iowa (Polk County); Maine; Nebraska; Nevada (Clark County); New Hampshire (City of Manchester); New York; and South Dakota (Minnehaha County).

Income and asset limits for GA eligibility vary. In Florida (Dade County), Kentucky (Jefferson County), and New Hampshire (City of Manchester), only persons with zero income were eligible, but Hawaii, the most generous state, set the monthly income limit at \$1,239 for an individual. Several states set the countable asset limit at zero, but most adopted limits between \$1,000 and \$2,000.

Most GA programs also impose citizenship and residency tests for eligibility. The 1996 welfare law (P.L. 104-193) prohibits state and local benefits for *illegal* aliens unless the state expressly authorizes them by law, and it permits states to exclude most legal aliens<sup>9</sup> from GA. In mid-1998, some GA programs denied eligibility (for 5 years or permanently) to legal immigrants arriving after August 22, 1996, when the welfare law was enacted. Some of the GA programs open to non-citizens require immigrants to apply for citizenship as a condition of eligibility. GA programs typically require current residence in the state, county, or municipality; and seven require a minimum residence period, ranging from 15 days to 9 months.

Since 1992, coverage of many GA programs has been reduced. Montana abolished the state-run program that had operated in 12 of its counties; Wisconsin replaced its state-required county-based program with a block grant for an optional program. Connecticut, Hawaii, Minnesota, Ohio, and Pennsylvania ended benefits for able-bodied employable persons without children (and Pennsylvania, for families as well). D.C. ended GA benefits for SSI applicants. Six states tightened eligibility criteria for persons with disabilities. The total number of statewide programs with

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<sup>9</sup> Under P.L. 104-193 as amended, states may not exclude from GA legal aliens with 40 quarters of work covered by social security and, during the first 7 years after their entry into the United States, refugees and asylees.

time limits rose to nine, but two states (Hawaii and Michigan) removed time limits for persons with a disability. Since the 1996 passage of TANF, which can be used for cash aid to pregnant women at any stage of pregnancy, several states have ceased using GA funds for this group.

## Benefit Levels

**Mid-1998 Data.** GA benefit levels vary greatly among states and often within them. In mid-1998, maximum GA cash benefits reported by states with uniform statewide programs ranged from \$80 monthly for a single person in Missouri to \$339 in Massachusetts and \$645 for a disabled person in Nebraska (these amounts were unchanged from mid-1996). Maximum benefits averaged \$248 monthly.

About three-fourths of the states with statewide GA programs provide aid in the form of cash (except in special circumstances). Nine of these states or some of their counties provide only vendor payments or vouchers: Idaho (Ada County); Indiana, (Center Township of Marion County); Iowa (Polk County), Kentucky (Jefferson County); Maine; Nebraska (non-disabled program); New Hampshire (City of Manchester); South Dakota (Minnehaha County), and Vermont.

In general, ongoing assistance was provided in mid-1998, to at least some categories of recipients, by most of the 33 states with statewide programs. However, these states imposed time limits: Arizona, and Maryland, 12 months out of 36; California (Los Angeles County) 12-month limit for employable persons; Colorado, 12-month lifetime limit for persons disabled by substance abuse; New Jersey, 60-month lifetime limit (with extension possible); New York, 24-month lifetime limit for cash aid (no limit for noncash aid); Pennsylvania, 9-month lifetime limit for persons in substance abuse treatment and victims of domestic violence; Utah, 7 months out of an 18-month period (for persons in program called Working Toward Employment; and Vermont, 36-month lifetime limit, for persons in drug treatment.

**Recent State Data.** In March 2003, enrollment in the Massachusetts program of Emergency Aid to the Elderly, Disabled, and Children (EAEDC) was up 5% from the previous year; and benefits averaged \$324 (down \$7 from 2002). In August the state announced plans to cut benefits by 11.5% because of a budget shortfall. In April 2003, enrollment in the Michigan state-funded program of Emergency Relief was up 77% from the year-earlier level (914 families, compared with 515); and benefits averaged \$377. Maryland issued \$2 million in vouchers in April 2003 under its Transitional Emergency Medical and Housing Assistance program (TEMHA) on behalf of about 14,709 persons (up 15% from a year earlier); benefits averaged \$135 per person. New York spent \$68 million in April 2003 for “safety net” assistance, some of which was in noncash form, to 283,958 persons in 159,865 cases, including families transferred out of TANF after reaching that program’s 5-year time limit. Payments averaged \$425 per case. California paid a total of \$22.3 million in general relief in March 2003 to 95,177 cases, almost all of which held only one person. Benefits averaged \$234 per case (\$335 for family cases).

**Census Data.** The U.S. Census Bureau reports that direct cash assistance by states and localities for noncategorical aid totaled \$2.968 billion in FY2000 and \$2.956 billion in FY2001. The preliminary estimate for FY2002, based on data from

states that accounted for one-third of the FY2000 census-reported total, is \$3.251 billion. Most GA programs offer medical assistance as well as cash. For medical aid provided under state-local GA programs, see program no. 4 — page 48.

## 16. Pensions for Needy Veterans, their Dependents, and Survivors

### Funding Formula

The federal government provides 100% funding for veterans' and survivors' pensions. Total federal outlays for these pensions reached \$3.164 billion during FY2002.

### Eligibility Requirements<sup>1</sup>

Eligibility for a veteran's pension requires a discharge (other than dishonorable) from active service of 90 days or more, at least one of which must have been served during a period defined in law as a period of war. The veteran must be disabled for reasons neither traceable to military service nor to willful misconduct. The survivor pension is provided to surviving spouses and children of wartime veterans who died of nonservice-connected causes, subject to income limitations. There is no disability requirement for eligible survivors.

### Benefits

After considering other sources of income, including Social Security, retirement, annuity payments, and income of a dependent spouse or child, the Department of Veterans Affairs (VA) pays monthly amounts to qualified veterans to bring their total incomes to specified levels (*maximum benefits*), shown below. These levels are increased (by \$2,197 in 2003) for veterans with service in World War I or earlier in recognition of their lack of home loan and education benefits made available to veterans of later wars. Countable income can be reduced for unreimbursed medical expenses, as well as some educational expenses incurred by veterans or their dependents. Pensions are not payable to veterans with substantial assets (when it is "reasonable" that they use some of their net worth for their own maintenance).

Pensions awarded before 1979 were paid under one of two programs, referred to as *Old Law* and *Prior Law*, both of which were governed by complex rules regarding countable income and exclusions. Since January 1, 1979, applications have been processed under the *Improved Law* program, which provides higher benefits but has eliminated most exclusions, offsetting countable income dollar-for-dollar. The Improved Law program accounts for 98% of pension costs and about 88% of beneficiaries.

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<sup>1</sup> Eligibility rules of this program are found in 38 CFR Subpart A of Part 3 (2002). This program is no. 64.104 in the Catalog of Federal Domestic Assistance.

<b>Maximum annual benefits in 2003</b>	<b>Veteran</b>	<b>Survivor</b>
Beneficiary without dependent	\$9,690	\$6,497
Beneficiary with one dependent	12,692	8,507
For each additional dependent	1,653	1,653
Needing regular aid and attendance without dependent	16,169	10,387
Estimated average benefits (Old, Prior, and Improved)	7,491	3,200

## 17. Adoption Assistance<sup>1</sup>

### Funding Formula

Title IV-E of the Social Security Act provides federal matching funds to states for payments to parents adopting certain low-income children with “special needs.” The matching rate for a given state is that state’s Medicaid matching rate (see program no. 1). The FY2003 federal matching rate ranged from 50% to 76.62%. For administrative expenses and certain training expenses, the federal matching rates are 50% and 75%, respectively. The 1986 tax reform legislation (P.L. 99-514) amended the adoption assistance program by authorizing 50% federal matching for reimbursement of certain non-recurring adoption expenses up to \$2,000, such as adoption and attorney fees and court costs. FY2002 outlays were \$2.5 billion (\$1.3 billion from federal funds).

### Eligibility Requirements<sup>2</sup>

A child must be eligible for SSI (see program no. 10) or meet the eligibility standards of the repealed AFDC program, as it existed in his state on July 16, 1996,<sup>3</sup> must be legally free for adoption, and must have “special needs,” as determined by the state, that prevent adoption without assistance payments. Such special needs may include mental or physical handicap, age, ethnic background, or membership in a sibling group. (In addition, parents who adopt children with special needs who are not AFDC or SSI eligible are entitled to assistance under the matching program for non-recurring adoption expenses.)

### Benefit Levels

The state adoption assistance agency, by agreement with the adoptive parents, decides the amount of the adoption payment; however, the payment cannot exceed what would have been paid to maintain the child in a foster family home. Children receiving federally subsidized adoption assistance are automatically eligible for Medicaid. Benefits can continue until the child reaches age 18 or, in cases where the child is mentally or physically handicapped, age 21.

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<sup>1</sup> This program was established in 1980 under the Adoption Assistance and Child Welfare Act of 1980 (P.L. 96-272) as part of a new Title IV-E of the Social Security Act. States were required to have an adoption assistance program by Oct. 1, 1982, in order to continue receiving AFDC matching funds.

<sup>2</sup> Regulations for this program are found in 45 CFR Parts 1355 and 1356 (2002). This program is no. 93.659 in the Catalog of Federal Domestic Assistance. It is codified at 42 U.S.C. 673 et seq.

<sup>3</sup> This rule took effect on July 1, 1997, mandatory start date for TANF, which replaced AFDC. The TANF law (P.L. 104-193) originally established the “look-back” AFDC eligibility date as June 1, 1995 for adoption assistance and foster care use. However, it was changed to July 16, 1996 (the look-back date for Medicaid use) by the Balanced Budget Act of 1997 (P.L. 105-33).

## 18. Dependency and Indemnity Compensation (DIC) and Death Compensation for Parents of Veterans<sup>1</sup>

### Funding Formula

The federal government provides 100% funding for dependency and indemnity compensation, and for death compensation. Federal outlays in FY2002 were estimated at \$84 million for 7,463 parents.

### Eligibility Requirements<sup>2</sup>

Under Title 38 of the United States Code, Section 1315, parents of veterans who died from a service-connected cause are eligible for Dependency and Indemnity Compensation (DIC) if their counted income is below limits in federal law and regulations. Countable annual income limits in 2003 are \$11,024 for one parent alone and for each of two parents not living together; \$14,817 for two parents living together, or for a remarried parent living with his spouse. Chief exclusions from countable income are cash welfare payments and 100% of retirement income, including Social Security.

Recipients of death compensation benefits are required to meet the net worth rules applicable to veterans' pensioners. (See program no. 15.) There are no net worth rules for the DIC program.

### Benefit Levels

The Veterans' and Survivors' Pension Improvement Act of 1978 (P.L. 95-588) established DIC rates for parents effective January 1, 1979, and required that thereafter, whenever Social Security benefits were increased by an automatic cost-of-living adjustment (COLA), DIC rates must be adjusted by the same percentage and at the same time.

The maximum benefit for a sole surviving, unremarried parent in 2003 is \$464 monthly. The maximum for each parent when both survive but do not live together is \$334 per month. The maximum payment to individual surviving parents, who live either with the other parent, or with the spouse of the deceased veteran is \$314 monthly. The minimum monthly payment is \$5.00. Parents in need of "aid and attendance" receive an additional monthly allowance of \$250 in 2003.

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<sup>1</sup> Dependents of veterans who died before 1957 are entitled to "death compensation" or may elect to receive DIC. Persons who choose to remain under the old program receive higher benefits than they would under DIC.

<sup>2</sup> Eligibility rules are found in 38 CFR. Subpart A of Part 3 (2002). DIC for parents of veterans is the income-tested component of program no. 64.110 in the Catalog of Federal Domestic Assistance (DIC benefits for other survivors, spouses, and children).

## 19. General Assistance to Indians

**Note:** This entry describes the program of General Assistance (GA) to Indians operated by the Bureau of Indian Affairs (BIA). However, tribes may design their own GA programs, changing eligibility rules and benefit levels, provided they pay any net cost increase, use any savings for tribal needs, and receive BIA approval of their plan.<sup>1</sup> Tribes may administer their redesigned plan themselves or request BIA to do so.

### Funding Formula

The Snyder Act provides 100% federal funding for General Assistance (GA) to Indians, which is administered by the Bureau of Indian Affairs (BIA). Federal obligations in FY2002 were \$66.5 million.

### Eligibility Requirements<sup>2</sup>

Eligible are needy Indians who are members of a tribe that is recognized by the U.S. government and Alaskan Natives with at least one-fourth degree Native blood (or who are regarded as Natives by the Native village). Federally recognized tribes are located in 34 states, of which 24 have BIA programs of GA.

Persons must be deemed needy on the basis of standards established under the state's TANF program. They must apply for aid from other governmental or tribal programs for which they are eligible, and they may not receive TANF or Supplemental Security Income (SSI). They must reside in the tribe's service area and where non-federally funded aid from a state or local government unit<sup>3</sup> is not available to them. Able-bodied adults must actively seek work, make satisfactory progress in an Individual Self-sufficiency Plan (ISP), jointly developed and signed by the recipient and the social services worker, and accept available local and seasonal employment unless they are enrolled at least half-time in a specified program of study, caring full-time for a preschool child, or would have a minimum commuting time of one hour each way.

Certain sums of earned income are disregarded in determining benefits: federal, state, and local taxes; Social Security taxes; health insurance payments; work-related expenses, including reasonable transportation costs; child care costs (unless the other parent in the home is able-bodied and not working); and the cost of special clothing, tools, and equipment directly related to the person's employment. Also deducted

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<sup>1</sup> Between 1999 and the end of FY2002, BIA reports that it assisted 78 tribes develop and implement comprehensive welfare plans. Its FY2004 budget called for adding 10 more tribes to this list in FY2003 and FY2004.

<sup>2</sup> Revised regulations for this program took effect on Nov. 20, 2000. See 25 CFR, Part 20, Subpart C (2003). This program is no. 15.113 in the Catalog of Federal Domestic Assistance.

<sup>3</sup> Such programs generally are known as "general assistance," but various other names are used, including general relief, poor relief, and safety net assistance.

from countable income is an allowance for shelter costs; namely, 25% of the TANF standard unless a smaller amount is designated for shelter in the state TANF standard.

Disregarded as income or resources is the first \$2,000 in liquid resources annually available to the household and any home produce from garden, livestock, and poultry used by the family. Specific laws exempt certain other income.<sup>4</sup>

Eligibility for GA must be reviewed periodically, every 3 months for persons not exempt from seeking work and every 6 months for all participants.

BIA expects the GA caseload in FY2003 and FY2004 to decline from the FY2002 level of 45,000 persons.<sup>5</sup> (Because of the relatively high levels of unemployment on Indian reservations, it is thought that many Indians enrolled in TANF will remain eligible for that program beyond 5 years, and hence will be ineligible for GA. The TANF time limit does not apply to any month of aid during which the recipient lived in Indian country<sup>6</sup> or in an Alaska native village where at least 50% of adults were unemployed, according to the most reliable available data.

## Benefit Levels

General Assistance to Indians provides cash payments and work experience and training, and the regulations state that the program goal is to increase self-sufficiency. BIA GA payments are made on the basis of state need standards under the TANF program unless the state “ratably reduces” actual payments. In those cases, the Bureau must reduce GA payments by the same percentage. This means that actual maximum payments in the GA program are the same as in the state TANF program. For a family of three persons, maximum monthly TANF benefits ranged in January 2003 from \$170 in Mississippi to \$923 in Alaska. If the state TANF program has no assistance standard for one adult, the Bureau standard for one adult is the greater of (a) the difference between the standard for one child and that for a two-person household with an adult member or (b) one-half the standard for a household of two persons.

A GA recipient who participates in the tribe’s Tribal Work Experience Program (TWEP) receives an extra monthly payment (\$115 in FY2002 and 2003). This program provides work experience and job skills training. TWEP programs can be incorporated within self-determination contracts, self-governance annual funding

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<sup>4</sup> P.L. 100-241 requires the BIA to exclude from countable income or resources up to \$2,000 per year in corporate dividends paid to an individual under the Alaska Native Claims Settlement Act (ANCSA). The Indian Tribe Judgment Funds Distribution Act (P.L. 93-134, as amended by P.L. 97-458 and P.L. 103-66) and certain Indian claims settlement acts also exclude various amounts from countable income or resources.

<sup>5</sup> Bureau of Indian Affairs, Budget Justifications and Annual Performance Plan, Fiscal Year 2004, p. 40.

<sup>6</sup> Indian country is defined here to cover: all lands in Indian reservations, off-reservation trust lands, and dependent Indian communities.

agreements and programs coordinated under P.L. 102-477, which allows for integration of federally-funded employment and training programs.

## 20. Cash Assistance to Refugees, Asylees, Other Humanitarian Cases

### Funding Formula

The Immigration and Nationality Act authorizes 100% federally funded cash assistance for needy refugees and asylees during their first 3 years in the United States, and other legislation authorizes similar assistance for certain Cuban and Haitian entrants<sup>1</sup> and for certain Amerasians.<sup>2</sup> However, since FY1992, funding has been appropriated to provide cash assistance only for the first 8 months after entry. These benefits are administered by the Department of Health and Human Service's Office of Refugee Resettlement (ORR). For refugee cash assistance (RCA), ORR expenditures were an estimated \$41 million in FY2002.

### Eligibility Requirements<sup>3</sup>

A person must (a) have been admitted to the United States as a refugee or asylee under the Immigration and Nationality Act or have been paroled as a refugee or asylee under the Act, (b) be a Cuban or Haitian paroled into the United States between April 15 and October 20, 1980, and designated a "Cuban/Haitian entrant," or be a Cuban or Haitian national paroled into the United States after October 10, 1980, (c) be a person who has an application for asylum pending or is subject to exclusion or deportation and against whom a final order of deportation has not been issued, or (d) be a Vietnam-born Amerasian immigrant fathered by a U.S. citizen.

Under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA; P.L. 104-193), as amended by P.L. 105-33, refugees, asylees, and others in the above groups are eligible for Temporary Assistance for Needy Families (TANF) for 5 years after entry, provided they meet the income and asset tests prescribed by their state for TANF. Those who meet the state's financial eligibility tests but who are *not* categorically eligible for TANF or the federal program of Supplemental Security Income (SSI) qualify for RCA. (For example, a single refugee or a childless couple could receive RCA if deemed needy by state TANF standards.) At the end of the 5-year period, their continued participation is at state option, as it is with legal permanent residents. The law requires employable RCA applicants and recipients to accept "appropriate" job offers and to register for employment to receive cash assistance.

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<sup>1</sup> Title V of the Refugee Education Assistance Act (P.L. 96-422).

<sup>2</sup> Section 584 of the FY1988 Foreign Operations Appropriations Act (P.L. 100-202).

<sup>3</sup> Regulations of this program are found in 45 CFR Parts 400-401 (2002). This program is no. 93.566 in the Catalog of Federal Domestic Assistance.

Under PRWORA, refugees who qualify for SSI are eligible for 7 years after entry (before the 1996 welfare law, there was no time limit on eligibility).<sup>4</sup> At the end of the 7-year period, they become ineligible until they naturalize or meet the work requirement. However, if they were here and receiving SSI by August 22, 1996, the enactment date of PRWORA, they remain eligible. If they were here by the enactment date and subsequently become disabled, they are eligible also for SSI.

## Benefit Levels

RCA payment levels are based on the state's TANF payment to a family unit of the same size. For example, an able-bodied couple below age 65 would receive an RCA benefit equal to that of a two-person (parent and child) TANF family. See program no. 12 for description of TANF benefit levels. (Benefit levels for persons who qualify for TANF and SSI are the levels established for those programs.)

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<sup>4</sup> Under prior law, refugees were eligible for SSI benefits on the same basis as citizens or permanent resident aliens (see SSI program description).

## Food Aid

## 21. Food Stamps

### Funding Formula

The Food Stamp Act generally provides 100% federal funding for food stamp benefits.<sup>1</sup> Federal funds also pay for (1) federal administrative costs, (2) 50% of state and local administrative expenses<sup>2</sup> and (3) the majority of costs associated with employment and training programs for food stamp recipients.<sup>3</sup> “States” — the 50 states, the District of Columbia, Guam, and the Virgin Islands — are responsible for the remainder of food stamp expenses. In Puerto Rico, American Samoa, and the Northern Marianas, federal funds, authorized under the Food Stamp Act, provide annual grants, in lieu of food stamps, to fund nutrition assistance benefits and associated administrative costs. The grants for Puerto Rico and American Samoa are set by law and indexed for inflation. In FY2003, they totaled \$1.4 billion (\$1.395 billion for Puerto Rico and \$5.6 million for American Samoa). The grant for the Northern Marianas is an annually negotiated amount based on identified needs in the Commonwealth (\$7.1 million in FY2003).<sup>4</sup>

### Eligibility Requirements<sup>5</sup>

The Food Stamp program imposes four major tests for eligibility: income limits, liquid asset limitations, employment-related requirements, and limits on the eligibility of noncitizens. In addition, households composed entirely of recipients of cash aid or services under state Temporary Assistance for Needy Families (TANF)

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<sup>1</sup> In a few cases, states have chosen to pay the cost of food stamp benefits (and related administrative expenses) for households not eligible for federally financed benefits — e.g., certain noncitizens.

<sup>2</sup> The 50% federal share of state/local administrative expenses is reduced by \$197 million a year to account for costs covered by grants for Temporary Assistance for Needy Families (TANF), resulting in an actual federal share paid under the Food Stamp program that is slightly below 50%.

<sup>3</sup> See the Food Stamp Employment and Training Program (program no. 79) for more information about this aspect of food stamp program funding.

<sup>4</sup> The Commonwealth of Puerto Rico’s nutrition assistance program provides benefits (averaging \$244 per household per month in FY2002) to some 1 million low-income residents. It uses financial eligibility tests that are similar to, but more restrictive than those used for food stamps; benefits are provided through an electronic benefit transfer system under which the majority of the benefit is earmarked to purchase food items, while the minority may be withdrawn as cash. The Commonwealth of the Northern Mariana Islands receives a grant under the Food Stamp Act to operate a program similar to the regular Food Stamp program, although some of the benefits are earmarked for local food purchases; and American Samoa receives a grant to run a limited program providing aid to the elderly and disabled.

<sup>5</sup> Regulations for food stamps (and related programs) are found at 7 CFR Part 271 et seq. (2003). They are nos. 10.551, 10.561, and 10.566 in the Catalog of Federal Domestic Assistance.

programs, the Supplemental Security Income (SSI) program, or state/local General Assistance (GA) programs are, in many cases, automatically eligible for food stamps. Automatic food stamp eligibility may continue for up to 5 months after a household leaves a TANF program.

**Income.** Households not automatically eligible because of receiving TANF, SSI, or GA must have *counted (net)* monthly income below the federal poverty income guidelines, which are adjusted annually to reflect inflation measured by the Consumer Price Index (CPI). More importantly, households without an elderly or disabled member<sup>6</sup> must also have *basic (gross)* monthly income below 130% of the poverty guidelines in order to qualify. Changes in these income limits take effect each October.

Basic (gross) monthly income includes all *cash* income of the household, except for: certain “vendor” payments made to third parties (rather than directly to the household); unanticipated, irregularly received income up to \$30 a quarter; loans (deferred payment education loans are treated as student aid, see below); income received for the care of someone outside the household; nonrecurring lump-sum payments such as income tax refunds (these are counted as liquid assets); payments of federal earned income tax credits (these are not counted as either income or — for 12 months — as assets); federal energy assistance; reimbursements for certain out-of-pocket expenses; income earned by children who are in school; the cost of producing self-employment income; education assistance under Title IV of the Higher Education Act (e.g., Pell grants, student loans); other student aid to the extent earmarked or used for tuition, fees, and education-related expenses; certain payments under the Workforce Investment Act (WIA); income set aside by disabled SSI recipients under an approved “plan to achieve self-sufficiency”; and some other types of income required to be disregarded by other federal laws. In addition, states may, within certain limits, exclude income they disregard when judging TANF or Medicaid eligibility.

Counted (net) monthly income subtracts from basic (gross) income the following “deductions”: (1) a “standard” monthly deduction;<sup>7</sup> (2) 20% of any earned income; (3) expenses for the care of a dependent (up to \$200 per dependent per month for those under age 2 or \$175 for other dependents); (4) out-of-pocket medical expenses of elderly or disabled household members, to the extent they exceed \$35 per month; (5) shelter expenses, to the extent they exceed 50% of the income remaining after all other potential deductions and excluded expenses have been

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<sup>6</sup> “Elderly” is defined as age 60 or older. “Disabled” is generally defined as being a recipient of governmental disability benefits such as Social Security or SSI disability payments.

<sup>7</sup> The “standard” deduction varies by household size, indexed for inflation, and differs for AK, HI, and the territories. During FY2004, the standard deduction in the 48 states and the DC is \$134 a month for households of one to four persons, \$149 for five-person households, and \$171 for households of 6 or more persons. For deductions in other areas, see the U.S. Department of Agriculture Web site at [www.fns.usda.gov/fsp].

subtracted (up to an annually indexed ceiling standing at \$378 a month in FY2003);<sup>8</sup> and (6) amounts paid as legally obligated child support payments.

The following tables set out the monthly net and gross income limits in the 48 contiguous states, the District of Columbia, the Virgin Islands, and Guam — for the period October 1, 2003 through September 30, 2004.<sup>9</sup>

Household size	Monthly counted (net) income limits	Monthly basic (gross) income limits
1 person	\$ 749	\$ 973
2 persons	1,010	1,313
3 persons	1,272	1,654
4 persons	1,534	1,994
5 persons	1,795	2,334
6 persons	2,057	2,674
7 persons	2,319	3,014
8 persons	2,580	3,354
Each additional person	+262	+341

**Assets.** An eligible household's liquid assets may not exceed \$2,000 or \$3,000 if the household includes an elderly or disabled member. This asset test excludes the value of a residence, business assets, household belongings, and certain other resources, such as Earned Income Tax Credits paid as a lump sum. The extent to which the value of a vehicle owned by an applicant household is counted as an asset varies by state, often conforming to the state's rule for its TANF program. Under the most stringent rule, the fair market value of any vehicle above \$4,650 is counted; however, the majority of states either disregard the value of at least one vehicle or apply a more liberal threshold. The food stamp asset test does not apply to automatically eligible TANF, SSI, and GA households; states also may, within certain limits, disregard assets that they do not count in their TANF or Medicaid programs.

**Employment-Related Requirements.** In order to maintain eligibility, certain nonworking able-bodied adult household members must register for employment, accept a suitable job if offered one, fulfill any work, job search, or training requirements established by administering welfare agencies, provide the

<sup>8</sup> The limit on the shelter expense deduction varies in AK, HI, and the territories, and does not vary by household size. For the limit in other areas, see the U.S. Department of Agriculture website at: [www.fns.usda.gov/fsp](http://www.fns.usda.gov/fsp).

<sup>9</sup> Limits are higher in AK and HI, by 25 and 15%, respectively. Puerto Rico's nutrition assistance program uses a gross income test only, set substantially below that used in the 48 states and the DC.

welfare agency with sufficient information to allow a determination with respect to their job availability, and not voluntarily quit a job without good cause or reduce work effort below 30 hours a week. Exempt from these requirements are: persons caring for dependents (disabled or under age 6); those already subject to another program's work requirement; those working at least 30 hours a week or earning the minimum-wage equivalent; the limited number of postsecondary students who are otherwise eligible; residents of drug addiction and alcoholic treatment programs; the disabled; and those under 16 or age 60 or older (those between ages 16 and 18 are also exempt if they are not the head of a household or if they are attending school or a training program). If the household head fails to fulfill any of these requirements, the state may disqualify the entire household for up to 180 days. Individual disqualification periods differ according to whether the violation is the first, second, or third; minimum periods range from 1 to 6 months and may be increased by the welfare agency, in some cases to permanent disqualification.

In addition to the above work-related requirements, special rules apply to some persons without dependents. Many able-bodied adults (between 18 and 50) without dependents are ineligible for food stamps if, during the previous 36 months, they received food stamps for 3 months while not working at least 20 hours a week or participating in an approved work/training activity (including "workfare," work in exchange for benefits). Those disqualified under this rule are able to re-enter the Food Stamp program if, during a 30-day period, they work 80 hours or more or participate in a work/training activity. If they then become unemployed or leave work/training, they are eligible for an additional 3-month period on food stamps without working at least 20 hours a week or enrolling in a work/training activity. But they are allowed only one of these added 3-month periods in any 36 months — for a potential total of 6 months on food stamps in any 36 months without half-time work or enrollment in a work/training effort. [**Note:** At state request, the special rule for able-bodied adults without dependents can be waived for areas with very high unemployment (over 10%) or lack of available jobs. Moreover, states themselves have authority to exempt up to 15% of those subject to the rule.]

States must operate work and training programs under which recipients not exempt by law or by state policy must fulfill employment requirements (which can include workfare, training, job search, education, or other activities) as established by the welfare agency. These programs are described separately in this report (see program no. 79).

**Other Limitations.** Categorical eligibility restrictions include: (1) a ban on eligibility for many noncitizens;<sup>10</sup> (2) a ban on eligibility for households containing striking members, unless eligible prior to the strike; (3) a ban on eligibility for most nonworking postsecondary students without families; (4) a ban on eligibility for persons living in institutional settings, except for those in special small group homes for the disabled, persons living in drug addiction or alcoholic treatment programs, persons in temporary shelters for battered women and children, and those in homeless

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<sup>10</sup> For information on rules barring noncitizens' eligibility for food stamps, see CRS Report RL31114, *Noncitizen Eligibility for Major Federal Public Assistance Programs: Policies and Legislation*.

shelters; (5) a state-option ban on eligibility for those who have violated another welfare program's rules and been disqualified, (6) limits on participation by boarders; (7) a requirement that Social Security numbers be provided for all household members; (8) denial of eligibility where assets have been transferred to gain eligibility; (9) denial of eligibility where there has been intentional violation of program rules or failure to cooperate in providing information needed to judge eligibility and benefits; and (10) a ban on eligibility for SSI recipients in California.<sup>11</sup>

## Benefit Levels

The Food Stamp Act specifies that a household's *maximum* monthly food stamp allotment be the cost of a nutritionally adequate low-cost diet, as determined by the U.S. Department of Agriculture's Thrifty Food Plan, adjusted each October for changes in food prices. A participating household's *actual* monthly allotment is determined by subtracting, from the maximum allotment for its size, an amount equal to 30% of its *counted* monthly income (after all applicable deductions, see above), on the assumption that the household can afford to spend that amount of its own income on food. Minimum benefits for households of one and two persons are legislatively set at \$10 per month; minimum benefits for other household sizes vary but generally are somewhat higher. Maximum monthly allotments in FY2004 are shown in the following table.

**Table 13. Maximum Monthly Food Stamp Allotments (October 2003 through September 2004)**

Household size	48 states and D.C.	Alaska (urban) <sup>a</sup>	Hawaii <sup>b</sup>	Virgin Islands	Guam
1 person	\$141	\$167	\$210	\$182	\$208
2 persons	259	307	386	333	382
3 persons	371	439	553	477	547
4 persons	471	558	702	606	695
5 persons	560	663	834	720	826
6 persons	672	795	1,001	864	991
7 persons	743	879	1,106	955	1,095
8 persons	849	1,005	1,264	1,092	1,252
<b>Each additional person</b>	<b>+106</b>	<b>+126</b>	<b>+158</b>	<b>+137</b>	<b>+157</b>

a. Maximum allotment levels in rural AK are 27% to 55% higher than the urban AK allotments noted here. The allotment levels noted here are those in effect as of Oct. 1, 2003. However, under legislation pending as of Oct. 28, 2003, they are scheduled to increase slightly: to \$169, \$309, \$443, \$563, \$669, \$803, \$887, \$1,014, and +\$127.

<sup>11</sup> Cash SSI payments have been increased in California to include an estimated value for food stamp benefits.

- b. The allotment levels noted here are those in effect as of Oct. 1, 2003. However, under legislation pending as of Oct. 28, 2003, they are scheduled to increase slightly: to \$212, \$389, \$557, \$707, \$840, \$1,008, \$1,114, \$1,273, and +\$159.

Food stamp benefits are issued through electronic benefit transfer (EBT) cards. These cards are used like “debit cards” to access food stamp recipients’ individual food stamp accounts when purchasing food items at approved stores. Food stamp benefits can be used only to buy food items; however, EBT cards often include access to cash benefit programs (in which case, the card can be used to access cash).

## **22. School Lunch Program (Free and Reduced-Price Components)**

### **Funding Formula**

The Richard B. Russell National School Lunch Act provides a guaranteed federal subsidy for each free or reduced-price lunch served to needy children in schools and residential child care institutions (RCCIs) choosing to participate in the School Lunch program. The cash subsidy for free and reduced-price lunches consists of two parts: a basic payment authorized under Section 4 of the Act for every lunch served, without regard to the family income of the participant, and an additional special assistance payment authorized under Section 11 of the Act only for lunches served free or at reduced price to lower-income children. Additionally, the federal government provides commodity assistance for each meal served. The level of federal cash subsidies and the value of federal commodity aid are legislatively set and annually indexed. State and local government funds and children's payments also help finance lunches served in participating schools and RCCIs. No charge may be made for a free lunch, but a charge of up to 40 cents may be imposed for a reduced-price lunch. Schools may set whatever charge they wish for lunches served to children who do not qualify for free or reduced price lunches, or who do not apply for them, so long as this charge does not result in a profit.

The law requires that states contribute to their lunch programs revenues equal to at least 30% of the total Section 4 federal funding provided in the 1980-1981 school year (about \$200 million a year). However, no matching funds are required for the extra federal subsidy provided for free and reduced-price lunches, under Section 11 of the Act.

### **Eligibility Requirements<sup>1</sup>**

All children are eligible to receive at least a partially subsidized lunch in participating schools and RCCIs, although subsidies are higher for meals served free or at a reduced price. All public schools, private nonprofit schools, and RCCIs are eligible to participate and receive federal subsidies if they serve meals that meet nutrition requirements set by the U.S. Department of Agriculture based on the Dietary Guidelines for Americans, offer free and reduced-price meals to lower income children, and agree not to make a profit on their meal program.

Children whose current annual family income is at or below 130% of the annually indexed federal poverty income guidelines are eligible for a free lunch; those children whose family income is more than 130%, but not more than 185% of the guidelines, are eligible for a reduced-price lunch. Annual income limits for a family of four for the 2002-2003 school year in the 48 contiguous states, the District of Columbia, Puerto Rico, Guam, and the Virgin Islands were: for free lunches,

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<sup>1</sup> School lunch regulations are found in 7 CFR Parts 210 and 245 (2003). This program is no. 10.555 in the Catalog of Federal Domestic Assistance.

\$23,530; for reduced-price lunches, \$33,485.<sup>2</sup> In addition, most children from families receiving public assistance (e.g., cash welfare, food stamps) can be certified for free school lunches based on their public assistance enrollment.

## Benefit Levels

Benefits are provided to local “school food authorities” through state education agencies. Federal cash subsidies are provided to participating schools and RCCIs for each lunch served. The law establishes specific reimbursement (subsidy) rates for each type of lunch served (free, reduced-price, “full-price”) and mandates that they be adjusted each July for inflation. Cash reimbursement rates for the 2002-2003 school year were:<sup>3</sup> (1) \$2.14 for each free lunch, (2) \$1.74 for each reduced-price lunch, and (3) 20 cents for each full-price lunch.

In addition to the cash assistance noted above, the federal government provides commodity assistance for all meals served in participating schools and residential child care institutions. This assistance rate is adjusted annually each July for inflation, and, for the 2002-2003 school year, it was a minimum of 15.25 cents per meal served (e.g., the total cash and commodity subsidy rate for free lunches was approximately \$2.29).

Schools and RCCIs in the School Lunch program also may expand their programs to cover snacks (and, in some cases, suppers) served to children through age 18 in *after-school programs*. Federal subsidies are paid at the free snack/supper rate offered to child care providers if the snack/supper is served free to children in lower-income areas. In other cases, federal subsidies vary by the child’s family income. (See program no. 24, the Child and Adult Care Food Program, for the various federal subsidy rates for snacks/suppers and additional authority for schools and public and private nonprofit organizations to receive subsidies for snacks/suppers served in after-school programs.)

In FY2002, more than 90% of schools and RCCIs received school lunch program subsidies — some 93,000 schools, plus nearly 6,000 RCCIs. Average daily participation was 28 million children; 13.3 million received free lunches, 2.6 million ate reduced-price lunches, and lunches for 12 million students were subsidized at the minimum full-price rate (for which no income test is required). While children receiving free or reduced-price lunches made up 57% of those participating, subsidies for their lunches accounted for over 90% of federal spending on the school lunch program.

**Note:** For more information, see: CRS Report RL31577, *Child Nutrition and WIC Programs: Background and Funding*.

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<sup>2</sup> Higher limits apply in AK (+25%) and HI (+15%).

<sup>3</sup> An additional 2 cents is provided for each lunch served in schools where 60% or more of the school lunch participants receive free or reduced-price meals. Significantly higher reimbursement rates apply in AK and HI.

