

**Linking the Carter
Welfare Reform Package
to the Income
Maintenance System**

**LYNDON B. JOHNSON SCHOOL OF PUBLIC AFFAIRS
THE UNIVERSITY OF TEXAS AT AUSTIN 1978**

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FOREWORD

The Lyndon B. Johnson School of Public Affairs has established interdisciplinary research on policy problems as the core of its educational program. A major part of this program is the policy research project, in which a team of faculty members and ten or more students work together on an important public policy issue. These projects, conducted in response to public and governmental needs, usually result in the publication of a major report.

Occasionally a project of broad scope will generate enough information for more than one volume. This is the case with the Welfare Reform Policy Research Project conducted during the 1977-78 academic year. The synopses in this volume were compiled by members of the project in Fall 1977 as background material for their research into topics related to welfare reform and the income maintenance system for the Texas Department of Human Resources. The analysis of the Carter welfare reform proposals, Part I of this volume, was written by Professor Lodis Rhodes, Project Director, with the assistance of Barbara S. Crosby, Research Associate and Project Manager. In combination, the analysis and synopses provide a background view of current welfare programs and a forward look at the potential impacts of the reform proposals at the state level.

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TABLE OF CONTENTS

OVERVIEW	vii
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PART ONE: THE CARTER WELFARE REFORM PROPOSAL: POTENTIAL IMPACT ON THE STATES

Public Assistance: The Current System and Obstacles to Reform	1
The Carter Plan: Program for Better Jobs and Income (PBJI)	6
PBJI's Impact on Texas	13
HR 9030: Analysis of Selected Sections	15
Appendix: Program for Better Jobs and Income, HR 9030	23

PART TWO: SYNOPSIS OF SELECTED INCOME MAINTENANCE PROGRAMS

I. EARNED INCOME TAX CREDIT	1
II. CASH PAYMENT	3
Old Age, Survivors, and Disability Insurance (OASDI)	3
Aid to Families With Dependent Children (AFDC)	4
Federal-State Unemployment Compensation System (FSUCS)	6
Pensions for Veterans with Non-Service-Connected Disabilities (PVNSCD)	8
Special Benefits for Disabled Coal Miners (SBDCM)	9
Supplemental Security Income for the Aged, Blind, and Disabled (SSI)	10
III. IN-KIND SERVICES	13
Day Care—General	13
Vocational Education	14
Elementary and Secondary Education Programs	15
Adult Education Grants to States	17
National School Lunch Program (NSLP)	18
Food Stamp Program	19
School Breakfast Program	21

Special Supplemental Food Program for Women, Infants, and Children (WIC)	23
Hospital Insurance Program (Medicare, Part A)	24
Supplementary Medical Insurance Program (Medicare, Part B)	25
Medical Assistance Program (MEDICAID)	27
 IV. PUBLIC EMPLOYMENT	 29
Manpower Development and Training Act (MDTA)	29
Public Works and Economic Development Act	30
Work Incentive Program (WIN)	32
Comprehensive Employment and Training Act (CETA)	33
Comprehensive Manpower Services, Title I	33
Public Service Employment Programs, Title II	34
Title III	36
Job Corps, Title IV	37
National Commission for Manpower Policy, Title V	38
Emergency Job Program, Title VI	39
General Provisions, Title VII	40
Emergency Jobs and Unemployment Assistance	41
Youth Employment and Demonstration Projects	42
 V. HOUSING	 45
Low Income Housing Assistance (Public Housing)	45
Mortgage Insurance—Rental Housing for the Elderly	46
Leased Housing (Section 23)	47
Rent Supplements	48
Homeownership for Lower Income Families (Section 235)	49
Rental Housing for Lower Income Families (Section 236)	50
Housing for the Elderly and Handicapped (Section 202)	52
Lower Income Housing Assistance (Section 8)	53
Emergency Homeowners' Relief	54

OVERVIEW

Reform of the welfare system has been at the top of the social policy agenda for nearly a decade. The Carter Administration's *Program for Better Jobs and Income (PBJI)* is the most recent attempt to overhaul what is generally agreed to be an ineffective system. The Administration's proposal combines the principles of a *guaranteed job* and a *guaranteed income* to provide:

1. job opportunities for those who need work;
2. a work benefit for those who work but whose incomes are inadequate to support their families; and,
3. income support for those only able to work part-time or who are unable to work due to age, physical disability, or the need to care for children six years of age or younger.

The proposal, as explained by Administration officials, is aimed at accomplishing the following:

- Reduce reliance on welfare payments by doubling the number of single-parent family heads who support their families primarily through earnings from work.
- Ensure that work will always be more profitable than welfare, and that a private or nonsubsidized job will always be more profitable than a special federally funded public service job.
- Combine effective work requirements and strong work incentives with improved private sector placement services.
- Create up to 1.4 million public service jobs. Forty-two percent of those jobs may be taken by current AFDC recipients. Additionally, every family with a full-time worker will have an income substantially above the poverty line.
- Provide increased benefits and more sensitive treatment for those in need.
- Reduce complexity by consolidating the current Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and Food Stamp programs into a single cash payment assistance program that provides a uniform minimum federal payment for the poor.

- Provide incentives to keep families together by abolishing rules prohibiting assistance when the father of a family remains within the household.
- Give significant financial relief to state and local governments.

These policies and related program objectives, though desirable, are easier to state than achieve. Moreover, current and past approaches to welfare reform have been narrow in both scope and objective when assessing total federal expenditures on income maintenance programs, and when considering the interdependence of welfare programs and other income maintenance efforts. Attempts to reform welfare programs will be only marginally successful unless and until they address the fundamental question of interdependence and its effect on overall income maintenance cost and effectiveness. Viewed from this perspective, welfare reform is more complex than is indicated by the policy statements and program objectives of the Carter Administration's proposal.

This volume contains two related but independent parts. Part I is a description and explanation of the Carter Administration's welfare reform proposal and its potential impact on the states, with special reference to Texas. Part II contains synopses of thirty-nine of the over sixty public assistance income-transfer programs. Readers with an interest in the broader issue of income maintenance and the current welfare effort may find Part I of special value. Those seeking a convenient and easy reference guide for the major income maintenance programs should go directly to Part II.

Part I:

**The Carter Welfare Reform Proposal:
Potential Impact on the States**

PUBLIC ASSISTANCE: THE CURRENT SYSTEM AND OBSTACLES TO REFORM

Despite popular reference to a welfare system, no system exists in the sense of connected and coordinated parts making a whole. Rather, the "system" of reference is the product of incremental implementation of over sixty separate and distinct programs over a forty-year period that were government responses to specific historical events—the Depression, threat of technological displacement, and the social unrest of the 1960s. The programs are administered by nine executive departments and agencies with almost two dozen House and Senate committees retaining oversight responsibilities.* Analysts and decision makers were guided in their design and adoption of this unwieldy apparatus by two major philosophical premises. First, a desire to preserve the cornerstone of our economic and moral order—the work ethic. Second, an equally strong commitment to provide assistance to those in need and who have no capacity to help themselves. The series of socioeconomic crises, allegiance to these fundamental premises, and the incremental character of forty years of policy and program deliberations produced the "welfare chaos" that the Carter proposal seeks to unravel.

The public assistance or welfare system is one component of a three-tiered income maintenance system (see Table 1). The major difference among tiers is the criteria used to determine benefit eligibility. Eligibility for the first tier, welfare programs (e.g., Medicaid, food stamps, AFDC, and SSI), is established by an income test—a demonstration that one's income does not meet a prescribed level. Social insurance programs (e.g., social security, Medicare, and unemployment compensation) make up the second tier. These programs use the principles of premium paying to determine benefit eligibility—future recipients share with the government the financing of the programs through earmarked and often compulsory "contributions." The third tier consists of individual savings through private sector insurance, pensions, and annuities. Contractual rights are the basis for receiving benefits from these programs. Tiers I and II are of primary concern in this paper. Table 1 depicts the three tiers of the income maintenance system and the major programs included in each. A review of Table 1 shows that the Carter welfare reform proposal is concerned with a limited number of programs from Tier I, and as Figure 1 indicates, leaves untouched the most costly component of the income maintenance system, Tier II, or social insurance.