## 23. Special Supplemental Nutrition Program for Women, Infants, and Children (The WIC Program)

### Funding Formula

The Child Nutrition Act provides 100% federal funding through grants to states for food costs and nutrition services and administration (NSA); money also is provided for to support breast-feeding initiatives and the development of local agencies' administrative infrastructure, small farmers' market nutrition programs (see Program 31), and research and evaluations. State allocations are based on a formula that reflects food and NSA caseload costs, inflation, and "need" as evidenced by poverty indices — although small amounts are set aside for infrastructure development and other special initiatives. Except for a small matching amount for states choosing to operate a farmers' market nutrition program, no state or local matching funding is required.

### Eligibility Requirements<sup>1</sup>

Section 17 of the Child Nutrition Act makes eligible for WIC benefits lower-income mothers, infants, and children judged to be at "nutritional risk." These include infants (up to age 1), children up to 5 years old, pregnant women, non-nursing mothers up to 6 months after childbirth, and nursing mothers up to 1 year after childbirth. A competent professional authority on the staff of a participating local public or private nonprofit health clinic or welfare agency that operates a WIC program must certify that the recipient is at nutritional risk through a medical or nutritional assessment guided by federal standards.

In addition to meeting the nutritional risk criterion, WIC enrollees must have annual family income below state-established limits, and public assistance recipients may be judged automatically income eligible. Income limits may not exceed those for reduced-price meals under school meal programs — 185% of the federal poverty income guidelines (as annually adjusted) — \$27,787<sup>2</sup> for a three-person family for July 2002 through June 2003. States can set lower income limits, but these must not be lower than 100% of the poverty guidelines.

Unlike most other nutrition assistance programs, the ability of the WIC program to serve all those who apply and are judged eligible is largely limited by the annual amount of federal funding made available, and not all eligible applicants are guaranteed benefits.<sup>3</sup> State health departments or comparable agencies determine

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<sup>1</sup> Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) regulations are found at 7 CFR Part 246 (2003). This program is no. 10.557 in the Catalog of Federal Domestic Assistance.

<sup>2</sup> This income ceiling is for the 48 contiguous states, the DC, PR, GU and the VI. Higher limits apply in AK (+25%) and HI (+15%).

<sup>3</sup> Regular annual federal appropriations for the WIC program are supplemented by rebates from infant formula companies, any unused money carried over from the prior year, and, in (continued...)

which local health or welfare agencies are eligible for program participation or expansion in order of greatest need based on economic and health statistics, and available funding. And a priority system seeks to ensure that individuals at the greatest risk are served first. The program is estimated to serve at least 80% of the eligible population. In FY2002, average monthly participation was just under 7.5 million women, infants, and children.

## Benefit Levels

Beneficiaries receive selected supplemental foods, as called for in federal regulations, either in the form of food or, most commonly, as vouchers/checks valid for specific prescribed food items in stores.<sup>4</sup> Federal regulations include requirements about the types and quantities of food to be made available and about tailoring food packages to meet the varying nutritional needs of the infants, children, and pregnant and postpartum women participating in the program. However, state WIC agencies have some leeway in designing specific food packages and specifying foods that may be bought with WIC vouchers. In FY2002, the national average monthly federal cost of food in a WIC food package was \$35 (after an offset for rebates by infant formula companies).

The law also requires that participants receive breast-feeding support, nutrition education, and a nutritional risk evaluation (in order to qualify). Monthly NSA costs for these services averaged \$13 a recipient in FY2002.

In addition to the regular WIC program, a majority of states have chosen to operate a farmers' market nutrition program that offers WIC applicants and recipients special vouchers that can be used to buy fresh foods at participating farmers' markets (See program 31).

**Note:** For more details, see CRS Report RL31577, *Child Nutrition and WIC Programs: Background and Funding*.

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<sup>3</sup> (...continued)  
some cases, voluntary state contributions.

<sup>4</sup> Items in WIC food packages vary by the type of recipient and include milk, cheese, eggs, infant formula, cereals, peanut butter, fruit and vegetable juices, and other items keyed to specific dietary deficiencies.

## 24. Child and Adult Care Food Program (Lower-Income Components)<sup>1</sup>

### Funding Formula

The Richard B. Russell National School Lunch Act provides 100% federal funding for this program in the form of legislatively set (and annually indexed) cash subsidies for all meals and snacks served in participating child and adult day care centers and family and group day care homes for children. Subsidies are varied by participants' family income (in day care centers), or (in the case of family day care homes) whether the provider has a lower-income or located in a lower-income area. Payments to sponsors of day care homes (based on the number of homes sponsored) and some federal commodity assistance also are provided, as are administrative payments to day care center sponsors. There is no requirement for matching funds from non-federal sources.

### Eligibility Requirements<sup>2</sup>

Licensed (or otherwise approved) public and private nonresidential nonprofit child care, adult care, and Head Start centers, some schools operating after-school programs, and family and group day care homes are eligible for federal subsidies for meals, snacks, and (in some cases) suppers they serve meeting federal nutrition requirements. For-profit child care institutions also are eligible, but their eligibility is limited based on the degree to which they serve "lower-income" children (as measured by the centers' receipt of government child care subsidies or by the family income of children served). Participation by centers and homes is voluntary.

All children and elderly clients in participating programs operated in child and adult care *centers* receive federally subsidized meals and snacks, although subsidies are higher for meals served free or at a reduced price to lower-income individuals. As with the School Lunch and School Breakfast programs: free meals/snacks are available to those whose household income is not above 130% of the federal poverty income guidelines (\$23,530 for a family of four during the period July 2002-June 2003); those whose household income is above 130%, but not above 185% of the poverty guidelines (\$33,485 for a family of four)<sup>3</sup> are eligible for reduced-price meals/snacks. Income eligibility guidelines are adjusted annually. Meals and snacks for individuals from households with income above these limits (or who do not apply for free or reduced-price meals/snacks) also are subsidized, but the subsidies are much smaller. Unlike the school meal programs, while federal cash subsidies paid

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<sup>1</sup> The adult care component of this program is relatively small. It provides federal subsidies for meals in nonprofit centers serving functionally impaired adults age 60 and over. Adult recipients represent about 2% of total participation. The program operates in the same manner for adult care centers as for child care centers.

<sup>2</sup> Regulations for this program are found in 7 C.F.R. Part 226 (2003). This program is no. 10.558 in the Catalog of Federal Domestic Assistance.

<sup>3</sup> These income ceilings are for the 48 contiguous states, the DC, GU, PR, and the VI. Higher limits apply in AK (+25%) and HI (+15%).

to centers differ according to family income, there is no requirement that “free” or “reduced-price” meals/snacks be served. Centers may adjust their fees to account for federal subsidies or charge (or not charge) separately for meals to account for the subsidies, but the program itself does not regulate the fees they charge.

All children in participating family day care *homes* receive federally subsidized meals/snacks. However, the subsidies are generally not differentiated by the child’s family income.

## Benefit Levels<sup>4</sup>

Federal subsidies are provided for up to two meals and one snack per day per recipient (or three meals a day in homeless/emergency shelters). Participating *centers* receive cash subsidies for meals that are the same as those provided for lunches or breakfasts under the School Lunch and School Breakfast programs. For the period July 2002 through June 2003, these amounts were: (a) for lunches and suppers, \$2.14 each for free meals, \$1.74 for reduced-price meals, and 20 cents for “full-price” meals; (b) for breakfasts, \$1.17 for free meals, 87 cents for reduced-price meals, and 22 cents for full-price meals. Cash subsidies for snacks were set at 58 cents for free snacks, 29 cents for reduced-price snacks, and 5 cents for full-price snacks. Finally, centers may receive the federal commodity assistance (about 15 cents a meal) and are allowed to retain some of their federal subsidies for administrative costs. All subsidy rates are annually indexed.

The federal subsidy structure for family day care *homes* is different. Day care homes receive subsidies that generally do not differ by the family income of individual recipients. Instead, there are two distinct annually indexed subsidy rates. “Tier I” homes (those located in lower-income areas or operated by lower-income providers) receive higher cash subsidies; for July 2002 through June 2003, all lunches/suppers were subsidized at \$1.80, all breakfasts were subsidized at 98 cents, and all snacks were subsidized at 53 cents. “Tier II” homes (those not located in lower-income areas or without lower-income providers) receive lower subsidies; for July 2002 through June 2003, all lunches/suppers were subsidized at \$1.09, all breakfasts at 37 cents, and all snacks at 14 cents. Organizations sponsoring homes receive monthly payments for their administrative/oversight costs, which vary by the number of homes sponsored; and Tier II homes may seek higher Tier I rates for individual low-income children if the proper documentation is provided.

In addition to the regular Child and Adult Care Food Program (CACFP), the law allows public and private nonprofit organizations (including child care centers and schools) operating *after-school* programs to receive federal CACFP subsidies for snacks served free in their programs to children (through age 18) in lower-income areas — at the free snack rate noted above. In some cases, subsidies also are offered for suppers in after-school programs.

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<sup>4</sup> All federal subsidy rates noted here are significantly higher in AK and HI.

In FY2002, 42,000 child care centers and some 2,000 adult care centers with an average daily attendance of 1.8 million persons participated, and some 165,000 day care homes received subsidies for just under 1 million children in attendance.

**Note:** For more information, see CRS Report RL31577, *Child Nutrition and WIC Programs: Background and Funding*.

## **25. School Breakfast Program (Free and Reduced-Price Components)**

### **Funding Formula**

The Child Nutrition Act provides a guaranteed federal subsidy for each free or reduced-price breakfast served needy children in schools and residential child care institutions (RCCIs) that choose to participate. A small subsidy also is provided for “full-price” breakfasts to non-needy children. Certain schools, designated as “severe need” schools, receive subsidies that exceed regular subsidies.<sup>1</sup> State and local government funds, as well as children’s meal payments, also help finance the cost of breakfast programs, although there is no formal matching requirement. No charge may be made for a free breakfast, but up to 30 cents may be charged for a reduced-price breakfast.

### **Eligibility Requirements<sup>2</sup>**

As with the School Lunch program, all children are eligible to receive at least a partially subsidized breakfast in participating schools and institutions, although subsidies are higher for meals served free or at a reduced price. All public schools, private nonprofit schools, and RCCIs are eligible to participate and receive federal subsidies if they serve meals that meet nutrition requirements set by the U.S. Department of Agriculture based on the Dietary Guidelines for Americans, offer free and reduced-price meals to lower-income children, and agree not to make a profit on their meal program.

Children whose current annual family income is at or below 130% of the federal poverty income guidelines are eligible for a free breakfast; those children whose family income is more than 130%, but not more than 185%, of the guidelines are eligible for a reduced-price breakfast. Annual income limits for a family of four for the 2002-2003 school year were: for free breakfasts, \$23,530; for reduced-price breakfasts, up to \$33,485.<sup>3</sup> Income eligibility guidelines are annually adjusted for inflation. In addition, most children from families receiving public assistance (e.g., cash welfare, food stamps) can be certified eligible for free breakfasts based on their public assistance enrollment.

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<sup>1</sup> Severe need schools are defined as schools in which 40% or more of lunches under the School Lunch program are served free or at a reduced price.

<sup>2</sup> School breakfast regulations are found in 7 C.F.R. Parts 220 and 245 (2003). This program is program no. 10.553 in the Catalog of Federal Domestic Assistance.

<sup>3</sup> These income ceilings are for the 48 contiguous states, the DC, GU, PR, and the VI. Higher limits apply in AK (+25%) and HI (+15%).

## Benefit Levels

As with the School Lunch program, benefits are provided to local “school food authorities” through state education agencies. The law provides a guaranteed federal cash reimbursement (subsidy) to participating schools and RCCIs for each breakfast served. It establishes specific reimbursement rates for each type of breakfast served (free, reduced-price, “full-price”) and mandates that they be adjusted each July for inflation. Regular cash reimbursement rates for the 2002-2003 school year were:<sup>4</sup> (1) \$1.17 for each free breakfast, (2) 87 cents for each reduced-price breakfast, and (3) 22 cents for each full-price breakfast.

In FY2002, 76% of schools in the School Lunch program (and virtually all RCCIs in the program) also operated breakfast programs. Some 71,000 schools and roughly 6,000 child care institutions were in the program, with an average daily participation of 8.1 million children — 6 million received free breakfasts, 700,000 ate reduced-price meals, and 1.4 million were subsidized at the full-price rate.

**Note:** For more information, see CRS Report RL31577, *Child Nutrition and WIC Programs: Background and Funding*.

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<sup>4</sup> An additional 23 cents for each free or reduced-price meal is provided to severe need schools (see footnote number 1). Significantly higher rates apply in AK and HI.

## 26. Nutrition Program for the Elderly

### Funding Formula

Nutrition services for the elderly under Title III of the Older Americans Act are supported by grants to states and territories from the U.S. Department of Health and Human Services, Administration on Aging (HHS/AoA). The nutrition services program includes three components: congregate nutrition services; home-delivered nutrition services; and commodities or cash-in-lieu of commodities.

The Act specifies that the federal share of a state's allotment for congregate and home-delivered meal services may cover up to 85% of the cost of developing and/or operating local projects. The non-federal matching share can be paid in cash or in-kind contributions. Federal funds are allotted to the states on the basis of their share of the U.S. total population aged 60 and over, except that the minimum state allotment is 0.5% of the U.S. appropriation for the year. (Minimums are smaller for Guam, the Virgin Islands, American Samoa, and the Northern Mariana Islands.)

States also receive funds from HHS<sup>1</sup> for commodities, or cash in lieu of commodities, to supplement Title III grant funds for congregate and home-delivered meals. These funds are allocated to states on a formula that is based on a state's share of meals served by all states under auspices of the Title III program for the preceding fiscal year.

FY2003 appropriations for the nutrition program totaled \$714 million.

### Eligibility Requirements<sup>2</sup>

The Older Americans Act makes eligible persons aged at least 60 and their spouses. In addition, congregate meals may be provided to persons with disabilities under age 60, who reside in housing facilities occupied primarily by the elderly where congregate nutrition services are provided, or who reside with and accompany older persons to meals. Eligible for home-delivered meals are persons who are homebound by reason of illness or disability, or who are otherwise isolated. The law requires that preference be given to those with the "greatest" (1) economic need and (2) social need. The law defines group one to be persons whose income is at or below the poverty guideline issued by HHS (the guideline issued in February 2003 was \$8,980 for a "family unit" of one person) and group two to be persons whose need for services is caused by noneconomic factors<sup>3</sup> that restrict their ability to perform normal daily tasks or that threaten their capacity for independent living.

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<sup>1</sup> Up until FY2003, the U.S. Department of Agriculture (USDA) received appropriations of funds for allocation to state agencies on aging under Title III for cash or cash-in-lieu of commodities. In FY2003, the program was transferred to the Department of Health and Human Services, Administration on Aging.

<sup>2</sup> Regulations concerning nutrition services are found at 7 CFR Part 250 (2003).

<sup>3</sup> Listed as such factors are physical and mental disabilities, language barriers, and cultural, social, or geographical isolation including that caused by racial or ethnic status.

The law requires that congregate meal services be located as close as possible to where most eligible older persons live, preferably within walking distance. Means tests are prohibited.

## Benefit Levels

The law requires providers to offer at least one meal daily, 5 or more days per week. If the nutrition project serves one meal a day, each meal is to assure a minimum of one-third of the daily recommended dietary allowances (RDAs) established by the Food and Nutrition Board of the National Academy of Sciences-National Research Council. If the project serves more than one meal daily, nutritional requirements are higher (two-thirds of RDA for two meals, 100% for three). Nutrition services funds also may be used to provide support services such as outreach and nutrition education.

The law requires that providers give participants an opportunity to contribute toward the cost of the meal. Service providers may establish suggested contribution schedules; but each participant is to decide for him/herself what, if anything, he/she is able to pay. A service provider may not deny any older person nutrition services for failure to contribute to the cost of the service. The law requires that voluntary contributions be used to expand services for which the contributions were made.

**Note:** For more information about nutrition services for the elderly, see CRS Report RL31336, *Older Americans Act: Programs and Funding*, and CRS Report RS21202, *Older Americans Act Nutrition Program*.

## 27. The Emergency Food Assistance Program (TEFAP)<sup>1</sup>

### Funding Formula

The Emergency Food Assistance Program (TEFAP) provides federally donated food commodities to states for distribution to emergency feeding organizations (EFOs), including soup kitchens and food banks, serving the homeless and other needy persons. Cash grants also are provided to help states and local EFOs with the administrative costs of storing, transporting, handling, and distributing the commodities.

Commodities are allocated under a poverty-unemployment allotment formula: 60% of them are distributed based on a state's share of all persons with incomes below the poverty level, and 40% based on its share of all unemployed persons. Administrative funding is distributed to states in the same proportion as their share of commodities. To cover local EFO costs, states must distribute to localities at least 40% of the administrative funding which they receive. Further, they are required to match (in cash, or in-kind) funds that they do not pass along to local agencies.

In FY2002, the value of federally donated commodities distributed under TEFAP was \$306 million, and federal support for distribution and administrative costs was \$55 million — for a total of \$361 million.

### Eligibility Requirements<sup>2</sup>

State agencies administering TEFAP are responsible for selecting the emergency feeding organizations that will distribute food. There are no federal criteria for agency selection except that the feeding organization must serve needy persons and have the capacity to store and handle commodities. Emergency feeding organizations include food banks and pantries, soup kitchens, hunger centers, temporary shelters, community action agencies, churches, and other nonprofit agencies offering food assistance to the indigent and needy. By law, those eligible to receive commodity packages must be “needy,” but states set the criteria for individual eligibility for benefits under federal regulations that require each state agency to establish uniform criteria for determining household eligibility. The criteria must include income-based standards that enable each agency to ensure that TEFAP commodities go only to households that are in need of food assistance because of inadequate income.

### Benefit Levels

The commodities donated for this program are bought by the U.S. Department of Agriculture (USDA) with appropriated funds, purchased to reduce agricultural

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<sup>1</sup> This program represents a consolidation of previous federal efforts to support emergency shelters, soup kitchens, and food banks.

<sup>2</sup> Regulations for this program are found at 7 C.F.R. Part 251 (2003). This program is no. 10.568 and 10.569 in the Catalog of Federal Domestic Assistance.

surpluses, or drawn from excess holdings of the Commodity Credit Corporation when available. In recent years, appropriated funds have been used to acquire between one-third and one-half of the commodities distributed under TEFAP; the remainder were provided from surplus purchases and Commodity Credit Corporation stocks. Benefits consist of commodities provided to states for food banks, pantries, and other feeding agencies that distribute them to individuals for at-home consumption, or to soup kitchens and homeless shelters and central feeding centers serving meals to the poor. Commodities are packaged in sizes appropriate for program use: small package sizes for at-home consumption, and larger, institutional sizes for meal service operations. Traditionally, most commodities have gone for at-home consumption. In FY2002, USDA provided roughly three dozen types of food items such as canned and fresh fruits and vegetables and juices, beans, canned meats, raisins, nuts, pasta, peanut butter, dairy products, and rice. Food package size and value generally are the same for all recipients; there is no variation by income or family size. By law, TEFAP benefits may not be treated as income or resources of a recipient for any purpose.

## 28. Summer Food Service Program

### Funding Formula

The Richard B. Russell National School Lunch Act offers federal funding in the form of legislatively set, annually indexed subsidies for all meals and snacks served under summer programs for children, as well as administrative payments to program sponsors. No matching funds are required from non-federal sources.

### Eligibility Requirements<sup>1</sup>

There are no individual income tests for participation. Eligibility for benefits normally is tied to the location of the summer program. In general, eligible programs must operate in areas where at least 50% of the children are from families with incomes that meet the eligibility criteria for free or reduced-price school lunches (that is, with income at or below 185% of the annually updated federal poverty income guidelines: \$33,485<sup>2</sup> for a four-person family in the summer of 2003). Sponsors also may receive federal support if at least 50% of children “enrolled” in the program meet the above-noted income eligibility test (regardless of where they are located). Sponsorship is available to all public or private nonprofit school food authorities, local municipal or county governments, residential nonprofit summer camps, most private nonprofit organizations, and colleges and universities participating in the National Youth Sports program.

### Benefit Levels

The law provides federal cash subsidies to sponsors for the cost of obtaining, preparing, and serving food. They are undifferentiated by recipient child’s family income and may be supplemented with a small amount of federally provided commodity assistance. The summer 2003 subsidy rates were: \$2.35 for each lunch or supper, \$1.35 for each breakfast, and 55 cents for each snack. Sponsoring agencies also receive funds for approved administrative costs, based on the number of meals/snacks served and the type of sponsor (sponsors located in rural areas and those who prepare meals on site receive higher payments). The number of subsidized meals/snacks served is limited to two per day.

In the summer of 2002, some 3,500 summer program sponsors operating 30,000 sites provided subsidized meals/snacks to 1.9 million children in the peak month of July.

**Note:** For more information, see CRS Report RL31577, *Child Nutrition and WIC Programs: Background and Funding*.

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<sup>1</sup> Regulations for this program are found in 7 CFR Part 225 (2003). This program is no. 10.559 in the Catalog of Federal Domestic Assistance.

<sup>2</sup> This amount is for the 48 contiguous states, the DC, GU, PR, and the VI. The income limit is higher in AL (+25%) and HI (+15%).

## 29. Commodity Supplemental Food Program (CSFP)

### Funding Formula

The Commodity Supplemental Food Program (CSFP) operates in 112 project areas in 28 states, the District of Columbia, and two Indian tribal areas; these projects often offer other services to program participants. The CSFP provides U.S. Department of Agriculture commodities and funds for administrative and distribution costs to local agencies offering food packages to low-income mothers, infants, young children, and elderly persons. Appropriations for the program finance purchase of food products to be used in monthly packages distributed to participants, as well as expenses associated with this distribution (typically, about 20% of total funding); in addition, projects can receive “bonus” commodities provided without appropriated funds from Agriculture Department stocks. Funding and commodities are distributed according to the caseload, or “slots” allocated to each project. These allocations are based on previous participation levels of the projects. However, “expansion” funding for new slots or new state projects is available if added appropriations are provided. FY2002 funding (obligations) was approximately \$104 million.

### Eligibility Requirements<sup>1</sup>

Eligible are pregnant women, breast-feeding women, postpartum women, infants, and children up to age 6 who (a) qualify for food, health, or welfare benefits under a governmental program for low-income persons, (b) are determined to be at nutritional risk (if the state agency has adopted this requirement), and (c) live within the service area (if the state agency has adopted such a residency rule). In general, women, infants, and children must live in households with income below 185% of the federal poverty income guidelines (e.g., about \$28,200 for a three-person family in FY2004). More important, CSFP projects may serve elderly persons in their service areas whose income does not exceed 130% of the federal poverty guideline (a ceiling of about \$11,700 for a single person in FY2004). The elderly make up over 75% of recipients. Persons may not participate in the CSFP and the Special Supplemental Nutrition Program for Women, Infants, and Children (the WIC program) at the same time; however they may participate in other nutrition programs for the elderly.

### Benefit Levels

Participants receive food commodities from local agencies. Agriculture Department guidelines establish food packages for each category of participant. Commodities in the food packages include items such as infant formula, cereals, canned and nonfat dry milk, canned meats and stews, canned poultry and fish, egg mix, fruit and vegetable juices, potatoes, canned vegetables and fruits, peanut butter, pasta, and dry beans.

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<sup>1</sup> Federal regulations governing this program are found at 7 CFR Part 247 (2003). This program is no. 10.565 in the Catalog of Federal Domestic Assistance.

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In FY2002, a total of 427,000 individuals (75,000 mothers, infants, and children and 352,000 elderly persons) received commodity food packages valued at \$16-\$20 a month.

## 30. Food Distribution Program on Indian Reservations (FDPIR)

### Funding Formula

The Food Distribution Program on Indian Reservations (FDPIR) is an “entitlement” program — operated and funded under the aegis of the Food Stamp Act — providing food packages in lieu of Food Stamp benefits. Under FDPIR, the U.S. Department of Agriculture (USDA) acquires the food commodities to be included in the program’s monthly food packages either by direct purchase (with appropriated funds designated for Indian food assistance) or, to a lesser degree, through its agriculture support programs. The food acquired by the USDA is given to the 94 Indian Tribal Organizations (ITOs) and six state agencies operating FDPIR projects for distribution to eligible households — based on the projects’ number of recipients. In addition, the federal government pays at least 75% of administrative and distribution costs of the projects. FY2002 federal spending on this program (commodity purchases and support for administrative/distribution costs) totaled \$74 million.

### Eligibility Requirements<sup>1</sup>

The FDPIR allows ITOs or state welfare agencies to operate food distribution programs in lieu of the Food Stamp program. Recipients must reside on or near a participating reservation, or, in the case of Oklahoma, reside within a stipulated service area. Eligible households not residing on a reservation must include a Native American household member. Households must meet financial needs tests: households in which all members are included in a public assistance or SSI grant are financially eligible for FDPIR; for non-assistance households, the income ceiling generally is the income standard of the food stamp program, increased by the amount of that program’s standard deduction. Except for the area of residence/Native American householder requirements, eligibility rules are similar to those for the Food Stamp program. Grantee agencies are responsible for certifying recipient eligibility, providing nutrition education, transporting and storing commodities, and distributing them to recipient households. Both food stamps and the FDPIR may be available in the same area, as long as no individual household participates in both programs concurrently. In FY2002, the FDPIR operated on 243 reservations (as well as a number of designated service areas in Oklahoma), with average monthly participation of 110,000 persons.

### Benefit Levels

Benefits consist of monthly food packages that meet federal guidelines for nutritional adequacy. Commodities contained in the monthly food packages consist of a variety of items, including canned meats, fish, fruits, and vegetables, fruit and vegetable juices, cereals, rice, pasta, cornmeal, cheese, butter, nonfat dry milk, flour,

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<sup>1</sup> Regulations for this program are found at 7 CFR Parts 253 and 254 (2003). This program is no. 10.567 in the Catalog of Federal Domestic Assistance.

vegetable oil, peanut butter and peanuts, corn syrup, and (in most projects) fresh fruits and vegetables. In FY2002, foods valued at about \$36 per person per month were provided under the FDPIR.

## 31. Farmers' Market Nutrition Programs

### Funding Formula

Federal funding is provided to states (typically through state agriculture agencies that operate programs in cooperation with state health or social services departments) for two farmers' market nutrition programs: (1) a program for participants in (or those on a waiting list for) the Special Supplemental Nutrition Program for Women, Infants, and Children (the *WIC Farmers' Market Nutrition program*) and (2) a *Senior Farmers' Market Nutrition program*. Money for the WIC Farmers' Market Nutrition program is provided as a set-aside from the annual appropriation for the Special Supplemental Nutrition Program for Women, Infants, and Children (the WIC program) — e.g., \$25 million in FY2002. Funds for the Senior Farmers' Market Nutrition program are made available through a mandatory directive to spend \$15 million a year (plus any additional amounts that Congress may provide through annual appropriations).

State grants are allocated, at the U.S. Department of Agriculture's discretion, based on the needs described in their state plans, the availability of new federal funds, and states' past use of funds, but not all states participate in these programs. In FY2003, 36 states, the District of Columbia, Guam, and Puerto Rico — along with five Indian Tribal Organizations — participated in the WIC Farmers' Market Nutrition program. This program requires that states' contribute at least 30% of the total cost of the program (although Indian Tribal Organizations may contribute a match of as little as 10%). In FY2003, 35 states, the District of Columbia, Puerto Rico, and three Indian Tribal Organizations participated in the Senior Farmers' Market Nutrition program. This program requires no state match. Expansion of both programs (both to new participants and new states) depends on the availability of additional federal funding.

### Eligibility Requirements<sup>2</sup>

Organized farmers' markets (and, in some cases, roadside farm produce stands or special community-supported nutrition projects) approved by administering state agencies (normally state agriculture departments) are eligible to participate in the two farmers' market nutrition programs. In FY2002, a total of just over 3,000 markets participated. For the WIC Farmers' Market Nutrition program, WIC recipients (see program no. 23), or those approved but waiting for WIC benefits are eligible in participating jurisdictions. Under the Senior Farmers' Market Nutrition program, lower-income elderly persons — generally defined as those at least 60 years of age who have household income of less than 185% of the federal poverty income guidelines — are eligible for benefits. However, administering agencies may accept proof of participation in a means-tested benefit program like food stamps or the

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<sup>2</sup> Regulations for the WIC Farmers' Market Nutrition program are found at 7 CFR Part 248 (2003). This program is no. 10.572 in the Catalog of Federal Domestic Assistance. Information about the Senior Farmers' Market Nutrition program may be found at the U.S. Department of Agriculture's Web site, using the address: [www.fns.usda.gov/wic/SeniorFMNP].

Supplemental Security Income (SSI) program when determining individuals' eligibility.

## **Benefit Levels**

Benefits under the two farmers' market programs are issued as coupons or vouchers usable only at participating markets. Vouchers/coupons may be redeemed for fresh, unprepared fruits, vegetables, and herbs. Vouchers/coupons issued under the WIC Farmers' Market Nutrition program may not have a value of more than \$20 per year per recipient (although participating states may increase this value using non-federal funds). Vouchers/coupons issued under the Senior Farmers' Market Nutrition program are not limited in value by law, although budgetary constraints typically require that they be limited to amounts similar to those under the WIC Farmers' Market Nutrition program. Nutrition education activities arranged by WIC program operators also may be provided at farmers' market sites.

## 32. Special Milk Program (Free Segment)

### Funding Formula

The Child Nutrition Act provides 100% federal funding — legislatively set, annually indexed subsidies — to cover the cost of free half-pints of milk served to low-income children by schools and residential child care institutions (RCCIs) choosing to participate in this program. Federal subsidies also are available for half-pints of milk served to non-needy children. In FY2002, approximately 5% of the half-pints of milk subsidized under this program were served free to low-income children. No matching funds are required from non-federal sources.

### Eligibility Requirements<sup>1</sup>

All children in participating schools and RCCIs are eligible to receive subsidized milk under this program. Participating schools and RCCIs must have a policy of lowering any prices charged for milk they serve to maximum extent possible and using their federal payments to reduce the selling price of milk to children. In addition, individual schools and RCCIs may choose to offer *free* milk to low-income children. The program operates primarily in those schools and institutions that do *not* participate in the school lunch or school breakfast programs.<sup>2</sup> Each half-pint served is federally subsidized at a different rate, depending on whether it is served free or not — but provision of free milk is not required, and most children are charged.

To qualify for free milk (if offered), a child must meet the income eligibility standards for a free meal under the School Lunch or Breakfast programs. That is, the child's family's income must not exceed 130% of the federal poverty income guidelines (e.g., \$23,530<sup>3</sup> for a family of four in the 2002-2003 school year). Non-needy children and needy children in schools/RCCIs that do not offer free milk pay an amount determined by the school or RCCI.

### Benefit Levels

For the 2002-2003 school year, half-pints were subsidized at 13.5 cents each (if there was a charge to the child) or the net cost to the school/RCCI, typically 1.5-2.5 cents higher (if the milk was served free).

In FY2002, 112 million subsidized half-pints (5% free) were served to roughly 500,000 children through over 8,000 schools and RCCIs.

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<sup>1</sup> Regulations for this program are found at 7 CFR Part 215 (2001). This program is no. 10.556 in the Catalog of Federal Domestic Assistance.

<sup>2</sup> Schools with split (part-day) sessions for kindergartners or pre-kindergartners where the children do not have access to regular school meal programs may participate in this program.

<sup>3</sup> This amount is for the 48 contiguous states, the DC, GU, PR, and the VI. The income limit is higher in AK (+25%) and HI (+15%).

**Note:** For more information, see CRS Report RL31577, *Child Nutrition and WIC Programs: Background and Funding*.

## Housing Aid

## 33. Section 8 Low-Income Housing Assistance

### Funding Formula

This program is funded 100% by the federal government. Outlays were \$18.5 billion in FY2002.

### Eligibility Requirements<sup>1</sup>

The Section 8 rental assistance program was authorized by the Housing and Community Development Act of 1974 (P.L. 93-383). The program has two components; section 8 project-based rental assistance and section 8 Housing Choice Vouchers. The project-based rental assistance component is a set of rent subsidies attached to housing units owned by private landlords. The vouchers are portable subsidies that eligible households take to private landlords and use to subsidize their housing costs. Currently, HUD is not entering into any new contracts under the project-based rental assistance component of Section 8 and when the existing contracts expire, the households are given vouchers.

Low-income families and single persons<sup>2</sup> are eligible for both forms of subsidies. Low-income, for the purpose of this program, is defined as income at or below 80% of the local area median income, adjusted for family size. Although low-income households are eligible for Section 8 housing subsidies, extremely low-income households, defined as households with incomes at or below 30% of the local area median income, are targeted for assistance.<sup>3</sup> Forty percent of available project-based rental assistance subsidies and 75% of vouchers must be targeted to extremely low income households. In the project-based rental assistance program, project owners maintain waiting lists and can give priority to working families. In the voucher program, quasi-governmental local Public Housing Authorities (PHAs) maintain waiting lists for Section 8 vouchers and can develop a set of local preferences that can be used to prioritize the list.

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<sup>1</sup> Eligibility rules for Section 8 tenant-based assistance are found at 24 CFR Part 982. (2003). This program is no. 14.871 in the Catalog of Federal Domestic Assistance.

<sup>2</sup> Before 1990, the law defined families to include two or more related persons, single persons at least 62 years old, and younger single persons who were disabled, handicapped, displaced by governmental action or natural disaster, or the remaining member of an eligible tenant family, and permitted no more than 15% of units to be made available to other singles. The National Affordable Housing Act (P.L. 101-625) added other single persons to the definition of family and removed their percentage limitation, but barred occupancy by these other (able-bodied younger) singles of units with more than one bedroom.

<sup>3</sup> The Department of Housing and Urban Development (HUD) estimates that low-income limits (80% of median family income) in FY2003 averaged \$36,000 in nonmetropolitan areas and \$48,240 in metropolitan areas. . Extremely low income limits (30% of median family income) averaged \$13,500 in nonmetropolitan areas and \$18,090 in metropolitan areas. These amounts are averages for all family sizes.

In determining the annual countable income of a family, various deductions are made from gross income.<sup>4</sup> The chief ones are \$480 per dependent, \$400 for an elderly family, excess medical costs for an elderly family, and costs of child care and handicapped assistance.<sup>5</sup> For families with net family assets above \$5,000, federal regulations include in “income” used to decide eligibility and required rent the greater of (a) actual income from all net family assets, or (b) a percentage of their value, based on the current passbook savings rate.<sup>6</sup> Net family assets are defined as net cash value (after costs of disposal) of real property, savings, stocks, bonds, and other forms of investment. Not included are such “necessary items” as furniture and automobiles.<sup>7</sup> In 1990, the National Affordable Housing Act (P.L. 101-625) increased the deductions from gross income for Section 8 housing and public housing, but made the changes subject to approval in an appropriations measure. Through FY2003 no appropriation bill had provided for the larger deductions, and old deductions still applied. Section 8 recipients must recertify their incomes annually. Eligibility and rental charges are based on countable family income expected in the 12 months following the date of determination.

## Benefit Levels

Benefit levels for project-based rental assistance and vouchers are calculated using different formulas.

Families who receive Section 8 project-based rental assistance pay towards rent the highest of (a) 30% of counted income, (b) 10% of *gross* income, or (c) a minimum rent of up to \$50 monthly set by the PHA.<sup>8</sup> Exemptions to the minimum rent levels can be made for a variety of hardship circumstances. The federal government then pays the difference between contract rent and the rent paid by the tenant. The contract rent charged by the owner of Section 8 housing must be within limits established by a HUD survey of fair market rents (FMRs) for standard units in each metropolitan area or non-metropolitan county of the Nation. P.L. 98-181 revoked authority to contract for additional Section 8 project-based rental assistance units. In FY2002, the federal government had \$4 billion in budget authority for 747,093 project-based rental assistance units. The average subsidy paid per unit was \$5,388.

Families who receive Section 8 Housing Choice Vouchers pay towards rent an amount between 30% and 40% of their adjusted income. The federal government

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<sup>4</sup> Some items are excluded from gross income by definition. They include children’s earnings, certain lump-sum payments, student financial assistance, and amounts received under HUD training programs. 24 CFR Section 5.609(c)(2002).

<sup>5</sup> 24 CFR Part 5.611 (2002).

<sup>6</sup> 24 CFR Section 5.609(b)(3)(2002).

<sup>7</sup> 24 CFR Section 5.603 (2002).

<sup>8</sup> A fourth alternative applies to families who receive a cash welfare grant that includes a sum designated for housing costs. These dual program families must pay the welfare housing sum if it exceeds either of the other measures. Another exception applies to recipients of vouchers.

pays a Housing Assistance Payment (HAP) based on the difference between a predetermined maximum payment, called a payment standard, and 30% of the household's income. A payment standard is calculated by the PHA as an amount between 90% and 110% of FMR, or the rent charged for the unit, whichever is less. In FY2002, HUD had \$11.5 billion in budget authority for vouchers, which was used to support 1.96 million vouchers, at an average per household subsidy of \$5,891.

**Note:** For more information about Section 8 rental assistance, see CRS Report RL31930, *The Housing Choice Voucher Program: Background, Funding, and Issues in the 108th Congress*.

## 34. Low-Rent Public Housing

### Funding Formula

This program is funded 100% by the federal government. However, an indirect local contribution results from the difference between full local property taxes and payments in lieu of taxes that are made by local housing authorities. FY2002 federal outlays for public housing were \$8.2 billion (including operating subsidies and capital grants).<sup>1</sup>

### Eligibility Requirements<sup>2</sup>

Public housing is publicly-owned housing for low-income families that is managed by local, quasi-governmental, public housing authorities (PHA). The federal government subsidizes the operating and capital costs of maintaining these buildings through regular subsidies, as well as competitive subsidies paid to PHAs. The competitive subsidies include the HOPE VI Revitalization of Distressed Public Housing Grants, which can be used to demolish and/or revitalize troubled public housing developments and the Public Housing Drug Elimination Program (PHDEP), which can be used to promote safety in public housing. The public housing program was authorized by the U.S. Housing Act of 1937 (93-383), as amended.

Households<sup>3</sup> are eligible to live in public housing if they are low-income, which is defined as having income at or below 80% of the local area median income, adjusted for family size. Although low-income families are eligible for public housing, since 1998, at least 40% of all public housing units must be occupied by extremely low-income families, defined as families with income at or below 30% of area median income.<sup>4</sup> However, PHAs are directed not to concentrate extremely poor families in public housing, rather to encourage an income mix.

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<sup>1</sup> Outlays consisted of capital grants (45% of the total), operating subsidies (44%), HOPE VI (6%), Public Housing Drug Elimination Program [PHDEP] (4%), and loans (less than 1%).

<sup>2</sup> Regulations governing admission to, and occupancy of, public housing are found at 24 CFR Part 960 (2003). This program is no. 14.850 in the Catalog of Federal Domestic Assistance.

<sup>3</sup> Before 1990, the law defined eligible "families" to include single persons who were at least 62 years old and younger singles who were disabled, handicapped, displaced by governmental action, or the remaining member of a tenant family, and permitted no more than 30% of units under the jurisdiction of the housing agency to go to other singles. The National Affordable Housing Act (P.L. 101-625) added other single persons to the definition of family and removed their percentage limitation, but barred occupancy by these other (able-bodied younger) single persons of units with more than one bedroom.

<sup>4</sup> The Department of Housing and Urban Development (HUD) estimates that low-income limits (80% of median family income) in FY2003 averaged \$36,000 in nonmetropolitan areas and \$48,240 in metropolitan areas. Extremely low income limits (30% of median family income) averaged \$13,500 in nonmetropolitan areas and \$18,090 in metropolitan areas. These amounts are averages for all family sizes.

In determining the annual countable income of a family, various deductions are made from gross income.<sup>5</sup> The chief ones are: \$480 per dependent, \$400 for an elderly family, excess medical costs for an elderly family, and costs of child care and handicapped assistance.<sup>6</sup> For families with net family assets above \$5,000, federal regulations include as “income”: (a) actual income from all net family assets, or (b) a percentage of their value, based on the current passbook savings rate.<sup>7</sup> Net family assets are defined as net cash value (after costs of disposal) of real property, savings, stocks, bonds, and other forms of investment. Not included are such “necessary items” as furniture and automobiles.<sup>8</sup> Eligibility and rental charges are based on countable family income expected in the 12 months following admission or recertification. Income is recertified annually.

In order to maintain eligibility to live in public housing, certain residents are required to participate in an economic self-sufficiency program or contribute 8 hours per month of community service. This requirement was established by the Quality Housing and Work Responsibility Act of 1998 (QHWRA) (P.L. 105-276). It was suspended during FY2002, but was reinstated as of August 1, 2003. Exempt from this rule are persons who are engaged in an educational program or work-related activity, have a disability which would prohibit them from complying with the requirement or are 62 years of age or older. Those who do not comply with the requirement could lose the right to renew their lease.

## Benefit Levels

Households who live in public housing pay towards rent the highest of (a) 30% of counted income, (b) 10% of *gross* income, or (c) a minimum rent of up to \$50 monthly set by the PHA.<sup>9</sup> Exemptions to the minimum rent levels can be made for a variety of hardship circumstances. Under P.L. 105-276, tenants are permitted to choose (annually) between paying either a flat rent or an income-based rent. This provision is intended to encourage families to seek employment and higher earnings. Also, if a family’s income does increase as a result of work, the increase is not to be used to determine the family’s portion of rental payment for 1 year. After 1 year, the rental increase is phased in.

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<sup>5</sup> Some items are excluded from gross income by definition. They include children’s earnings, certain lump-sum payments, student financial assistance, and amounts received under HUD training programs. 24 CFR Section 5.609(c)(2002).

<sup>6</sup> 24 CFR § 5.611 (2002). In 1990, the National Affordable Housing Act (P.L. 101-625) increased the deductions from gross income for Section 8 housing and public housing, but made the changes subject to approval in an appropriations measure. Through FY2003, no appropriation bill had provided for the larger deductions, and old deductions still applied.

<sup>7</sup> 24 CFR §5.609(b)(3)(2002)

<sup>8</sup> 24 CFR §5.603 (2002).

<sup>9</sup> A fourth alternative applies to families who receive a cash welfare grant that includes a sum designated for housing costs. These dual program families must pay the welfare housing sum if it exceeds either of the other measures. Another exception applies to recipients of vouchers.

The amount of subsidy paid by the federal government on behalf of the residents of public housing is based on the difference between the cost of operating and maintaining a public housing project and the amount collected in tenant rent.

FY2002 federal outlays for public housing (including capital grants, operating subsidies, PHDEP, Hope VI, and the public housing loan fund),<sup>10</sup> averaged about \$6,795 per unit.<sup>11</sup>

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<sup>10</sup> Previous editions of this report excluded PHDEP (first outlays in 1992), Hope VI (first outlays in 1994) and the loan fund from outlays for public housing. Loan fund outlays peaked in 1985 (accounting for 80% of total public housing outlays that year). Here are aggregate public housing outlay totals (in billions) from FY1977 through FY2002 (for years before 1994, the capital grants component of these totals represents an increase over figures shown in the 2001 edition of this report): FY1977, \$1.564; FY1978, \$1.779; FY1979, \$1.815; FY1980, \$2.218; FY1981, \$2.478; FY1982, \$2.553; FY1983, \$3.318; FY1984, \$3.932; FY1985, \$17.261; FY1986, \$3.859; FY1987, \$3.517; FY1988, \$3.699; FY1989, \$3.774; FY 1990, \$4.331; FY1991, \$4.786; FY1992, \$5.182; FY1993, \$6.447; FY1994, \$6.857; FY1995, \$7.505; FY1996, \$7.668; FY1997, \$7.809; FY1998, \$7.575; FY1999, \$7.208; FY2000, \$7.217; FY2001, \$7.504; and FY2002, \$8.213. (In this year's report, these totals are used in historical tables.)

<sup>11</sup> This estimate was obtained by dividing FY2002 total outlays for public housing (\$8.213 billion) by the number of public housing units under management in FY2002.

## 35. Rural Housing Loans (Section 502)

### Funding Formula

This program is funded 100% by the federal government. Factors used to allocate loan funds: state shares of rural occupied substandard units, rural population, rural population in places of fewer than 2,500 persons, and low-income and very-low-income rural households. Federal obligations for direct and guaranteed loans totaled \$3.5 billion in FY2002.

### Eligibility Requirements<sup>1</sup>

The law permits loans for owners or potential owners of a farm, or owners of a home or nonfarm tract in a rural area, who are without decent, safe, and sanitary housing and unable to obtain credit elsewhere on reasonable terms. Both very-low- and low-income families are eligible for Section 502 loans and interest credits.<sup>2</sup> The 1983 Housing and Urban-Rural Recovery Act (Titles I through V of P.L. 99-181) requires that at least 40% of units nationwide and 30% of the units in each state financed under this program be occupied by very-low-income families or persons.

The law defines low-income and very-low-income families as those whose incomes do not exceed limits established for these families in public housing and Section 8 housing (adjusted for family size, these limits are 80% and 50% of the area median, respectively).<sup>3</sup>

The Housing and Community Development Act of 1987 (P.L. 100-242)<sup>4</sup> directed the Farmers Home Administration (FmHA), since replaced by the Rural Housing Service (RHS),<sup>5</sup> to carry out a 3-year demonstration program under which moderate income borrowers (with income at or below the area median) might obtain guaranteed loans under Section 502 for the purchase of single-family homes. The program was made permanent by the Cranston-Gonzalez National Affordable Housing Act (P.L. 101-625).

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<sup>1</sup> Section 502 rural housing loan regulations are found at 7 CFR Part 3550 Subpart B and 7 CFR Part 1980 Subpart D, (2003). This program is no. 10.410 in the Catalog of Federal Domestic Assistance.

<sup>2</sup> P.L. 96-399, the Housing and Community Development Act of 1980, required that credits be made available to moderate-income borrowers, but P.L. 97-35 made this a discretionary provision, and the Secretary of Agriculture in December 1981 determined that such credits were not needed.

<sup>3</sup> In FY2003, the low-income limits for a family of four in nonmetropolitan areas ranged from \$29,200 (parts of Mississippi) to \$55,050 (a Connecticut county); the corresponding extremely low income limits ranged from \$10,950 to \$20,650.

<sup>4</sup> Section 304.

<sup>5</sup> The Department of Agriculture Reorganization Act of 1994 (P.L. 103-354) eliminated the Farmers Home Administration (FmHA) and created the Rural Housing Service (RHS). The rural housing programs that were formerly administered by FmHA are now administered by RHS.

Other eligibility requirements are set by RHS. Families must have sufficient income to make mortgage payments and to pay premiums, taxes, maintenance, and other necessary living expenses.

The 1983 Act required FmHA to define adjusted annual income in accordance with criteria used by the Department of Housing and Urban Development (HUD) for Section 8 housing and public housing. Accordingly, the chief deductions from countable income are \$480 per year per dependent, \$400 for an elderly family, excess medical costs for an elderly family, and costs of child care and handicapped assistance.<sup>6</sup> RHS regulations exclude some items by definition.<sup>7</sup> They also require that income from net family assets be counted in calculating income for eligibility and loan repayment purposes and define net family assets to include the equity value of real property other than the dwelling or site, savings, stocks, bonds, and other forms of investment. Items not counted as assets include necessary items of personal property, assets that are part of the business, trade, or farming operations, or irrevocable trust funds.<sup>8</sup>

## Benefit Levels

Residents of rural areas may qualify for direct loans from RHS to purchase or repair homes. The homes must be “modest” in size, design, and cost, and regulations specify that a new house for six persons should not exceed 1,248 square feet. Section 502 direct loans generally have a term of 33 years, but the term may be extended to 38 years for borrowers with incomes below 60% of the area median. Depending on the borrower’s income, the interest rate may be subsidized to as low as 1%. In a given fiscal year, at least 40% of the funding must be made available to very-low-income borrowers (those with income of 50% or less of the area median). The Housing and Community Development Act of 1992 permits guaranteed loans to borrowers whose income does not exceed 115% of the area median.

In FY2002, direct loans from RHS totaled \$1.080 billion and provided housing for 14,727 low-income families. Private lenders made about \$2.419 billion in guaranteed loans to 28,364 low- to moderate-income families.

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<sup>6</sup> 24 CFR§5.611 (2002).

<sup>7</sup> Items excluded from “income” by definition include irregular gifts, amounts that reimburse medical expenses, lump-sum additions to family assets, full amount of any student aid, earned income tax credits, other tax refunds, earnings of children, and payments received for the care of foster children. 7 CFR Part 3550.54(b) (2003).

<sup>8</sup> 7 CFR §3550.54(d) 2003.

## 36. Home Investment Partnerships Program (HOME)

### Funding Formula

Federal funds pay 25% of costs of new construction, rehabilitation or tenant-based assistance under the Home Investment Partnerships program, which was established in late 1990 by P.L. 101-625.<sup>1</sup> A participating jurisdiction (local or state government) pays the remaining share; it may use bond or debt financing to cover no more than 25% of its overall matching fund requirement. However, if a jurisdiction is found in “fiscal distress,” its funding share is reduced or eliminated. To receive HOME funds, a jurisdiction must submit a consolidated plan identifying its housing needs and strategies. The formula for allocating HOME funds among states and units of local government (metropolitan cities, urban counties, or consortia) has six factors, three of which are poverty-related measures. Federal obligations for FY2002 totaled \$1.8 billion; state/local contributions totaled \$704 million.

### Eligibility Requirements<sup>2</sup>

To be eligible for help from this “affordable housing” block grant program, families or individuals must meet an income test. For rental housing and tenant-based rental assistance, at least 90% of recipient families must have annual incomes that do not exceed 60% of the median family income for the area (adjusted for family size);<sup>3</sup> the remaining 10% of families may have incomes up to 80% of the area median. For homebuyers, the income limit is 80% of the area median.

In determining the annual countable income of a family, various deductions are made from gross income.<sup>4</sup> The chief ones are: \$480 per dependent, \$400 for an elderly family, excess medical costs for an elderly family, and costs of child care and

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<sup>1</sup> As originally authorized by the National Affordable Housing Act of 1990, the program had a three-tiered matching fund provision requiring state and local governments to provide matches of 50% for new construction, 33% for substantial rehabilitation, and 25% for moderate rehabilitation and tenant-based assistance. The Housing and Community Development Act of 1992 reduced the match rate for new construction to 30%. The Multi-family Housing Property Disposition Act of 1994 eliminated the bias against new construction by reducing its match rate to 25%, like that for other eligible activities.

<sup>2</sup> HOME regulations are found in 24 CFR Part 92 (2002). This program is no. 14.239 in the Catalog of Federal Domestic Assistance.

<sup>3</sup> For FY2003, this income limit (60% of median family income) averaged \$27,000 in nonmetropolitan areas and \$36,180 in metropolitan areas, according to the Department of Housing and Urban Development (HUD). These amounts are averages for all family sizes.

<sup>4</sup> One of three definitions of annual (gross) income may be used: the Section 8 definition, the federal income tax definition of adjusted gross income, or income as reported on the long form of the most recent decennial census. 24 CFR § 92.203(b)(2002).

handicapped assistance.<sup>5</sup> For families with net family assets above \$5,000, federal regulations include in “income” used to decide eligibility and required rent the greater of (a) actual income from all net family assets, or (b) a percentage of their value, based on the current passbook savings rate.<sup>6</sup> Net family assets are defined as net cash value (after costs of disposal) of real property, savings, stocks, bonds, and other forms of investment. Not included are such “necessary items” as furniture and automobiles.<sup>7</sup>

## Benefit Levels

The goal of HOME is to increase the supply of affordable housing, especially of rental housing, for very low-income and low-income Americans (amendments in 1992 added elder cottage housing opportunity (ECHO) units to the program). The maximum rental subsidy payable under HOME is the difference between the rent standard established for the unit and 30% of the family’s monthly adjusted income, as defined for the Section 8 and public housing programs. Rents paid by most of the extremely low-income families generally exceed 30% of income unless they receive additional tenant-based rental assistance.

Over the course of the program, as of September 30, 2002, about \$6.3 billion in HOME funds and \$19.2 billion in other public (and some private) funds had assisted 687,274 housing units and provided tenant-based assistance to 83,939 families. In the projects completed through the end of FY2002, 97% of the tenants receiving rental assistance, 81.5% of the tenants in assisted rental housing, 68.8% of the residents of repaired homes, and 29.4% of the assisted homebuyers, had incomes of 50% or less of the area median income.

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<sup>5</sup> 24 CFR §5.611 (2002).

<sup>6</sup> 24 CFR §5.609(b)(3)(2002)

<sup>7</sup> 24 CFR §5.603 (2002).

## 37. Housing For Special Populations (Elderly and Disabled)

**Note:** This program was inadvertently omitted from previous editions of this report. Program outlays for FY1996 through FY2002<sup>1</sup> have been added to historical tables in this edition.

### Funding Formula

This program is funded 100% by the federal government. Outlays were \$895 million in FY2002.

### Eligibility Requirements<sup>2</sup>

The Department of Housing and Urban Development's (HUD) Housing for Special Populations program is actually two programs: Section 202 Supportive Housing for the Elderly and Section 811 Supportive Housing for the Disabled.<sup>3</sup> Both programs provide capital advances to finance the construction, rehabilitation or acquisition of structures that will serve as supportive housing for low-income elderly and/or disabled households. The capital advance is interest-free and can be forgiven as long as the property remains available for very low-income elderly or disabled households for at least 40 years. The capital advances are paired with rental assistance, similar to Section 8 rental assistance. Each year, up to 25% of Section 811 funds provided by Congress are used to provide Section 8 Housing Choice Vouchers to persons with disabilities to allow them to search for units in the private market.

Both programs<sup>4</sup> restrict eligibility to households with income at or below 50% of the local area median income, adjusted for family size.<sup>5</sup> In determining the annual

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<sup>1</sup> FY1996, \$720 million; FY1997, \$820 million; FY1998, \$824 million; FY1999, \$761 million; FY1999, \$761 million; FY2000, \$720 million; and FY2001, \$774 million.

<sup>2</sup> Eligibility rules for Section 202 and Section 811 are found at 24 CFR Part 891. (2003). Section 202 is no. 14.157 and Section 811 is no. 14.181 in the Catalog of Federal Domestic Assistance.

<sup>3</sup> The Section 202 program was established under the U.S. Housing Act of 1959 (P.L. 86-372) to serve both the elderly and disabled. The program has been changed significantly from its original structure. The National Affordable Housing Act of 1990 (P.L. 101-625) created the separate Section 811 Supportive Housing for the Disabled program and changed the Section 202 program into a program specifically for the elderly.

<sup>4</sup> Some older Section 202 projects permit eligibility for households with no more than 80% of the area median income.

<sup>5</sup> In FY2003, this limit (50% of area median income) averaged \$22,500 in nonmetropolitan areas and \$30,150 in metropolitan areas, according to the Department of Housing and Urban Development (HUD). These amounts are averages for all family sizes.

countable income of a family, various deductions are made from gross income.<sup>6</sup> The chief ones are: \$480 per dependent, \$400 for an elderly family, excess medical costs for an elderly family, and costs of child care and handicapped assistance.<sup>7</sup> For families with net family assets above \$5,000, federal regulations include in “income” used to decide eligibility and required rent the greater of (a) actual income from all net family assets, or (b) a percentage of their value, based on the current passbook savings rate.<sup>8</sup> Net family assets are defined as net cash value (after costs of disposal) of real property, savings, stocks, bonds, and other forms of investment. Not included are such “necessary items” as furniture and automobiles.<sup>9</sup>

Like in most HUD housing assistance programs, residents of Section 202 and Section 811 properties must recertify their incomes annually. Eligibility and rental charges are based on countable family income expected in the 12 months following the date of determination.

In addition to income requirements, Section 202 and Section 811 are restricted to households who are elderly or disabled. In order to live in a Section 202 property, a household must have at least one member who is at least age 62 at the time of initial occupancy. In order to live in a Section 811 property, a household must have at least one member who has a disability, such as a physical or developmental disability, or a chronic mental illness.

## Benefit Levels

Households who live in a Section 202 or Section 811 property pay towards rent the higher of (a) 30% of counted income or (b) 10% of *gross* income.<sup>10</sup> Minimum rents can be set as high as \$50, however, exemptions to the minimum rent levels can be made for a variety of hardship circumstances. The benefit level paid by the federal government to the landlord is equal to the difference between the contract rent for the unit and the amount of rent paid by the tenant. The contract rent must be within limits established by a HUD survey of fair market rents for standard units in each metropolitan area or non-metropolitan area of the Nation.

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<sup>6</sup> Some items are excluded from gross income by definition. They include children’s earnings, certain lump-sum payments, student financial assistance, and payments received for foster care. 24 CFR§5.609(c)(2002).

<sup>7</sup> 24 CFR §5.611(2002). In 1990, the National Affordable Housing Act (P.L. 101-625) increased the deductions from gross income, but made the changes subject to approval in an appropriations measure. Through July 2003, no appropriation bill had provided for the larger deductions, and old deductions still applied.

<sup>8</sup> 24 CFR§5.609(a)(3)(2002).

<sup>9</sup> 24 CFR§5.603 (2002).

<sup>10</sup> A third alternative applies to families who receive a cash welfare grant that includes a sum designated for housing costs. These dual program families must pay the welfare housing sum if it exceeds either of the other two measures.

In FY2002, the federal government spent \$672 million for the Section 202 program and \$223 million for the Section 811 program. In 2002, these programs supported 62,694 Section 202 units and 18,649 Section 811 units.

## 38. Rural Rental Assistance Payments (Section 521)

### Funding Formula

This program is funded 100% by the federal government. Factors used to allocate funds: state shares of rural population, rural housing units lacking plumbing and/or overcrowded, and poor persons living in rural areas. Federal obligations for this program totaled \$705 million in FY2002.

### Eligibility Requirements<sup>1</sup>

Since 1974 the Farmers Home Administration (FmHA) and its successor, the Rural Housing Service (RHS)<sup>2</sup> have been authorized to make rental assistance payments to owners of RHS-financed rural rental housing (Section 515) and farm labor housing (Sections 514 and 516) to enable them to reduce rents charged to eligible tenants. Eligible tenants must have adjusted family income that does not exceed the very-low-income limit established for the area by the Department of Housing and Urban Development (HUD) — 50% of the area median, adjusted for family size.<sup>3</sup> Owners must agree to operate the property on a limited profit or nonprofit basis. The term of the rental assistance agreement is 20 years for new construction projects and 5 years for existing projects. Agreements may be renewed for up to 5 years. An eligible owner who does not participate in the program may be petitioned to participate by 20% or more of the tenants eligible for rental assistance.

### Benefit Levels

The rental assistance payments, which are made directly to the housing owners, make up the difference between the tenants' payments and the RHS-approved rent for the units. Originally, tenants in the program paid no more than 25% of their income in rent.<sup>4</sup> Amendments in the 1983 Housing Act provide that rent payments of eligible families are to equal the highest of (1) 30% of monthly adjusted family income, (2) 10% of monthly income, or (3) for welfare recipients, the portion of a family's welfare payment, if any, that is designated for housing costs.<sup>5</sup>

In FY2002, this program provided assistance to about 44,298 families (in rental assistance renewal contracts and aid for newly constructed units).

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<sup>1</sup> Rules governing the program are found at 7 CFR Part 1930, Subpart C, Exhibit E (2003). This program is no. 10.427 in the Catalog of Federal Domestic Assistance.

<sup>2</sup> The Department of Agriculture Reorganization Act of 1994 (P.L. 103-354) replaced the Farmers Home Administration (FmHA) with the Rural Housing Service (RHS).

<sup>3</sup> In FY2003, the extremely low income limits for a family of four in nonmetropolitan areas ranged from \$10,950 (parts of Mississippi) to \$20,650 (a Connecticut county).

<sup>4</sup> Authorized by Section 514 of P.L. 93-383.

<sup>5</sup> Section 517(c) of P.L. 98-181.

## 39. Section 236 Interest Reduction Payments

### Funding Formula

This program is funded 100% by the federal government. Outlays in FY2002 totaled \$579 million.

### Eligibility Requirements<sup>1</sup>

Authorized by the Housing and Community Development Act of 1974 (P.L. 93-383), the Section 236 Interest Reduction Payments (IRP) program provides mortgage subsidies to owners of multifamily properties who agree to keep the property available to low-income families for a specified number of years. Section 236 subsidized units often also receive some form of rent subsidy, such as Section 8 rental assistance.

Households are eligible to live in Section 236 properties as long as their incomes are not in excess of 80% of the area median income. The program is open to families and to single persons without regard to age, except in units also subsidized by Section 8, where Section 8 regulations apply.

Until December 2, 1979, the law excluded from “income” for the purposes of determining eligibility and subsidy levels 5% of gross incomes, all earnings of minor children living at home, plus \$300 for each child. For tenants admitted after December 21, 1979, P.L. 96-153 provided that income should be defined in accordance with procedures and deductions permissible under the Section 8 program. That program excludes some items (including earnings of children, lump-sum payments, and payments for foster care) from “income” by definition. It also deducts some items from income. The chief ones are \$480 per dependent, \$400 for an elderly family, excess medical costs for an elderly family, and costs of child care and handicapped assistance.<sup>2</sup> Income recertification is required annually. Eligibility and subsidy amounts are based on anticipated income in the year ahead, but a shorter accounting period is permitted by regulations.

### Benefit Levels

A basic monthly rental charge is established for each unit on the basis of the costs of operating the project with the debt service requirements of a mortgage bearing a 1% interest rate. The Department of Housing and Urban Development (HUD) makes payments to a mortgagee to reduce the effective interest rate to the project to 1%. A fair market rental charge is established for each unit based on costs of operation with the debt service requirements of a mortgage at the full market rate.

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<sup>1</sup> Regulations governing Section 236 interest reduction payments are found at 24 CFR Subpart C of Part 236 (2003). Because no new mortgages are being issued under this program, it no longer is included in the Catalog of Federal Domestic Assistance. Its catalog number was 14.103.

<sup>2</sup> 24 CFR §5.611 (2002).

The law provides that the tenant family shall pay the basic rent or an amount equal to 30% of “adjusted gross income,”<sup>3</sup> (countable housing income, as defined above), whichever is greater, but not more than the market rent. However, 20% of tenants who cannot afford the basic rent are to be provided additional help to lower their rental payment to 30% of income.<sup>4</sup> Further, elderly and handicapped families paying more than 50% of their income for rent can receive Section 8 assistance.<sup>5</sup>

In FY2002, benefits averaged \$1,833 per dwelling unit, \$153 monthly. These subsidies were paid on behalf on families in 315,976 units.<sup>6</sup>

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<sup>3</sup> Percentage of adjusted gross income was raised from 25 to 30% by P.L. 97-35, enacted in 1981. For then current tenants this increase was phased in and completed by Sept. 30, 1985.

<sup>4</sup> Before passage of P.L. 93-383, up to 40% were eligible for rent supplements, but only 10-20% received them.

<sup>5</sup> Provision was added by P.L. 96-399.

<sup>6</sup> The number of subsidized units is from FY2004 HUD budget documents; the average per unit subsidy was derived by dividing the outlays in FY2002 by the number of units supported in FY2002.

## 40. Housing Opportunities for People with AIDS Program (HOPWA)<sup>1</sup>

### Funding Formula

This program is 100% federally funded. Ninety percent of appropriated funds are distributed by formula,<sup>2</sup> and 10% by competitive awards. Three-fourths of formula grants are made to cities (for metropolitan statistical areas with a population of more than 500,000 and more than 1,500 AIDS cases) and to eligible states (with more than 1,500 AIDS cases in areas outside of MSAs eligible for HOPWA grants through a city). Remaining formula funds are allocated among cities (in metropolitan statistical areas with a population greater than 500,000 and more than 1,500 AIDS cases) that had a higher than average per capita incidence of AIDS during the year previous to the appropriation year.<sup>3</sup> The minimum formula grant is \$200,000. The number of jurisdictions that qualify for a formula allocation has been growing, from 97 in 1999 to a projected 114 in 2004. Competitive awards are made for projects proposed by states and local governments for areas not included in formula allocations. Competitive grants also are available for projects of national significance proposed by nonprofit entities. HOPWA outlays for FY2002 were \$314 million.

### Eligibility Requirements

The AIDS Housing Opportunity Act (enacted as part of P.L. 101-625) makes eligible low-income persons with AIDS or related diseases, including HIV infection, and their families. The law defines low-income to mean a person or family whose income does not exceed 80% of the local area median income, adjusted for family size.<sup>4</sup> However, the law authorizes the Secretary of Housing and Urban Development (HUD) to alter the income ceiling for an area if this is found necessary because of prevailing levels of construction costs or unusually high or low family incomes. The program offers information about housing to all persons with AIDS regardless of income.

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<sup>1</sup> The HOPWA program appears in the Catalog of Federal Domestic Assistance at 14.241. In the Code of Federal Regulations it is found at 24 CFR Parts 574 (2003). It is codified at 42 U.S.C. Section 12901 et seq.

<sup>2</sup> HOPWA formula funds are available through HUD's Consolidated Plan Initiative. Jurisdictions applying for funds from four HUD formula grant programs (Community Development Block Grant program, the Emergency Shelter Grant program, the HOME Investment Partnerships program, and HOPWA), submit a single document. A consolidated plan includes an assessment of community needs and a proposal that addresses those needs, using both federal funds and community resources.

<sup>3</sup> 24 CFR §574.130 (2003)

<sup>4</sup> The Department of Housing and Urban Development (HUD) estimates that 80% of median family income in FY2003 averaged \$36,000 in non-metropolitan areas and \$48,240 in metropolitan areas. These amounts are averages for all family sizes.

According to a 2002 survey of providers, more than half of households served by HOPWA have extremely low incomes, below 30% of the area median.<sup>5</sup>

## Benefit Levels

HOPWA funds may be used for numerous benefits and services, including housing information services; acquisition, rehabilitation, conversion, lease, and repair of facilities to provide housing and services; new construction (for single room occupancy (SRO) dwellings and community residences only); project- or tenant-based rental assistance, including assistance for shared housing arrangements; short-term rent, mortgage, and utility payments to prevent homelessness; supportive services such as health and mental health services, drug and alcohol abuse treatment and counseling, day care, nutritional services, intensive care when required, aid in gaining access to other public benefits; operating costs; and technical assistance in establishing and operating a community residence.

HUD data show that in FY2002, 68,000 households received housing assistance through HOPWA. HUD has projected that in FY2003, 73,000 households will receive assistance through HOPWA.

**Note:** For more details about HOPWA, see CRS Report RS20704, *Housing Opportunities for People with AIDS (HOPWA)*.

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<sup>5</sup> *National Evaluation of the Housing Opportunities for Persons with AIDS Program (HOPWA)*, prepared by ICF Consulting for the U.S. Department of Housing and Urban Development, Dec. 2000.

## 41. Rural Rental Housing Loans (Section 515)

### Funding Formula

This program is funded 100% by the federal government. Factors used to allocate funds state shares of: rural population, rural housing units lacking plumbing and/or overcrowded, and poor persons living in rural areas. Federal obligations for this program totaled \$114 million in FY2002.<sup>1</sup>

### Eligibility Requirements<sup>2</sup>

The law permits loans for rural rental and cooperative housing units to be occupied by families with “very low” or “moderate” income, or by handicapped or disabled persons or those aged at least 62. The law requires that at least 40% of Section 515 units nationwide and 30% of units in each state be occupied by “very-low-income” families or persons. Moreover, the Housing and Community Development Act of 1987 restricts occupancy of Section 515 housing units, if constructed with help of low-income housing tax credits, to families whose incomes are within the limits established for the tax credits.<sup>3</sup> However, this restriction does not apply if the Rural Housing Service (RHS)<sup>4</sup> finds that units have been vacant for at least 6 months and that their continued vacancy threatens the project’s financial viability.

The law<sup>5</sup> defines “low-income” and “very-low-income” families as those whose incomes do not exceed limits established by the Department of Housing and Urban Development (HUD) for such families in public housing and Section 8 housing (that is, up to 80% or 50% of area median income, respectively, adjusted for family size).<sup>6</sup>

Federal regulations issued October 1, 1985, provide that the moderate-income limits are \$5,500 above the low-income ceilings (unless the moderate income limit in use before October 1, 1985, was higher, in which case it is continued).

Sponsors can be nonprofit, profit oriented, or “limited profit,” must be unable to obtain credit elsewhere on reasonable terms that would enable them to rent the

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<sup>1</sup> 7 C.F.R. §1940.575 (2003).

<sup>2</sup> Regulations are found at 7 C.F.R. Part 1930 Subpart C (2003) and 7 C.F.R. Part 1944, Subpart E (2003). This program is no. 10.415 in the Catalog of Federal Domestic Assistance.

<sup>3</sup> Section 306 of P.L. 100-242.

<sup>4</sup> The Department of Agriculture Reorganization Act of 1994 (P.L. 103-354) replaced the Farmers Home Administration (FmHA) with the Rural Housing Service (RHS).

<sup>5</sup> The Rural Housing Amendments of 1985 (Title V of P.L. 98-181).

<sup>6</sup> In FY2003, the low-income limits (80% of area median) for a family of four in nonmetropolitan areas ranged from \$29,200 (parts of MS) to \$55,050 (CT county); the corresponding extremely low income limits (30% of area median) ranged from \$10,950 to \$20,650.

units for amounts within the payment ability of eligible tenants, and must have sufficient initial capital to make loan payments and meet costs. Applicants must conduct market surveys to determine the number of eligible occupants in the area who are willing and financially able to occupy the housing at the proposed rent levels.

## **Benefit Levels**

Nonprofit sponsors and state and local public agencies are eligible for loans up to 100% of the appraised value or development cost, whichever is less. Purchase loans for buildings less than 1 year old are limited to 80% of the appraised value. Loan amounts and terms can be determined by RHS.

In FY2002, Section 515 loans financed housing for about 7,284 families.

## 42. Rural Housing Repair Loans and Grants (Section 504)

### Funding Formula

This program is funded 100% by the federal government. Two factors are used to allocate loan funds: state shares of rural occupied units and very-low income rural households. For grants, a third factor is added: rural population aged at least 62. Federal obligations for this program totaled \$57.8 million in FY2002.

### Eligibility Requirements<sup>1</sup>

The law permits repair loans at a very low interest rate for “very-low-income” owners of a farm or rural home who cannot obtain credit on reasonable terms elsewhere. The program uses the very-low-income limits established by the Department of Housing and Urban Development (HUD) for the area.<sup>2</sup> Income of borrowers must be insufficient to qualify for a Section 502 loan, but adequate, including any “welfare-type” payments, to repay a Section 504 loan, as determined by the Rural Housing Service (RHS). The law<sup>3</sup> provides that farm housing programs are to use the income definition of the Section 8 (and public housing) programs (See program no. 33). Grants are made to elderly homeowners at least age 62<sup>4</sup> whose annual income prevents any loan repayment.

### Benefit Levels

Loans are limited to \$20,000 and have a 20-year term at a 1% interest rate.<sup>5</sup> Owners who are at least age 62 may qualify for grants of up to \$7,500. Depending on repair costs and the homeowner’s income, the owner may be eligible for a grant for the full cost of repairs or for some combination of a loan and a grant, not to exceed \$20,000. In FY2002, \$31.8 million in loans repaired 55,615 homes. A total of about \$30.6 million in grants was used for the repair of 6,170 homes owned by the elderly.

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<sup>1</sup> Regulations governing rural housing repair loans and grants are found at 7 CFR Part 3550, Subpart C (2003). This program is no. 10.417 in the Catalog of Federal Domestic Assistance.

<sup>2</sup> In FY2003, the extremely low income limits (30% of area median) for a family of four in nonmetropolitan areas ranged from \$10,950 (parts of Mississippi) to \$20,650 (a CT county).

<sup>3</sup> The Rural Housing Amendments of 1983 (Title V of P.L. 98-181).

<sup>4</sup> Appropriation language restricts Section 504 grants to those aged at least 62.

<sup>5</sup> More costly repairs may be financed through the Section 502 program.

## 43. Farm Labor Housing Loans (Section 514) and Grants (Section 516)

### Funding Formula

This program is fully funded by the federal government. The funds for the programs are not allocated to the states. The funds are kept in reserve at the RHS national office and are available as determined administratively. Federal obligations for these loans and grants totaled \$61.7 million in FY2002.

### Eligibility Requirements<sup>1</sup>

Individual farm owners, associations of farmers, local broad-based nonprofit organizations, federally recognized Indian tribes, and agencies or political subdivisions of local or state governments may be eligible for loans at a very low interest rate from the Rural Housing Service (RHS),<sup>2</sup> successor to the Farmers Home Administration (FmHA), to provide low-rent housing and related facilities for domestic farm labor. Applicants must show that the farming operations have a demonstrated need for farm labor housing, must agree to operate the property on a nonprofit basis, and must be unable to obtain credit on terms that would enable them to provide housing to farm workers at rental rates that would be affordable to the workers. Except for state and local public agencies or political subdivisions, applicants must be unable to provide the housing from their own resources and unable to obtain the credit from other sources on terms and conditions that they could reasonably be expected to fulfill. The RHS state director may make exceptions to the “credit elsewhere” test when (1) there is a need in the area for housing for *migrant* farm workers and the applicant will provide such housing, and (2) there is no state or local body or nonprofit organization that, within a reasonable period of time, is willing and able to provide the housing.

Applicants must have sufficient initial operating capital to pay the initial operating expenses. It must be demonstrated that, after the loan is made, income will be sufficient to pay operating expenses, make capital improvements, make payments on the loan, and accumulate reserves.

Nonprofit organizations, Indian tribes, and local or state agencies or subdivisions may qualify for Section 516 grants to provide low-rent housing for farm labor if there is a “pressing need” in the area for the housing and there is reasonable doubt that it can be provided without the grant. Applicants must contribute at least 10% of the total development costs from their own resources or from other sources, including Section 514 loans.

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<sup>1</sup> Regulations governing these loans and grants are found at 7 CFR Part 1944, Subpart D (2003). This program is no. 10.405 in the Catalog of Federal Domestic Assistance.