The different eligibility standards for each tier of the income maintenance system grew from differing assessments of particular life events or risks such

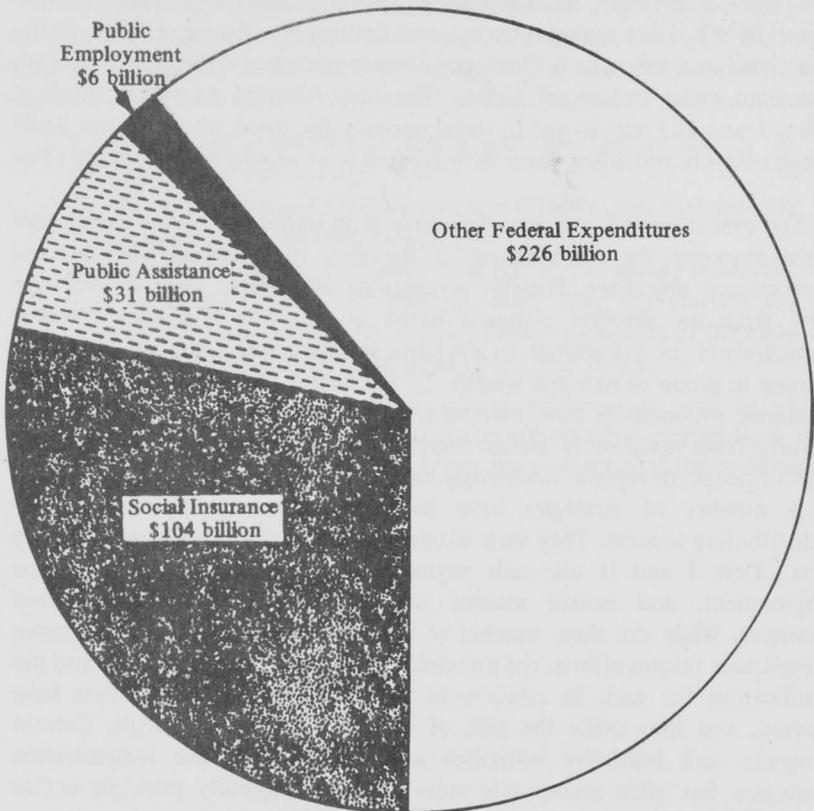
*U.S. Congress, Joint Economic Committee, Subcommittee on Fiscal Policy, *Income Security for Americans: Recommendations of the Public Welfare Study* (Washington, D.C.: U.S. Government Printing Office, 1974), p. 2.

TABLE I
INCOME MAINTENANCE SYSTEM

<u>Tier I (Public Assistance)</u>	<u>Tier II (Social Insurance)</u>	<u>Tier III (Private Sector)</u>
AFDC*	Social Security* (OASDI)	Private Savings (nonretirement)
SSI*	Federal Employee Retirement and Disability	Investments
General Assistance*	Railroad Retirement Benefits*	Private Savings (retirement)
Medicaid*	Special Benefits for Disabled Coal Miners	Insurance
Food Stamps*	Veterans's Disability Compensation	Annuities
Nutrition Programs*	(Service Connected)	IRA
(WIC, School Breakfast and	Unemployment Compensation*	Keogh Plans
Lunch programs)	Medicare*	Charity
Social Services*		Philanthropic Funds
(Social Security Act, Title XX,		
Day Care)		
Public Service Employment*		
(CETA, WIN)		
Public Housing Assistance*		
Worker's Compensation		
Veteran's Disability Compensation		
(nonservice-connected)		
Earned Income Tax Credit*		

*Synopsis of program in Part II

**FIGURE 1
PUBLIC INCOME MAINTENANCE PROGRAMS IN PROPORTION
TO 1976 FEDERAL BUDGET (\$367 Billion)**



SOCIAL INSURANCE

OASI	\$73 billion
Unemployment Insurance	\$19 billion
Federal Employees Retirement	\$8 billion
Railroad Retirement	\$3 billion
Disabled Coal Miners	\$1 billion
Total	\$104 billion

PUBLIC ASSISTANCE

Medicaid	\$9 billion
AFDC	\$6 billion
Food Stamps	\$6 billion
SSI	\$5 billion
Housing	\$2 billion
Nutrition	\$2 billion
Other	\$1 billion
Total	\$31 billion

PUBLIC EMPLOYMENT

Temporary Employment	\$2 billion
General Training	\$3 billion
Other	\$1 billion
Total	\$6 billion

The Carter Welfare Reform Proposal: Potential Impact on the States

as age (young and old), death, physical disability, or individual misfortune that jeopardize economic security. The assessments were tied to the philosophical premises discussed earlier. Theoretically, the income maintenance tiers protect against poverty and destitution. Moreover, they distinguish risks in a way which allows government responses to be consistent with prevailing social and moral beliefs. The tiers function to prevent poverty (Tiers I and III) and to assure social decency for those who are poor while simultaneously providing them with avenues to economic independence (Tier I).

The ever changing concept of poverty is an important factor to consider when assessing the effectiveness of the tiers in achieving their income maintenance objectives. Popular perceptions of poverty have shifted over time from an absolute standard based on meeting minimum physical requirements for subsistence to a relative standard that compares individual income to group or national wealth. To the extent that national wealth and economic productivity have increased, so has the dollar amount separating poverty from nonpoverty status, thereby requiring the income maintenance tiers to sustain or replace increasingly higher levels of dollar income.

A number of strategies have been designed and implemented for redistributing income. They vary within and across the income maintenance tiers. Tiers I and II use cash payments, in-kind service, public service employment, and earned income tax credits (EITC) as redistribution strategies. While the sheer number of strategies used to redistribute income complicates reform efforts, the principles for determining eligibility and the justification for each in relation to the income maintenance tiers have blurred, and thus make the task of reform even more difficult. Current programs and legislative initiatives not only use multiple redistribution strategies, but often incorporate more than one eligibility principle within one program, as is the case with the evolution of the cash payment strategy or the Old Age, Survivors, and Disability (OASDI) component of the Social Security Act. For example, Aid to Dependent Children (ADC), now Aid to Families with Dependent Children (AFDC), was the first contemporary program to use direct cash payment as the transfer mechanism. It gave money to the needy to use as they saw fit. While that approach is still in use, the most recent variant of the cash payment strategy is the EITC that provides tax relief to those with low incomes through the tax system. The mixed eligibility issue is illustrated by OASDI, which began as an insurance program and insures against the specified risks. It parallels the private sector insurance model in suggesting that an actuarial link exists between individual contributions and individual costs to the system. The link, since 1939, is an artificial one because the program is a direct cash transfer from current workers to retired workers. Similar changes and ambiguities in assistance

Public Assistance

strategies and/or eligibility standards all but erase the traditional lines separating the three income maintenance tiers and the assistance strategies.

In sum, welfare reform is a difficult and elusive goal. The difficulty is multifaceted and more basic than popular concern with and differing opinions on benefit levels, fiscal relief, inequities, and questions of client eligibility. The more fundamental issues creating obstacles to reform include:

- a narrow view of welfare programs and their proper role in the income maintenance system;
- lack of policy guidance about the income transfer objectives for tiers of the income maintenance system; and
- failure to account for significant changes in our social, economic, and legislative institutions that, in turn, alter the context for reform—the social, economic, and legislative conditions of the early 1970s differ significantly from those of the mid-1970s.

The Carter Administration's welfare reform package, as well as other alternative proposals, must be measured for effectiveness against both the popular criteria and the capacity to address the fundamental issues outlined above.

THE CARTER PLAN: PROGRAM FOR BETTER JOBS AND INCOME (PBJI)

As previously indicated, the Carter Administration's PBJI fashions principles of a *guaranteed job* and a *guaranteed income* into an essentially economic solution to a "welfare crisis" that is both economic and social in origin. The Administration estimates that thirty-six million clients would be eligible for either employment and/or cash benefits under PBJI eligibility guidelines—a reduction from the combined total of forty million currently eligible under the separate eligibility guidelines of the AFDC, SSI, Food Stamps, and employment programs. Further, the Carter Administration projects that thirty-two million people will receive cash benefits—an increase of two million over the number currently receiving such benefits (the increase results from cashing-out the Food Stamps program). PBJI adjusts the current welfare system to increase and guarantee job opportunities for low income families; consolidates the AFDC, SSI, and food stamps programs into one cash payment program with uniform benefit levels and eligibility standards; stabilizes two-parent family units by making them eligible for cash assistance if their earnings are below prescribed levels; guarantees a uniform income floor for poor persons/families in cases where earnings are below a prescribed level; and expands the EITC program to cover private sector workers so as to supplement low incomes and to act as a work incentive. Further, the program distinguishes among those capable of working, those who work but who have inadequate incomes to meet family needs, and those unable to work due to age, disability, or child care responsibilities.