<sup>2</sup> The Department of Agriculture Reorganization Act of 1994 (P.L. 103-354) eliminated the Farmers Home Administration (FmHA) and created the Rural Housing Service (RHS). The rural housing programs that were formerly administered by FmHA are now administered by RHS.

The Housing and Community Development Act of 1987 redefined “domestic farm labor” to include persons (and the family of such persons) who receive a substantial portion of their income from the production or handling of agricultural or aquacultural products.<sup>3</sup> They must be U.S. citizens or legally admitted for permanent residence in the United States. The term includes retired or disabled persons who were domestic farm labor at the time of retiring or becoming disabled. In selecting occupants for vacant farm labor housing, RHS is directed to use the following order of priority: (1) active farm laborers, (2) retired or disabled farm laborers who were active at the time of retiring or becoming disabled, and (3) other retired or disabled farm laborers.

## Benefit Levels

Farm labor housing loans and grants to qualified applicants may be used to buy, build, or improve housing and related facilities for farm workers and to purchase and improve the land upon which the housing will be located. The funds may be used to install streets, water supply and waste disposal systems, parking areas, and driveways, as well as to buy and install appliances such as ranges, refrigerators, washing machines, and dryers. Related facilities may include the maintenance workshop, recreation center, small infirmary, laundry room, day care center, and office and living quarters for the resident manager.

Section 514 loans are available at 1% interest for up to 33 years. Section 516 grants may not exceed the lesser of (1) 90% of the total development cost of the project, or (2) the difference between the development costs and the sum of (a) the amount available from the applicant’s own resources and (b) the maximum loan the applicant can repay given the maximum rent that is affordable to the target tenants.

In FY2002, \$47.3 million in loans and \$14.5 million in grants financed the development of 1,870 housing units for farm workers and their families.

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<sup>3</sup> Section 305 of P.L. 100-242, enacted Feb. 5, 1988.

## 44. Section 101 Rent Supplements

### Funding Formula

This program is funded 100% by the federal government. Outlays totaled \$54 million in FY2002.

### Eligibility Requirements<sup>1</sup>

Section 101 of the Housing and Urban Development Act of 1965 (P.L. 89-117), as amended, authorized the Department of Housing and Urban Development (HUD) to pay rent supplements on behalf of low income tenants who lived in privately-owned housing or housing developed under HUD's Section 236 program. Income eligibility for new<sup>2</sup> recipients of rent supplements is based on eligibility for Section 8 rental assistance and is therefore limited to low income families, defined as families whose incomes are 80% or less of the area median income, adjusted for family size.<sup>3</sup> Included in the definition of income are earnings from total assets greater than \$5,000. Income recertification is required annually. Preference for available rent supplements is given to households who live in substandard housing, are involuntarily displaced, or are paying more than 50% of income for rent.

Before 1979, families were eligible if they were: aged 62 or over or handicapped; displaced by governmental action or natural disaster; occupants of substandard housing; or military personnel serving on active duty, or their spouses.

### Benefit Levels

The rent supplements paid by HUD under this program are set as the difference between 30% of a tenant's adjusted gross income (as defined above) or 30% of the market rent, whichever is higher, minus a basic rent. The basic rent is established by HUD and is designed to cover the total housing costs for each unit.

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<sup>1</sup> Existing rent supplements are governed by 24 CFR Part 215 (1995), as in effect immediately before May 1, 1996. Part 215 has been removed because no new rent supplement contracts are authorized under this program. Section 101 is no. 14.149 in the Catalog of Federal Domestic Assistance.

<sup>2</sup> P.L. 96-153 changed the eligibility for the Rent Supplement program to align with the Section 8 program and added the preference categories, except for the preference for households who pay more than 50% of their incomes toward rent, which was established by P.L. 100-242.

<sup>3</sup> In FY2003, the low-income limits (80% of area median) for a family of four in nonmetropolitan areas ranged from \$29,200 (parts of Mississippi) to \$55,050 (a Connecticut county).

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In FY2002, 18,600 units received subsidies, which averaged about \$2,900<sup>4</sup> per unit. No new commitments have been entered into under this program since 1973. Current spending under the program is only for the 18,600 contracts that have not yet expired.

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<sup>4</sup> The number of subsidized units is from FY2004 HUD budget documents; the average per unit subsidy was derived by dividing the outlays in FY2002 by the number of units supported in FY2002.

## **45. Rural Housing Self-Help Technical Assistance Grants (Section 523) and Rural Housing Site Loans (Sections 523 and 524)**

### **Funding Formula**

These programs are funded 100% by the federal government. The funds for the programs are not allocated to the states. The funds are kept in reserve at the RHS national office and are available as determined administratively. Federal obligations for these grants and loans totaled \$27 million in FY2002.

### **Eligibility Requirements<sup>1</sup>**

States, political subdivisions, public nonprofit corporations (including Indian tribes and tribal corporations), and private nonprofit corporations<sup>2</sup> may receive Technical Assistance (TA) grants from the Rural Housing Service (RHS), successor to the Farmers Home Administration (FmHA).<sup>3</sup> The TA grants are used to pay all or part of the cost of developing, administering, and coordinating programs of technical and supervisory assistance to families that are building their homes by the mutual self-help method. This is the method whereby families, organized in groups of 6 or 10 families, use their own labor to reduce construction costs. Each family is expected to contribute labor on group member's houses to accomplish 65% of the tasks specified by RHS.<sup>4</sup>

Applicants must demonstrate that (1) there is a need for self-help housing in the area, (2) the applicant has or can hire qualified people to carry out its responsibilities under the program, and (3) funds for the proposed TA project are not available from other sources.

The program is limited to very-low-income and low-income rural families, defined as those with income below 50% and 80% of the area median, respectively, adjusted for family size.<sup>5</sup>

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<sup>1</sup> Regulations governing Section 523 Technical Assistance grants are found at 7 CFR Part 1944, Subpart I (2003). Regulations governing Section 523 and 524 site loans are at 7 CFR Part 1822, Subpart G (2003). In the Catalog of Federal Domestic Assistance, technical assistance grants and site loans are programs no. 10.420 and no. 10.411, respectively.

<sup>2</sup> Private nonprofit corporations must be legally precluded from distributing gains and profits to their members.

<sup>3</sup> The Department of Agriculture Reorganization Act of 1994 (P.L. 103-354) eliminated the Farmers Home Administration (FmHA) and created the Rural Housing Service (RHS). The rural housing programs that were formerly administered by FmHA are now administered by RHS.

<sup>4</sup> 7 CFR §1944.403(k) (2003).

<sup>5</sup> In FY2003, the low-income limits (80% of area median) for a family of four in nonmetropolitan areas ranged from \$29,200 (parts of MS) to \$55,050 (a CT county); the (continued...)

The TA funds may not be used to hire construction workers or to buy real estate or building materials. Private or public nonprofit corporations, however, may be eligible for 2-year site loans under Section 523 or Section 524. Private nonprofit organizations must have a membership of at least 10 community leaders. The site loans may be used to buy and develop rural land, which then is subdivided into building sites and sold on a nonprofit basis to low- and moderate-income families. Generally, a loan will not be made unless it will result in at least 10 sites. The sites need not be contiguous.

Sites financed through Section 523 may be sold only to families who are building homes by the mutual self-help method. Section 524 site loans place no restrictions on construction methods. Houses built on either kind of subsidized site usually are financed through the Section 502 rural housing loan program (see program no. 35).

## Benefit Levels

The RHS state director may approve TA grants of up to \$200,000 to eligible organizations. The state director must have written consent from the RHS national office for larger grants. Applicants must demonstrate that the self-help method will result in net savings per house of at least \$500.

The TA grants may be used for hiring personnel (director, coordinator, construction supervisor, and secretary-bookkeeper), paying office and administrative expenses, buying and maintaining specialty and power tools (participating families are expected to have their own basic hand tools), and paying for technical and consultant services that are not readily available without cost to the participating families.

Section 523 site loans are made at an interest rate of 3%, but the rate on Section 524 site loans is the Treasury cost of funds. The loans may be used to buy and develop sites. Funds may be used to construct access roads and utility lines, provide water and waste disposal facilities if such facilities cannot reasonably be provided on a community basis with other financing, and to provide landscaping, sidewalks, parking areas, and driveways. Common areas such as playgrounds and “tot lots” may be funded if they are legally required as a condition of subdivision approval.

In FY2002, organizations received \$26.5 million in mutual and self-help housing grants, and \$0.5 million in site development loans. No self-help site loans were made in FY2002. The count of families receiving assistance is reported under the Section 502 program.

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<sup>5</sup> (...continued)

corresponding extremely low income limits (30% of area median) ranged from \$10,950 to \$20,650.

## 46. Indian Housing Improvement Grants

### Funding Formula

This program is funded 100% by the federal government. Federal obligations for this program totaled \$19.6 million in FY2002.

### Eligibility Requirements<sup>1</sup>

Applicants must meet the following requirements: (1) they must be members of a federally recognized American Indian Tribe or Alaska Native Village (2) they must live in an approved tribal service area, (3) their annual income may not exceed 125% of the poverty income guidelines of the Department of Health and Human Services,<sup>2</sup> (4) their present housing must be substandard, (5) they must meet the ownership requirements for the assistance needed, (6) they must have no other resource for housing assistance, (7) they have not received assistance after October 1, 1986, for repairs and renovation, replacement of housing, or down payment assistance, and (8) they did not acquire their present housing through participation in a federal housing program that includes the assistance referred to in item seven. Priority is given to families on the basis of four factors: annual household income as a percent of the federal poverty income guidelines; the age of elderly occupants; whether the property is occupied by disabled individuals and the percent of the disability; and the number of unmarried dependent children.

### Benefit Levels

The Housing Improvement Program (HIP) is operated by the Bureau of Indian Affairs (BIA) of the Department of the Interior. In general, the program is administered through a servicing housing office operated by a Tribe or by the BIA.

HIP grants are made in one of three categories. Category A grants are used to make interim repairs to properties that are to be made safe, more sanitary, and livable until standard housing is available. The condition of the housing must be such that it is not cost effective to renovate the property. These grants are limited to \$2,500 per housing unit.

Category B grants are made to qualified applicants who occupy housing that can economically be placed in standard condition. Grants are limited to \$35,000 for any one dwelling and the grants may be made to homeowners or renters. Occupants of rental housing must have an undivided leasehold (the applicants are the only lessees) and the leasehold must last at least 25 years from the date that assistance is received. All applicants must sign a written agreement stating that the grant will be voided if

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<sup>1</sup> Regulations governing this program are found at 25 CFR Part 256 (2003). This program is no. 15.141 in the Catalog of Federal Domestic Assistance.

<sup>2</sup> For a family of four, this sum in calendar year 2003 was \$23,000 in the 48 contiguous states, \$26,450 in HI, and \$28,750 in AK.

the house is sold within 5 years of completion of repairs, and that the applicants will repay BIA the full cost of repairs that were made.

Category C grants are made to applicants who (1) own or lease homes which can not be brought to applicable building code standards for \$35,000 or less, or (2) who own or lease land that is suitable for housing and the land has adequate ingress and egress rights. The grants are used to provide modest replacement housing. Applicants who lease houses or land must have an undivided leasehold and the leasehold must last at least 25 years from the date that assistance is received. If the home is sold within 10 years, the full amount of the grant must be repaid. For each year after the 10<sup>th</sup> year, the grantee may retain 10% of the original grant amount and refund the remainder if the home is sold. If the home is sold after 20 years, the grant does not have to be repaid.

In FY2002, HIP grants assisted 572 families by providing for the renovation of 389 homes, and the construction of 183 homes.

## 47. Section 235 Homeownership Assistance for Low-Income Families<sup>1</sup>

**Note:** P.L. 100-242 (Section 401(d)(1)) terminated authority to make additional Section 235 commitments, effective October 1, 1989.

### Funding Formula

This program is funded 100% by the federal government. Federal outlays for this program totaled \$11 million in FY2002.

### Eligibility Requirements<sup>2</sup>

The Section 235 program, created by the National Housing Act (P.L. 90-448), provides monthly mortgage assistance to lower-income homeowners.

Families (two or more related persons) and singles who are elderly (at least 62 years old) or handicapped; and whose adjusted annual incomes do not exceed 95% of the median family income for the area, adjusted for family size, are eligible for Section 235 assistance. The HUD regulations exclude from “income” for the purposes of determining eligibility and subsidy levels 5% of gross income, all earnings of minor children living at home, plus \$300 for each such child.<sup>3</sup> Also excluded is unusual income or property income that does not occur regularly or other income of a temporary nature.

To qualify for this program, housing units must be new or substantially rehabilitated single-family units that were under construction or rehabilitated on or after October 17, 1975, condominium units that have never been occupied, or family units (in existing condominium projects) that are purchased by a displaced family.

### Benefit Levels

The Section 235 program provides aid, in the form of monthly payments to the mortgagee on behalf of the assisted home buyer, to reduce interest costs on an insured market rate home mortgage to as low as 4%. The borrower must be able to pay toward his mortgage payments at least 20%<sup>4</sup> of his or her “adjusted gross income” (countable housing income, as defined above). Mortgage amounts for commitments made after July 13, 1981, are limited to \$40,000 for single-family and condominium units with three bedrooms or less, and \$47,500 for units with four or

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<sup>1</sup> The Section 235 program was suspended with other major subsidized housing programs on January 5, 1973. In October 1975, \$264.1 million that had not previously been used for the Section 235 program was released, to be used according to revised regulations.

<sup>2</sup> Regulations governing this program are found at 24 CFR Part 235 (2003).

<sup>3</sup> 24 CFR § 235.1206 (2003). The 5% income exclusion was established by regulation. It is not required by law.

<sup>4</sup> Twenty-eight percent for those in the restructured program.

more bedrooms. These limits may be raised by as much as \$7,500 in high cost areas, and additionally, by 10% for a dwelling to be occupied by a physically handicapped person, if the larger mortgage is needed to make the dwelling accessible and usable to him.

Any assistance payment made pursuant to a commitment issued on or after May 27, 1981, is subject to recapture upon (1) disposition of the subsidized property, (2) a 90-day cessation of payments on its mortgage, or (3) its rental for longer than 1 year. The law provides that the amount recaptured shall be equal to the assistance actually received or at least 50% of the net appreciation in the value of the property, whichever is less.<sup>5</sup>

Benefits averaged about \$828 per dwelling unit in FY2002, about \$69 monthly.<sup>6</sup> Approximately 13,000 dwelling units received assistance in FY2002.

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<sup>5</sup> The recapture provision was added by P.L. 96-399, the Housing and Community Development Act of 1980.

<sup>6</sup> The number of subsidized units was taken from FY2004 HUD budget documents; the average per unit subsidy was estimated by dividing FY2002 outlays by the number of units supported that year.

## 48. Rural Housing Preservation Grants (Section 533)

### Funding Formula

This program is funded 100% by the federal government. Grantees are encouraged, however, to leverage the grants with funds from local, state, or other sources. Factors used to allocate funds: state shares of rural population, rural occupied substandard units, and rural poor families. Federal obligations for this program totaled \$8.6 million in FY2002.

### Eligibility Requirements<sup>1</sup>

States, local governments, nonprofit corporations, and Indian tribes, bands, or nations may be eligible to receive grants to operate programs that finance the repair and rehabilitation of single-family housing owned and occupied by families with “low” income (not above 80% of the area median, adjusted for family size) or “very-low” income (not above 50% of the area median). The program uses the dollar limits established by the Department of Housing and Urban Development (HUD) for the area.<sup>2</sup> Grant applicants must have a staff or governing body with either (1) proven ability to perform responsibly in the field of low-income rural housing development, repair, and rehabilitation; or (2) management or administrative experience that indicates the ability to operate a program offering funds for housing repair and rehabilitation.

The homes must be located in rural areas and must need housing preservation assistance. Assisted families must meet the income restrictions and must have occupied the property for at least 1 year. Occupants of leased homes may be eligible for assistance if (1) the unexpired portion of the lease extends for 5 years or more, and (2) the lease permits the occupant to make modifications to the structure and precludes the owner from increasing the rent because of the modifications.

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<sup>1</sup> Regulations governing Section 533 rural housing preservation grants are found at 7 CFR Part 1944, Subpart N (2003). This program is no. 10.433 in the Catalog of Federal Domestic Assistance.

<sup>2</sup> In FY2003, the low-income limits (80% of area median) for a family of four in nonmetropolitan areas ranged from \$29,200 (parts of MS) to \$55,050 (a CT county); the corresponding extremely low income limits (30% of area median) ranged from \$10,950 to \$20,650.

## Benefit Levels

The Rural Housing Service (RHS),<sup>3</sup> successor to the Farmers Home Administration (FmHA), is authorized to provide grants to eligible public and private organizations. The grantees may in turn provide homeowners with direct loans, grants, or interest rate reductions on loans from private lenders to finance the repair or rehabilitation of their homes. Many housing preservation activities are authorized: (1) installation and/or repair of sanitary water and waste disposal systems to meet local health department requirements; (2) installation of energy conservation materials, such as insulation and storm windows and doors; (3) repair or replacement of the heating system; (4) repair of the electrical wiring system; (5) repair of structural supports and foundations; (6) repair or replacement of the roof; (7) repair of deteriorated siding, porches, or stoops; (8) alteration of the interior to provide greater accessibility for any handicapped member of the family, and (9) additions to the property that are necessary to alleviate overcrowding or to remove health hazards to the occupants. Repairs to manufactured homes or mobile homes are authorized if (1) the recipient owns the home and site and has occupied the home on that site for at least 1 year, and (2) the home is on a permanent foundation or will be put on a permanent foundation with the funds to be received through the program. Up to 25% of the funding to a dwelling may be used for improvements that neither contribute to the health, safety, or well-being of the occupants; or materially contribute to the long-term preservation of the unit. These improvements may include painting, paneling, carpeting, air conditioning, landscaping, and improving closets or kitchen cabinets.

The Section 533 program was authorized in 1983, and regulations for the program were published in 1986.<sup>4</sup> The RHS is authorized to make Section 533 grants also for rehabilitation of rental and cooperative housing. Regulations to implement these grants were issued in spring 1993,<sup>5</sup> even though Congress had directed this action much earlier.<sup>6</sup> Funding for this part of the Section 533 program became available in FY1994.

In FY2002, rural housing preservation grants financed home repairs for 2,133 families.

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<sup>3</sup> The Department of Agriculture Reorganization Act of 1994 (P.L. 103-354) eliminated the Farmers Home Administration (FmHA) and created the Rural Housing Service (RHS). The rural housing programs that were formerly administered by FmHA are now administered by RHS.

<sup>4</sup> Section 522 of the Housing Urban-Rural Recovery Act of 1983 (P.L. 98-181, Nov. 30, 1983) added Section 533 to the Housing Act of 1949.

<sup>5</sup> *Federal Register*, v. 58, Apr. 26, 1993, p. 21891.

<sup>6</sup> Section 310 of P.L. 100-242, the Housing and Community Development Act of 1987, enacted Feb. 5, 1988.

## 49. Homeownership and Opportunity for People Everywhere (HOPE) Programs

### Funding Formula

The Homeownership and Opportunity for People Everywhere programs (HOPE 1, 2, and 3) were established in 1990<sup>7</sup> to help low-income, first-time homebuyers purchase housing owned by federal, state, and local governments. Grants were awarded through FY1996 on a competitive basis to nonprofit organizations, resident management corporations, cooperative associations, public housing authorities, or other bodies who, in turn, carry out the economic development and homeownership goals. Regulations required recipients of HOPE 3 implementation grants to contribute \$1 in matching money for each \$4 in federal funds awarded (for amounts granted before April 11, 1994, the required match was higher, 33%). While there has been no new funding of HOPE 1, 2, and 3 programs since FY1996 and no new grants are being made, some money already committed and in the pipeline continues to be spent. According to figures from the Office of Management and Budget, federal outlays from current balances were \$25 million in FY2000, \$21 million in FY2001 and \$3 million in FY2002. HOPE grantees have included Habitat for Humanity, Catholic Charities, Volunteers of America, and the Enterprise Foundation.

### Eligibility Requirements<sup>1</sup>

In general, to be eligible to purchase an available home in HOPE 1, 2, or 3, a person or family must be a tenant of an eligible property, a resident of other HUD assisted housing, or have an income that does not exceed 80% of the median income for the area, adjusted for family size.

### Benefit Levels

HOPE 1 authorizes funds to develop tenant management at public and Indian housing projects, for project-related jobs, and for the eventual sale of the renovated units to tenants and other qualifying households. HOPE 2 authorizes grants for the sale of multifamily properties that are insured by the Department of Housing and Urban Development (HUD) or are owned by the government, and for funds for small business startups and other economic development activities. HOPE 3 provides funds for the purchase of single-family homes held or insured by federal, state, or local governments. Many of the HOPE 3 properties sold were homes held by the Resolution Trust Corporation, dating to the “Savings & Loan crisis.”

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<sup>7</sup> HOPE programs were authorized by the Cranston-Gonzalez National Affordable Housing Act of 1990 (P.L. 101-625) and amended by the Housing and Community Development Act of 1992 (P.L. 102-550) and the Quality Housing and Work Responsibility Act of 1998 (P.L. 105-276).

<sup>1</sup> HOPE 3 regulations are found in 24 CFR Part 572 (2003). HOPE programs are no longer included in the Catalog of Federal Domestic Assistance.

Purchasers were expected to buy fully renovated units at significant discounts from appraised values. There has been almost no information available on program activity in the last few years on HOPE 1, 2, or 3.

Over the years, a variety of HUD programs have sold public housing units to tenants and other low income households. Including HOPE 1, HUD has approved the sale of more than 4,700 public housing units since 1993. However, moving from the planning stage to actual sale of units can take as many as 10 years. In many cases, grantees are devoting a portion of the grant to support resident organizations, counseling, and training of residents, and other neighborhood economic development activities.

HOPE 1 Implementation Grants of \$82.4 million were made for 30 grants during FY1992 and FY1994. In a FY2000 HUD status report, information was available on only about one-third of the applicants approved. Of grantees receiving \$8.2 million, approximately \$4.6 million remained unspent. A number of projects are in the process of being shut down, with grants being terminated, and money being returned. For example, in FY1994, a grant of \$1.67 million was made to the housing authority of Hartford, Connecticut. A grant was approved for the sale of 60 units. HUD says that its field office proposed to terminate the grant as of June 30, 2000 for failure to execute. A total of \$278,000 has been spent, but no information is available on whether any units have been sold. An example is from the housing authority in Kern County, California. An implementation grant of \$4.5 million was made in FY1994 for the sale of 168 units of public housing. As of FY2000, there was a remaining balance of \$1.9 million, although no information is available on how many units may have been sold. It appears from previous reports that at least 261 HOPE 1 grants totaling \$113 million have been made, but again, no aggregate information is available on how many units have been sold.

Under HOPE 2, grants of about \$75 million were made through FY1996. No further information has been made available from HUD.

As of July 1997, the cumulative amount of HOPE 3 implementation grants was \$210 million for 258 grantees. As of August 1995, 2,298 homes had been acquired under HOPE 3 and 1,234 transferred to new buyers.<sup>2</sup>

Under the Clinton Administration, there was a move away from the sale of multifamily units, with a shifting emphasis to the sale of both publicly and privately owned, scattered-site, single-family homes. In the last few years there has been a phasing down of specialized programs like HOPE 1, 2, and 3. This reflects a policy of “empowering local communities” by giving them the flexibility to develop innovative strategies to meet their local housing and community development needs. For example, currently, HUD’s Federal Housing Administration (FHA) sells HUD-owned single-family homes to approved non-profits at discounts under its “Direct Sales” program. These homes are usually resold to low- and moderate-income homebuyers in coordinated efforts with local governments and other federal

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<sup>2</sup> For a detailed report on HOPE 3, see *Evaluation of the HOPE 3 Program: Final Report*, prepared for HUD by Abt Associates, Aug. 1996.

programs to stabilize and revitalize certain neighborhoods. Other HUD owned homes are sold at 50% discounts under FHA's Officer Next Door and Teacher Next Door programs. For detailed information about government-assisted home buying, see HUD's homebuyer site at [<http://www.hud.gov/buyhome.html>].

## **Educational Assistance**

## 50. Federal Pell Grants

### Funding Formula

Federal Pell Grants, the largest source of federal student grant assistance administered by the Department of Education (ED), are 100% federally funded. These grants are authorized by Title IV-A of the Higher Education Act. Appropriations for the 2001-2002 school year were \$11.4 billion.

### Eligibility Requirements<sup>3</sup>

Pell Grants, originally called “Basic Educational Opportunity Grants,” are available to undergraduate students enrolled in an eligible institution of postsecondary education who meet a needs test, the elements of which are prescribed in the Higher Education Act (Part F of Title IV). Grantees must meet general student aid eligibility requirements including maintaining satisfactory progress in their course of study, not be in default on a federally assisted student loan, not owe a refund on a Pell Grant or Supplemental Educational Opportunity Grant, and register for the Selective Service, if so required.

The federal need analysis methodology takes into account the income and assets of the student and his or her family, and determines the amount that a student and his/her family might reasonably be expected to contribute toward total costs for postsecondary education (the expected family contribution or EFC). For a *dependent*<sup>4</sup> student, the expected family contribution is based on the student’s and his or her parents’ income and assets. For an *independent*<sup>5</sup> student, the expected contribution is based on the income and assets of the student, if single, and student and spouse, if married. Included as income are welfare benefits, including TANF payments, child support, the earned income tax credit, untaxed Social Security benefits, and some other untaxed income and benefits.

On May 30, 2003, the Department of Education announced updates to the need analysis tables for the 2004-2005 award year.<sup>6</sup> The announcement provided inflation-adjusted updates to four tables used in calculating the expected family contribution: the income protection allowance, the adjusted net worth of a business or farm, the education savings and asset protection allowance, and the assessment schedules and

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<sup>3</sup> Regulations for Pell Grants are found at 34 CFR Part 690 (2002). This program is no. 84.063 in the Catalog of Federal Domestic Assistance. It is codified at 20 U.S.C. 1070a et seq.

<sup>4</sup> A student is considered dependent if he/she does not fall into any of the categories for an “independent student.”

<sup>5</sup> A student is considered independent if he/she is age 24 or older, is a graduate, professional, or married student, or has legal dependents other than a spouse. Also automatically considered independent are orphans (without an adoptive parent or legal guardian), veterans, or wards of the court. Financial aid administrators may make a documented determination of independence for other students by reason of other unusual circumstances.

<sup>6</sup> *Federal Register*, v. 68, May 30, 2003, pp. 32468-32478.

rates. The Department publishes an annual booklet explaining the Expected Family Contribution (EFC) formula.<sup>7</sup>

In FY1999, more than 90% of Pell Grant recipients considered to be dependent students had total parental income below \$40,000. Among independent student grantees, more than 90% had total income below \$30,000.<sup>8</sup>

## Benefit Levels

Pell Grant awards to students are the lesser of: (1) a statutorily established maximum award (\$4,050 for FY2003), minus the expected family contribution (see explanation under *Eligibility Requirements*); or (2) the cost of attendance minus the expected family contribution.

For the academic year 2001-2002, an estimated 4.8 million students received Pell Grants averaging \$2,411.

The Higher Education Act forbids AFDC (or its successor, TANF), food stamps, and any other governmental program that receives federal funds from taking Pell grants (or other student aid provided under the act) into account when determining eligibility for benefits, or the amount of benefits.

**Note:** For more information, see CRS Report RL31668, *Federal Pell Grant Program of the Higher Education Act: Background and Reauthorization* and CRS Report IB10097, *The Higher Education Act: Reauthorization Status and Issues*. Also see the Federal Student Aid Handbook at [<http://www.ifap.ed.gov/IFAPWebApp/currentSFAHandbooksPag.jsp>].

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<sup>7</sup> The 2003-04 formula book and tables (in portable document format [PDF]) are available at [<http://www.ifap.ed.gov/efcinformation/0304EFCFormulaWkSheetsTable.html>].

<sup>8</sup> CRS Report RL31668, *Federal Pell Grant Program of the Higher Education Act: Background and Reauthorization*, summary page.

## 51. Head Start<sup>1</sup>

### Funding Formula

Head Start funds are allocated among states by formula<sup>2</sup> but awarded directly to local Head Start agencies. Federal assistance for a Head Start program is limited to 80% of program costs, but the law permits a larger share if the Secretary of HHS determines this to be necessary for Head Start's purposes. Federal regulations permit a higher federal share for a Head Start agency that is located in a relatively poor county<sup>3</sup> or one that has been "involved" in a major disaster if the Secretary finds that the agency is "unable" to pay a 20% share despite a "reasonable effort" to do so. Also, if a Head Start agency received more than an 80% federal share for any budget period within FY1973 or FY1974, it is entitled by regulation to continue to receive the larger share. The non-federal share may be paid in cash or in kind. It may be paid by the Head Start agency or by another party. A Head Start agency is a local public or private nonprofit or for profit organization designated to operate a Head Start program. FY2003 appropriations for Head Start were \$6.7 billion.

### Eligibility Requirements<sup>4</sup>

Head Start is targeted by law to low-income families, but the law gives authority to HHS for determining eligibility criteria. The regulations require that at least 90% of the children in each Head Start program be from "low-income" families,<sup>5</sup> defined as families with incomes below the "official poverty line," and including children from families receiving public assistance and children in foster care. In addition, at least 10% of total Head Start enrollment opportunities in each program must be made available for handicapped children. In 2003, federal poverty income guidelines were \$15,260 for a family of three and \$18,400 for a family of four for the 48 contiguous

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<sup>1</sup> Although Head Start is classified here as an educational program, it should be noted that it provides many other services. It is administered by the Department of Health and Human Services (HHS) rather than the Department of Education (ED).

<sup>2</sup> The Head Start allotment formula, as amended by the Head Start Amendments of 1998, P.L. 105-285, provides that 13% of the Head Start appropriation shall be reserved by the Secretary for: (1) Indian and migrant programs; (2) payments to the territories; (3) training and technical assistance; (4) discretionary payments by the Secretary; and payments for research, demonstration and evaluation activities. Additional amounts are set-aside for quality improvement. The remaining funds are distributed to the states as follows: each state receives the amount it received in FY1998, and any amounts available above the FY1998 level are distributed proportionately among states on the basis of the number of children under 5 years old whose family income is below the federal poverty line.

<sup>3</sup> Regulations define this as a county with annual personal per capita income below \$3,000 (45 CFR §1301.21 (2002)).

<sup>4</sup> Head Start eligibility rules are found at 45 CFR Part 1305 (2002). This program is no. 93.600 in the Catalog of Federal Domestic Assistance. Head Start is codified at 42 U.S.C. 9801 et seq.

<sup>5</sup> Under specified conditions, a Head Start program operated by an Indian tribe may enroll more than 10% of its children from nonpoor families.

states and the District of Columbia. Head Start does not have asset rules restricting eligibility.

The law allows certain small, remote communities to establish their own eligibility criteria as long as at least half of the families are eligible under the income guidelines. To qualify for this authority, communities must have a population no greater than 1,000, be medically underserved, and lack other preschool programs or medical services within a reasonable distance.

## **Benefit Levels**

Head Start provides comprehensive services to preschool children. Services include educational, dental, medical, nutritional, and social services to children and their families. Head Start agencies are forbidden by law from charging fees, although families who want to pay for services may voluntarily do so.

**Note:** For further information about Head Start, see CRS Report RL30952, *Head Start Issues in the 108<sup>th</sup> Congress*.

## 52. Subsidized Federal Stafford and Stafford/Ford Loans

### Funding Formula

Subsidized Federal Stafford loans are provided to students by the Federal Family Education Loan (FFEL) program and the Ford Federal Direct Student Loan (DL) program.<sup>1</sup> Capital for FFEL Stafford loans is provided by banks and other private lenders. Capital for Stafford/Ford loans is provided directly by the federal government. In the FFEL program the federal government pays the student's interest during certain periods, and provides interest subsidies to lenders, and federal reinsurance against borrower default, death, disability, and bankruptcy. In the Ford direct loan program, the government forgoes student interest payments during certain periods. These subsidized loan programs are authorized by Title IV of the Higher Education Act of 1965, as amended. Estimated net obligations for FY2002 were \$7.5 billion.

### Eligibility Requirements<sup>2</sup>

FFEL and DL subsidized loans are available to undergraduate, graduate, or professional students enrolled on at least a half-time basis at a participating college, university, or vocational/technical school. While eligibility is not restricted to individuals with limited income (almost a fifth of loan recipients have incomes over \$50,000), applicants must satisfy a test of need.

Institutions use the methodology described in Part F of Title IV as the need analysis system to calculate an expected family contribution for educational expenses (known as the EFC). The formulas in Part F use information about the student and his or her family's income and assets to determine the amount the student and family can reasonably be expected to contribute. This amount is subtracted from the student's cost of attendance to determine the amount of a subsidized loan for which the student is eligible. On May 30, 2003, the Department of Education announced updates to the need analysis tables for the 2004-2005 award year.<sup>3</sup> The announcement provided inflation-adjusted updates to four tables used in calculating the expected family contribution: the income protection allowance, the adjusted net worth of a business or farm, the education savings and asset protection allowance, and the assessment schedules and rates. The Department publishes an annual booklet

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<sup>1</sup> The Federal Direct Student Loan (DL) program, established in 1993, originally was intended to gradually expand and replace FFEL loans. It now accounts for more than one-third of total student loan volume.

<sup>2</sup> Regulations for the FFEL programs are found at 34 CFR Part 682, and for the DL programs at 34 CFR Part 685 (2002). The FFEL subsidized Stafford Loan program is no. 84.032 in the Catalog of Federal Domestic Assistance. The DL program is no. 84.268 in the Catalog of Federal Domestic Assistance. The FFEL program is codified at 20 U.S.C. 1071-1087-2; the DL program is codified at 20 U.S.C. 1087a et seq.

<sup>3</sup> *Federal Register*, v. 68, May 30, 2003, pp.32468-32478.

explaining the Expected Family Contribution (EFC) formula.<sup>4</sup> Undergraduate students must receive a determination of whether they are eligible for a Pell Grant before applying for a subsidized loan. This rule is to assure that eligible students receive grant aid before incurring loan debt.

## Benefit Levels

A borrower's interest rate for FFEL Stafford and Stafford/Ford loans varies annually during repayment. The variable rate is calculated based upon the bond equivalent rate of the 91-day Treasury bill plus a premium which differs depending on whether the borrower is in-school or in repayment. For loans made from July 1, 1998, through June 30, 2006, the borrower interest rate is based on the 91-day Treasury bill plus 1.7% for those in school, and the 91-day Treasury bill plus 2.3% for those in repayment. In the FFEL program, the lender is required to pay the 3% origination fee to the federal government; the lender can choose whether or not to pass the entire fee on to the borrower, within certain limitations. In the DL program, borrowers pay a 3% origination fee to the federal government.

Undergraduates may borrow \$2,625 for their first year of study, \$3,500 for their second year, and \$5,500 per year for the next 3 years of study; for graduate and professional school students, the limit is \$10,500 per year for up to 5 years of school. The aggregate loan limit for undergraduate, graduate and professional study is \$65,500.

In FY2002, subsidized FFEL Stafford and DL Stafford/Ford loan disbursements totaled over \$30.1 billion. The main components of FFEL annual federal *expenditures* are the in-school, grace period and deferment interest payments to lenders on behalf of borrowers of subsidized loans, special allowance payments to lenders, and reimbursements to guaranty agencies for losses due to borrower defaults; guaranty agencies also receive allowances from the federal government for administrative expenses. In the DL program, the main components of annual federal costs are the foregone interest payments for subsidized loans while students are in school, during the grace period and deferments; defaults; and administrative costs of contracts for loan origination, servicing and collections, and fees to schools who perform origination functions themselves. In both programs, there are also certain annual *revenues* that offset some of these costs, including fees that students or parents pay when borrowing, and collections on defaulted loans. In FFEL, other offsets include fees that are assessed on lenders/loan holders, and guaranty agencies. Net federal obligations for FY2002 were an estimated \$4.9 billion.

**Note:** For more information, see CRS Report IB10097, *The Higher Education Act: Reauthorization Status and Issues*; CRS Report RL30655, *Federal Student Loans: Terms and Conditions for Borrowers*; and CRS Report, RL30656, *The Administration of Federal Student Loan Programs: Background and Provisions*.

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<sup>4</sup> The 2003-04 formula book and tables (in portable document format) are available at [<http://www.ifap.ed.gov/efcinformation/0304EFCFormulaWkSheetsTable.html>].

## 53. Federal Work-Study Program<sup>1</sup>

### Funding Formula

The Higher Education Act of 1965, as amended, authorizes federal funding to partially finance part-time employment for undergraduate, graduate, and professional students in eligible institutions of post-secondary education who need earnings to attend. Students may work on-campus or off-campus for a public or private nonprofit or a private for-profit organization. Since October 1, 1993, institutions have been required to use at least 5% of their allocation of Federal Work Study (FWS) funds for community service jobs; effective in FY2000, this rose to 7%.<sup>2</sup> Federal grants to institutions fund 50% to 75% of the student's wages; the remaining percentage is paid by the post-secondary institution or other employer. Funds are allocated to institutions first on the basis of their FY1985 award and then in proportion to aggregate need.<sup>3</sup> FY2002 appropriations were \$1 billion.