The employment component of PBJI provides cash and related benefits to eligible recipients who can work and who are placed in either public service or private sector jobs. It increases public service positions by 410,000, to a total of 1.4 million positions. The Carter Administration estimates that the 1.4 million jobs will serve 2.5 million clients during a program year: 1.1 million jobs will be full-time and 300,000 part-time. The proposed wage rate is the federal or state minimum, whichever is higher. State and local governments will provide jobs through their Comprehensive Employment and Training Act (CETA) prime sponsors, who currently administer 725,000 jobs through existing public service employment programs. Job slots are to be allocated to the most needy geographic regions as a device for strengthening the work requirements for single persons, childless couples, and family heads-of-household with youngsters aged seven and above. Under the work requirement, a family of four with both parents present and able to work is eligible for a basic federal benefit of \$2,300, provided a public service job is available. The family could earn an additional \$1,500 without losing the basic benefit, to an income total of \$3,800 (benefit + earnings). Earnings above \$3,800

reduce the basic benefit fifty cents for each dollar of additional income, a 50% tax rate. Moreover, the expanded EITC provides an income supplement through the tax system for wage earners in nonsubsidized public employment or private sector jobs. It retains the current \$400 tax credit on income up to \$4,000. Additionally, it provides a 5% credit on earnings between \$4,000-\$9,000. The maximum allowable credit under this component, and up to \$9,000, is \$650 for a family of four. The \$650 credit phases out at \$15,600. Figures 2 and 3 illustrate the wage and benefit structure of the jobs component of PBJI.

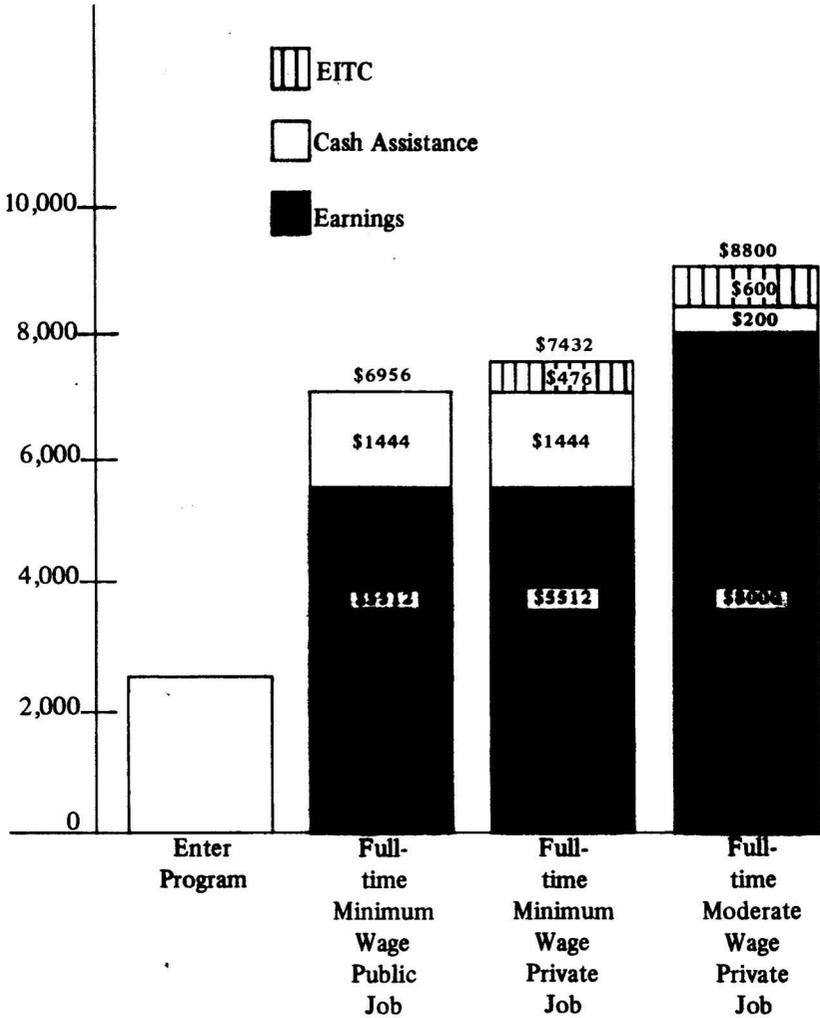
The cash payment part of PBJI combines AFDC, SSI, general assistance, and food stamps programs into one and provides a guaranteed cash benefit of \$4,200 for a family of four in cases where there is no work requirement. A basic federal benefit is also guaranteed to the poor who are unable to work, and to single-parent heads-of-household. Aged, disabled, or otherwise exempted individuals are entitled to a basic federal benefit of \$2,500. Couples similarly situated would receive \$3,750. An individual able to work but without a job or job prospect is entitled to \$1,100. The basic federal benefit would be reduced by fifty cents for each dollar of additional earnings above that level. A family unit entitled to the \$4,200 benefit would have to earn in excess of \$8,400 to exhaust all cash benefit entitlements. However, benefits could still accrue to such a family through the EITC. The EITC increases effective income above the \$8,400 benefit phase-out level. Table 2 outlines the federal cash benefit structure.

The Carter Administration estimates the PBJI will cost \$26.6 billion, and net an additional \$1.7 billion savings through other programs. Projected expenditures and savings are shown in Table 3. Each state is guaranteed at least a 10% savings on its welfare costs of the year preceding implementation of PBJI during first year operation of the new program. At full implementation, a state must pay 10% of the basic federal benefit, except where it exceeds 90% of a state's welfare costs in the year preceding program implementation. In practice this means that the federal government pays a minimum of 90% of the basic benefit. In addition, it assumes a sliding percentage of states' cost to supplement the basic benefit at full implementation: 75% from \$4,200 to \$4,700 and 24% from \$4700 to the poverty level of \$6,834. To ease recipient transition to the new plan, states are required to spend a declining percentage of their 1977 welfare costs during each year of the three-year phase-in period. State percentages are: 90% during year one; 75% for year two; and 65% the third year. The maintenance of effort provision prevents a drastic reduction in recipient benefits in those states that do not supplement and whose existing benefits are higher than the proposed federal level. Concomitantly, a hold harmless provision of PBJI, in conjunction with the 10% savings guarantee, seeks to assure fiscal relief for states—the

The Carter Welfare Reform Proposal: Potential Impact on the States

FIGURE 2
EMPLOYMENT BENEFIT STRUCTURE
(Federal Program)

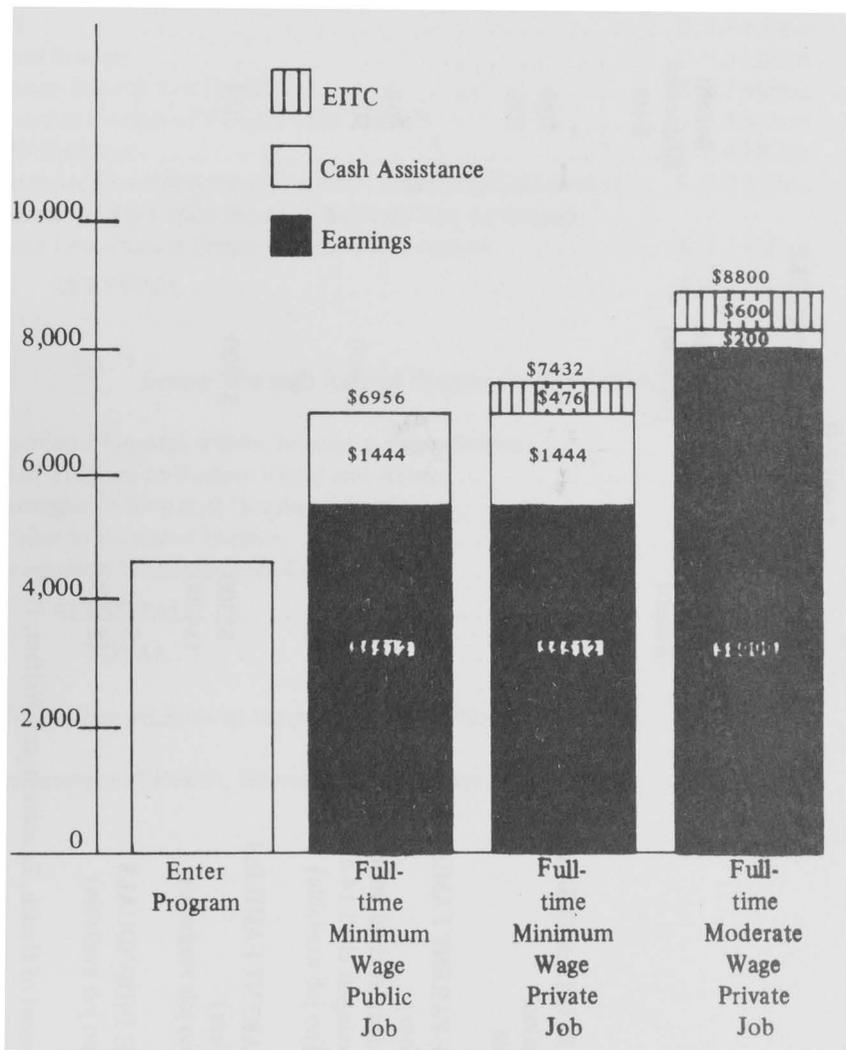
TWO-PARENT FAMILY OF FOUR
SINGLE-PARENT FAMILY OF FOUR WITH
YOUNGEST CHILD 14 OR OVER



Source: Department of Health, Education, and Welfare, 1977

**FIGURE 3
EMPLOYMENT BENEFIT STRUCTURE
(Federal Program)**

**SINGLE PARENT FAMILY
WITH YOUNGEST CHILD 7-13**



Source: Department of Health, Education, and Welfare, 1977

TABLE II
FEDERAL CASH BENEFIT STRUCTURE
 (1978 dollars)

	Basic Benefit	Disregard (Income)	Benefit Reduction Rate	Phase-Out Level
AGED, BLIND, or DISABLED				
individual	\$2500	—	50%	\$5000
couple	\$3750	—	50%	\$7500
SINGLE-PARENT FAMILIES				
(of four)				
youngest child under 14	\$4200	—	50%	\$8400
youngest child 14 or over	\$2300	\$3800	50%	\$8400
(no job available)	(\$4200)			
TWO-PARENT FAMILIES				
(of four)	\$2300	\$3800	50%	\$8400
(no job available)	(\$4200)			
SINGLE INDIVIDUALS				
(no job available)	\$ 0	—	—	—
	(\$1100)	—	—	(\$2200)

Department of Health, Education, and Welfare, 1977

**TABLE III
CARTER ADMINISTRATION COST ESTIMATES
FOR PBJI (1978 dollars)**

Direct Costs

AFDC	\$ 6.4 billion
SSI	\$ 5.7 billion
Food Stamps	\$ 5.5 billion
Earned Income Tax Credit	\$ 1.1 billion
Stimulus Portion of CETA Public Jobs	\$ 5.5 billion
WIN Program	\$ 0.4 billion
Extended Unemployment Insurance Benefits (27-39 weeks) ...	\$ 0.7 billion
Rebates of Per Capita Share of Wellhead Tax Revenues toto Low-Income People if Passed by Congress	\$ 1.3 billion
SUBTOTAL	\$26.6 billion

Savings Through Related Programs (1978 dollars)

Decreased Unemployment Insurance Expenditures	\$ 0.3 billion
HEW Program to Reduce Fraud and Abuse	\$ 0.4 billion
Decreases in Required Housing Subsidies due to Increased Income	\$ 0.3 billion
Increases in Social Security Contributions	\$ 0.7 billion
SUBTOTAL	\$ 1.7 billion
TOTAL	\$28.3 billion*

*Net dollars available to support benefit portion of PBJI

Department of Health, Education, and Welfare, 1977

The Carter Welfare Reform Proposal: Potential Impact on the States

federal government will absorb state costs in excess of the 90% requirement during the transition period.

The Carter plan creates an Emergency Assistance Program (EA) as a part of Title XX of the Social Security Act. Its two basic features include a \$600 million allocation to states for meeting the emergency needs of those not qualifying for the cash payment portion of PBJI, and a \$20 million fund to cover living expenses of special groups such as Vietnam refugees or migrant workers. States are required to develop an "emergency assistance plan" to be eligible for EA money.

PBJI establishes a uniform retrospective accounting period of six months for all categories of recipients and requires periodic reporting of income, makeup of household unit, and other factors affecting eligibility for benefits. Related to this is the shift of program administration to the federal level. The plan does give states the option of performing "intake" duties. A sixty day time limit is imposed on states to decide on this option.

PBJI'S IMPACT ON TEXAS

The program for Better Jobs and Income (HR 9030) will have a substantial impact on Texas' funding and management of its public assistance and public employment activity. The Texas Department of Human Resources (DHR) serves 1,150,000 persons, and approximately 250,000 Texas residents were served through all CETA titles during FY 1976.* The effects of PBJI extend to the Texas Rehabilitation Commission (TRC) and the Texas Employment Commission (TEC). In some instances, program impact is obvious and direct; in others, it is obscure, indirect, and potentially costly. These impacts are reviewed below.

Direct/Indirect Impacts

The most obvious direct impacts of PBJI on Texas will be to save State dollars, albeit relatively few, that now support cash payments, and to provide Texas an inadequate number of the 1.4 million nationwide allocation of public employment service slots to serve its projected 300,000 eligible recipients. Equally obvious omissions are evident in the plan. Three of critical consequence are Medicaid, funding for social services, and continuation of the child support program. PBJI does not address the first two and contradicts related legislation on the third. These will be discussed in the analysis of selected sections of HR 9030.

Less obvious but costly PBJI impacts include:

- State costs to modify and develop data processing software that is compatible with a federal-level centralized data and disbursement center.
- Potential state obligation to absorb cost-of-living increases in cash payments and/or wage subsidies.
- State uncertainty over continued funding of Title XX and the risk of decreasing already limited social services or increasing state support to handle the increased demand for such services.
- Removal of states from administrative responsibility for a program requiring substantial state financial contributions for its operation.

While a detailed estimate of Texas' cost to comply with the current requirements of HR 9030 cannot be made here, such an estimate must include costs attributable to: 1) increased client caseloads; 2) increasing cost to supplement cash benefits and subsidized wages; and 3) increased administrative and program costs in related programs. Additionally, state estimates should be based on primary data sources that will result in cost estimates that are significantly

*1976 Annual Manpower Report to the Governor (1977). Prepared for the Office of the Governor by the State Manpower Services Council.

The Carter Welfare Reform Proposal: Potential Impact on the States

higher than federal estimates. Federal estimates used the 1976 Survey of Income and Education (SIE), a national survey that required extensive data manipulation with controlling assumptions that were not always applicable on a state by state basis. State cost estimates should be developed based on these assumptions:

- Federal benefits and wage rates are indexed for inflation.
- Each eligible family unit is guaranteed and provided a job at the minimum wage—prevailing wages will increase cost.
- Supplements, adjusted for inflation, apply to the basic benefit/wages and to state supplements intended to raise overall income as a percentage of the poverty level/median income.
- No current recipient will receive reduced benefits under PBJI.

HR 9030: ANALYSIS OF SELECTED SECTIONS*

Title I, Section 101 amends the Social Security Act by adding a new title, XXI. The following are Title XXI sections.

SECTIONS 2101 and 2102: Eligibility and Exclusions

Eligible household units are defined as:

1. An individual living alone.
2. Two or more related adults living together. (Aged, blind, or disabled individuals or couples can always file as a separate unit regardless of the total household composition.)
3. An individual, his spouse (if any), and any related children living together.
4. A child living with relatives other than his parents. (A child living with unrelated persons can be a member of their unit, if living there for his own good.)
5. Two or more unrelated adults.

Exclusions under 2102 include:

1. Noncitizens or individuals not legally admitted for permanent residence or residing in the United States under color of law.
2. Inmates of penal or correctional institutions.
3. Inmates of public institutions.
4. If an individual has been, throughout any month and the preceding two months, in a hospital, extended care facility, or intermediate care facility receiving payment under a state plan approved under Title XIX, the maximum payable amount for each month thereafter with respect to that individual is \$25 until the first month on the last day of which the individual is no longer in such facility.
5. Individuals who fail to take advantage of other income potentially available to them.

Impact of Provision

Section 2101 increases the number of eligible clients by including childless adults and intact families not currently eligible for AFDC, SSI, or food stamps. It creates confusion about treatment of a household unit where a minor parent (under age 18) and his/her child reside with the minor's parent(s). The legislation is not clear about stepchildren and their inclusion in a household unit. The hospital exclusion in 2102 does not ease the current administrative difficulty of assisting eligible hospitalized clients.

*Many sections were not strictly applicable to the fifty contiguous states. For a complete outline of HR 9030 see Appendix.

The Carter Welfare Reform Proposal: Potential Impact on the States

SECTIONS 2103 and 2103b: Employment/Rehabilitation Referrals

All but the following eligible recipients must be referred for job search or training:

1. One adult other than the principal earner of a household consisting of two or more adults and one child.
2. The only non-aged, blind, or disabled adult member of a unit that includes a child under seven or an incapacitated person.
3. An aged, blind, or disabled individual. (2103b requires referral of blind or disabled persons less than age 65 to appropriate state vocational rehabilitation services.)
4. A person between 17 and 22 who is enrolled in elementary or secondary school.
5. An adult who is enrolled as a full-time student if his/her monthly earnings equal the federal hourly minimum wage times 20, or if he/she is the only adult in a unit with a child between 7 and 13 years of age.