### Eligibility Requirements<sup>4</sup>

The law authorizes federally subsidized wages for students who are enrolled in a post-secondary program, including proprietary institutions, who demonstrate financial need, as determined by the statutory need analysis system set forth in Part F of Title IV of the Higher Education Act. This system calculates an expected family contribution.<sup>5</sup> Five percent of an institution's FWS funds must be used for students who are enrolled on a less than full-time basis if the total financial need of these students exceeds 5% of the need of all students attending the institution.

### Benefit Levels

A student's earnings under the FWS program<sup>6</sup> are limited to his or her need, and the rate of compensation must at least equal the minimum wage. The institution's share of compensation may be provided to the student through tuition payments, room and board, or books.

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<sup>1</sup> The name of the program was changed from College Work-Study to Federal Work-Study by Congress in 1992.

<sup>2</sup> This change was made by P.L. 105-244, which reauthorized the Higher Education Act.

<sup>3</sup> P.L. 105-34 revised the allocation formula.

<sup>4</sup> FWS regulations are found at 34 CFR Part 675 (2002). This program is no. 84.033 in the Catalog of Federal Domestic Assistance. It is codified at 42 U.S.C. 2751-2756a.

<sup>5</sup> On May 30, 2003, the Department of Education announced updates to the need analysis tables for the 2004-2005 award year (*Federal Register*, v. 68, pp. 32468-32478). The Department publishes an annual booklet explaining the Expected Family Contribution (EFC) formula. The 2003-04 formula book and tables are available in portable document format at [<http://www.ifap.ed.gov/efcinformation/0304EFCFormulaWkSheetsTable.html>].

<sup>6</sup> See also CRS Report RL31618, *Campus-Based Student Financial Aid Programs Under the Higher Education Act*.

During the academic year 2002-2003, an estimated 1,073,000 students received FWS-supported earnings averaging \$1,252.

The Higher Education Act forbids AFDC (or its successor, TANF), food stamps, and any other governmental program that receives federal funds from taking student aid provided under the Act into account when determining eligibility for benefits, or the amount of benefits.

**Note:** For more information, see CRS Report IB10097, *The Higher Education Act: Reauthorization Status and Issues* and CRS Report RL31618, *Campus-Based Student Financial Aid Programs Under the Higher Education Act*.

## 54. Federal TRIO Programs<sup>1</sup>

**Note:** The federal TRIO programs consist of six programs authorized by Title IV of the Higher Education Act of 1965, as amended: Upward Bound, Student Support Services, Talent Search, Educational Opportunity Centers, Ronald E. McNair Postbaccalaureate Achievement, and Staff Development. The first three were the original “TRIO” programs. The Staff Development activities provide short-term training for TRIO program staff; they are not described below. FY2002 appropriations were \$827 million.

### Funding Formula

These are categorical grant programs. They are 100% federally funded. In addition, institutions conducting Student Support Services programs must provide assurances that each participating student will be offered aid sufficient to meet his or her financial need for college attendance.

### Eligibility Requirements

Eligibility requirements differ slightly from program to program and are described below. At the outset it should be noted how the term “low-income” applies in these programs. The authorizing statute for the TRIO programs defines a low-income individual as one whose family’s taxable income in the preceding year did not exceed 150% of the “poverty level” as determined under Bureau of the Census criteria. For the school year 2002-2003, the taxable income limits for three- and four-person families were \$22,890 and \$27,600, respectively (higher in Alaska and Hawaii).<sup>2</sup> The program descriptions below are drawn from the authorizing statute and program regulations.

**Upward Bound.**<sup>3</sup> Not fewer than two-thirds of the participants in any project must be low-income, potential first generation college goers. The remaining one-third must be either low-income *or* potential first generation college goers. All participants must need academic support in order to successfully pursue an education beyond high school. With certain exceptions, participants must have completed grade 8 but not entered grade 12, and be 13 to 19 years of age. For veterans there is no age limit.

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<sup>1</sup> Previously entitled “special programs for students from disadvantaged backgrounds.”

<sup>2</sup> These amounts are 150% of the 2003 federal poverty income guidelines, issued by the Department of Health and Human Services.

<sup>3</sup> Upward Bound eligibility rules for participants are found at 34 CFR Part 645 (2002). This program is no. 84.047 in the Catalog of Federal Domestic Assistance. It is codified at 20 U.S.C. 1070a-11 and 1070a-13.

**Student Support Services.**<sup>4</sup> Not fewer than two-thirds of program beneficiaries must be either disabled, or low-income first generation college goers. The remaining participants must be disabled, *or* low-income, *or* first generation college goers. All participants must need academic support in order to successfully pursue a post-secondary education program.

**Talent Search.**<sup>5</sup> Not fewer than two-thirds of program beneficiaries must be low-income, potential first generation college goers. The program requires that all participants must have completed the fifth grade or be at least 11 years of age, but generally not older than 27. (For veterans there is no age limit.)

**Educational Opportunity Centers.**<sup>6</sup> Not fewer than two-thirds of the beneficiaries served by each center must be low-income, potential first generation college goers. In general, participants must be at least 19 years of age.

**Ronald E. McNair Postbaccalaureate Achievement.**<sup>7</sup> This program was authorized in 1986 to assist students in gaining admission to graduate programs. At least two-thirds of the participants must be low-income, first generation college students. The remaining participants must be from groups underrepresented in graduate education.

## Benefit Levels

Upward Bound and Student Support Services provide such services as: instruction in reading, writing, study skills, mathematics, and other subjects necessary for education beyond high school; personal counseling; academic counseling; tutoring; exposure to cultural events and academic programs; and activities acquainting students with career options.

Among its services, Talent Search provides participants with information on the availability of student financial aid, personal and career counseling, and tutoring. The program's projects encourage qualified students or dropouts to complete high school and to undertake post-secondary education.

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<sup>4</sup> Participant eligibility rules for Student Support Services are found at 34 CFR Part 646 (2002). This program is no. 84.042 in the Catalog of Federal Domestic Assistance. It is codified at 20 U.S.C. 1070a-11 and 1070a-14.

<sup>5</sup> Talent Search eligibility rules for participants are found at 34 CFR Part 643 (2002). This program is no. 84.044 in the Catalog of Federal Domestic Assistance. It is codified at 20 U.S.C. 1070a-11 and 1070a-12.

<sup>6</sup> Participant eligibility rules for Educational Opportunity Centers are found at 34 CFR 644 (2002). This program is no. 84.066 in the Catalog of Federal Domestic Assistance. It is codified at 20 U.S.C. 1070a-11 and 1070a-16.

<sup>7</sup> Rules for the Ronald E. McNair postbaccalaureate achievement program are found at 34 CFR 647 (2002). This program is no. 84.217 in the Catalog of Federal Domestic Assistance. It is codified at 20 U.S.C. 1070a-11 and 1070a-15.

Educational Opportunity Centers provide services, such as information on financial and academic assistance available for post-secondary study, assistance to participants in filling out college applications and financial aid request forms, and tutoring and counseling.

McNair Postbaccalaureate Achievement provides services such as summer internships, tutoring, counseling, and research opportunities.

In FY2002, an estimated 865,434 participants were served in the TRIO programs, as follows:

- Upward Bound — 56,324;
- Student Support Services — 198,046;
- Talent Search — 389,454;
- Educational Opportunity Centers — 217,836; and
- Ronald McNair Achievement Program — 3,774

**Note:** For more information, see CRS Report IB10097, *The Higher Education Act: Reauthorization Status and Issues* and CRS Report RL31622, *TRIO and GEAR UP Programs: Status and Issues*.

## 55. Supplemental Educational Opportunity Grants

### Funding Formula

This program allocates funds to eligible institutions of post-secondary education for grants to needy undergraduates. The non-federal share must come from the institution's own resources. Funds are allocated to institutions first on the basis of their FY1985 award and then in proportion to aggregate need. FY2002 appropriations were \$760 million.

### Eligibility Requirements<sup>1</sup>

The Higher Education Act of 1965, as amended, authorizes supplemental educational opportunity grants<sup>2</sup> for post-secondary undergraduate students with the greatest financial need as determined by the need analysis system set forth in Part F of Title IV of the Higher Education Act.<sup>3</sup> Institutions' financial aid administrators have, however, substantial flexibility in determining the size of individual student awards. The first priority is for Pell Grant recipients with exceptional need. An institution's supplemental educational opportunity grant funds may be used for less than full-time students.

### Benefit Levels

The law sets minimum and maximum awards at \$100 and \$4,000, respectively. An estimated 1,189,000 students received average grants of \$772 under the program during the 2002-2003 academic year.

The Higher Education Act forbids AFDC (or its successor, TANF), food stamps, and any other governmental program that receives federal funds from taking student aid provided under the act into account when determining eligibility for benefits, or the amount of benefits.

**Note:** For more information, see CRS Report IB10097, *The Higher Education Act: Reauthorization Status and Issues* and CRS Report RL31618, *Campus-Based Student Financial Aid Programs Under the Higher Education Act*.

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<sup>1</sup> Federal regulations for this program are found at 34 CFR Part 676 (2002). This program is no. 84.007 in the Catalog of Federal Domestic Assistance. It is codified at 20 U.S.C. 1070b.

<sup>2</sup> See also CRS Report RL31618, *Campus-Based Student Financial Aid Programs Under the Higher Education Act*.

<sup>3</sup> On May 30, 2003, the Department of Education announced updates to the need analysis tables for the 2004-2005 award year (*Federal Register*, v. 68, pp. 32468-32478). The Department publishes an annual booklet explaining the Expected Family Contribution (EFC) formula. The 2003-04 formula book and tables are available in portable document format at [<http://www.ifap.ed.gov/efcinformation/0304EFCFormulaWkSheetsTable.html>].

## 56. Title 1 Migrant Education Program

### Funding Formula

The Department of Education makes annual formula grants, under Title I, Part C of the Elementary and Secondary Education Act (ESEA), as amended, to state educational agencies for programs designed to meet the special needs of migratory children of migratory agricultural workers or fishermen. Through FY2002, funds were allocated among states on the basis of annual counts of eligible children and a percentage of average per pupil expenditures.<sup>1</sup> Under P.L. 107-110, from FY 2003 forward, states are to receive the same amount as in FY2002,<sup>2</sup> plus a share of any additional appropriations (allocated on the basis of the previous formula, with updated child counts). Most programs are administered by local school districts, which receive subgrants from the state educational agencies, though some are run by other public or private nonprofit agencies. Discretionary grants and contracts are also available to state educational agencies to improve program coordination within and among states. As of 1995, record transfer is the sole responsibility of the states. FY2002 appropriations were \$395 million.

### Eligibility Requirements<sup>3</sup>

Eligible students are migratory children whose parents or guardians are migratory agricultural workers or fishers and who have moved within 3 years from one school district to another to enable a member of their immediate family to obtain temporary or seasonal employment in agricultural or fishing activities.

Children who are 3 through 21 years of age are eligible to participate, though only younger children may receive day care services. There is no income test, but migratory children are presumed to need special educational and other services.

### Benefit Levels

Title 1 migrant education programs commonly provide regular academic instruction, remedial or compensatory instruction, bilingual and multicultural instruction, vocational and career education, testing, guidance and counseling, and medical and dental screening. Preference is given to students at risk of not meeting state academic standards or who moved during the school year. In school year 1999-2000, an estimated 818,159 children were eligible. In FY2002, migrant education programs served about 738,000 students, according to the Office of Migrant Education.

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<sup>1</sup> Three states received 52% of FY2001 funds: CA, 31%; TX, 14%, and FL, 7%.

<sup>2</sup> If appropriations fall short of the FY2002 level, the Secretary may proportionately reduce the amount allocated to each state.

<sup>3</sup> Regulations for this program are found at 34 CFR §200.40 (2002). This program is no. 84.011 in the Catalog of Federal Domestic Assistance. It is codified at 20 U.S.C. 6391-6399, 6511.

**Note:** For more information, see CRS Report RL31325, *The Federal Migrant Education Program as Amended by the No Child Left Behind Act of 2001*.

## 57. Perkins Loans

### Funding Formula

The Perkins Loan program, authorized by Title IV of the Higher Education Act (HE) of 1965, as amended, provides federal assistance to institutions of higher education to operate a revolving fund providing low-interest loans to students. Federal funds provide new capital contributions, and pay for the cancellation of certain loans authorized in the law. Since academic year 1994-1995 participating institutions have been required to provide a 25% annual match to the federal capital contribution (previously, their match rate was 15%). FY2002 appropriations were \$166 million.

### Eligibility Requirements<sup>1</sup>

The law authorizes low-interest, long-term loans for (1) undergraduate, graduate, or professional students,<sup>2</sup> (2) who are “in need” of the amount of the loan to pursue a course of study, and (3) who maintain good academic standing. The need analysis system set forth in Part F of Title IV the HE is used in calculating an expected family contribution under the Perkins Loan program. On May 30, 2003, the Department of Education announced updates to the need analysis tables for the 2004-2005 award year.<sup>3</sup> The Department publishes an annual booklet explaining the Expected Family Contribution (EFC) formula.<sup>4</sup>

### Benefit Levels

Effective October 1, 1981, the law authorized loans at a 5% interest rate. Loans are to be repaid over a 10-year period beginning 9 months after the end of study that is on at least a half-time basis. No interest is charged until repayment of the principal begins, unless the payment is deferred, as permitted under certain conditions. In addition, all or a portion of the loans may be canceled for those who enter specific teaching jobs, law enforcement, or military service. Annual loan limits are \$4,000 for undergraduate students and \$6,000 for graduate or professional students. The aggregate limits are \$20,000 for undergraduate students (who have completed 2 years of study, but who have not completed their baccalaureate degree) and \$40,000 for graduate and professional students; and \$8,000 for any other students study. An estimated 707,000 students borrowed loans averaging \$1,790 under the program in the 2002-2003 school year.

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<sup>1</sup> Regulations for Perkins Loans are found at 34 CFR Part 674 (2002). This program is no. 84.038 in the Catalog of Federal Domestic Assistance. It is codified at 20 U.S.C. 1087aa-1087hh and 20 U.S.C. 421-429.

<sup>2</sup> Before July 1, 1987, students had to be enrolled on at least a half-time basis.

<sup>3</sup> *Federal Register*, v. 68, pp. 32468-32478.

<sup>4</sup> The 2003-04 formula book and tables (in portable document form) are available at [http://www.ifap.ed.gov/efcinformation/0304EFCFormulaWkSheetsTable.html].

**Note:** For more information, see CRS Report IB10097, *The Higher Education Act: Reauthorization Status and Issues* and RL31618, *Campus-Based Student Financial Aid Programs Under the Higher Education Act*.

## 58. Leveraging Educational Assistance Partnerships (LEAP)

**Note:** This program was known as the State Student Incentive Grant (SSIG) program until October 1, 1998, when it was revised and renamed by P.L. 105-244.

### Funding Formula

Under Leveraging Educational Assistance Partnerships, states receive federal formula grants, which are matched with equal state funds to provide for the establishment of state student aid programs for needy post-secondary students. After each state's program grant is combined with the required non-federal matching funds, resulting "state aid" awards are made either directly to students or indirectly through participating institutions. The law provides that no state shall receive less from the federal government than it received in FY1979. Funds not used by one state may be reallocated to others in proportion to their higher education enrollments. State allocations are based on their share of the total number of eligible students in all states as determined by the U.S. Secretary of Education. States are permitted to use 20% of funds for community service work learning jobs for eligible students. The 1998 law, which reauthorized the program and renamed it as LEAP, also authorized a new program of "Special Leveraging Education Assistance Partnerships."<sup>1</sup> FY2000 appropriations were \$67 million.

### Eligibility Requirements<sup>2</sup>

To be eligible for a LEAP grant, post-secondary students must be enrolled in or accepted for enrollment in an institution of post-secondary education, must meet citizen/resident requirements, must demonstrate substantial financial need as determined in accordance with criteria of his/her state and approved by the Secretary of Education, must maintain satisfactory academic progress, and must not default on a student loan or owe a refund for student assistance. At state discretion, part-time students may also be eligible. All public or private nonprofit institutions of higher education as well as post-secondary vocational institutions are eligible to participate unless prohibited by state constitution or state statute.

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<sup>1</sup> For any fiscal year in which the appropriation exceeds \$30 million, the excess is reserved for Special LEAP. Special LEAP funds are allocated to the states in the same manner as LEAP grants to states. States participating in the Special LEAP program must meet maintenance of effort (MOE) criteria and match the federal funds on a two-to-one basis (the federal share of the Special LEAP program's activities will not exceed 33 1/3%). Special LEAP program funds are authorized, on behalf of students who demonstrate financial need, for such activities as: increasing the dollar amount of grants awarded under LEAP to eligible students, or creating other scholarship, early intervention, mentoring or career education programs.

<sup>2</sup> Regulations for this program are found at 34 CFR Part 692 (2002). This program is no. 84.069 in the Catalog of Federal Domestic Assistance. It is codified at 20 U.S.C. 1070c-1070c-4.

## Benefit Levels

Maximum grants are \$5,000 for full-time students and may be used, among other purposes, for work-study jobs provided through campus-based “community service work learning study programs.”<sup>3</sup> (The regulations also call these work-study jobs “community service-learning” jobs.) In academic year 2002-2003, approximately 171,000 students received average grants of \$1,000.

The Higher Education Act forbids AFDC (or its successor, TANF), food stamps, and any other governmental program that receives federal funds from taking student aid provided under the act into account when determining eligibility for benefits, or the amount of benefits.

**Note:** For more information, see CRS Report IB10097, *The Higher Education Act: Reauthorization Status and Issues* and CRS Report RS21183, *Leveraging Educational Assistance Partnership Program (LEAP): An Overview*.

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<sup>3</sup> Before July 23, 1992, maximum grants were \$2,500.

## 59. Health Professions Student Loans and Scholarships

### Funding Formula

The law provides 90% federal funding for student loans and 100% for scholarships. Eligible schools must contribute to the loan fund a minimum share equal to one-ninth of the federal sum. The federal government's share of the loan fund (its capital contribution) now is financed by loan repayments from participating schools — not by appropriations. Appropriations for scholarships (and some loan repayments) in FY2002 were \$57.8 million.

### Eligibility Requirements<sup>1</sup>

**Loans.**<sup>2</sup> The Health Professions Student Loan Program (HPSL) provides long-term, low-interest rate loans to full-time, financially needy students to pursue a degree in an accredited public or nonprofit school of medicine, dentistry, optometry, pharmacy, podiatric medicine, or veterinary medicine. The Loans for Disadvantaged Students Program (LDS) provides long-term, low-interest rate loans to full-time, financially needy students from disadvantaged backgrounds to pursue a degree in allopathic medicine, osteopathic medicine, dentistry, optometry, podiatric medicine, pharmacy or veterinary medicine. To be eligible for LDS funds, a participating school must carry out a program for recruiting and retaining students from disadvantaged backgrounds, including racial and ethnic minorities and must operate a program to recruit and retain minority faculty. Students at accredited public and nonprofit private schools of nursing are eligible for loans from the Nursing Student Loan (N.L.) program. The school selects qualified loan applicants, makes reasonable determinations of need, and determines the amount of student loans.

These loan programs no longer receive appropriations. Funds that are returned to the Government by participating schools are re-awarded to schools that show a need for additional funds. Any school that receives returned funds is required to deposit the school's share of one-ninth of the amount received into the loan fund for additional loans to students.

**Scholarships.** P.L. 105-392, the Health Professions Partnerships Training Act of 1998, enacted on November 13, 1998, reauthorized and consolidated the health professions education and training programs under the Public Health Service Act through FY2002. The Act repealed authority for then existing scholarship programs, namely: (1) Scholarships for Students of Exceptional Financial Need (EFN); (2) Financial Assistance for Disadvantaged Health Professions Students (FADHPS); and (3) Scholarships for Health Professions Students from Disadvantaged Backgrounds

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<sup>1</sup> Regulations for these loans and scholarships are found at 42 C.F.R. Part 57, Subparts C and D (loans), CC and DD (scholarships) (2000).

<sup>2</sup> In the Catalog of Federal Domestic Assistance (CFDA), the Health Professions Student Loan Program and the Loans for Disadvantaged Students Program are listed together as program no. 93.342, and the Nursing Student Loan program is no. 93.364.

(SHPDB). It established a new program of Scholarships for Disadvantaged Students (SDS).<sup>3</sup> However, the law provides funding as part of the new SDS program for recipients of EFN and FADHPS who continue to be enrolled after academic year 1998-1999.

The SDS program makes grants to the following accredited public or private nonprofit schools for scholarship assistance: allopathic medicine, nursing, osteopathic medicine, dentistry, pharmacy, podiatric medicine, optometry, veterinary medicine, chiropractic, allied health, or schools offering graduate programs in public health, behavioral and mental health or physician assistants. At least 16% of SDS funds must be made available to schools that will provide scholarships only for nurses, and schools must give preference to former EFN and FADHPS recipients. Schools are required to agree that, in providing scholarships under SDS, preference will be given to students from disadvantaged backgrounds for whom the costs of attending the school would constitute a severe financial hardship. The Secretary may not make a grant to a school unless the school is carrying out a program for recruiting and retaining students from disadvantaged backgrounds, including racial and ethnic minorities.

**Loan Repayments.** Two programs provide loan repayments, funded by appropriations: (1) the Disadvantaged Health Professions Faculty Loan Repayment and Fellowship Program (Faculty Loan Repayment Program/FLRP); and (2) the Nursing Education Loan Repayment for Registered Nurses Entering Employment at Eligible Health Facilities Program (Nursing Education Loan Repayment Program/NELRP).<sup>4</sup>

Eligible for FLRP are persons who (1) have a degree in medicine, osteopathic medicine, dentistry, pharmacy, podiatric medicine, optometry, veterinary medicine, nursing, graduate public health, allied health or graduate behavioral and mental health; (2) are enrolled in an approved graduate training program in one of the health professions listed previously; or (3) are enrolled as full-time students in accredited institutions described above and in the final course of study or program leading to a degree.

Eligible for NELRP are persons who (1) have received a degree in nursing; (2) have unpaid qualifying loans; (3) are a U.S. citizen, national or permanent legal resident; (4) are employed full-time at an eligible health facility; (5) have a current unrestricted license in the State in which they intend to practice; and (6) sign a contract to work full-time as a registered or advanced practice nurse for 2 or 3 years at an eligible health facility.

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<sup>3</sup> In the CFDA, the program of Scholarships for Disadvantaged Students is no. 93.925.

<sup>4</sup> Faculty Loan Repayment Program is no. 93.923, and the Nursing Education Loan Repayment Program is no. 93.908.

## Benefit Levels

**Loans.** Health Profession Student Loans and Loans for Disadvantaged Students may be made in amounts that do not exceed the cost of attendance, including tuition, other reasonable educational expenses, and reasonable living expenses. Loans have a 5% interest rate and must be repaid over a period ranging between 10 years and 25 years, at the discretion of the institution. Excluded from the time period for repayment are certain periods of: active duty performed by the borrower as a member of a uniformed service; service as a Peace Corps volunteer; and periods of advanced professional training, including internships and residencies.

The Secretary may, subject to the availability of funds, repay all or part of an individual's HPSL loan if the Secretary determines that the individual: (1) failed to complete the health professions studies leading to the individual's first professional degree; (2) is in exceptionally needy circumstances; (3) is from a low-income family (with income below the poverty guideline) or a disadvantaged family; and (4) has not resumed or cannot reasonably be expected to resume the course of study within 2 years of ending them.

Nursing Student loans have a maximum limit of \$2,500 for an academic year, \$4,000 for each of the final 2 years, or the amount of the student's financial need, whichever is less. The aggregate of the loans for all years is limited to \$13,000 for any student. Preference for these loans is given to licensed practical nurses, to persons with exceptional financial need, and to persons who enter as first-year students. Loans are repayable over a 10-year period, excluding periods for service and study similar to those listed above. A school is authorized to extend the repayment period for up to an additional 10 years for certain borrowers who failed to make consecutive payments.

**Loan Repayments.** The program of Faculty Loan Repayment repays loans at a rate of up to \$20,000 per year for persons who have agreed to serve for at least 2 years as faculty members at an eligible school. The program of Nursing Education Loan Repayments provides for repayment of 30% of unpaid principal and interest for each qualified loan after the first year of service, 30% of the principal and interest after the second year of service, and 25% of the principal and interest after the third year of service. Appropriations in FY2002 were \$1.3 million for FLRP and \$10.3 million for NELRP.

**Scholarships.** Scholarships are awarded for tuition expenses, other reasonable educational expenses, and reasonable living expenses incurred while attending school for the year. In awarding grants to eligible health professions and nursing schools, the Secretary must give priority to eligible entities based on the proportion of graduating students going into primary care, the proportion of under-represented minority students, and the proportion of graduates working in medically underserved communities. Scholarship appropriations in FY2002 totaled about \$46 million.

## 60. Fellowships for Graduate and Professional Study

### Funding Formula

The Higher Education Act of 1965 (HE), as amended, authorizes three need-based fellowship programs: Javits Fellowships, Title VII-A, Subpart 1; Graduate Assistance in Areas of National Need (GAANN), Title VII-A, Subpart 2; and the Thurgood Marshall Legal Educational Opportunity Program, Title VII-A, Subpart 2.<sup>1</sup> From FY1997 through FY2000, the Javits Fellowships were funded under GAANN, then reverted back to separate funding in FY2001.<sup>2</sup> Beginning in FY2000 funding for Javits Fellowships was specifically dictated in appropriations language to provide funds a year in advance of the academic year in which the fellowships would be used.<sup>3</sup> Institutions must match 25% of the federal GAANN fellowship grant. FY2002 appropriations were \$46 million.

### Eligibility Requirements

**Javits Fellowships.** Title VII-A, Subpart 1, HE, authorizes the Javits Fellowships<sup>4</sup> in the arts, humanities, and social sciences. Title VII-A, Subpart 1 fellowship stipends are based on financial need, and recipients are selected by panels appointed by the Javits Program Fellowship Board. Students who are entering graduate school for the first time or who, at the time of application, have not completed their first year of study are eligible to apply for a Javits Fellowship. Applicants must be accepted at or attending a post-secondary institution in one of the selected fields of study. Twenty percent of the fellowships are awarded in the social sciences, 20% in the arts, and 60% in the humanities.<sup>5</sup> Fellowships are awarded for a period of up to 4 years. Recipients are selected through a national competition

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<sup>1</sup> Several graduate fellowship programs previously authorized by the HEA no longer exist. Funding for Title IX-A and Title IX-B programs, which provided grants to institutions of higher education to encourage women and minority participation, ceased in FY1995. Title IX-A grants were used to identify talented needy undergraduates and to support them during summer research internships and seminars designed to prepare them for graduate study. Title IX-B authorized Patricia Roberts Harris Fellowships for pursuit of graduate degrees by under represented minorities and women. For non-competing continuation awards only, the Patricia Roberts Harris fellowships were consolidated into Title IX-D by the last reauthorization by the Higher Education Amendments of 1998 (P.L. 105-244). Title IX-E, which once provided need-based Faculty Development Fellowships for under represented groups, no longer makes new awards.

<sup>2</sup> U.S. Department of Education, *Fiscal year 2001 Justifications of Appropriation Estimates to the Congress*, Washington, GPO., 2001, v. 2, p. S-92.

<sup>3</sup> *Ibid.*, p. S-93.

<sup>4</sup> Regulations for the Javits Fellowships program are found at 34 CFR Part 650 (2002). This program is no. 84.170 in the Catalog of Federal Domestic Assistance. It is codified at 20 U.S.C. 1134-1134d.

<sup>5</sup> U.S. Department of Education, Jacob Javits Fellowship Program Web site at [<http://www.ed.gov/programs/iegpsjavits/index.html>].

based on “demonstrated achievement, financial need, and exceptional promise.”<sup>6</sup> The program is limited to U.S. citizens and nationals, permanent residents, and citizens of the Freely Associated States (Republic of the Marshall Islands, Republic of Palau, and the Federated States of Micronesia).

**GAANN Fellowships.** Title VII-A, Subpart 2, HE, authorizes a program of Graduate Assistance in Areas of National Need (GAANN).<sup>7</sup> Individual graduate students are eligible to receive a fellowship from an assisted department if they demonstrate financial need, according to criteria determined by their higher education institutions, and have excellent academic records. The Secretary of Education designates areas of graduate study in which there are national needs. The Secretary makes grants to academic departments providing courses of study leading to a graduate degree in one of these areas. In addition, institutions must assure that they will seek talented students from backgrounds traditionally under-represented in these fields of graduate study. For GAANN awards for academic year 2003-04, the Secretary has designated the following areas of national need: biology, chemistry, computer and information sciences, engineering, geological and related sciences, mathematics, and physics.<sup>8</sup>

**Thurgood Marshall Fellowships.** Title VII-A, Subpart 3, HE authorizes the Thurgood Marshall Legal Educational Opportunity Program to assist minority, low-income or disadvantaged college graduates to prepare for and complete law school. The Title VII-A, Subpart 3, program is administered by the Council on Legal Education Opportunity (CLEO) through a single grant award by the Secretary of Education for a period of not less than 5 years.<sup>9</sup> CLEO, a nonprofit project of the American Bar Association Fund for Justice and Education, began assisting disadvantaged students in 1968.<sup>10</sup>

## Benefit Levels

**Javits Fellowships.** Each Javits Fellowship consists of an institutional payment covering tuition and fees and a student stipend for living expenses. The amount of the stipend is based on either the student’s financial need or the level of support provided by the National Science Foundation’s Graduate Research Fellowship program, whichever is less. In FY2002, 57 new fellowship awards were made.

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<sup>6</sup> HEA, as amended, Section 701 (a).

<sup>7</sup> Regulations for the Graduate Assistance in Areas of National Need program are found at 34 CFR Part 648 (2002). This program is no. 84.200 in the Catalog of Federal Domestic Assistance. It is codified at 20 U.S.C. 1135-1135ee.

<sup>8</sup> *Federal Register*, v. 67, October 1, 2002, pp. 61605-06.

<sup>9</sup> Beginning in 1974, funding for the single grant to CLEO was made under the Legal Training for the Disadvantaged and Assistance for Training in the Legal Profession programs, precursors to the Thurgood Marshall Educational Opportunity Program.

<sup>10</sup> American Bar Association ABA network Web site at [<http://www.abanet.org/cleo/whatis.html>].

**GAANN Fellowships.** The GAANN fellowships are provided under 3-year grants to academic programs. Grants for a fiscal year are for not less than \$100,000 and not more than \$750,000. Students may receive the fellowships for up to 5 years of study. Students receive a stipend to cover living expenses, while an institutional payment covers the fellow's tuition, fees, and other expenses. The amount of the student stipend is based on either the student's financial need or the level of support provided by National Science Foundation's Graduate Research Fellowship program, whichever is less. The institutional 25% match of the federal grant can be used for additional fellowships and to meet other costs not covered by the institutional payment. In FY2002, no new fellowship awards were made, but in FY2001, 86 new awards were made.

**Thurgood Marshall Fellowships.** The Thurgood Marshall Fellows receive counseling for study at accredited law schools, preparation on selecting and applying to a law school, and financial assistance. A number of services are available to Thurgood Marshall Fellows for meeting the competition of law school and to improve the student's retention and success in law school including: a 6-week pre-law summer institute for at law schools throughout the country; pre-law mentoring programs with law school faculty, bar association members and judges; tutoring, academic counseling, midyear seminars, and preparation for bar examinations. Thurgood Marshall Fellows may also be paid a stipend for participation in summer institutes and midyear seminars. In FY2002, the single grant awarded to CLEO provided support services for an estimated 350-450 Thurgood Marshall fellows.

**Note:** For more information, see CRS Report IB10097, *The Higher Education Act: Reauthorization Status and Issues* and CRS Report RS21436, *Graduate Fellowship Programs Under Title VII of the Higher Education Act (HE): Background and Reauthorization*.

## 61. Migrant High School Equivalency Program (HEP)

### Funding Formula

The Department of Education makes discretionary grants to colleges and universities and other public or private nonprofit agencies cooperating with such schools to help migrant students obtain a high school equivalency certificate.<sup>1</sup> Most grants are for a 5-year period. FY2002 appropriations were \$23 million.

### Eligibility Requirement<sup>2</sup>

To be served, students or their parents must have spent a minimum of 75 days during the past 24 months in migrant and seasonal farmwork; alternatively, they must be eligible to participate (or must have participated within the last 2 years) in the Title 1 Migrant Education program (see program no. 56) or the Workforce Investment Act program for migrant and seasonal farmworkers. They must be at least 16 years of age (or beyond the age of compulsory school attendance in the state in which they reside), not enrolled in school, and not have a high school diploma or its equivalent.<sup>3</sup>

### Benefit Levels

HEP projects typically provide instruction in reading, writing, mathematics, and other subjects tested by equivalency examinations; career-oriented work-study courses; tutoring; and personal and academic counseling. In addition, they provide financial assistance, housing, and various support services. In the 2002-2003 school year, HEP served about 8,600 students at 23 institutions. Average federal contribution per student was approximately \$2,674.

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<sup>1</sup> This migrant education program is authorized under Title IV, Section 418A of the Higher Education Act (HEA), as amended.

<sup>2</sup> Regulations for this program are at 34 C.F.R. Part 206 (2002). This program is no. 84.141 in the Catalog of Federal Domestic Assistance. It is codified at 20 U.S.C. 1070d-2(a).

<sup>3</sup> Regulations define migrant farmworkers as seasonal farmworkers whose employment requires travel precluding them from returning to their domicile (permanent place of residence) within the same day. Seasonal farmworkers are defined as persons who, within the past 24 months, were employed at least 75 days in farmwork and whose primary employment was in farmwork on a temporary or seasonal basis.

## 62. College Assistance Migrant Program (CAMP)

### Funding Formula

The Department of Education makes discretionary grants to colleges and universities and other public or private nonprofit agencies cooperating with such schools to help migrant students complete their first year in college.<sup>1</sup> Most grants are for a 5-year period. FY2002 appropriations were \$15 million.

### Eligibility Requirements<sup>2</sup>

To be served, students or their parents must have spent a minimum of 75 days during the past 24 months in migrant and seasonal farmwork; alternatively, they must be eligible to participate in the Title 1 Migrant Education program or the WIA program for migrant and seasonal farmworkers. Students must be admitted to or enrolled as first year students at a participating college or university.<sup>3</sup>

### Benefit Levels

CAMP projects typically provide tuition and stipends for room and board and personal expenses; they also provide academic and personal counseling, tutoring in basic skills and other subject areas, and various support services. In the 2002-2003 school year, CAMP served about 2,500 students at twelve institutions. Average federal contribution per student was approximately \$6,500.

**Note:** For more information, see CRS Report IB10097, *The Higher Education Act: Reauthorization Status and Issues*.

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<sup>1</sup> This migrant education program is authorized under Title IV, Section 418A of the Higher Education Act (HEA), as amended.

<sup>2</sup> Regulations for this program are at 34 CFR Part 206 (2002). This program is no. 84.149 in the Catalog of Federal Domestic Assistance. It is codified at 20 U.S.C. 1070d-2(a).

<sup>3</sup> Regulations define migrant farmworkers as seasonal farmworkers whose employment requires travel precluding them from returning to their domicile (permanent place of residence) within the same day. Seasonal farmworkers are defined as persons who, within the past 24 months, were employed at least 75 days in farmwork and whose primary employment was in farmwork on a temporary or seasonal basis.

## 63. Close Up Fellowships

**Note:** This program, formerly called Ellender Fellowships ( Title X, Part G of the Elementary and Secondary Education Act of 1965) has been funded even though recent federal budgets have requested no appropriation for it.<sup>1</sup> Close Up Fellowships now are authorized by Title I, Part E, of the Elementary and Secondary Education Act (ESEA), as amended by the No Child Left Behind Act (P.L. 107-10). This entry summarizes Ellender Fellowships and Close Up Fellowships rules under both laws.

### Funding Formula and Eligibility Requirements

**Ellender Fellowships.** This program provided fellowships to economically disadvantaged students, secondary school teachers, economically disadvantaged older Americans, and recent immigrants to spend 1 week in Washington, D.C. attending seminars on government and current events and meeting with leaders of the Federal Government. “Older American” was defined as an individual at least 55 years old. Economic disadvantage was not defined in the law, and the program had no regulations. The Close Up Foundation<sup>2</sup> administered the program.

**Close Up Fellowships.** The Close Up Foundation continues to administer the program by providing federal funding for fellowships to middle and secondary school economically disadvantaged students, their teachers, and recent immigrants to spend one week in Washington, D.C. attending seminars on government and current events and meeting with leaders of the Federal Government.

Appropriations for FY2002 Close Up Fellowships were \$1.5 million.

### Benefit Levels

Fellowships cover the costs of room, board, tuition, administration, and insurance for a week-long series of meetings, tours, and seminars about public affairs in Washington, D.C., sponsored by the Close Up Foundation. Students and their teachers meet with officials from the three branches of the federal government and discuss pending issues. In the 2002-2003 school year, 1,334 students, 1,246 teachers, and 250 new American immigrants received fellowships, at an overall average cost of \$1,231 for students and \$1,331 for teachers (federal share of \$694 for students and \$352 for teachers) and \$1,450 for new American immigrants (federal share of \$540).