Impact of Provision

The sections do not account for those who work full time but remain eligible for cash benefits because of insufficient earnings. The intent is not clear on full-time college students aged 18-21 who are members of a household unit including at least one of the student's parents.

SECTION 2104: Amount of Payment

The section establishes an eligible family unit's cash payment by using a Maximum Payable Amount (MPA) schedule and then subtracting deductions and exclusions.

Impact of Provision

The section does not account for other federal, state, and/or local taxes. It continues a 20% supplement beyond the benefit breakeven point for recipients who are taxed. Also, it requires tabulation and audit of gross earnings amount, and is regressive in that relatively high wage earners subject to income taxes would keep a higher percentage of their gross earnings than minimum wage earners.

SECTION 2105: Computation of Maximum Payable Amount

Basic benefits:

1. Aged, blind, or disabled individual	\$133.33/mo. (\$1600/yr.)
2. Any other adult	91.67/mo. (1100/yr.)
3. A child who is blind or disabled	91.67/mo. (1100/yr.)
4. Any other child	50.00/mo. (600/yr.)

Incremental payments:

The maximum payable amount is increased by the amount listed below if the recipient household contains:

- | | |
|--|---------------------------|
| 1. An aged, blind, or disabled individual | \$ 75.00/mo. (\$ 900/yr.) |
| 2. A married couple each of whom is aged, blind, or disabled | 48.83/mo. (550/yr.) |
| 3. One adult and one or more children | 108.33/mo. (1300/yr.) |
| 4. Two or more adults and one or more children | 66.67/mo. (800/yr.) |

Deductions from benefits:

If any of the above units share housing with related individuals who are not members of the unit, a shelter deduction is taken from the standard payment. If shelter expenditures are shared, the deduction is \$33.33 (\$400/yr.); if shelter is provided, the deduction is \$66.67 (\$800/yr.)

Impact of Provision

This section makes inadequate provision for children in foster homes and under institutional care. The \$50.00 benefit is much below current expenditures for children in such situations. Foster care children should be in a special payment category.

SECTION 2106: Available Income

The maximum allowable payment for a household unit is reduced by income from other sources in the following manner:

1. \$1 less for each \$1 received from other means-tested federal cash assistance programs.
2. \$.80 less for each \$1 received from sources other than employment, e.g., prizes, dividends, stipends, in-kind payments.
3. \$.50 less for each \$1 earned.

Impact of Provision

Reducing payments on the basis of assets will require monthly resource reporting as well as monthly income reporting. It reduces payment at a higher rate than the real return provided by resources such as in-kind payments and stipends. The rate of reduction on earned income provides no allowance for work-related expenses, and might discourage recipients from accepting minimum wage jobs.

SECTION 2107: Exclusions from Available Income

The following types of income are not counted as available income in Section 2106:

1. Support and maintenance received in-kind by a nonmember of the household unit with whom a single residence is shared.

The Carter Welfare Reform Proposal: Potential Impact on the States

2. Federal or state housing subsidies, emergency aid, and social services.
3. Gifts, prizes, or awards to the extent they do not exceed \$20 per month.
4. One-half of veterans' educational benefits.
5. Student assistance to the extent it is used for tuition and mandatory fees.
6. The value of food received under any federal nutrition program.
7. Loans which are to be repaid by the recipient.

Subsection (b) provides the following further exclusions for earned income:

1. In units with only one adult, child care expenses for children under 14 up to \$150 per month for one child and up to \$300 per month for two or more children may be excluded.
2. In units with a member who is eligible for subsidized work, \$3,800 per year (\$316.67 per month) may be excluded.
3. In other units with two or more adult members, one of whom has been excluded from the unit for not meeting work registration requirements, an amount equal to twice that member's monthly benefit may be excluded.

Impact of Provision

Child care expense is excluded for single-parent households only. In a two-parent family, this would serve as a disincentive for the second adult to work. Units earning \$3800 or less per year may not exclude child care expenses. This too may serve as a disincentive to work. This section does not exclude veteran's benefits to students or assistance received contingent upon school attendance; thus continued education is not encouraged.

SECTION 2108: Distribution of Available Income Over Accountable Period

When a unit applies for aid under the program, eligibility is computed on the basis of the unit's previous six months' available income. If that income was in excess of the maximum payment for which the unit is eligible, that excess is added to the available income figured for the month of application.

Impact of Provision

This creates an emergency situation for the applicant who does not have in pocket this excess money. An emergency assistance program will be needed to aid such applicants until they receive full benefits: this means duplication of effort and administrative complexity.

SECTION 2121: State Supplementation

This section enables a state to enter into an agreement with HEW to increase the maximum payable amount and to increase the benefit reduction rate applied to earned income over the federal levels described in Sections 2105 and 2106.

Impact of Provision

Federal participation in state supplementation of the program is ensured under this section, which interferes with state flexibility. Loss of flexibility may prevent achieving one of the stated goals of the reform, which is to make benefit levels more equitable among the states.

SECTION 2126: Maintenance of Effort

This section establishes a maintenance of effort requirement for all states to ensure that they spend a substantial portion of what they are now spending under their current assistance programs during the three-year phase-in of the program. This is designed to ease the transition from old to new programs. The section provides two methods of calculating the amount of current expenditure which must be continued.

Impact of Provision

Hidden costs and expected increased participation in the new program, with the resultant increase in the cost of ancillary services, and combined with the maintenance of effort expenditures, will burden state finances.

SECTION 2134: Reports and Furnishing of Information

One member of each household unit must file periodic reports on the income, assets, and composition of the unit.

Impact of Provision

This provision creates a serious danger of clients losing benefits for reasons beyond their control. Language difficulties, misunderstood instructions, change of address, and program administrative error are but a few likely complications. Processing periodic reports will require heavy expenditures in staff and/or computer time.

SECTION 2138: State Agreement to Receive Applications and Develop Eligibility and Payment Information

The Secretary of HEW may enter into agreement with states by which the state administers intake and eligibility determinations. The state's responsibility would be to:

1. Receive and verify applications.
2. Review participant's periodic reports.
3. Hear disputes.

The Carter Welfare Reform Proposal: Potential Impact on the States

4. Collect additional information that may be necessary to determine eligibility.

To end the agreement, the state must give twelve months' notice; HEW must give ninety days' notice. The federal government will pay 90% of the state's allowable administrative costs. The Secretary of HEW may pay as much as 110% if the state demonstrates administrative efficiency.

Impact of Provision

State administration is essential. The size of the Better Jobs and Income Program itself, combined with the multiplicity of educational, housing, and social service programs which support it, require unified local administration. Only this mechanism will allow coordinated flexible response to recipient needs.

SECTION 2145: Adjustment of Payment Amounts

This section provides for an initial cost-of-living adjustment of the payment levels to compensate for changes in the cost of living between the date the bill was submitted to Congress and the date it goes into effect.

Impact of Provision

No provision is made for yearly cost-of-living adjustments. Without such a provision, benefits will soon be inadequate and states will be under pressure to increase grants at their own expense.

Title I, Section 102 of HR 9030 amends Title XX of the Social Security Act. The following are Amended Title XX sections.

SECTION 2011-2017: Assistance to Meet Emergency Needs

These sections establish the requirement and the guidelines for states to develop programs to meet the living expenses of 1) needy families and individuals not met by new Title XXI, and 2) special categories not covered adequately by the basic program. Section 2011 asks an appropriation of \$600 million for the first and \$20 million for the second.

Impact of Provision

This adds another level of administration. It places responsibility on the states for aid which might better be handled by the Better Jobs and Income program. It involves the federal government in local emergency aid and thus limits local flexibility and particularity. The \$620 million, which must be shared among the states, is insufficient and does not allow for unusual emergencies such as natural disasters.

Sections under Title I of HR 9030:

SECTION 105: Conforming Amendments to Social Security Act

This section deletes inappropriate and obsolete references in the Act to make it conform to HR 9030. Changes made to Title XIX freeze eligibility criteria for Medicaid so that new welfare recipients who become eligible for aid under the liberalized criteria of HR 9030 will not be eligible for Medicaid.

Impact of Provision

Administration will be complicated by this section. It will result in either two separate administrations or a single administration responsible for two eligibility criteria. Either of these will probably put an undue hardship on clients, lead to excessive errors and mean increased cost to the state. Without a comprehensive national health plan, this section ensures the creation of health service inequities at the very beginning of reform.

SECTION 106: Federal Employment of Certain State and Local Employees

This section amends the Social Security Act to give hiring priority for the first year of enactment of the bill to state employees displaced by the implementation of the bill.

Impact of Provision

Hiring priority gives potentially displaced employees no guarantee that they will be able to maintain their current employment status. It does not protect their accumulated benefits, sick leave, annual leave, and retirement contributions.

Title II, Section 201 of HR 9030 amends the Comprehensive Employment and Training Act by adding a new title, Title IX. The following are Title IX sections.

SECTION 914: Comprehensive Job Opportunities Plan

To receive approval of the Secretary of Labor, a local area employment opportunities plan submitted by a prime sponsor must include:

1. Provisions to ensure a continuous sequence of services for individuals eligible for job search assistance and subsidized work and training.
2. Means of relating the plan to activities under other titles of HR 9030 and to other relevant public and private programs.

The Carter Welfare Reform Proposal: Potential Impact on the States

Impact of Provision

This gives responsibility for planning and coordination to the local prime sponsor. It may preclude state participation and force the state to act independently to maintain employment service funds under the Wegner-Peyser Act. Continuity of services would be better assured through mandated coordination among all organizations which provide manpower services.

SECTION 931: Eligible Individuals

This section describes an individual eligible for job search assistance as:

1. Any adult who is a member of a household which includes a child.
2. Any adult in a household without a child whom the Secretary of HEW determines is eligible for benefits under the cash assistance program of HR 9030.

Impact of Provision

More people will be eligible for job search assistance under the provision in this section, which includes adults who live in a recipient household with a child. Such adults are eligible now only if they themselves meet the program's criteria for individuals.

SECTION 933: Work Requirement

This establishes the criteria for determining "good cause" for refusing a bona fide job offer. Good cause is said to exist if:

1. Conditions of work and training are unreasonable.
2. Hours of work do not allow the single parent of a child or children ages 7-13 to be at home when the child or children are out of school.
3. The job is open as a result of a strike, walkout or other labor dispute.
4. Pay does not equal federal or state minimum wage.

Impact of Provision

The HR 9030 criteria is in conflict with the Unemployment Insurance definition of suitable work, i.e., the wage criteria. For potential participants in both programs some priority of criteria must be established.

Most jobs do not allow work schedules as described in item 2, thus most single parents of children ages 7-13 will not be able to work. If PBJI is to serve these people, it must provide jobs with flexible work schedules and/or day care.

APPENDIX

PROGRAM FOR BETTER JOBS AND INCOME HR 9030

TITLE I—CASH ASSISTANCE PROGRAM UNDER THE SOCIAL SECURITY ACT

Sec. 101. The Social Security Act is amended by adding at the end thereof the following new title:

"TITLE XXI—INCOME SUPPLEMENT AND INCOME SUPPORT FOR FAMILIES AND INDIVIDUALS

"PART A—ELIGIBILITY FOR AND AMOUNT OF FEDERAL BENEFIT

- "Sec. 2101. Eligibility of household unit for payments.
- "Sec. 2102. Exclusions from household unit.
- "Sec. 2103. Referral for employment or rehabilitation services.
- "Sec. 2104. Amount of payment.
- "Sec. 2105. Computation of maximum payable amount.
- "Sec. 2106. Available income.
- "Sec. 2107. Exclusions from available income.
- "Sec. 2108. Distribution of available income over accountable period.
- "Sec. 2109. Assets.
- "Sec. 2110. Definitions.
- "Sec. 2111. Savings provision in the case of aged, blind, or disabled individuals.
- "Sec. 2112. Special provisions for the Commonwealth of Puerto Rico, the Virgin Islands, the Commonwealth of the Northern Mariana Islands, and Guam.

"PART B—STATE SUPPLEMENTATION OF MAXIMUM PAYABLE AMOUNTS, MAINTENANCE OF STATE EFFORT, AND LIMITATION OF STATE FISCAL LIABILITY

- "Sec. 2121. State supplementation of maximum payable amounts.
- "Sec. 2122. Supplementation agreement.
- "Sec. 2123. Special payment to household unit if supplementation percentage engenders personal income tax liability.
- "Sec. 2124. Effect of benefit reduction rate of earned income exclusion.

The Carter Welfare Reform Proposal: Potential Impact on the States

- “Sec. 2125. Federal participation in State supplementation payment.
- “Sec. 2126. Maintenance of effort.
- “Sec. 2127. Limitation on fiscal liability of States.
- “Sec. 2128. State plans for services to disabled children.

“PART C—ADMINISTRATION OF INCOME SUPPLEMENT AND INCOME SUPPORT PROGRAM

- “Sec. 2131. Application.
- “Sec. 2132. Determination of eligibility for and amount of payment.
- “Sec. 2133. Payments of benefits.
- “Sec. 2134. Reports and furnishing of information.
- “Sec. 2135. Overpayments and underpayments.
- “Sec. 2136. Disagreement with determinations of the Secretary.
- “Sec. 2137. Furnishing of information by other Federal agencies.
- “Sec. 2138. State agreement to receive applications and develop eligibility and payment information.
- “Sec. 2139. Information and referral.
- “Sec. 2140. Assurances on benefit reduction rates.
- “Sec. 2141. Miscellaneous Federal-State administrative provisions.
- “Sec. 2142. Determination of blindness and disability.
- “Sec. 2143. Administrative arrangements.
- “Sec. 2144. Penalties for fraud.
- “Sec. 2145. Adjustment of payment amounts.”

Sec. 102. Title XX of the Social Security Act is amended:

“PART B—ASSISTANCE TO MEET EMERGENCY NEEDS

- “Sec. 2011. Appropriations authorized.
 - “Sec. 2012. Payments to States.
 - “Sec. 2013. Program reporting; filing of claims.
 - “Sec. 2014. Plan of assistance.
 - “Sec. 2015. State adoption of plan.
 - “Sec. 2016. Assistance for special categories of needy families and individuals.
 - “Sec. 2017. Definitions.”
- Sec. 103. Amendments to earned income tax credit.
- Sec. 104. Repeals.
- Sec. 105. Conforming amendments.
- Sec. 106. Federal employment of certain State and local employees or

- Sec. 107. specially qualified personnel; acquisition of buildings and equipment; start-up funds; advance appropriations.
Effective dates.

**TITLE II—EMPLOYMENT OPPORTUNITIES PROGRAM
UNDER THE COMPREHENSIVE EMPLOYMENT AND
TRAINING ACT OF 1973**

- Sec. 201. The Comprehensive Employment and Training Act of 1973 is amended by adding the following new title:

“TITLE IX—JOB OPPORTUNITIES PROGRAM

- “Sec. 901. Statement of purpose.

“PART A—JOB OPPORTUNITIES PROGRAM

- “Sec. 911. Authorization of appropriations.
“Sec. 912. Allocation of funds.
“Sec. 913. Financial assistance to prime sponsors.
“Sec. 914. Comprehensive job opportunities plan.
“Sec. 915. Review by Governor and State Manpower Services Council.
“Sec. 916. Statewide planning.
“Sec. 917. Definition.

“PART B—JOB SEARCH ASSISTANCE

- “Sec. 931. Eligible individuals.
“Sec. 932. Job search assistance program.
“Sec. 933. Work requirement.
“Sec. 934. Notification regarding determinations.
“Sec. 935. Joint agreement for job search assistance responsibilities.

PART C—SUBSIDIZED WORK AND TRAINING

- “Sec. 951. Eligible participants.
“Sec. 952. Authorization of appropriations.
“Sec. 953. Allocation of funds.
“Sec. 954. Federal wage payments.
“Sec. 955. Federal financial assistance.
“Sec. 956. Wage supplementation.
“Sec. 957. Subsidized work and training opportunities.
“Sec. 958. Special conditions.”.

Part II:

Synopses of Selected

Income Maintenance Programs

I. EARNED INCOME TAX CREDIT

EARNED INCOME TAX CREDIT

ADMINISTRATIVE AGENCY

Internal Revenue Service, Department of Treasury

LEGISLATIVE BACKGROUND

Title of Bill: Tax Reduction Act of 1975. P.L. 94-12. Title II

Date of Enactment: February 18, 1975

Initial Appropriation: N/A

Amendments: None

DESCRIPTION

This amendment to the Internal Revenue Code of 1954 provided for a refund of 1974 individual income taxes, to increase the low income allowance and the percentage standard deduction, to provide a credit for personal exemptions, and a credit for certain earned income. There are seven titles included in this Act, but Title II, Section 204, provides credit for certain earned income in this manner: "In the case of an eligible individual, there shall be allowed as credit against the tax imposed by this chapter for the taxable year an amount equal to 10% of so much of the earned income for the taxable year as does not exceed \$4,000." This new refundable credit provides relief for families who currently pay little or no income tax. These people have been hurt the most by rising food and energy costs. Also, in almost all cases, they are subject to the social security payroll tax on their earnings. Because it will increase their after-tax earnings, the new credit, in effect, provides an added bonus or incentive for low-income people to work, and therefore should be of importance in inducing individuals with families receiving federal assistance to support themselves.