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<sup>1</sup> In justifications for the FY2000 budget, the Clinton Administration said that “direct support of this program is not an appropriate federal responsibility.” In its first budget (for FY2002), the Bush Administration requested zero funds for Ellender fellowships. However, Congress voted on December 20, 2001; to appropriate \$1.5 million to the Close Up Foundation for FY2002 (H.R. 3061).

<sup>2</sup> The Close Up foundation is headquartered in Alexandria, VA. According to its Web site, it is the nation’s largest nonprofit, nonpartisan citizenship education program. Founded in 1970, it promotes “close up” experience in government through programs in DC and in state and local government. See [<http://www.closeup.org/>].

## Services

## 64. Child Care and Development Block Grant

### Funding Formula

The Omnibus Budget Reconciliation Act of 1990 (P.L. 101-508) created the Child Care and Development Block Grant (CCDBG), which provides 100% federally paid discretionary funds to states and other entities.<sup>3</sup> CCDBG also receives entitlement funds, some of which require state matching funds (see below). Federal outlays in FY2002 — from discretionary funds, entitlement funds, and amounts transferred to CCDBG from the block grant for Temporary Assistance for Needy Families (TANF) — totaled \$6.4 billion.

**Discretionary Funds.** Of discretionary CCDBG funds, one-half of 1% is reserved for allotment to the territories, and 1% to 2% (determined by the Secretary of Health and Human Services) is reserved for payments to Indian tribes and tribal organizations. Remaining discretionary funds are allocated among states, based on each state's proportion of all children under age 5, its proportion of all children who receive free or reduced price school lunches, and its per capita income relative to that of the Nation. Through FY1995, states were required to reserve 25% of their allocation to improve child care quality and to increase availability of early childhood development programs and before- and after-school services. Effective in FY1996, states could spend no more than 5% of their allotments for administrative costs, and no less than 4% on efforts to improve the quality and availability of child care.

**Entitlement Funds.** Before October 1, 1997, states also received federal funds for child care services on behalf of current, former, and potential recipients of Aid to Families with Dependent Children (AFDC). For these funds states had to provide matching funds. The 1996 welfare reform law repealed the AFDC-related child care programs and replaced them with entitlement funding to states for child care services. The law appropriated \$13.9 billion in entitlement child care funding for 6 years, FY1997-FY2002, with annual amounts of \$2.1 billion for FY1998, \$2.2 billion for FY1999, \$2.4 billion for FY2000, and \$2.6 billion and \$2.7 billion for FY2001 and FY2002, respectively. Funding for FY2003 was extended on a quarterly basis at the FY2002 rate of \$2.717 billion annually. These amounts are provided under Title IV-A of the Social Security Act (the part governing TANF), but states are required to transfer them to the same agency that administers the CCDBG and to spend them in accordance with CCDBG rules. The combined discretionary and entitlement funding streams are referred to by HHS and federal regulations as the *Child Care and Development Fund (CCDF)*.

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<sup>3</sup> For FY1991, FY1992, and FY1993, ceilings were imposed (\$750 million, \$825 million, and \$925 million, respectively); for FY1994 and FY1995, unlimited funds were authorized. In 1996, CCDBG was reauthorized in welfare reform legislation (P.L. 104-193), with a yearly authorization ceiling of \$1 billion in discretionary funds for FY1996-FY2002. However, appropriations for FY2000 and FY2001 (at \$1.2 billion and \$2 billion, respectively) exceeded the ceiling. Congress appropriated \$2.1 billion in discretionary funds for FY2003 (the same level as FY2002), but did not pass a reauthorization bill.

Of entitlement child care funding, between 1% and 2% is reserved for payments to Indian tribes and tribal organizations. The rest is provided to states in two components. First, each state receives a fixed amount each year, equal to the maximum annual amount received by the state under the repealed AFDC child care programs in FY1994, FY1995, or in FY1992-FY1994, on average. This amount is estimated to equal \$1.2 billion each year; no state match is required to receive these funds. Second, remaining entitlement funds are allocated to states according to each state's share of children under age 13. States must achieve maintenance-of-effort spending targets to qualify for these funds; they also must provide matching funds for them, at the Medicaid match rate, which varies among states and is related inversely to state per capita income (see program no. 1). As with discretionary CCDBG funding, states may spend no more than 5% of their entitlement funds for administrative costs, and no less than 4% on activities to improve the quality and availability of child care. **Note:** States are authorized to transfer to the CCDBG up to 30% of their TANF block grants, which total \$16.5 billion annually (P.L. 105-33).

## Eligibility Requirements<sup>4</sup>

To be eligible for subsidized child care, a child must (1) be less than 13 years old (or, at option of the grantee, under 18,<sup>5</sup> if disabled or under court supervision), and (2) live with at least one parent who is working or attending a job training or educational program (unless the child is receiving protective services or in need of them). In addition, the income of the child's family cannot exceed 85% of the state median for a family of the same size (before FY1996, the income ceiling was 75% of the state median). The law requires that states give priority to children in very low-income families and to those with special needs. According to statute, states must spend 70% of entitlement funds on welfare recipients working toward self-sufficiency or families at risk of welfare dependency. However, because all families with income below 85% of the state median can be classified as "at risk," the 70% targeting rule (for welfare and at-risk families) does not necessarily mean that welfare families must be served. In theory, all funds may be used for low-income, non-welfare, working families. However, state plans indicate that many states guarantee child care to welfare families.

## Benefit Levels

For subsidized child care services, states must establish a sliding fee schedule that requires cost sharing unless the family's income is below the poverty level. Parents must be given the option to obtain care from a provider who is paid directly by the state, through a grant or contract, or through certificates that are payable for child care from an eligible provider of the parents' choice. Child care services may include center-based care, group home care, family care, and "in-home" care.

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<sup>4</sup> Regulations governing child care and development block grants to states are found in 45 C.F.R. Parts 98 and 99 (2002). This program is no. 93.575 in the Catalog of Federal Domestic Assistance. It is codified at 42 U.S.C. 618, 9658.

<sup>5</sup> Or under age 19, if the state extends TANF eligibility to a "child" to this age.

**Note:** See also CRS Report RL30785, *The Child Care and Development Block Grant: Background and Funding* and CRS Report RL31817, *Child Care Issues in the 108<sup>th</sup> Congress*.

## 65. TANF Services

### Funding Formula

See TANF block grant entry (program no. 12).

In FY2002, expenditures for TANF-funded services (other than child care, shown separately in this report) were estimated at \$6.1 billion, \$4.4 billion (72%) from federal funds and \$1.7 billion from state-local funds. This excludes TANF funds transferred by states to the Social Services Block grant.

### Eligibility Requirements<sup>1</sup>

TANF law permits states to use block grant funds to provide services to recipient families and to various groups of other “needy” families, so long as the services can be expected to lead toward ending the dependence of needy parents on government benefits or enabling needy families to care for children at home, two of the program’s goals. States decide what income limits to set for specific services, and they may tailor services to the circumstances of individual families. States also may provide services to non-needy families if they are directed at the goals of preventing and reducing out-of-wedlock pregnancies or encouraging the formation and maintenance of two-parent families. In their TANF plans, most states said they provide support services to recipient families plus three categories of needy families not enrolled in cash aid: former cash recipient families, families at risk of becoming eligible for cash aid, and unemployed or underemployed non-custodial parents. Generally income limits range from 150% to 250% of federal poverty guidelines (in 2003, from \$22,890 to \$38,150 for a family of three). However, some states have higher flat annual income limits for some services. For example, Colorado sets an outer limit of \$75,000 for any TANF-funded service.

### Benefit Levels

Transportation subsidies, parental skill building services, home energy aid, housing aid, rehabilitation services (mental health/substance abuse counseling and treatment), and domestic violence counseling are examples of benefits/services provided (other than child care, the most frequently mentioned service). Examples of TANF-funded services that impose no income test include teen pregnancy prevention programs, responsible parenthood counseling, abstinence programs, and family planning services. A broad category of TANF expenditures is for services authorized under pre-TANF law (such as services for children in the juvenile justice system and certain child welfare and foster care services).

**Note:** For more information, see CRS Report RL30695, *Welfare Reform: State Programs of Temporary Assistance for Needy Families*.

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<sup>1</sup> Eligibility criteria for activities funded with state maintenance-of-effort funds must be reported (45 CFR §265.9(c)(6)(2002)). The TANF block grant is program no. 93.558 in the Catalog of Federal Domestic Assistance. It is codified at 42 U.S.C. 601 et seq.

## 66. Social Services Block Grant (Title XX)

### Funding Formula

The Social Security Act (Title XX) provides 100% federal funding<sup>1</sup> to states for social services up to a maximum ceiling level (\$1.7 billion in FY2001-2003, lowered from \$2.38 billion in FY2000). Funds are distributed among states on the basis of population. The FY2000 appropriation of \$1.775 billion was below the \$2.38 billion ceiling, and appropriations in FY2001 and FY2002 dropped to \$1.725 billion and \$1.7 billion respectively. Funding for FY2003 was maintained at \$1.7 billion. **Note:** In FY1997-FY2003 states had authority to transfer to the social services block grant (SSBG) up to 10% of their TANF block grants, which total \$16.5 billion annually (P.L. 105-33).<sup>2</sup> Transfers of TANF funds to SSBG totaled \$1.1 billion in FY1998, \$1.3 billion in FY1999, \$1.1 billion in FY2000, \$920 million in FY2001, and \$1 billion (or 6% of the TANF grant) in FY2002. The authorized transfer amount was scheduled to decline to 4.25% on October 1, 2001 under P.L. 105-178, but more recent legislation maintained the 10% transfer limit for FY2002 and 2003.

### Eligibility Requirements<sup>3</sup>

States are free to establish their own eligibility criteria for Title XX social services. They decide what groups to serve and what fees, if any, to charge.

### Benefit Levels

State expenditure reports submitted to HHS provide national data on how states spent SSBG funds in FY2001. The reporting form includes a list of 29 eligible service categories in which funds may be spent. The list includes categories such as child care, home-delivered meals for the elderly, foster care, housing services, and family planning services. In FY2001, for the country as a whole, the services receiving the greatest percentage of spending were: child protective services (11.8%), foster care services for children (10.1%), special services for the disabled (8.3%), and child day care (7.6%). For FY2000 the corresponding shares were 10.8%, 10.7%, 7.8%, and 5.9%, respectively.

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<sup>1</sup> P.L. 97-35 ended requirements for state matching of funds and established an FY1982 funding ceiling of \$2.4 billion, which has since been set at \$1.7 billion. Estimates of any recent state supplementary funding are not available. (A voluntary survey conducted by the American Public Welfare Association, forerunner of the American Public Human Services Association, indicated that state-local spending of 31 states on social services in FY1990 equaled 156% of their Title XX block grant allotments. Previous editions of this report used this percentage to estimate state social service funding.)

<sup>2</sup> TANF funds transferred to Title XX must be spent only on children and families with income below 200% of the poverty income guideline.

<sup>3</sup> Regulations governing social services block grants to states are found in 45 C.F.R. Part 96, Subpart G (2002). This program is no. 93.667 in the Catalog of Federal Domestic Assistance. It is codified at 42 U.S.C. 1397-1397f.

**Note:** For more details about SSBG, see CRS Report 94-953, *Social Services Block Grants (Title XX of the Social Security Act)*.

## 67. TANF Child Care

### Funding Formula

See TANF block grant entry (program no. 12).

In FY2002, expenditures for TANF child care were estimated at \$2.3 billion, \$1.6 billion (68%) from federal funds and \$0.750 billion from state-local funds. This excludes TANF funds transferred to the Child Care and Development Block Grant (CCDBG) — program no. 64. It also excludes TANF state maintenance-of-effort expenditures that could also count toward state spending required to qualify for entitlement matching funds under the CCDBG.<sup>1</sup>

### Eligibility Requirements<sup>2</sup>

TANF-funded child care consists of care for children in TANF families, former TANF families, and other low-income families. The law permits states to use block grant funds to provide child care to recipient families and to various groups of “needy” families not enrolled in the cash program, so long as the child care can be expected to lead toward ending the dependence of needy parents on government benefits by promoting work or job preparation, one of the program’s goals. States decide what income limits to set for TANF-funded child care (i.e., how “needy” the parents must be).

In their TANF plans, most states said they provide free or subsidized child care to three groups of needy families: recipient families who needed it to work, study, or undergo training, former cash recipient families (for a transition period), and families “at risk” of becoming income-eligible for cash aid. Generally income limits for families not enrolled in the cash program range from 150% to 250% of federal poverty guidelines (in 2003, from \$22,890 to \$38,150 for a family of three). However, some states use a relative standard (a percentage of state median income) as the income test for families not in the cash program. For instance, Connecticut’s initial income limit is 50% of the state’s median income, adjusted for family size; eligibility ends when income reaches 75% of the median. Wisconsin provides subsidized child care for all needy Wisconsin families: for initial eligibility, 185% of the federal poverty guideline, for continued eligibility, 200%. Massachusetts provides child care to those with income below 85% of the state median income. Illinois sets the income limit at 200% of the poverty guideline

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<sup>1</sup> Required state spending to qualify for entitlement matching funds under CCDBG does not itself count toward the maintenance-of-effort (MOE) state spending requirement for the TANF block grant.

<sup>2</sup> Eligibility criteria for families served in programs/activities for which the state claims expenditures countable toward required state spending (maintenance-of-effort requirement) must be shown in annual state reports unless the information is provided in the state TANF plan. 45 CFR Part 265.9(c)(6) (2002). The TANF block grant is program no. 93.558 in the Catalog of Federal Domestic Assistance. It is codified at 42 U.S.C. 601 et seq.

Many states set the usual age cutoff for TANF-funded care at 13 years, the general limit of the Child Care and Development Block Grant (CCDBG), but the TANF plan of California promises child care only for children under age 10 (older, if funds are available).

TANF repealed a requirement that states “guarantee” child care needed to enable welfare parents to work or study. However, TANF provides that single parents who receive TANF assistance cannot be punished for refusal to perform required work if they are unable to obtain needed care for a child under age 6 for a specified reason.

## **Benefit Levels**

States decide what charges, if any, to impose for TANF child care and for how long to offer “transitional” child care to families who have left the cash welfare rolls. They also decide whether to provide care directly or to issue vouchers for care. Connecticut limits child care subsidies to \$325 per child monthly (\$425 for a child with special needs). A few states reimburse families for child care expenses by adding the amount to the cash benefit (i.e., by disregarding income used for child care costs when calculating benefits). Some states use the same free or co-pay rules as those adopted by the state for the CCDBG; state TANF plans indicate that Illinois, Michigan, and South Carolina do so.

## 68. Homeless Assistance Grants

### Funding Formula

Under a consolidated budget account for Homeless Assistance Grants,<sup>1</sup> the Department of Housing and Urban Development (HUD) provides funding for four programs aiding the homeless that are authorized under the Stewart B. McKinney Homeless Assistance Act (P.L. 100-77). They are the Emergency Shelter Grants program, Section 8 Moderate Rehabilitation Assistance for Single-Room Occupancy (SRO) Dwellings, the Shelter Plus Care program, and the Supportive Housing program.

Federal funding for the Emergency Shelter Grants program is provided through formula grants to states, cities, and counties in accordance with the distribution formula used for Community Development Block Grants (CDBG). Money for the other programs is awarded through competitive grants to states, local governments, nonprofit organizations, and public housing authorities.

Grantees must match federal dollars (except in the case of the SRO program). Under the Emergency Shelter Grants program, a one-for-one match is required (although the first \$100,000 granted to a state need not be matched); under the Shelter Plus Care program, grantees must match federal funds provided for shelter with equal money for services; and under the Supportive Housing program, dollar-for-dollar cash matching is required for grants involving acquisition, rehabilitation, or new construction of housing units. HUD homeless assistance funds also are used for “Supportive Services Only” projects that are linked to housing provided by other organizations. The 2002 Appropriations Act required a 25% match for all HUD-funded services. Outlays for the Homeless Assistance Grants program in 2002 were \$1 billion.

### Eligibility Requirements

Under a “continuum of care” strategy developed by HUD, grantees generally must develop and maintain (or participate in) consolidated plans for the integration of programs and services for the homeless, including the four programs noted above. Grantees under the Emergency Shelter Grants program (governmental entities) receive their grants by formula. In the other programs, grantees (both governmental and nongovernmental agencies) must compete for HUD approval of their grant proposal. Individual eligibility for assistance from any Homeless Assistance Grant project generally depends on decisions made by the local sponsor. However, some programs restrict beneficiary eligibility to specific categories. The Shelter Plus Care

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<sup>1</sup> The programs making up Homeless Assistance Grants appear in the Catalog of Federal Domestic Assistance at 14.231, 14.235, 14.238, and 14.249. In the Code of Federal Regulations, they are found at 24 CFR Parts 576, 582, and 583 (2003). The Stewart B. McKinney Homeless Assistance Act is codified at 42 U.S.C. 11371-11378.

program is limited to homeless persons with very low incomes<sup>2</sup> who have disabilities, chronic substance abuse problems, or AIDS and related diseases. The SRO program is limited to single homeless persons. Permanent housing under the Supportive Housing program is available only to the disabled.

## Benefit Levels

Homeless Assistance grantees can use funding for a range of activities on behalf of homeless persons. Under the Emergency Shelter Grants program, activities include renovation, major rehabilitation, or conversion of buildings for use as emergency shelters or transitional housing for the homeless, essential social services, operating costs of facilities for the homeless, and initiatives to prevent homelessness. Supportive Housing program money may be used to assist homeless persons in transition to independent living through provision of transitional housing, follow-up services, permanent housing (as well as services) for those with disabilities, supportive services to those in housing supported by other programs, “alternative” housing for the long-term homeless, and “safe havens” for homeless individuals. The Shelter Plus Care and SRO programs provide rental assistance.

**Note:** For more details about homeless assistance grants, along with other targeted homelessness programs sponsored by the federal government, see CRS Report RL30442, *Homelessness: Recent Statistics and Targeted Federal Programs*.

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<sup>2</sup> Very-low income is defined as income below 50% of the area median, adjusted for family size. A higher income limit, 80% of the area median, may be used for the Single Room Occupancy (SRO) component of this program.

## 69. Community Services Block Grant<sup>1</sup>

### Funding Formula

The Community Services Block Grant Act (CSBG)<sup>2</sup> authorizes 100% federally funded block grants to states for community-based antipoverty activities. State allocations are based on the percentage of funds received in the state in FY1981 from the former Community Services Administration (CSA) under Section 221 of the Economic Opportunity Act. Of total appropriations, half of 1% is reserved for allotment to the territories, and the Secretary of Health and Human Services also must reserve 1.5% for training, technical assistance, planning, evaluation and data collection. For FY2003, \$650 million was appropriated for the block grant, plus \$89.4 million for several smaller related activities, such as community economic development, job opportunities for low-income individuals (JOLI), grants for rural community facilities, the national youth sports program, community food and nutrition activities and individual development accounts.<sup>3</sup>

### Eligibility Requirements<sup>4</sup>

In general, beneficiaries of programs funded by CSBG must have incomes no higher than the federal poverty income guidelines. For FY2003, the guidelines were \$18,400 for a family of four and \$8,980 for a single person in the 48 contiguous states.<sup>5</sup> Amendments enacted in 1984 allow states to increase eligibility criteria to 125% of the poverty guidelines “whenever the state determines that it serves the objectives of the block grant.” The program has no rules regarding assets.

### Benefit Levels

Programs funded by the Community Services Block Grant operate a wide variety of antipoverty activities, including local program coordination, nutrition, emergency services, and employment services. CSBG grantees also receive funds from many other sources (such as Head Start, weatherization assistance, low-income home energy assistance, emergency food and shelter programs, employment and training, and legal services) to operate antipoverty programs,

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<sup>1</sup> Beginning in FY1982, under terms of P.L. 97-35 (Section 672), this program replaced the formerly independent Community Services Administration (CSA), which had been established in 1964 as the Office of Economic Opportunity and was renamed CSA in 1975.

<sup>2</sup> This block grant is codified at 42 U.S.C. 9901 et seq.

<sup>3</sup> Amounts do not reflect 0.65% rescission included in FY2003 appropriations law.

<sup>4</sup> Regulations governing community services block grants (scope and audit requirements) are found at 45 CFR Part 96, Subpart I (2002). It is program no. 93.569 in the Catalog of Federal Domestic Assistance.

<sup>5</sup> Poverty income guidelines are higher in Alaska and Hawaii.

**Note:** For more details about the Community Services Block Grant, see CRS Report RS20124, *Community Services Block Grants: Background and Funding*.

## 70. Legal Services (LSC)

### Funding Formula

The law provides 100% federal funding. Funds are allocated among local legal services programs on the basis of state shares of the poverty population. The FY2003 appropriation was \$338.8 million,<sup>1</sup> up \$9.5 million from the FY2002 sum. The increase was to provide supplemental funding for states that were scheduled to receive a cut in FY2003 funding because of use of data from the 2000 Census, which showed a shift in state poverty populations.

### Eligibility Requirements<sup>2</sup>

The Legal Services Corporation Act of 1974<sup>3</sup> provides financial aid to programs that offer legal services in noncriminal proceedings to low-income persons. The law makes eligible “any person financially unable to afford legal assistance” and says the Corporation should take into account not only income, but liquid assets,<sup>4</sup> fixed debts, cost of living, and other factors in determining an individual’s capacity to pay for a lawyer. The law requires the Corporation to set national maximum income limits and to establish guidelines that will insure preference for those least able to afford an attorney. Regulations of the Corporation have established the maximum income limit for eligibility at 125% of the federal poverty income guidelines. Thus, the income limit was \$23,000 for a family of four, and \$11,225 for a single individual in calendar year 2003 in the 48 contiguous states, the District of Columbia, and the outlying areas. Higher limits apply in Alaska and Hawaii. Regulations permit exceptions to the income limit in specified circumstances. For example, the regulations permit legal services on behalf of a person whose income falls between 125% and 150% of the poverty line if the purpose is to obtain benefits from a “governmental program for the poor,” or if warranted by certain factors such as the individual’s current income prospects, medical expenses, fixed debts and obligations, child care and other work-related expenses, expenses associated with age or infirmity, and other factors related to financial inability to afford legal assistance.

### Benefit Levels

Beneficiaries receive legal aid in noncriminal proceedings. Most cases concern these areas of law: family, employment, consumer, housing, civil rights, public

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<sup>1</sup> A 0.65% across-the-board rescission reduced the Legal Services Corporation appropriation for FY2003 to \$336.6 million.

<sup>2</sup> Regulations governing eligibility for legal services are found at 45 CFR Part 1611 (2002). The Legal Services Corporation Act is codified at 42 U.S.C. at 2996 et seq.

<sup>3</sup> Title X of the Economic Opportunity Act, as added by P.L. 93-355.

<sup>4</sup> Regulations require the governing bodies of those who receive funds from the Legal Services Corporation to establish “specific and reasonable” asset ceilings each year and, in doing so, to give special consideration to the legal needs of the elderly, institutionalized, and handicapped.

benefit programs such as cash welfare, Social Security, Supplemental Security Income (SSI), workers' compensation, unemployment compensation, Medicare, and Medicaid. The Legal Services Corporation's stated goal is to provide "minimum access to legal services for all poor persons," defined as the equivalent of two attorneys for every 10,000 poor persons; however, that goal was achieved only once, in FY1980. Corporation grantees are not allowed to give legal aid in criminal proceedings nor in most civil cases that are fee-generating in nature, such as accident damage suits. Additional restrictions include prohibitions against lobbying activities, class action lawsuits, litigation related to abortion, and representation of prisoners.

On February 28, 2001, the U.S. Supreme Court invalidated a restriction that Congress had imposed on LSC in every annual appropriations act since 1996. This was a prohibition against LSC funding of any organization that represented clients in an effort to amend or otherwise challenge existing welfare law. By a 5-4 vote, the Court found that this restriction violated the First Amendment (freedom of speech). The Court held that restricting LSC attorneys in advising their clients and in presenting arguments and analyses to the courts distorted the legal system by altering the attorneys' traditional role (*Legal Services Corporation v. Velazquez*, 121 S.Ct. 1043 [2001]).

**Note:** For more details about this program, see CRS Report 95-178, *Legal Services Corporation: Basic Facts and Current Status*.

## 71. Social Services for Refugees, Asylees, Other Humanitarian Cases

### Funding Formula

The Immigration and Nationality Act as amended by the Refugee Act of 1980 (P.L. 96-212) authorizes 100% federally funded social services to assist refugees and asylees become self-sufficient. Other legislation authorizes similar assistance for certain Cuban and Haitians entrants<sup>1</sup> and for certain Amerasians.<sup>2</sup> The refugee, asylee and entrant social services funds are distributed among the states under formulas that usually take into account each state's proportion of persons in eligible groups who entered the United States within the previous 36 months. Social services for these groups have been authorized through FY1999. The Department of Health and Human Service's Office of Refugee Resettlement (ORR) administers this program. For social services, ORR expenditures amounted to \$144 million in FY2000, \$144 million<sup>3</sup> in FY2001, and \$159 million in FY2002.

### Eligibility Requirements<sup>4</sup>

A person must (a) have been admitted to the United States as a refugee or asylee under the Immigration and Nationality Act or have been paroled as a refugee or asylee under the Act, (b) be a Cuban or Haitian paroled into the United States between April 15 and October 20, 1980, and designated a "Cuban/Haitian entrant," or be a Cuban or Haitian national paroled into the United States after October 10, 1980, (c) be a person who has an application for asylum pending or is subject to exclusion or deportation and against whom a final order of deportation has not been issued, or (d) be a Vietnam-born Amerasian immigrant fathered by a U.S. citizen.

Any person mentioned above generally is eligible for social services financed by refugee program funds, but some activities so funded may have eligibility limitations such as age. The above groups also may benefit from services financed under the Social Security Act (Title XX), but generally would have to meet the state's Title XX eligibility requirements. Exceptions to Title XX rules can be made so that refugees, asylees and entrants can receive certain particular services such as language training, vocational training, and employment counseling.

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<sup>1</sup> Title V of the Refugee Education Assistance Act (P.L. 96-422).

<sup>2</sup> Section 584 of the FY1988 Foreign Operations Appropriations Act (P.L. 100-202).

<sup>3</sup> This amount includes \$65 million in reappropriated funding to open a resettlement facility for Kosovar refugees at Fort Dix, New Jersey.

<sup>4</sup> Regulations for this program are found at 45 C.F.R. Parts 400-401 (2002). This program is no. 93.566 in the Catalog of Federal Domestic Assistance.

## **Benefit Levels**

States determine what social services are offered. All social services funded by the refugee program are considered refugee social services rather than Title XX social services even if they also qualify under Title XX rules.

## 72. Emergency Food and Shelter Program

### Funding Formula

Congress has established by statute a National Board of charitable and religious organizations to coordinate and monitor the Emergency Food and Shelter program<sup>1</sup> (the EFS program) under the authority and direction of the Federal Emergency Management Agency (FEMA).<sup>2</sup> The National Board awards EFS funds to local boards for allocation to direct service providers. To qualify for funds, a local jurisdiction must have a relatively high rate of unemployment for the most current 12-month period with available data and a high poverty rate (as measured by the most recent census). The National Board allocates funds to local jurisdictions on the basis of their share of the total number of unemployed persons in all qualifying areas.

The National Board also uses a portion of EFS appropriations for state set-aside programs, which allow state boards to select jurisdictions for funding using a formula established by the state boards. These funds are intended to enable state boards to target pockets of homelessness or poverty in areas not qualifying under the regular national formula. Examples include areas that suffer sudden economic changes such as plant closings, areas with high levels of unemployment or poverty that do not meet the minimum level of unemployment, or jurisdictions that have documented measures of need that are not adequately reflected in unemployment and poverty data. Federal EFS outlays for FY2002 were \$143 million.

### Eligibility Requirements<sup>3</sup>

Public and private organizations that provide shelter and food to the homeless and hungry receive federal funds under this program. Providers include food banks, soup kitchens, shelters, and other organizations serving the homeless. The program is designed to purchase food and shelter to supplement and expand current available resources to target special economic, not disaster-related, emergencies. The eligibility of direct service providers to receive EFS funds is determined by each local board. EFS-funded assistance is available for any individual or family whom the local board determines to be in need.

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<sup>1</sup> Congress established this program in March 1983 (P.L. 98-8) with appropriations of \$50 million for FY1983 grants and continued it with annual appropriations thereafter. In 1987, Congress authorized the program through FY1988 in the Stewart McKinney Homeless Assistance Act (P.L. 100-77) and in 1992 reauthorized it through FY1994 (P.L. 102-550).

<sup>2</sup> The National Board is composed of the following organizations specified in statute: United Way of America, The Salvation Army, National Council of Churches, Catholic Charities USA, Council of Jewish Communities, American Red Cross, and FEMA.

<sup>3</sup> The Emergency Food and Shelter National Board program is no. 83.523 in the Catalog of Federal Domestic Assistance.

## Benefit Levels

The EFS program provides food and feeding related expenses (such as transport of the food and food preparation and serving equipment), mass shelter, other shelter (such as hotels and motels), rent/mortgage and /or utility assistance for 1 month only to avert homelessness, and limited repairs to feeding and sheltering facilities.

**Note:** For further general information and individual county grant information, see the EFS program homepage at [<http://www.efsp.unitedway.org>].

## **Job and Training Programs**

## 73. TANF Work Activities

### Funding Formula

See TANF block grant entry (program no. 12).

In FY2002, expenditures for TANF work programs and activities were reported at \$2.7 billion, \$2.1 billion (78%) from federal funds and \$ 0.6 billion from state-local funds. (This excludes funding for the separate Welfare-to-Work grant program administered by the Department of Labor — program no.78 in this report.)

### Eligibility Requirements<sup>4</sup>

To enforce a focus on work, TANF law allows parents and other caretakers of TANF children a maximum of 24 months of benefits without “work,” as defined by the state. It also requires states to achieve minimum rates of participation by TANF families in federally recognized work activities.<sup>5</sup> States may use TANF block grant funds to provide work programs and activities for recipient families and various groups of “needy” families not enrolled in the cash program, so long as the services can be expected to lead toward ending the dependence of needy parents on government benefits by promoting job preparation and work, one of the program’s goals. States decide eligibility limits, and they may tailor activities to the needs of individual families. If they offer work activities to noncustodial parents of TANF children, they may choose whether or not to include them in calculating work participation rates of two-parent families.

### Benefit Levels

TANF reporting forms require states to break down TANF expenditures on work-related activities into three categories: work subsidies, education and training, and other work activities/expenses. The FY2002 composition of spending from FY2002 TANF grants: Education and training, 14.8%; work subsidies, 2.7%,<sup>6</sup> and other work activities/expenses, 82.5%. Nineteen states reported making outlays for work subsidies and 34, for education and training. In a guidance for use of TANF funds (*Helping Families Achieve Self-Sufficiency*), HHS lists numerous ways to support work activities, including job search and placement, job skills training, work experience, job retention services and counseling, and specialized training for supervisors.

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<sup>4</sup> Eligibility criteria for families served by programs/activities for which the state claims expenditures countable toward required state spending (maintenance-of-effort requirement) must be shown in annual state reports unless the information is provided in the state TANF plan. 45 CFR §265.9(c)(6)(2002). The TANF block grant is program no. 93.558 in the Catalog of Federal Domestic Assistance.

<sup>5</sup> For details of work rules and the list of countable work activities, see *Work/conduct requirements* under program no. 12.

<sup>6</sup> FY2002 spending from cumulative FY1997-FY2002 TANF grants showed a negative total for work subsidies because of accounting revisions made for earlier years.

**Note:** For more information, see CRS Report RL30767, *Welfare Reform: Work Activities and Sanctions in State TANF Programs*.

## 74. Job Corps

### Funding Formula

The Job Corps is 100% federally funded. The Job Corps is authorized by Title I, Subtitle C of the Workforce Investment Act (WIA).<sup>1</sup> FY2002 Job Corps appropriations were \$1.5 billion.

### Eligibility Requirements<sup>2</sup>

Those eligible for the Job Corps are “low-income” youths aged 16-24 (only 20% of enrollees may be older than 21) who have one or more of the following characteristics: deficient in basic reading, writing, or computing skills; a school dropout; homeless, a runaway, or a foster child for whom state or local government payments are made; a parent; in need of additional education, vocational training, or intensive counseling and or help to accomplish regular schoolwork or to secure and hold employment.

WIA defines a low-income person as one who (a) receives cash welfare or is a member of a family that receives cash welfare, (b) receives food stamps or is a member of family that was eligible to receive food stamps in the previous 6 months; (c) had family income<sup>3</sup> for the preceding 6 months no higher than the federal poverty guideline (a limit in 2003 throughout the 48 contiguous states and the District of Columbia<sup>4</sup> of \$ 18,400 for a family of four persons and \$8,980 for a single person) or no higher than 70% of the lower living standard income level (LLSIL) (a ceiling that ranged, effective on May 30, 2003, for a four-person family from \$18,270 in non-metropolitan areas of the South to \$22,230 in metropolitan areas of the Northeast — and higher in Alaska, Hawaii and Guam); (d) is homeless, as defined in the Stewart McKinney Homeless Assistance Act; (e) is a foster child on behalf of whom state or local government payments are made; or (f) is a disabled person whose own income meets the program limit, but whose family income exceeds it.

The Job Corps has no asset rules.

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<sup>1</sup> Until July 1, 2000, the Job Corps was authorized by the Job Training Partnership Act (JTPA) (Title IV-B). Effective on that date, JTPA was replaced by the Workforce Investment Act (WIA), P.L. 105-220. The transition period for implementation of WIA was from July 1, 1999 to June 30, 2000.

<sup>2</sup> Regulations for Job Corps are found at 20 CFR Part 670 (2002).

<sup>3</sup> Excluded from counted family income are unemployment compensation, child support payments, cash welfare benefits, and social security benefits.

<sup>4</sup> Poverty guidelines are 25% higher in AK, 15% higher in HI.

## Benefit Levels

Job Corps enrollees are served primarily in residential centers where they receive basic education, vocational skills training, counseling, work experience, and health services. Enrollees receive personal allowances while participating in the program and readjustment allowances upon successful completion of the program. Job Corps centers are required to provide child day care, to the extent practicable, at or near the centers.

WIA forbids needs-tested programs to take its allowances, earnings, and payments into account in determining eligibility for benefits and their amount.<sup>5</sup>

Enrollees may remain in the Corps for up to 2 years; the average stay is about 7 months.

**Note:** For further information about Job Corps see CRS Report 97-536, *Job Training Under the Workforce Investment Act: An overview*; and CRS Report RS20244, *The Workforce Investment Act: Training Programs under Title I at A Glance*, CRS Report RS21484: *Workforce Investment Act of 1998 (WIA): Reauthorization of Title I Job Training Programs*. For further information about Job Corps under JTPA see CRS Report 94-862, *The Job Training Partnership Act: A Compendium of Programs*.

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<sup>5</sup> This rule is found at Section 181 of WIA. Note: Before the 1996 welfare reform law, which repealed AFDC, states were required to count most JTPA earnings and payments in determining AFDC eligibility and benefit amounts. However, AFDC law gave states the option, for no more than 6 months, to disregard JTPA earnings of a child.

## 75. Youth Activities

### Funding Formula

This program is 100% federally funded. Youth Activities are authorized under Subtitle B, Chapter 4 of the Workforce Investment Act (WIA).<sup>1</sup> Funds are allocated to states on the basis of a three-part formula: state shares of the national distribution of “substantial” unemployment (unemployment rate of at least 6.5%), “excess” unemployment (rate above 4.5%) and the population of “disadvantaged” youth (family income below the federal poverty guideline or 70% of the lower living standard income level).<sup>2</sup> FY2002 appropriations were \$1 billion.

### Eligibility Requirements<sup>3</sup>

Those eligible for WIA youth activities are “low-income” youths aged 14 through 21 who have one or more of the following characteristics: deficient in basic literary skills; a school dropout; homeless, a runaway, or a foster child; pregnant or a parent; or a youth offender, in need of additional assistance to complete an educational program or to secure and hold employment.

WIA defines a low-income person as one who (a) receives cash welfare or is a member of a family that receives cash welfare, (b) receives food stamps or is a member of family who was eligible to receive food stamps in the previous 6 months; (c) had family income<sup>4</sup> for the preceding 6 months no higher than the federal poverty guideline (a limit in 2003 throughout the 48 contiguous states and the District of Columbia<sup>5</sup> of \$ 18,400 for a family of four persons and \$8,980 for a single person) or no higher than 70% of the lower living standard income level (LLSIL) (a ceiling that ranged, effective on May 30, 2003, for a four-person family from \$18,270 in non-metropolitan areas of the South to \$22,230 in metropolitan areas of the Northeast — and higher in Alaska, Hawaii and Guam); (d) is homeless, as defined in the Stewart McKinney Homeless Assistance Act; (e) is a foster child on behalf of whom state or local government payments are made; or (f) is a disabled person whose own income meets the program limit, but whose family income exceeds it.

The program has no asset rules.