PRECEDENTS

None

CHANGES

None

RELATED PROGRAMS

None

II. CASH PAYMENT

OLD AGE, SURVIVORS, AND DISABILITY INSURANCE (OASDI)

ADMINISTRATIVE AGENCY

Social Security Administration, Department of Health, Education, and Welfare (HEW)

LEGISLATIVE BACKGROUND

Title of Bill: Social Security Act of 1935. P.L. 74-271. Title II, "Old Age Insurance;" Social Security Amendments of 1939. P.L. 76-379. Title II, "Survivors Insurance;" Social Security Amendments of 1956. P.L. 84-880, Title II, "Disability Insurance"

Date of Enactment: Initially enacted in 1935

Initial Appropriation: \$62 million (1940), *Current Appropriation* \$90.3 billion (1978 estimated federal share)

Amendments: Social Security Amendments of 1939, P.L. 76-379; Social Security Amendments of 1950, P.L. 81-477; Social Security Amendments of 1956, P.L. 84-880; Social Security Amendments of 1965, P.L. 89-97, Title XVIII (selected amendments only)

DESCRIPTION

OASDI is designed to partially replace income from work that is lost to the worker and his dependents due to old age retirement, disability severe enough to prevent gainful employment, or death. OASDI is financed by a payroll tax paid half by the employee and half by the employer. About 90% of the total employed labor force must participate in the program. Recipients must pass eligibility criteria as established in Title II of the Social Security Act. To be eligible: the retired person must be at least 62 years of age to receive reduced benefits and at least 65 to receive full benefits; survivors must be dependents of a deceased worker who was fully or currently insured at the time of death; and disabled recipients must be under age 65 and meet very specific criteria established by the Social Security Act. There is no limit on income and there is no assets test. The Social Security Administration, Department of HEW, administers the program through regional and district offices in all states and the District of Columbia.

PRECEDENTS

None

Synopses of Selected Income Maintenance Programs

CHANGES

Many Social Security Amendments have broadened the program since 1935. In 1939 it was made a family program by extending it to include the dependents of employees. An amendment in 1950 brought under its coverage many jobs that had been excluded, including regularly employed farm and household employees and most self-employed persons. State and local government employees could enter on a voluntary basis if they had no retirement program. In 1956 the disability insurance program was added, and in 1965 health insurance was instituted under Title XVIII of the Social Security Act.

Originally, Social Security (OASDI) was proposed as an "insurance" system with a trust fund, but it has never worked as planned. In the beginning, many people received benefits without every having paid any "premiums" or taxes while many other people died without collecting any of what they had paid into the system. The program has never followed the guidelines or policies of insurance programs, and in reality is a cash transfer program maintained through taxation of wage earners.

RELATED PROGRAMS

Supplemental Security Income; Pensions to Veterans with Non-Service-Connected Disabilities; Special Benefits for Disabled Coal Miners

AID TO FAMILIES WITH DEPENDENT CHILDREN (AFDC)

ADMINISTRATIVE AGENCY

The AFDC program was initially administered by the Federal Security Agency. However, it was transferred to the Department of Health, Education, and Welfare (HEW) in 1953 after the Federal Security Agency was dissolved. The Social and Rehabilitation Service of HEW currently administers grants to states. AFDC is administered by state agencies through district or county offices in 34 states and administered by local agencies with state supervision in 20 states.

LEGISLATIVE BACKGROUND

Title of Bill: Social Security Act of 1935. P.L. 74-271, Title IV

Date of Enactment: 1935

Initial Appropriation: N/A *Current Appropriation:* \$5.96 billion (estimate for 1978)

Amendments: Social Security Amendments of 1939, P.L. 76-379; Social Security Amendments of 1950, P.L. 81-477; Social Security Amendments of 1956, P.L. 84-880; Social Security Amendments of 1965, P.L.

Cash Payment

89-97; Social Security Amendments of 1967, P.L. 90-248; Social Security Amendments of 1962, P.L. 87-543; Social Security Amendments of 1971, P.L. 92-223 (selected amendments only)

DESCRIPTION

The objective of the AFDC program is to encourage the care of dependent children in their own homes or in the homes of relatives by enabling each state to furnish financial assistance, rehabilitation, and other services to needy dependent children and the parents or relatives with whom they live. States are required to participate in financing this program; local participation is optional. Two financing formulas are available to the states (with the exception of Arizona). Under one formula, the federal government pays five-sixths of the average monthly grant per recipient up to \$18. Of the amount of the average monthly grant above \$18 and up to \$32 (up to \$100 for recipients of foster care), the federal government pays a percentage; that percentage varies from 50% to 65% and is based on a formula which compares the average per capita income in the state to the average per capita income of the U.S. The maximum federal share per recipient is \$24.10 per month.

The second formula may be employed by states with an approved Medicaid plan and is referred to as the "Federal medical assistance percentage." The FMAP varies from 50% to 83% with no maximum on the federal share of dollar amounts based on the average grant. On the average, the federal government pays 55% of financial assistance, with states (and in some cases state and local governments) paying the remaining 45%.

PRECEDENTS

None

CHANGES

The AFDC program was enacted to provide financial assistance to needy children under the age of 16 years who were deprived of parental support because of the death, incapacity, or parental absence from the home. Amendments in 1939 extended the age to under 18 if the child aged 16 or 17 were regularly attending school. The federal requirement for school attendance was dropped by an amendment effective July 1, 1957. Amendments extended coverage to a needy parent or other relative with whom a child was living (1950) to a second parent when both were in the home (1962), and to children 18 and under 21 when attending school, college, or university, or taking a vocational or technical training course (1964-1965). Amendments in 1962 permitted states to assist families in which the father was in the home and unemployed, and extended coverage to children placed in foster homes following removal from AFDC homes

Synopses of Selected Income Maintenance Programs

through court action. A 1967 amendment provided federal participation in emergency assistance to families with children who were not necessarily AFDC-type families.

Amendments in 1962 required states to take into account work-related expenses in determining eligibility and amount of payment, and permitted states to disregard certain income and earnings to be conserved for future identifiable needs of children. Effective July 1, 1969, states were required to disregard all earnings of a dependent child who was a full-time student or a part-time student not fully employed. The first \$30 earned and one-third of the remainder of monthly earnings of other family members must also be excluded in determining the amount of payment.

In 1967 a work incentive program (WIN) was initiated to provide training and employment services. An amendment effective in 1971 strengthened requirements for registration for WIN services and placement in public service employment.

RELATED PROGRAMS

Old Age, Survivors, and Disability Insurance; Federal/State Unemployment Compensation System; Special Benefits for Disabled Coal Miners

FEDERAL-STATE UNEMPLOYMENT COMPENSATION SYSTEM (FSUCS)

ADMINISTRATIVE AGENCY

Manpower Administration, Department of Labor (DOL)

LEGISLATIVE BACKGROUND

Title of Bill: Social Security Act of 1935, P.L. 73-271

Date of Enactment: August 14, 1935

Initial Appropriation: N/A

Amendments: Social Security Amendments Act of 1960, P.L. 86-778; United States Code Technical Amendments Act of 1967, P.L. 90-83; Emergency Jobs and Unemployment Act of 1974, P.L. 93-567; Trade Act of 1974, P.L. 93-618, Title II

DESCRIPTION

The objective of the Federal-State Unemployment Compensation System is to provide cash benefits on a regular basis to normally employed workers during limited periods of involuntary unemployment. The system consists of several programs. The three major ones are Unemployment Insurance (State Unemployment Compensation), Unemployment Compensa-

Cash Payment

sation for Ex-Servicemen (UCX), and the Federal-State Extended Unemployment Compensation Program.

The State Unemployment Compensation Program is financed by federal and state payroll taxes on employers. The federal tax rate is 3.2%, while the state tax rate is generally 2.7%. Federal law requires that state tax collections be deposited promptly to the state's account in the Unemployment Trust Fund in the Federal Treasury. The Treasury invests the funds, and credits each state with its share of the interest. A state can then draw from its fund for payment of benefits. Each year Congress appropriates funds necessary for the Manpower Administration to operate the unemployment compensation system.

The Unemployment Compensation to Federal Employees is administered by the states according to their own laws and program rules. The states are reimbursed from general revenue appropriations for the full cost of the program.

The Federal-State Extended Unemployment Compensation Program requires each state to establish a program for extending the duration of benefits during periods when the insured unemployment rate in that state or in the nation reaches a prescribed level. In that case half the cost of such benefits would be paid by the state from its contributions, and the other half would be paid by the federal government from its unemployment tax revenues.