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<sup>1</sup> Effective July 1, 2000, the program of youth training under Title II-C of the Job Training Partnership Act (JTPA) was repealed. Youth Activities is a new replacement training program for youth. The transition period for implementation of the Workforce Investment Act (WIA) (P.L. 105-220) was July 1, 1999 to June 30, 2000.

<sup>2</sup> The allocation formula is the same under WIA as it was under JTPA.

<sup>3</sup> Regulations for youth activities are found at 20 CFR Part 664 (2003). This program is no. 17.259 in the Catalog of Federal Domestic Assistance.

<sup>4</sup> Excluded from counted family income are unemployment compensation, child support payments, cash welfare benefits, and social security benefits.

<sup>5</sup> Poverty guidelines are 25% higher in Alaska, 15% higher in Hawaii.

## Benefit Levels

**WIA Program of Youth Activities.** Local youth programs must include the following 10 services: tutoring, study skills training, and instruction leading to secondary school completion; alternative secondary school offerings; summer employment opportunities directly linked to academic and occupational learning; paid and unpaid work experience, including internships and job “shadowing,” occupational skill training; leadership development opportunities, including community service and peer-centered activities; supportive services; adult mentoring for at least 12 months; followup services for at least 12 months, and comprehensive guidance and counseling, including drug and alcohol abuse counseling. At least 30% of local allotments must be used to provide activities to out-of-school youth. Local boards may determine how much of available youth funds to use for summer and for year-round activities, and local programs have discretion to decide what specific services to provide to a participant.

**Note:** CRS Report RS20244, *The Workforce Investment Act: Training Programs under Title I at A Glance*, and CRS Report RS21484: *Workforce Investment Act of 1998 (WIA): Reauthorization of Title I Job Training Programs*.

## 76. Adult Activities

### Funding Formula

This program is 100% federally funded. Adult Activities are authorized under Subtitle B, Chapter 5 of the Workforce Investment Act.<sup>1</sup> Funds are allocated to states on the basis of a three-part formula: state shares of the national distribution of “substantial” unemployment (unemployment rate of at least 6.5%), “excess” unemployment (rate above 4.5%) and the “disadvantaged” adult population (family income below the federal poverty guideline or 70% of the lower living standard income level).<sup>2</sup> FY2002 appropriations were \$950 million.

### Eligibility Requirements<sup>3</sup>

Those eligible for adult activities are persons at least 18 years old. Any individual may receive “core” services (for example, job search assistance). For intensive services, such as individual career planning, and for job training, a person must need the services in order to become employed or to obtain or retain a job that allows for self-sufficiency. If funds are limited, priority must go to recipients of cash welfare and other low-income persons.

The program has no asset rules.

### Benefit Levels

The law requires that most services for adults be provided through One Stop Career Centers. It authorizes three levels of services: “core” services, “intensive” services, and training services. Available to all job seekers are core services, which include outreach, job search and placement assistance, and labor market information. “Intensive” services are available only to persons who have received at least one core service and need further services to obtain or retain a job. Intensive services include more comprehensive assessments, development of individual employment plans, and counseling and career planning. Training services linked to job opportunities in the community are available for persons who cannot find a job through intensive services. Both occupational training and training in basic skills may be offered. To promote individual choice, participants use an “individual training account” to select

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<sup>1</sup> Effective July 1, 2000, the program of adult training under Title II-A of the Job Training Partnership Act (JTPA) was repealed. Adult Activities is a new replacement training program for adults. The transition period for implementation of the Workforce Investment Act (WIA) (P.L. 105-220) was July 1, 1999 to June 30, 2000. The program has no income test but requires priority for low income persons in the event of limited funds

<sup>2</sup> The allocation formula is the same under WIA as it was under JTPA.

<sup>3</sup> Regulations for the repealed JTPA adult training program are found at 20 CFR Part 628, Subpart F (2002). The WIA program of adult activities is no. 17.258 in the Catalog of Federal Domestic Assistance. Final regulations for the WIA program (20 CFR Part 664) are found in the *Federal Register* of Aug. 11, 2000, p. 49402, Apr. 1, 2003.

a program from a qualified training provider. The law also authorizes supportive services, such as child care and transportation aid, to enable a person to participate.

WIA forbids needs-tested programs to take its allowances, earnings, and payments into account in determining eligibility for benefits and their amount.<sup>4</sup> However, an exception applies to food stamp recipients, aged 19 or older, who are enrolled in on-the-job-training. Food stamp rules treat the earnings of on-the-job trainees as earned income.

**Note:** For more information see CRS Report RL30929, *Job Training: Characteristics of Workforce Training Participants*. For more historical information about the adult and youth training programs under JTPA, see CRS Report 94-862, *The Job Training Partnership Act: A Compendium of Programs*. For more information about the programs under WIA see CRS Report 97-536, *Job Training Under the Workforce Investment Act: An Overview*, CRS Report RS20244, *The Workforce Investment Act: Training Programs under Title I at A Glance*.

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<sup>4</sup> This rule is found at Section 181 of WIA. **Note:** Before the 1996 welfare reform law, which repealed AFDC, states were required to count JTPA payments to an adult in determining AFDC eligibility and benefit amounts.

## 77. Senior Community Service Employment Program (SCSEP)

### Funding Formula

The law provides 90% federal funding (up to 100% in disaster or economically depressed areas) for this program. The non-federal share can be cash or in kind. The state allocation formula has three elements: a hold harmless factor (the 2000 level of funding); a state's relative share of persons aged 55 years and older; and a state's relative per capita income. For FY2003, \$442 million was appropriated.

### Eligibility Requirements<sup>1</sup>

Title V of the Older Americans Act makes eligible for the Senior Community Service Employment Program (SCSEP), persons aged at least 55 with low incomes. The Act defines low income as not exceeding 125% of the poverty guidelines established by the Department of Health and Human Services (HHS). Department of Labor (DOL) regulations provide eligibility for a person who is a resident of the state and a member of a family that either (a) received countable income in the previous 6 months on an annualized basis, or actual income during the preceding 12 months, whichever is most beneficial to the applicant, that is not higher than 125% of the HHS poverty guidelines or (b) receives regular cash welfare payments. The 2003 income eligibility ceilings were \$11,225 for an individual and \$15,150 for a two-person family (higher in Alaska and Hawaii). There is no asset test.

Regulations give first priority to persons with the greatest economic need, second priority to persons aged 60 years or older, and third priority to eligible persons seeking reenrollment within a year of leaving the program because of no fault of their own, or illness. Regulations forbid an upper age limit, and they require annual recertification of income.

The DOL instructions<sup>2</sup> require SCSEP project sponsors to disregard various kinds of income of applicants and recipients, including welfare payments, disability payments, one-quarter of Social Security benefits, unemployment benefits, employment and training benefits, trade adjustment benefits, capital gains, the first \$3,000 in dividend and interest income, certain veterans' benefits, one-time unearned income payments or unearned income payments of fixed duration. In addition, \$500 of otherwise includable income is not counted as annual family income for reenrollees who were previously dropped from the program because of illness or movement to unsubsidized employment. However, support received from absent family members, such as adult children supporting their aged parents, *is* included in deciding eligibility.

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<sup>1</sup> Regulations are found in 20 CFR Part 641 (2003). This program is no. 17.235 in the Catalog of Federal Domestic Assistance.

<sup>2</sup> Older Workers' Bulletin, no. 95-5 (June 20, 1995), published by DOL.

## Benefit Levels

Participants are placed in part-time community service jobs, for which their wages are subsidized by the federal government; when possible, project sponsors are encouraged to place enrollees in unsubsidized jobs. Upon placement in a job, enrollees receive no less than the highest of: the federal minimum wage, the state or local minimum wage, or the prevailing wage paid by the same employer for similar public occupations. Hours of unsubsidized work per enrollee are limited to 1,300 in any 12-month period. In 2002, wages under the program averaged \$5.35-\$5.40 per hour.

**Note:** For more information, see CRS Report 95-917, *Older Americans Act: Programs and Funding* and CRS Report RL30055, *Older Americans Act: 106<sup>th</sup> Congress Legislation*.

## 78. Welfare-to-Work Grants

**Note:** No part of the original TANF block grant was earmarked for work programs, but in 1997, Congress added a 2-year \$3 billion program of welfare-to-work (WtW) grants to help states meet TANF work requirements.

### Funding Formula

The Balanced Budget Act of 1997 (P.L. 105-33) created a \$3 billion welfare-to-work (WtW) grant program for 2 years, FY1998 and FY1999. Although WtW is a component of TANF (Section 403(a)(5) of the Social Security Act), it is administered by the Department of Labor (DOL). After set-asides,<sup>1</sup> 75% of WtW funds were designated for matching formula grants (66.7% federal matching rate) and 25% for competitive grants. Formula grants were allocated by DOL to states on the basis of their shares of the national adult TANF population and the poverty population. States were required to distribute 85% of the formula grants to local workforce investment areas.<sup>2</sup> DOL awarded a total of \$2 billion in formula grants (to 48 states in 1998 and 45 in FY1999) and \$712 in competitive grants to localities and nonprofit organizations. The original law gave WtW grantees 3 years from the date of an award in which to spend WtW funds, but Congress extended the deadline 2 years, allowing WtW expenditures to continue through FY2004 (Consolidated Appropriations for 2001, P.L. 106-554).

### Eligibility Requirements<sup>3</sup>

WtW funds are focused on hard-to-employ TANF recipients. As first enacted, 70% of funds had to be used for the benefit of TANF recipients (and TANF non-custodial parents) with at least two specified barriers to work who themselves (or whose minor children) were long-term recipients (30 months of AFDC/TANF benefits) or were within 12 months of reaching the TANF 5-year time limit or a shorter state time limit. The target groups had to have at least two of these three work impediments: lack a high school diploma *and* have low skills in reading or

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<sup>1</sup> Set-asides: Indian tribe programs, \$15 million in each of FY1998 and FY1999; WtW program evaluations, \$9 million in each of FY1998 and FY1999; and abstinence program evaluations, \$3 million in each of FY1998 and FY1999. Congress cut funds set aside for WtW performance bonuses from \$100 million to \$50 million (Consolidated Appropriations Act, 2000, P.L. 106-113) and subsequently eliminated the bonuses (Consolidated Appropriations Act, 2001, P.L. 106-554).

<sup>2</sup> At least half of the state's substate allocation formula had to be based on the workforce investment area's "high poverty" population (defined as the number of persons in poverty in excess of 7.5% of the area's total population), and the rest on its population of long-term welfare recipients and/or unemployed persons.

<sup>3</sup> WtW regulations are found at 20 CFR 20, Part 645 (2003). This program is no. 17.253 in the Catalog of Federal Domestic Assistance.

mathematics, require substance abuse treatment for employment, and/or have a poor work history. WtW eligibility was liberalized by P.L. 106-554. Grantees now<sup>4</sup> may use WtW funds (and state matching funds) on behalf of four new groups: long-term TANF recipients without specified work barriers, former foster care youths 18 to 24 years old, TANF recipients who are determined by criteria of the local private industry council to have significant barriers to self-sufficiency, and non-TANF custodial parents with income below the poverty line. However, at least 70% of WtW funds must be spent on long-term TANF recipients and/or noncustodial parents without specified work barriers.

The 1999 law also set special rules for noncustodial parents. To be eligible for WtW, noncustodial parents must be unemployed, underemployed, or having difficulty paying child support and they must comply with an oral or written personal responsibility contract. They also must meet one of these conditions: their minor child (or the child's custodial parent) must be a long-time TANF recipient or within 12 months of reaching a TANF time limit, the child must be a recipient of income-tested aid (TANF, food stamps, SSI, Medicaid or S-CHIP), or the child must have left TANF within the last 12 months.

## Benefit Levels

Activities that may receive WtW funds are: the conduct and administration of community service or work experience programs; job creation through wage subsidies, on-the-job training, contracts with providers of readiness, placement, and post-employment services, job vouchers for placement, readiness, and post-employment services, job retention or support services if these services are not otherwise available; and, added by P.L. 106-113, up to 6 months of vocational educational or job training (effective July 1, 2000). The law specifies that a work activity paid with WtW funds may not violate an existing contract for services or a collective bargaining agreement and that a WtW worker cannot fill a vacancy resulting from cutting the hours of a job below full time. In FY2002, WtW spending totaled \$413 million (\$342 million from formula grants and \$71 million from competitive grants). As of September 30, 2002, unspent WtW funds totaled about \$416 million — \$293 million in formula grants and \$123 million in competitive grants.

**Note:** For more detail, see CRS Report RS20134, *Welfare Reform: Brief Summary of the Welfare-to-Work Grant Program*.

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<sup>4</sup> The expanded eligibility rules took effect upon enactment (Nov. 29, 1999) for Native American WtW grants and on Jan. 1, 2000 for competitive grants. For formula grants, funds could be obligated on behalf of the new groups effective July 1, 2000, but federal expenditures for them were deferred until Oct. 1, 2000.

## 79. Food Stamp Employment and Training Program<sup>1</sup>

### Funding Formula<sup>2</sup>

The Food Stamp Act provides for annual grants to state agencies administering the Food Stamp program to conduct employment and training activities for food stamp recipients. These grants, which are automatically reserved from annual food stamp appropriations, are set at \$90 million a year. They are not limited by fiscal year, and unspent amounts can be carried over and accumulated for use in a future year or reallocated to states that have spent their allocation of funds. In addition, states may receive a portion of an additional \$20 million a year if they agree to serve all recipients who are able-bodied adults without dependents (ABAWDS). Employment and training grants generally are allocated among states on the basis of their proportion of persons to which food stamp work rules apply, with special emphasis on the estimated number of able-bodied adults without dependents (ABAWDs) in each state's food stamp caseload as a proportion of the national total.<sup>3</sup>

In addition to the above-noted unmatched federal grants for operating their employment and training programs, the federal government pays states 50% of (1) any additional operating costs and (2) any participant support costs (e.g., child care, transportation); in FY2002, these payments exceeded \$110 million.

### Eligibility Requirements<sup>4</sup>

As detailed in the description of the Food Stamp program (program no. 21), certain nonworking able-bodied adult recipients must register for employment, accept a suitable job if offered one, and fulfill any work, job search, or training requirements (participate in employment and training programs) established by administering state agencies.<sup>5</sup> Major exemptions from this requirement incorporated in food stamp law include persons caring for dependents (disabled or under age 6) and those already subject to another program's work requirement. In addition, states may choose not to require participation of otherwise covered individual recipients. Nonworking ABAWDs, on the other hand, must participate in an employment or training activity under conditions noted in the description of the Food Stamp program — unless they

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<sup>1</sup> In versions of this report before 2001, this program was subsumed under entries for the Food Stamp program.

<sup>2</sup> Funding for the FY2002 employment and training program was available (and spent) under the terms of two different sets of law. P.L. 107-171 established the funding and other rules described here. However, previous law provided some additional money in FY2002.

<sup>3</sup> Federal payments from these grants are, in most cases, limited to \$30 a month for each employment/training placement ("slot") offered to a recipient and \$175 a month for each slot that is filled.

<sup>4</sup> Food stamp employment and training regulations are found at 7 CFR Part 273 (2001). The Food Stamp program is no. 10.551 in the Catalog of Federal Domestic Assistance.

<sup>5</sup> State agencies may offer employment/training placements to "volunteer" food stamp recipients (persons not required to participate).

reside in an area for which the state agency has obtained a waiver because of very high unemployment levels or the lack of available jobs or they have been individually exempted by the state agency under its authority to exempt up to 15% of those potentially subject to ABAWD work/training rules.<sup>6</sup> In FY2002, states reported some 2.3 million new work registrants (i.e., persons potentially subject to required participation in employment and training programs); approximately 1.2 million (including about 450,000 ABAWDs) were subject to employment and training requirements.

## Benefits

State agencies have a great deal of flexibility in the types of employment and training activities they can require of food stamp recipients. These include: job searches and training for job searches, educational activities to improve basic skills and employability (e.g., literacy training, high school equivalency preparation), vocational training, workfare or work experience programs. Almost two-thirds of employment/training program participants are typically assigned to job search or job search training, and another 30% are placed in workfare/work experience “slots.” Fewer than 5% participate in educational or vocational training activities.

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<sup>6</sup> In FY2001, 36 state agencies had waivers covering part of their jurisdictions, and estimates place the proportion of ABAWDs actually required to participate in employment/training programs at approximately 70%.

## 80. Foster Grandparents

### Funding Formula

The Domestic Volunteer Service Act of 1973, as amended (P.L. 103-82) provides 90% federal funding for developing and/or operating a foster grandparents project (up to 100% in special situations). The local project may provide its matching share in kind or cash. Appropriated for FY2002 was \$107 million.

### Eligibility Requirements<sup>1</sup>

The law makes eligible as foster grandparents persons at least 60 years old who are no longer in the regular workforce. Individuals must have an annual income, after deducting allowable medical expenses, that does not exceed 125% of the federal poverty guideline (or 135% of the poverty line in the case of volunteers living in areas determined by the Corporation for National and Community Service to have a higher cost of living).<sup>2</sup> For 2003, the 125% of poverty limit was \$11,225 for a single person and \$15,150 for a two-person family in the 48 contiguous states (higher in Alaska and Hawaii). Allowable medical expenses are annual out-of-pocket medical expenses for health insurance premiums, health care services, and medications that were not and will not be paid by Medicare, Medicaid, other insurance or other third party payor, and which do not exceed 15% of the applicable income guideline. Once enrolled, a person remains eligible so long as his countable income does not exceed 150% of the poverty guideline (or, in high cost areas, 162%). The program has no asset rules.

### Benefit Levels

The law requires low-income volunteers to be provided with a stipend plus transportation and meal costs. The stipend is set at \$2.65 per hour. Stipends are tax-free and cannot be treated as wages or compensation for the purposes of any public benefit program. Volunteers also receive annual physical examinations and accident and personal liability insurance. Foster grandparents provide services to children with exceptional or special needs.

**Note:** For more information about the Foster Grandparent program, see CRS Report RL30186, *Community Service: A Description of AmeriCorps, Foster Grandparents, and Other Federally Funded Programs*, and CRS Report RS20419, *VISTA and the Senior Volunteer Service Corps: Description and Funding Levels*.

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<sup>1</sup> Regulations for Foster Grandparents are found at 45 CFR Part 2552 (2002). The program is program no. 94.011 in the Catalog of Federal Domestic Assistance.

<sup>2</sup> Originally limited to low-income seniors, the program was amended in 1986 (P.L. 99-551) to permit persons whose income exceeds program limits to become foster grandparents under certain conditions, but not to receive a stipend.

## 81. Senior Companions

### Funding Formula

The Domestic Volunteer Service Act of 1973, as amended (P.L. 103-82), provides 90% federal funding for developing and/or operating a senior companion project (up to 100% in special situations). The local project may provide its matching share in kind or cash. Appropriated for FY2002 was \$44.4 million.

### Eligibility Requirements<sup>1</sup>

The law authorizes support for senior companions persons at least 60 years old who are no longer in the regular workforce. Individuals must have an annual income, after deducting allowable medical expenses, that does not exceed 125% of the federal poverty guideline (or 135% of the poverty line in the case of volunteers living in areas determined by the Corporation for National and Community Service to have a “higher” cost of living).<sup>2</sup> For 2003, the 125% of poverty limit was \$11,225 for a single person and \$15,150 for a two-person family in the 48 contiguous states (higher in Alaska and Hawaii). Allowable medical expenses are annual out-of-pocket medical expenses for health insurance premiums, health care services, and medications that were not and will not be paid by Medicare, Medicaid, other insurance or other third party payor, and which do not exceed 15% of the applicable income guideline. Once enrolled, a person remains eligible so long as his countable income does not exceed 150% of the poverty guideline (or, in higher cost areas, 162%).

### Benefit Levels

The law requires low-income volunteers to be provided with a stipend plus transportation and meal costs. The stipend is set at \$2.65 per hour. Stipends are tax-free and cannot be treated as wages or compensation for the purposes of any public benefit program. Volunteers also receive annual physical examinations and accident and personal liability insurance. Senior companions provide supportive services to vulnerable, frail adults who are homebound and who usually live alone.

**Note:** For more information about the Senior Companion program, see CRS Report RL30186, *Community Service: A Description of AmeriCorps, Foster Grandparents, and Other Federally Funded Programs*, and CRS Report RS20419, *VISTA and the Senior Volunteer Service Corps: Description and Funding Levels*.

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<sup>1</sup> Regulations for Senior Companions are found at 45 CFR Part 2551 (2002). This program is no. 94.016 in the Catalog of Federal Domestic Assistance.

<sup>2</sup> Originally limited to low-income seniors, the program was amended in 1986 (P.L. 99-551) to permit persons whose income exceeds program limits to become senior companions under certain conditions, but not to receive a stipend.

## 82. Targeted Assistance to Refugees, Asylees, Other Humanitarian Cases

### Funding Formula

Subject to available appropriations, the Immigration and Nationality Act authorizes 100% federally funded targeted assistance (primarily for employability-related services) for refugees and asylees. Other legislation authorizes similar assistance for certain Cuban and Haitians entrants<sup>1</sup> and for certain Amerasians.<sup>2</sup> The Department of Health and Human Service's Office of Refugee Resettlement (ORR), which administers the program, awards grants to designated state agencies on behalf of counties with high concentrations of refugees, asylees or other eligible groups. States must allocate at least 95% of funds to counties. For refugee targeted assistance, ORR benefit expenditures amounted to \$49.5 million in FY2002.

### Eligibility Requirements<sup>3</sup>

A person must (a) have been admitted to the United States as a refugee or asylee under the Immigration and Nationality Act or have been paroled as a refugee or asylee under the Act, (b) be a Cuban or Haitian paroled into the United States between April 15 and October 20, 1980, and designated a "Cuban/Haitian entrant," or be a Cuban or Haitian national paroled into the United States after October 10, 1980, (c) be a person who has an application for asylum pending or is subject to exclusion or deportation and against whom a final order of deportation has not been issued, or (d) be a Vietnam-born Amerasian immigrant fathered by a U.S. citizen.

In allocating targeted assistance funds, states must give priority to the following groups, in order: (a) cash assistance recipients, particularly long-term recipients; (b) unemployed individuals who are not cash recipients; (c) employed individuals who need services to retain jobs or become economically independent.

### Benefit Levels

Counties develop their own plans for targeted assistance, which must be approved by the state. Targeted assistance funds must be used primarily for employability services designed to enable beneficiaries to obtain jobs within a year. They may not be used for long-term training programs lasting more than a year or for educational programs that are not intended to lead to employment within a year.

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<sup>1</sup> Title V of the Refugee Education Assistance Act (P.L. 96-422).

<sup>2</sup> Section 584 of the FY1988 Foreign Operations Appropriations Act (P.L. 100-202).

<sup>3</sup> Regulations for this program are found at 45 CFR § 400.310 et seq. This program is no. 93.584 in the Catalog of Federal Domestic Assistance.

## 83. Native Employment Works Program

### Funding Formula

The 1996 welfare law (P.L. 104-193), which abolished the Job Opportunities and Basic Skills (JOBS) training program, established the Native Employment Works (NEW) Program<sup>1</sup> to continue tribal work and training grants that existed under JOBS. Administered by HHS, the NEW program is 100% federally funded. The law appropriated \$7.6 million annually for FY1997-FY2002. This equals the sum received by Indian tribes and Alaska native organizations to operate their own JOBS programs in FY1994. (Funding was extended through March 30, 2004, by a series of laws.) In the year ending June 30, 2001 (program year 2000-2001) about one-third of the 78 tribal grantees transferred their NEW funding to demonstration projects administered by the Bureau of Indian Affairs under P.L. 102-477 (Indian Employment, Training, and Related Services Demonstration Act).

### Eligibility Requirements<sup>2</sup>

The NEW program is not subject to federal definitions of TANF work activities, TANF work requirements, or to old JOBS rules. Indian tribes design their own NEW programs, define who will be eligible, decide what benefits and services to provide, and specify the population and geographic area to be served. Target groups generally include TANF recipients, non-custodial parents, recipients of General Assistance (GA) from the Bureau of Indian Affairs (BIA), and unemployed parents. Of NEW participants in program year 2000-2001, about 70% also were enrolled in TANF and 6% in BIA general assistance. (In early 2003, 38 tribal TANF plans were in operations, covering about 27,000 families in 15 states.)<sup>3</sup> Also, as noted in the entry on General Assistance to Indians (program no.18 in this report), some tribes operate Tribal Work Experience Programs (TWEP), which pay a monthly \$115 supplement to GA cash benefits.

### Benefit Levels

In program year 2000-2001, about 23% of the reported total of 5,615 NEW participants received child care; 35%, transportation assistance; 17%, counseling; 16% other supportive/job retention services (such as equipment, tools and uniforms) and 4%, medical services. Major program activities included job search (40% of clients); classroom training (5%); work experience (26%); on-the job training (3%);

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<sup>1</sup> This name was given to the continued program of tribal work grants by HHS upon the recommendation of Indian tribes.

<sup>2</sup> NEW regulations are found at 45 CFR Part 287 (2002). This program is no. 93.594 in the Catalog of Federal Domestic Assistance.

<sup>3</sup> Tribal TANF funds are deducted from the family assistance grant of the state(s) in which they are located. As of early 2003, these deductions totaled \$115 million.

and other tribal work activity (12%).<sup>4</sup> A total of 1,565 NEW participants, including 616 TANF recipients, began unsubsidized jobs during the year. According to the Fifth annual TANF report, many tribes with NEW programs co-located training, employment, and social services, often in “one-stop” centers. Some grantees established information/resource centers and learning centers, which provided a variety of job preparation services and worked closely with local colleges.

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<sup>4</sup> These data apply only to NEW programs that did not transfer funding to BIA demonstration projects of integrated employment, training, and related services under P.L. 102-477. According to BIA summary information, the 25 NEW grantees that included their NEW programs in demonstration projects served a combined total of 17,732 clients under all programs in their projects; and of these persons, 27% entered unsubsidized employment during the year.

## Energy Assistance

## 84. Low-Income Home Energy Assistance (LIHEAP)

### Funding Formula

The Low-Income Home Energy Assistance Act (Title XXVI of P.L. 97-35, as amended) provides 100% federal funding for the Low-Income Home Energy Assistance Program (LIHEAP).<sup>1</sup> through annual block grants to states, the District of Columbia, more than 100 eligible Indian tribes, two commonwealths, and four territories.<sup>2</sup> The Department of Health and Human Services (HHS) distributes annual federal appropriations using an allocation formula established in law.

P.L. 103-252, which reauthorized the program through FY1999, authorized a special fund of \$600 million annually for emergencies (contingency funding). P.L. 105-285 reauthorized LIHEAP at \$2 billion annually for FY2002-FY2004. This law also expanded the criteria for LIHEAP contingency funding and added a section concerning natural disasters. In FY2002, 29 states received contingency funds totaling \$100 million. Federal outlays for LIHEAP totaled \$1.8 billion in FY2000, \$1.9 billion in FY2001, and \$1.8 billion in FY2002.

### Eligibility Requirements<sup>3</sup>

States and other grantees design and administer their own programs under general federal guidelines. These guidelines set maximum and minimum income eligibility standards, and allow jurisdictions operating the LIHEAP to make categorically eligible most households receiving Temporary Assistance for Needy Families (TANF), Supplemental Security Income (SSI), Food Stamps, veterans' pension, or compensation benefits.<sup>4</sup> Income eligibility standards vary, but they may not be above 150% of the federal poverty income guidelines (a 2003 limit of \$27,600 for a family of four in the 48 contiguous states), or 60% of the jurisdiction's median

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<sup>1</sup> In the late 1980s, LIHEAP also received significant funding from court-ordered oil-price overcharge settlements, but most of these settlements have been completed.

<sup>2</sup> When the regular annual federal appropriation is below \$1.975 billion, as has been the case for regular funds every year since FY1986, each state (including the District of Columbia) receives an allotment equal to its percentage share in FY1981 under LIHEAP's predecessor (the Low Income Energy Assistance Program); the same is true for Puerto Rico, Guam, American Samoa, the Virgin Islands, and the Northern Mariana Islands. If the regular appropriation were to exceed \$1.975 billion, a different formula would take effect. Indian tribes may receive allotments directly from the HHS (rather than through a state) if the HHS determines that this would best serve the tribe; these allotments are equal to their share of eligible low-income households in their state (or any larger amount agreed on by the tribe and the state).

<sup>3</sup> Regulations governing the LIHEAP are found at 45 CFR Part 96, Subpart H (2002). This program is no. 93.568 in the Catalog of Federal Domestic Assistance. It is codified at 42 U.S.C. 8621 et seq.

<sup>4</sup> Excluded from this categorical eligibility are: TANF foster care children, and SSI recipients in institutions or living in shared housing (i.e., if SSI benefits have been reduced or if they are children living at home).

income (adjusted for family size). In addition, they may not be below 110% of the federal poverty income guidelines. The law requires that benefits and outreach activities be targeted to those with the greatest home energy needs (as well as costs) particularly households with young children, frail elderly, and disabled individuals.<sup>5</sup> Eligibility for LIHEAP benefits is typically determined on a “household” basis, and grantees may establish eligibility standards in addition to income. A household can be an individual, or group of individuals who are living together as one economic unit for whom residential energy is customarily purchased in common or who make undesignated rent payments for energy.

## Benefit Levels

Grantees operating the LIHEAP decide benefit levels and the manner in which payments are made. However, to the extent permitted by efficient administration, jurisdictions are required to provide the highest benefits to households with lowest incomes and highest energy costs in relation to their income. They also must set aside a “reasonable” portion of their allotment for energy-related emergencies (basing the set-aside on past experience). LIHEAP funds may be used to help pay residential heating or cooling costs, purchase/install low-cost weatherization materials, and assist households facing energy-related emergencies.

Operating jurisdictions can use a maximum of 15% of their LIHEAP allotment for weatherization activities (or 25% if a federal waiver is granted). LIHEAP obligations for weatherization totaled \$159 million in FY2000 and \$234 million in FY2001, exceeding outlays for the weatherization program of the Department of Energy (program no. 85).

Benefits most commonly take the form of cash payments to households, vendor “lines of credit,” vouchers, and tax credits. In FY2000, some 3.9 million households are estimated to have received home heating benefits (and, in 17 states, cooling assistance was given to 318,438 households). In FY2002, heating benefits went to an estimated 4.7 million households. The program includes a Residential Energy Assistance Challenge (REACH) grant program, established by 1994 law, to increase efficiency of energy usage by low-income households.

Grantees may use up to 10% of their LIHEAP allotments for administrative expenses and may carryover up to 10% of 1 year’s funds for use in the next year.

**Note:** For more information, see CRS Report RL31865, *The Low-Income Home Energy Assistance Program (LIHEAP): Program and Funding Issues*.

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<sup>5</sup> Provision of P.L. 103-252.

## 85. Weatherization Assistance

### Funding Formula

The Energy Conservation and Production Act of 1976 (P.L. 94-385), as amended, provides 100% federal funding for weatherization assistance to low-income persons through grants administered by the Department of Energy (DOE).<sup>6</sup> Administrative costs may not exceed 10% of grant funds. Weatherization funds are allocated among the states on the basis of factors that include: number of heating degree days and cooling degree days, number of low-income owner-occupied and renter-occupied dwellings, percentage of total residential energy used for space heating and space cooling. Although states are not required to provide matching funds,<sup>7</sup> state and local funds often supplement federal amounts. Appropriations totaled \$230.0 million in FY2002.

### Eligibility Requirements<sup>8</sup>

States and other grantees design and administer their own programs under general federal guidelines. The law makes eligible all “low-income” households and offers alternate definitions of this term. States are permitted to give DOE weatherization assistance to households whose (a) combined income falls at or below 125% of the federal poverty income guidelines, a ceiling equal in the 48 contiguous states to \$23,000 for a family of four in 2003 (at state option, the ceiling can be lifted to 150% of the poverty guideline, if the state has adopted that income limit for LIHEAP) and (b) families with a member who received cash welfare payments during the previous 12 months from TANF, SSI, or state assistance programs.

### Benefit Levels

Legislation allows a maximum average expenditure, adjusted annually for price inflation (\$2,614 in FY2003), per dwelling unit for weatherization materials, labor, and related matters (such as transportation of materials and workers; maintenance, operation and insurance of vehicles; maintenance of tools and equipment; purchase or lease of tools, equipment and vehicles; employment of on-site supervisors; and storage of weatherization materials). DOE reports that it weatherized more than 97,000 homes in FY2001 and 5.2 million over the 27-year history of the program. The Low-Income Home Energy Assistance Program (LIHEAP) usually spends more funds on weatherization assistance than the DOE program. For information about LIHEAP weatherization assistance, see program no. 84.

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<sup>6</sup> Weatherization assistance also is provided under the Low-Income Home Energy Assistance Program (LIHEAP) administered by the Department of Health and Human Services (HHS).

<sup>7</sup> P.L. 106-113 required states to begin providing a 25% match beginning on Oct. 1, 2000, but this was repealed by P.L. 106-649.

<sup>8</sup> Regulations governing this program are found at 10 CFR Part 440 (2003). This program is no. 81.042 in the Catalog of Federal Domestic Assistance. It is codified at 42 U.S.C. 7101 et seq.

**Note:** For more information, see CRS Report RS20373, *The Department of Energy's Weatherization Assistance Program* and CRS Issue Brief IB10020, *Energy Efficiency: Budget, Oil Conservation, and Electricity Conservation Issues*. For DOE summary, see [<http://www.eere.energy.gov/buildings/weatherization/about.html>].

**Table 14. Need-Based Benefits: Expenditures and Enrollment Data, by Programs and Form of Benefits FY2000-FY2002**

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<b>Federal Expenditures</b>
<b>State-Local Expenditures</b>
<b>Number of Recipients</b>

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Data in this table are based on program reports and budget documents, including departmental justifications of appropriations estimates. Details of sources are available upon request.

**Note:** Programs are listed in descending order of total FY2002 expenditures. Except for sums below \$100 million, figures shown are rounded to the nearest million. Totals reflect rounding of sums below \$100 million to the nearest million. N.A = means “not available.” N.P.= means no program. To conserve space, names of some programs have been shortened in the table.

## MEDICAL BENEFITS

	Federal expenditures (millions of current dollars)			State-local expenditures (millions of current dollars)			Recipients (average monthly number unless otherwise indicated — in thousands)		
	FY2000	FY2001	FY2002	FY2000	FY2001	FY2002	FY2000	FY2001	FY2002
	1. Medicaid <sup>a</sup>	\$116,894 <sup>b</sup>	\$129,840 <sup>b</sup>	\$146,643 <sup>b</sup>	\$89,189 <sup>c</sup>	\$98,199 <sup>c</sup>	\$111,573 <sup>c</sup>	44,297 <sup>d</sup>	44,600 <sup>d</sup>
2. Medical care for veterans without service-connected disability <sup>e</sup>	7,215 <sup>f</sup>	7,731 <sup>f</sup>	8,185 <sup>f</sup>	<sup>g</sup>	<sup>g</sup>	<sup>g</sup>	1,316	1,479	1,640
3. State children's health insurance program (SCHIP)	1,929 <sup>h</sup>	2,672 <sup>h</sup>	3,776 <sup>h</sup>	853 <sup>i</sup>	1,154 <sup>i</sup>	1,631 <sup>i</sup>	3,334 <sup>j</sup>	4,601 <sup>j</sup>	5,315 <sup>j</sup>
4. General Assistance (medical care component) <sup>k</sup>	0	0	0	3,837	4,705	4,956	n.a.	n.a.	n.a.
5. Indian health services <sup>e</sup>	2,391	2,629	2,758	0	0	0	1,500+	1,600	1,600
6. Consolidated health centers <sup>e</sup>	1,018	1,164	1,328	0	0	0	9,600 <sup>l</sup>	10,500 <sup>l</sup>	11,550 <sup>l</sup>
7. Maternal and child health services block grant <sup>e</sup>	709	714	731	532 <sup>m</sup>	536 <sup>m</sup>	548 <sup>m</sup>	8,500	8,707	9,038
8. Title X family planning services <sup>e</sup>	239	254	265	0	0	0	4,692 <sup>l</sup>	4,792 <sup>l</sup>	4,858 <sup>l</sup>
9. Medical assistance to refugees, asylees, other humanitarian cases <sup>n</sup>	66	72	74	0	0	0	n.a.	n.a.	n.a.
<b>Medical Care Total</b>	<b>130,461</b>	<b>145,076</b>	<b>163,760</b>	<b>94,411</b>	<b>104,594</b>	<b>118,708</b>	<b>0</b>	<b>0</b>	<b>0</b>

a. Funded program costs.

b. Includes these sums for administration: 2000, \$5,892 million; 2001, \$6,555 million; 2002, \$6,601 million.

c. Includes these sums for administration: 2000, \$4,685 million; 2001, \$5,325 million; 2002, \$5,330 million.

d. Unduplicated annual number of persons ever enrolled during the year, regardless of whether they received a service funded by the program.

e. Appropriations.

f. Includes these sums for administration: 2000, \$23 million; 2001, \$24 million; 2002, \$25 million.

g. VA makes grants to states to help finance construction of some states' veterans' homes and pay per diem expenses for some veterans in state homes, but state and local expenditures are not known.

h. Data include these sums for administrative costs: 2000, \$116.5 million; 2001, \$ 191 million; 2002, \$251 million. Federal benefit expenditures are from state claims for federal matching dollars, submitted to HHS on Form 21C (as of 11/30/02), and may include Medicaid administrative costs at an enhanced federal matching rate.

i. Actual state and local share of administrative costs for FY2000-FY2002 are not available.

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- j. Number ever enrolled during the year.
- k. Data from the Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group.
- l. Annual count.
- m. Minimum match required by law for block grant amount (75% of Federal sum) and SPRANS grants (50% of Federal sum). States may spend more, but data are not available.
- n. Includes these estimated sums for administration: 2000, \$23 million; 2001, \$20 million; 2002, \$21 million. Refugee cash and medical administrative expenditures actually are combined. Estimates are based on the 1998-1999 proportion of benefit dollars in each program.
- o. Because of a high degree of overlap (and in some cases, a mixture of monthly and annual numbers), recipient totals are not shown.

## CASH BENEFITS

	Federal expenditures (millions of current dollars)			State-local expenditures (millions of current dollars)			Recipients, average monthly number unless otherwise indicated, (in thousands)		
	FY2000	FY2001	FY2002	FY2000	FY2001	FY2002	FY2000	FY2001	FY2002
	10. Supplemental Security Income (SSI) <sup>a</sup>	\$30,718 <sup>b</sup>	\$32,584 <sup>b</sup>	\$33,871 <sup>b</sup>	\$4,255 <sup>c</sup>	\$4,496 <sup>c</sup>	\$4,651 <sup>c</sup>	6,692 <sup>d</sup>	6,751 <sup>d</sup>
11. Earned Income Tax Credit (EITC) <sup>e</sup> (refundable part)	28,025	29,428	27,830	0	0	0	16,215 <sup>f</sup>	16,827 <sup>f</sup>	n.a.
12. TANF <sup>g</sup>	6,852 <sup>h</sup>	6,731 <sup>h</sup>	6,481 <sup>h</sup>	7,638 <sup>i</sup>	6,865 <sup>i</sup>	6,554 <sup>i</sup>	5,943 <sup>j</sup>	5,420 <sup>j</sup>	5,147 <sup>j</sup>
13. Foster care <sup>k</sup>	4,255 <sup>l</sup>	4,395 <sup>l</sup>	4,523 <sup>l</sup>	3,723 <sup>m</sup>	3,916 <sup>m</sup>	4,095 <sup>m</sup>	288	265	254
14. Child tax credit <sup>n</sup> (refundable part)	907	5,015	5,060	0	0	0	1,034 <sup>f</sup>	8,634 <sup>f</sup>	n.a.
15. General assistance (nonmedical care component) <sup>o</sup>	0	0	0	2,968	2,956	3,251	n.a.	n.a.	n.a.
16. Pensions for needy veterans, their dependents and survivors	2,968	3,018	3,177	0	0	0	635 <sup>p</sup>	602 <sup>p</sup>	581 <sup>p</sup>
17. Adoption assistance	1,012 <sup>q</sup>	1,201 <sup>q</sup>	1,342 <sup>q</sup>	849 <sup>r</sup>	1,009 <sup>r</sup>	1,130 <sup>r</sup>	228	258	286
18. Dependency and indemnity compensation and death compensation for parents of veterans (DIC)	130	112	84	0	0	0	12.5 <sup>o</sup>	10.5 <sup>o</sup>	7.5 <sup>o</sup>
19. General Assistance to Indians <sup>s</sup>	70.8	76	66.5	0	0	0	41	41	45
20. Cash assistance to refugees, asylees, other humanitarian cases <sup>t</sup>	36	40	41	0	0	0	10.1	11.6	84
<b>Cash Aid Total*</b>	<b>74,974</b>	<b>82,600</b>	<b>82,476</b>	<b>19,433</b>	<b>19,242</b>	<b>19,681</b>	<b>u</b>	<b>u</b>	<b>u</b>

\*Some other programs provide aid in the form of cash intended for specific goods or services. Examples are the Low-Income Home Energy Assistance Program and educational loan and grant programs.

- a. In FY2000, 13 monthly payments of SSI were made, and in FY2001, 11 monthly payments. Expenditure data in this table have been adjusted to a 12-payment basis for each year.
- b. Includes these sums for administration: 2000, \$2,321 million; 2001, \$2,397 million; 2002, \$ 2,522 million. Excludes these amounts for beneficiary services: 2000, \$54 million; 2001, \$44 million; 2002 \$ 54 million.
- c. Includes these estimated sums (calendar year) for state administration of state SSI supplements: \$71 million; \$72 million; \$ 68 million (estimates equal 8% of state-administered benefits).

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- d. Data include recipients of non-federally administered payments (state-administered SSI supplements only, data as of December of each year): 2000, 83,483; 2001, 87,059; 2002, 151,989. In 2002, Texas began reporting on state-administered supplements, which increased estimated numbers above those of previous years.
- e. Data for 2000 and 2001 are from U.S. Treasury, Internal Revenue Service, and refer to the calendar year (tax year) to which the EITC applied. Benefits exclude tax expenditures (reductions in tax owed), which totaled \$4,492 million in 2000 and \$4,376 million in 2001. Data for 2002 are estimates from the FY2004 Budget of the United States, Analytical Perspectives, and exclude tax expenditures of \$4,450 million.
- f. Estimated annual number of tax units (chiefly families). 2001 number is preliminary.
- g. Includes basic cash assistance, refundable tax credits, short-term nonrecurring benefits (example, diversion payments), and contributions to individual development accounts. Excludes transfers to CCDBG and SSBG. Excludes spending for TANF child care, TANF work activities, and TANF services (reported separately under those programs). Excludes separate Welfare-to-Work grants administered by the Labor Department. However, includes administrative costs for all TANF-funded benefits and services.
- h. Includes these sums for overall TANF administrative costs (for all benefits and services): 2000, \$1,506 million; 2001, \$1,598 million; 2002, \$1,633 million.
- i. Includes these sums for overall TANF administrative costs (all benefits and services): 2000, \$889 million; 2001, \$1,042 million; 2002, \$983 million.
- j. Number of recipients. Number of families: 2000, 2.265 million; 2001, 2.116 million; 2002, 2.064. Number of children: 2000, 4.385 million; 2001, 4.055 million; 2002, 3.839 million.
- k. Foster care benefit expenditures do not include child support payments collected on behalf of foster care children, which are used to reimburse state and federal costs for foster care maintenance payments. For FY2000, child support payments received on behalf of foster care children totaled \$45 million; for each of FYs 2001 and 2002, \$49 million.
- l. Includes these sums for administration, data collection, training, and demonstration (waiver) costs: 2000, \$2,376 million; 2001, \$2,473 million; 2002, \$2,641 million. **Note:** before FY2000, states were not asked to separately classify demonstration spending, which may be used for either benefits or administration. Waiver expenditures included in the foregoing sums were: 2000, \$136 million; 2001, \$148 million; 2002, \$191 million.
- m. Includes these estimated sums for administration, data collection, training, and demonstration (waiver) costs: 2000, \$2,224 million; 2001, \$2,311 million; 2002, \$2,474 million. Waiver costs included in the preceding totals were: 2000, \$131 million; 2001, \$142 million; 2002, \$186 million.
- n. Data for 2000 and 2001 are from U.S. Treasury, Internal Revenue Service, and refer to the calendar year (tax year) to which the child tax credit applied. Benefits exclude tax expenditures (reductions in tax owed), which totaled \$19.7 billion in 2000 and \$22.5 billion in 2001. Data for 2002 are estimates from the FY2004 Budget of the United States, Analytical Perspectives, and exclude tax expenditures of \$22.2 billion.
- o. Spending data relate to state fiscal years. 2000 and 2001 spending data are based on reports from the U.S. Census Bureau (state and local government expenditures for noncategorical cash assistance payments). 2002 amount is an estimate, based on data obtained from 4 states that accounted for 33% of the 2000 Census-reported total. Data from these states indicated that GA cash expenditures rose about 10% from 2000 to 2002.
- p. Annual count.
- q. Includes these sums for administration, data collection, training, and demonstration (waiver) costs: 2000, \$286 million; 2001, \$299 million; 2002, \$305 million. Waiver spending included in foregoing totals: 2000, \$90,000; 2001, \$240,000; 2002, \$1 million.
- r. Includes these estimated sums for administration, data collection, training, and demonstration (waiver) costs: 2000, \$255 million; 2001, \$271 million; 2002, \$277 million. Waiver spending included in foregoing totals: 2000, \$90,000; 2001, \$235,000; 2002, \$729,000.
- s. Obligations.
- t. Estimates. Includes these estimated sums for administration: 2000, \$12 million; 2001, \$11 million; 2002, \$12 million. Refugee cash and medical administrative expenditures actually are combined. Estimates are based on the 1998-1999 proportion of benefit dollars in each program.
- u. Recipient totals are not shown because data include monthly and annual numbers.

## FOOD BENEFITS

	Federal expenditures <sup>a</sup> (millions of current dollars)			State-local expenditures (millions of current dollars)			Recipients (average monthly number unless otherwise indicated — in thousands)		
	FY2000	FY2001	FY2002	FY2000	FY2001	FY2002	FY2000	FY2001	FY2002
	21. Food stamps <sup>b</sup>	\$18,255 <sup>c</sup>	\$18,813 <sup>c</sup>	\$21,657 <sup>c</sup>	\$2,086	\$2,233	\$2,397	18,200 <sup>d</sup>	18,400 <sup>d</sup>
22. School lunch program (free and reduced price components)	5,509	5,659	6,064	f	f	f	15,400 <sup>g</sup>	15,500 <sup>g</sup>	16,000 <sup>g</sup>
23. Special supplemental nutrition program for women, infants, and children (WIC)	3,954 <sup>h</sup>	4,123 <sup>h</sup>	4,350 <sup>h</sup>	i	i	i	7,200	7,300	7,500
24. Child and adult care food program (lower — income components) <sup>j</sup>	1,479 <sup>k</sup>	1,533 <sup>k</sup>	1,638 <sup>k</sup>	—	—	—	1,900 <sup>l</sup>	1,900 <sup>l</sup>	2,000 <sup>l</sup>
25. School breakfast (free and reduced price components) <sup>j</sup>	1,349	1,402	1,515	—	—	—	6,300 <sup>g</sup>	6,400 <sup>g</sup>	6,700 <sup>g</sup>
26. Nutrition program for the elderly (no income test) <sup>m</sup>	661 <sup>n</sup>	680 <sup>n</sup>	716 <sup>n</sup>	79 <sup>o</sup>	80 <sup>o</sup>	85 <sup>o</sup>	2,700 <sup>p</sup>	2,700 <sup>p</sup>	2,900 <sup>p</sup>
27. The Emergency Food Assistance Program (TEFAP) <sup>q</sup>	305	475	361	r	r	r	n.a.	n.a.	n.a.
28. Summer food service for children	284 <sup>s</sup>	292 <sup>s</sup>	307 <sup>s</sup>	i	i	i	2,100 <sup>t</sup>	2,199 <sup>t</sup>	1,900 <sup>t</sup>
29. Commodity supplemental food program (CSFP) <sup>u</sup>	92	91	105	i	i	i	389	407	427
30. Food distribution program on Indian reservations (FDPIR) <sup>v</sup>	75	77	74	w	w	w	121	113	110
31. Farmers' market nutrition programs <sup>x</sup>	19	31	36	y	y	y	1,900	2,500	n.a.
32. Special milk program (free part)	1	1	1	i	i	i	30 <sup>z</sup>	30 <sup>z</sup>	30 <sup>z</sup>
<b>Food Aid Total*</b>	<b>31,983</b>	<b>33,177</b>	<b>36,824</b>	<b>2,165</b>	<b>2,313</b>	<b>2,482</b>	<b>aa</b>	<b>aa</b>	<b>aa</b>

\*See also program no. 72, Emergency Food and Shelter.

a. Federal expenditures represent obligations unless otherwise marked.

b. Food stamp data include spending for (1) state-financed benefits for non-citizens, to the extent that they are funded through transfers to the federal government (2) Puerto Rico's nutrition assistance program (over \$1.2 billion yearly), and (3) nutrition assistance grants to American Samoa and the Northern Marianas totaling about \$10 million yearly. State-

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- local expenditure estimates are for administration and do not include amounts transferred to the federal government to finance benefits for non-citizens (\$35 million in 2000, \$34 million in 2001, and \$78 million in 2002), or amounts spent directly by states for benefits to non-citizens.
- c. Excludes sums spent for food stamp work/training, reported under that program (no. 79 ). Includes these sums for food stamp administration: 2000, \$1,935 million; 2001, \$2,102 million; 2002, \$2,264 million. Includes amounts for state-financed benefits for non-citizens.
  - d. Includes persons receiving nutrition assistance in Puerto Rico: 2000, 1.1 million; 2001, 1.1 million; 2002, 1 million.
  - e. Estimated cash and commodity assistance for free and reduced price lunches and after-school snacks. Includes federal funds for state administrative expenses for school lunch *and* other child nutrition programs. These administrative funds totaled: 2000, \$120 million; 2001, \$127 million; 2002, \$ 132 million. Excludes cash assistance for “full-price” meals (44% of total lunches served), which have no income test.
  - f. Not reported since 1980, when federal funds provided about half the total cost of the lunch program, and children’s meal payments, plus state/local revenues, the other half. A 1994 Agriculture Department survey indicates that 40% of the total operating costs of school meal programs come from children’s meal payments and state/local government sources. The minimum state matching requirement totals just over \$200 million annually.
  - g. Estimated average daily number of children receiving free and reduced-price meals in these programs.
  - h. Includes these federal payments for state-local administration, nutrition services, infrastructure grants, and technical services: 2000, \$1,108 million; 2001, \$1,150 million; 2002, \$1,208 million. “Administrative” expenses include costs of providing nutritional risk assessments, nutrition education, and other services such as breast feeding support services. All figures have been adjusted for year-to-year carry overs of unspent funds.
  - I. None required. Contributions unknown.
  - J. Federal spending for state administrative costs included under program no. 21 (school lunch). See footnote e.
  - k. Estimates of funds (including the value of commodity assistance) for meals/snacks served to children and adults with family income not exceeding 185% of the poverty income guideline. Includes administrative payments for day care home sponsors and audit expenses: 2000, \$136 million; 2001, \$138 million; 2002, \$138 million.
  - l. Estimates of children from families who meet an income test (185% of the poverty income guideline) are based on the number of meals/snacks subsidized at the higher rate paid for meals served to such children. However, a 1999 Agriculture Department survey indicates that the figures presented here may overstate the number of lower-income children served by approximately 200,000.
  - m. The law prohibits an income test but requires preference for those with greatest economic or social need.
  - n. Sums represent (1) appropriations of Administration on Aging (AoA) before transfer of funds among supportive service and nutrition service categories plus (2) USDA obligations of funds for the elderly commodity program. For FY2002, AoA appropriations were \$566.5 million, and USDA commodity obligations were \$ 176.5 million.
  - o. The non-federal share for congregate and home-delivered nutrition is an estimate based on a 15% match requirements for these funds. No match is required for the nutrition services incentive component of the program.
  - p. Annual unduplicated number. 2002 is an estimate.
  - q. Sums represent the value of commodities plus appropriations for state and local administrative and distribution costs and the value of “bonus” commodities provided without appropriation. Includes commodities for soup kitchens and food bank programs.
  - r. States must match, in cash or in-kind, administrative grants that they do not pass along to local agencies. Amounts, if any, are not known.
  - s. Includes payments to summer program sponsors for administrative costs and health inspection payments to states: 2000, \$30 million; 2001, \$30 million; 2002, \$ 30 million.
  - t. July participation.
  - u. Includes amounts obligated for administration and distribution costs): 2000, \$20 million; 2001, \$23 million; 2002, \$23 million. Not adjusted for inter-year transfer of funds. Because of carry overs of funds and commodity inventories among fiscal years, actual expenditures are higher than the new obligation amounts shown here. Does not include the value of “bonus” commodities provided without appropriation, estimated at \$1 to \$5 million annually.

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- v. Sums represent the value of purchased commodities plus administrative grants. Administrative costs: 2000, \$21 million; 2001, \$23 million; 2002, \$ 23 million. Not adjusted for inter-year transfers of commodities. Does not include the value of “bonus” commodities provided without an appropriation: estimated at \$5 to \$10 million annually. Because of carry overs of funds and commodity inventories among fiscal years, actual expenditures are higher than the new obligation amounts shown here.
- w. Indian tribal organizations and state agencies operating the program must contribute up to 25% of administrative and distribution costs, but the amount of their contributions (estimated at \$5 to \$10 million annually) are not known.
- x. All spending is shown as benefit expenditures. No information is available on the breakout between benefit and administrative spending, although administrative expenses generally may not exceed 17% of a state’s grant.
- y. Although a 30% state match is required under the WIC component of the farmers’ market nutrition program, no information is available on the actual amount spent.
- z. Average number of half-pints of free milk served daily to children whose family income does not exceed 130% of the poverty income guidelines. Excludes federally subsidized milk served without regard to child’s family income.
- aa. Recipients are not totaled because of a high degree of overlap (and/or in some cases, a mixture of monthly and annual numbers).

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**HOUSING BENEFITS**

	Federal expenditures (millions of current dollars)			State-local expenditures (millions of current dollars)			Families or dwelling units (total during year unless otherwise indicated — in thousands)		
	FY2000	FY2001	FY2002	FY2000	FY2001	FY2002	FY2000	FY2001	FY2002
	33. Section 8 low-income housing aid	\$15,972	\$16,720	\$18,499	\$0 <sub>c</sub>	\$0 <sub>c</sub>	\$0 <sub>c</sub>	3,196 <sup>a</sup>	3,310 <sup>a</sup>
34. Low-rent public housing <sup>b</sup>	7,217	7,504	8,213				1,267 <sup>a</sup>	1,219 <sup>a</sup>	1,209 <sup>a</sup>
35. Rural housing loans (Section 502) <sup>d</sup>	3,291	3,406	3,499	0	0	0	45.6	45.5	43.1
36. Home investment partnerships (HOME) <sup>e</sup>	1,636	1,796	1,796	503	745	704	85.9 <sup>f</sup>	81.5 <sup>f</sup>	84.1 <sup>f</sup>
37. Housing for special populations (elderly and disabled)	720	774	895	0	0	0	8	7.6	12
38. Rural rental assistance payments (Section 521) <sup>d</sup>	640	679	705	0	0	0	41.8 <sup>g</sup>	42.2 <sup>g</sup>	44.3 <sup>g</sup>
39. Section 236 interest reduction	596	592	579	0	0	0	446 <sup>a</sup>	415 <sup>a</sup>	392 <sup>a</sup>
40. Housing Opportunities for People with AIDS (HOPWA) <sup>h</sup>	215	241	314	0	0	0	n/a	63.3	68.0
41. Rural rental housing loans (Section 515) <sup>d</sup>	114	114	114	0	0	0	1.7	14.2 <sup>i</sup>	14.5 <sup>i</sup>
42. Rural housing repair loans and grants (Section 504) <sup>d</sup>	57.8 <sup>j</sup>	61.3 <sup>j</sup>	62.4 <sup>j</sup>	0	0	0	9.8 <sup>k</sup>	11.8 <sup>k</sup>	11.8 <sup>k</sup>
43. Farm labor housing loans and grants (Sections 514 and 516) <sup>d</sup>	48.1 <sup>l</sup>	41.2 <sup>l</sup>	61.8 <sup>l</sup>	0	0	0	0.8	1.9	1.9
44. Section 101 rent supplements	54.1	53.7	53.7	0	0	0	20.3 <sub>n</sub>	20.2 <sub>n</sub>	18.1 <sub>n</sub>
45. Rural self-help technical assistance (Sections 523 and 524) <sup>d</sup>	32.2 <sup>m</sup>	25.4 <sup>m</sup>	27 <sup>m</sup>	0	0	0			
46. Indian housing improvement	15.5	19.6	19.6	0	0	0	0.55 <sup>o</sup>	0.36 <sup>o</sup>	0.54 <sup>o</sup>
47. Section 235 homeownership aid	16.5	14.1	10.8	0	0	0	26.5	17.7	13.0
48. Rural housing preservation grants (Section 533)	5.5	8.0	8.6	0	0	0	1.4	1.7	2.1
49. Homeownership and opportunity for people everywhere (HOPE)	25	21.0	3.0	6.3	5.3	0.8	n/a	n/a	n/a
<b>Housing Aid Total*</b>	<b>30,656</b>	<b>32,070</b>	<b>34,861</b>	<b>509</b>	<b>750</b>	<b>705</b>	<b>p</b>	<b>p</b>	<b>p</b>

\*See also program no. 72, Emergency Food and Shelter, and program no. 68, Homeless Assistance Grants.

a. Units eligible for payment at end of fiscal year.

b. Outlay data include operating subsidies, capital grants, and HUD-administered Indian housing. Outlay and housing unit data exclude the Indian Housing Block Grant.

c. Localities accept payments in lieu of property taxes that are lower than normal taxes (usually equal to 10% of shelter rent). No estimate is available of the value of this benefit.

d. Obligations.

e. State-local governments may use up to 10% of federal HOME funds for administrative costs.

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- f. Consists of housing units provided, constructed, or rehabilitated by HOME funds, plus tenant-based rental assistance. Housing units: 2000, 78,968; 2001, 69,712; 2002, 73,804. Families receiving tenant-based rental assistance: 2000, 6,899; 2001, 11,756; 2002, 10,239.
- g. Units assisted under this program also are counted under the Section 515 program (rural rental housing loans) or Section 514 program (farm labor housing loans).
- h. Amounts shown are appropriations.
- i. Beginning in FY2001, includes rehabilitation loans.
- j. Amount of rural housing repair loans and grants (Section 504) obligated: 2000, \$27.4 million in loans and \$30.4 million in grants; 2001, \$ 30.3 and \$31.1 million, respectively; 2002, \$31.8 and \$30.6 million, respectively.
- k. Number of rural housing units repaired with loans and grants (Section 504): 2000, 4,321 units repaired with loans and 5,442 with grants; 2001, 5,431 and 6,331, respectively; 2002, 5,615 and 6,170, respectively. **Note:** Some units may receive both a loan and a grant.
- l. Amount of farm labor housing loans (Section 514) and grants (Section 516) obligated: 2000, \$25.9 million in loans and \$19.3 million in grants; 2001, \$32.1 and \$9.1 million, respectively; 2002, \$47.3 and \$14.5 million, respectively.
- m. Amounts shown are self-help technical assistance grants (Section 523) and site loan obligations (Sections 523 and 524). Grants: 2000, \$30.4 million; 2001, \$17.6 million; 2002, \$26.5 million. Site loan obligations (Section 523): 2000, \$1.2 million; 2001, \$4 million; 2002, \$0.0 million. Site loan obligations (Section 524): 2000, \$0.6 million; 2001, \$3.7 million; 2002, \$0.5 million.
- n. These programs provide for the development of building sites. Houses constructed on these sites generally are financed (and counted) under the Section 502 program.
- o. Numbers represent new and repaired or renovated houses, as follows: 2000, 238 new and 310 repaired or renovated houses; 2001, 138 new and 225 repaired or renovated houses; 2002, 201 new and 327 repaired or renovated houses.
- p. Columns are not totaled because they are a mixture of numbers: dwelling units, loans, and grants. Further, some units are assisted by more than one program.

## EDUCATION BENEFITS

	Federal expenditures <sup>a</sup> (millions of current dollars)			State-local expenditures (millions of current dollars)			Recipients (participants in the school year <sup>b</sup> in thousands)		
	FY2000	FY2001	FY2002	FY2000	FY2001	FY2002	FY2000	FY2001	FY2002
	50. Federal Pell grants	\$8,756	\$11,314	\$11,364	\$0	\$0	\$0	3,853	3,696
51. Head Start <sup>c</sup>	5,267	6,200	6,538	1,317 <sup>d</sup>	1,550 <sup>d</sup>	1,634 <sup>d</sup>	858	905	912
52. Subsidized Federal Stafford and Stafford/Ford loans <sup>e</sup>	(2,217)	3,590	7,523	0	0	0	4,836	5,040	5,564
53. Federal work-study program <sup>f</sup>	1,000	1,000	1,000	0	0	0	912	970	1,073
54. Federal Trio programs <sup>g</sup>	730	803	827	0	0	0	717	742	865
55. Supplemental educational opportunity grants <sup>f</sup>	691	725	760	0 <sup>h</sup>	0 <sup>h</sup>	0 <sup>h</sup>	1,088	1,169	1,189
56. Chap.I migrant education program	380	396	395	0	0	0	720	760	738
57. Perkins loans	160	168	166	0	0	0	677	711	707
58. Leveraging Educational Assistance Partnerships (LEAP)	55	67	67	55 <sup>i</sup>	67 <sup>i</sup>	67 <sup>i</sup>	90	135	171
59. Health professions student loans and scholarships <sup>j</sup>	41	53	58	0	0	0	12.3 <sup>k</sup>	13.5 <sup>k</sup>	11.4 <sup>k</sup>
60. Fellowships for graduate and professional study <sup>l</sup>	41	45	45	0 <sup>h</sup>	0 <sup>h</sup>	0 <sup>h</sup>	774 <sup>m</sup>	142 <sup>m</sup>	57 <sup>m</sup>
61. Migrant high school equivalence program	20	23	23	0 <sup>h</sup>	0 <sup>h</sup>	0 <sup>h</sup>	6	7.4	8.6
62. College assistance migrant program	10	15	15	0 <sup>h</sup>	0 <sup>h</sup>	0 <sup>h</sup>	1.3	1.7	2.5
63. Close Up fellowships	1.5	1.5	1.5	0	0	0	2.5	n.a.	2.8 <sup>n</sup>
<b>Education Aid Total</b>	<b>14,936</b>	<b>24,401</b>	<b>28,783</b>	<b>1,372</b>	<b>1,617</b>	<b>1,701</b>	<b>14,547</b>	<b>14,293</b>	<b>16,113</b>

- a. Federal expenditure data represent appropriations and, unless otherwise indicated, are based upon appropriations for the program in the school year ending in the fiscal year named. For forward-funded programs, for example, "FY2002 expenditures" are total FY2001 appropriations for the program (which generally were available for obligation from July 1, 2001 through Sept. 30, 2002). For current-funded programs, FY2002 expenditures are FY2002 appropriations, which generally were available for obligation throughout FY2002.
- b. The number of recipients is based upon counts or estimates of participants in the school year ending in the fiscal year named. For example, FY2002 recipients are students who participated in (or received benefits from) programs during the 2001-2002 school year, or during the summer of 2002.
- c. Federal appropriations include funds for local administration. **Note:** Although Head Start is classified in this report as an education program, it provides many other services. It is administered by HHS rather than ED.
- d. Estimate. Based on requirement that non-federal funds equal 20% of total program costs (equivalent to 25% of federal sums).

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- e. Dollars are for the program in the fiscal year named. They are net program obligations for subsidized Stafford and Stafford/Ford loans. Data for FY2000 are negative: -\$1.7 billion for FFEL loans and -\$0.6 million for Ford loans. Combined data for FY2001 are positive: \$4.3 billion for FFEL and -\$0.7 billion for Ford loans. FY2002 data are positive: \$3.4 billion for FFEL loans and \$4.1 billion for Ford loans. Recipient data represent number of subsidized Stafford and Stafford/Ford loans made in the fiscal year.
- f. This program also receives non-governmental funds.
- g. Recipient data exclude TRIO staff who receive training.
- h. Federal funds for these migrant education programs may be supplemented by states, local school districts, or public or nonprofit agencies. However, data are unavailable on this support, which is voluntary.
- i. Estimates. Based on requirement that non-federal funds at least equal the federal sum.
- J. Data here apply only to scholarships and loans funded with appropriations. Revolving funds (from loan repayments) fund Health Professions Student Loans and Loans for Disadvantaged Students.
- k. Recipients 2000, 17,679 persons received scholarships and 588, loans; 2001, 13,477 and 35, respectively; 2002, 11,377 and 37, respectively.
- l. The program of graduate assistance in subject areas of national need requires institutions to provide matching funds equal to 25% of the federal grant.
- m. Data refer to persons receiving new awards each year; they exclude persons with continuing fellowships.
- n. School year 2002-2003 recipients: 1,223 students, 1,246 teachers, and 250 new Americans.

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## SERVICES

	Federal expenditures (millions of current dollars)			State-local expenditures (millions of current dollars)			Recipients (average monthly number unless otherwise indicated in thousands)		
	FY2000	FY2001	FY2002	FY2000	FY2001	FY2000	FY2000	FY2001	FY2002
	64. Child care and development block grant (CCDBG) <sup>a</sup>	\$5,268	\$5,872	\$6,383	\$1,897	\$2,039	\$2,206.	748 <sup>b</sup>	1,814 <sup>b</sup>
65. TANF services <sup>c</sup>	2,705	4,200 <sup>d</sup>	4,413 <sup>d</sup>	982	1,328 <sup>e</sup>	1,734 <sup>e</sup>	n.a.	n.a.	
66. Social services block grant (Title XX)	2,854 <sup>f</sup>	2,645 <sup>f</sup>	2,743 <sup>f</sup>	n.a.	n.a.	n.a.	13,904	12,826	n.a.
67. TANF child care	1,411	1,583	1,572	897 <sup>i</sup>	763 <sup>g</sup>	750 <sup>g</sup>	n.a.	n.a.	n.a.
68. Homeless assistance grants <sup>h</sup>	885	967	1,044	i	i	i	n.a.	n.a.	n.a.
69. Community services block grant	594	683	739	i	i	i	n.a.	n.a.	n.a.
70. Legal services <sup>h</sup>	304 <sup>j</sup>	329 <sup>l</sup>	329 <sup>j</sup>	0	0	0	1,012 <sup>k</sup>	1,014 <sup>k</sup>	979 <sup>k</sup>
71. Social services for refugees, asylees, and other humanitarian cases <sup>h</sup>	144	144	159	0	0	0	n.a.	n.a.	n.a.
72. Emergency food and shelter program <sup>h l</sup>	113 <sup>m</sup>	143 <sup>m</sup>	143 <sup>m</sup>	i	i	i	n.a.	n.a.	n.a.
<b>Services Totals</b>	<b>14,278</b>	<b>16,566</b>	<b>17,525</b>	<b>3,776</b>	<b>4,130</b>	<b>4,690</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>

a. Includes expenditures made from funds transferred to CCDBG from TANF.

b. Average monthly number of children served.

c. Includes services provided solely under terms of pre-TANF law, supportive services, pregnancy prevention and family formation activities, and unclassified "other" expenditures.

d. Includes these sums for transportation and other supportive services for non-employed persons (classified as "non-assistance"): 2001, \$524 million; 2002, \$339 million

e. Includes these sums for transportation and other supportive services for non-employed persons (classified as "non-assistance"): 2001, \$133 million; 2002, \$245 million.

f. Includes transfers from TANF: 2000, \$ 1,079 million; 2001, \$920 million; 2002, \$1,043 million. Excluded are transfers from LIHEAP and the Community Services Block Grant (and reported under those programs).

g. Not total TANF maintenance-of-effort (MOE) child care spending. To avoid double counting, reported here is only the amount by which TANF MOE spending exceeds CCDBG MOE spending. 2002 sum is estimated.

h. Appropriations

i. None required. Contributions unknown.

j. Includes administrative costs: 2000, \$16 million; 2001, \$20 million; 2002, \$19 million.

k. Recipient count represents total number of cases closed during the fiscal year.

l. Law places these limits on administrative spending: local recipient organizations, 2% of their funds; National board, 1%; state set-aside committees, 0.5%. **Note:** Shelters, not individuals, are fund recipients.

m. Includes these sums for administrative costs: FY2000, \$2.6 million; FY2001, \$3.3 million, and FY2002, \$3.4 million.

## JOBS AND TRAINING

	Federal expenditures <sup>a</sup> (millions of current dollars)			State-local expenditures (millions of current dollars)			Recipients (total annual number unless otherwise indicated — in thousands)		
	FY2000	FY2001	FY2002	FY2000	FY2001	FY2002	FY2000	FY2001	FY2002
	73. TANF work activities <sup>b</sup>	\$1,515	\$1,983	\$2,121	\$757	\$713	\$606	n.a.	n.a.
74. Job Corps	1,399	1,459	1,532	0	0	0	70	68	68
75. Youth activities <sup>c</sup>	1,128	1,128	1,000	0	0	0	612	721	446
76. Adult activities	950	950	950	0	0	0	380	415	393
77. Senior community service employment	440 <sup>d</sup>	440 <sup>d</sup>	445 <sup>d</sup>	48.9 <sup>e</sup>	48.9 <sup>e</sup>	49.4 <sup>e</sup>	100	100	100
78. Welfare-to-work grant program	568 <sup>f</sup>	591 <sup>f</sup>	342 <sup>f</sup>	176 <sup>g</sup>	288 <sup>g</sup>	71.4 <sup>g</sup>	198 <sup>h</sup>	206 <sup>h</sup>	117 <sup>h</sup>
79. Food stamp employment and training <sup>b, i</sup>	200	231	294	103	104	116	n.a.	n.a.	n.a.
80. Foster grandparents	96	98.9	107	37 <sup>j</sup>	40.4 <sup>j</sup>	47.7 <sup>j</sup>	16	30.2	34
81. Senior companions	39.2	40.4	44.4	24.4 <sup>j</sup>	27.3 <sup>j</sup>	24.6 <sup>j</sup>	16	15.5	17
82. Targeted assistance for refugees, asylees, and other humanitarian cases	49.5	49.5	49.5	0	0	0	n.a.	n.a.	n.a.
83. Native employment works program	7.6	7.6	7.6	0	0	0	6.9 <sup>k</sup>	5.6 <sup>k</sup>	n.a.
<b>Job and Training Total</b>	<b>6,392</b>	<b>6,978</b>	<b>6,893</b>	<b>1,146</b>	<b>1,222</b>	<b>915</b>	<b>1,399</b>	<b>1,561</b>	<b>1,175</b>

a. Data are appropriations unless otherwise marked.

b. Expenditures.

c. Effective July 1, 2000, includes funds for summer employment opportunities for youth (previously a separate program).

d. The law permits no more than 13.5% of federal funds to be used for administrative costs (but authorizes the Secretary of Labor to increase this to 15% under certain conditions).

e. Estimate, based on general requirement that non-federal funds equal at least one-ninth of federal funds (10% of total). State-local spending represents cash and in-kind amounts and may include some private sums.

f. FY2000, \$404 million in formula grants and \$164 million in competitive grants; 2001, \$427 million in formula grants and \$164 million in competitive grants; 2002, \$329 million in formula grants and \$18.3 million in competitive grants.

g. Matching funds for formula grants

h. FY2000, 141.7 thousand formula grant participants and 56.8 thousand competitive grant participants; FY2001, 170.4 thousand and 36.1 thousand participants, respectively; and FY2002, 107.6 thousand and 10 thousand, respectively.

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- i. Spending for administering and operating employment and training activities for food stamp recipients and for support costs like child care and transportation. Funding provided (obligated) substantially exceeds expenditure amounts shown in this table. In editions of this report issued before 2001, funding for the employment and training programs for food stamp recipients was included in figures shown for administration of the food stamp program, typically \$150 — \$200 million annually in federal funds and \$50-\$100 million in state funds.
- j. Table shows non-federal funding (cash and in-kind amounts from state-local governments and some private sources), as reported in annual Budget Justifications of the Corporation for National and Community Service. These amounts exceed the required minimum non-federal “matching” share (10% of the total, one-ninth of the federal amount).
- k. Annual number.

**ENERGY AID**

	Federal expenditures (millions of current dollars)			State-local expenditures (millions of current dollars)			Recipients (number of households aided during the year — in thousands)		
	FY2000	FY2001	FY2002	FY2000	FY2001	FY2002	FY2000	FY2001	FY2002
	84. Low-income home energy assistance program (LIHEAP) <sup>a d</sup>	\$1,844 <sup>b</sup>	\$1,856	\$1,800	n.a.	n.a.	n.a.	3,900	4,832
85. Weatherization assistance <sup>d</sup>	135	153	230	85	118	122	74 <sup>e</sup>	78 <sup>e</sup>	102 <sup>e</sup>
<b>Energy aid total</b>	<b>1,979</b>	<b>2,009</b>	<b>2,030</b>	<b>85</b>	<b>118</b>	<b>122</b>			

- a. Recipient numbers are households served during the year with heating and winter crisis aid. Outlay data include weatherization aid. Expenditures are from regular LIHEAP appropriations plus contingency funds. In addition, some states may have access to oil price overcharge funds (under the Emergency Petroleum Allocation Act of 1975). Those funds are limited, as most cases have been settled. In FY2000, 2 states obligated about \$3 million of oil overcharge funds.
- b. Of these funds, \$400 million was released in the final weeks of FY2000, making them effectively available for FY2001.
- c. Unofficial estimate provided by the National Energy Assistance Directors' Association (NEADO), based on a survey of the states.
- d. By law, no more than 10% of federal funds may be used for administration.
- e. Total may include some duplication, as some households may receive aid from both programs.

http://wikileaks.org/wiki/CRS-242