PRECEDENTS

None

CHANGES

The FSUCS was enacted in 1935 as part of the Social Security Act and was amended in 1939 to an employer's tax base of \$3,000. In 1954, unemployment compensation for federal civilian employees was added. In 1958, unemployment compensation for ex-servicemen was added; and in 1970 the federal payroll tax for the three federal-state programs was increased. Major increases were: (1) an extension of coverage to 4.8 million jobs; (2) the establishment of a permanent program of extended benefits for persons who exhaust their regular state benefits during periods of high unemployment; (3) an increase in the taxable wage base from \$3,000 to \$4,200 for calendar year 1972 and thereafter.

In December 1971 an act was passed temporarily providing extended benefits for persons in states with exceptionally high unemployment rates. Legislative action in 1974 established a temporary program of emergency benefits in addition to the extended benefits program. Separate legislation also established a temporary program to provide up to 26 weeks of

Synopses of Selected Income Maintenance Programs

benefits to unemployed persons whose jobs were not covered by unemployment insurance laws.

RELATED PROGRAMS

Employment Service; Social Insurance for Railroad Workers

PENSIONS FOR VETERANS WITH NON-SERVICE-CONNECTED DISABILITIES (PVNSCD)

ADMINISTRATIVE AGENCY

Department of Veterans Benefits, Veterans Administration

LEGISLATIVE BACKGROUND

Title of Bill: United States Code Title 38, P.L. 85-857

Date of Enactment: September 2, 1958

Initial Appropriation: N/A *Current Appropriation:* \$1.851 billion

Amendments: None

DESCRIPTION

Despite its name, PVNSCD is designed to assist all wartime veterans whose income and resources are insufficient. It also provides assistance for veterans with non-service-connected disabilities that are permanent and total and for those who are aged. Benefits are provided in cases in which a veteran's annual countable income is not above the prescribed limits. These benefits are scaled to other sources of income, and once countable income surpasses the limit, all benefits are halted.

The Department of Veterans Benefits within the Veterans Administration administers the program through its regional offices.

PRECEDENTS

The general precedents for this program are those veteran pension programs established after World War I.

CHANGES

The Disabled Veterans Act of 1960 (P.L. 86-499) provided that a veteran's benefits be scaled according to his other income and the number of dependents. The Veterans Disability Compensation Increase Act of 1965 (P.L. 89-311) provided supplemental payments to (1) permanently and totally disabled veterans who are housebound, and (2) veterans who have more than one ratable disability (under certain conditions).

RELATED PROGRAMS

None

SPECIAL BENEFITS FOR DISABLED COAL MINERS (SBDCM)

ADMINISTRATIVE AGENCY

Social Security Administration, Department of Health, Education, and Welfare (HEW). As of July 1, 1973, Department of Labor (DOL)

LEGISLATIVE BACKGROUND

Title of Bill: Federal Coal Mine Health and Safety Act of 1969, P.L. 91-173

Date of Enactment: December 30, 1969

Initial Appropriation: N/A *Current Appropriation:* \$938 million

Amendments: Black Lung Benefits Act of 1972, P.L. 92-303

DESCRIPTION

The SBDCM is a temporary program designed to replace income lost to persons working in coal mines due to total disability resulting from pneumoconiosis (black lung disease) and also to replace the income that would be lost to widows, children, parents, brothers, and sisters of miners who died of the disease or were totally disabled from it at their death. The Social Security Administration of HEW administers the program through its district and branch offices. Funding for the program is supplied from open-ended federal appropriations. Benefits are scaled to the number of dependents, and can be reduced as excess earnings of a miner or those of his dependents increase. The benefits are equal to those of a GS-2 (retired) and are subject to cost-of-living increases.

PRECEDENTS

None

CHANGES

The Black Lung Benefits Act of 1972 (P.L. 92-303) authorized that the program continue past its original expiration date of 1976 to 1980. The act also placed the responsibility for operation of the program within the bounds of the Department of Labor (DOL) after July 1, 1973. The new law also stipulates that any state can assume responsibility for the program in the interim period if that state can meet the standards of the prescribed law.

Synopses of Selected Income Maintenance Programs

RELATED PROGRAMS

Social Security-Disability Insurance; Social Security Survivors Insurance; Supplemental Security Income; Coal Mine Workers Compensation; Longshoremens and Harbor Workers Compensation

SUPPLEMENTAL SECURITY INCOME FOR THE AGED, BLIND, AND DISABLED (SSI)

ADMINISTRATIVE AGENCY

Bureau of Supplemental Security Income, Social Security Administration, Department of Health, Education, and Welfare (HEW), through regional and district SSA offices in 50 states and the District of Columbia.

LEGISLATIVE BACKGROUND

Title of Bill: Social Security Amendments of 1972, P.L. 92-603, Title XVI

Date of Enactment: January 1, 1974

Initial Appropriation: \$2.2 billion (last 6 months of fiscal 1974), *Current Appropriation* : \$3.9 billion (estimated 1978 federal share)

Amendments: Social Security Amendments of 1973, P.L. 93-66; Social Security Amendments of 1974, P.L. 93-368 (selected amendments)

DESCRIPTION

The SSI program was established to provide a uniform minimum cash income to aged, blind, and disabled individuals. There is a provision providing for both mandatory and optional supplementary payments by states under specified conditions. All costs of benefits and administration of the federal program are funded through open-ended appropriations from general revenues. Individuals must be age 65 or older, or blind or disabled as defined in the Social Security Act, and must also pass specified income and assets tests. The state programs are administered either by the state or through SSA offices along with the federal programs.

PRECEDENTS

SSI replaced state-administered, federally reimbursed programs of aid to the permanently and totally disabled; aid to the blind; aid to the aged, blind and disabled; and old age assistance. Payment levels in the previous assistance programs were generally greater than the present SSI benefit levels in northern and western states. Southern states generally limited their lower benefits to recipients who required care outside the home.

CHANGES

An amendment to the Social Security Act in July, 1974, authorized automatic percentage increases in SSI benefits at the same level as automatic cost-of-living increases for Social Security benefits. P.L. 93-66, an amendment added in July, 1973, requires states to make mandatory supplementary payments to all persons receiving assistance in December, 1973 under former assistance programs whose income could otherwise be reduced by transfer to the SSI program.

RELATED PROGRAMS

Old Age, Survivors, and Disability Insurance; Pensions for Veterans with Non-Service-Connected Disabilities; Special Benefits for Disabled Coal Miners

III. IN-KIND SERVICES

DAY CARE—GENERAL

ADMINISTRATIVE AGENCY

Office of Child Development, Department of Health, Education, and Welfare (HEW), and the Director of the Office of Economic Opportunity, Department of Labor (DOL)

LEGISLATIVE BACKGROUND

Title of Bill: Social Security Act Amendments of 1962, P.L. 87-543, Title IV-A

Date of Enactment: July 25, 1962

Initial Appropriation: \$5 billion for FY 1963, and \$10 billion for each subsequent year (federal) *Current Appropriation:* \$266 billion (1978 federal)

Amendments: Social Security Amendments of 1967, P.L. 90-248, Title IV-B; Social Security Amendments of 1972, P.L. 92-603

DESCRIPTION

Federal monies for day care services are designated to assist the states in providing for the care and protection of children whose parents are absent due to work or for other reasons are unable to supervise their children during the day. Financing of day care programs is on a federal-state matching funds basis, with specific allocations to each state determined by the Secretary of HEW. Basis for each state's amount of federal aid includes the state's allocation, population under 21 years, and per capita income. The state's health agency is required to provide licensed facilities located primarily in public schools, create an advisory committee to set standards and regulate operations of public and private day care centers, give priority to low-income groups and areas with the greatest need, and develop maximum parental involvement in the programs. The state agencies use these funds with consideration given to payments made by DOL to recipients of Aid to Families with Dependent Children (AFDC) for day care.

PRECEDENTS

Public subsidized day care for preschool children whose families were on public relief was designated under the Social Security Act of 1935 (P.L.

Synopses of Selected Income Maintenance Programs

271). Day care provisions were increased to meet the needs of women who worked during World War II, and were discontinued in 1946.

CHANGES

The Social Security Amendments of 1967 (P.L. 90-248) authorized a \$100 million increase specifically to meet the day care costs of working women not on AFDC. The Secretary of HEW and Director of the Office of Economic Opportunity were directed to coordinate the In-Kind and Cash Payment day care services. The Social Security Amendments of 1972 (P.L. 92-603) increased federal funding of child care services to \$700 million plus \$50 million for construction, equivalent to more than 875,000 child care slots for children of parents participating in manpower services, training, employment, or vocational rehabilitation. These increases reflect the additional need for day care due to the larger number of working women and women on public assistance, as well as a trend toward state early childhood development programs with emphasis on overcoming the disadvantages of poverty.

RELATED PROGRAMS

Federal day care services are also provided through the Comprehensive Employment and Training Act of 1973 (P.L. 93-203), and the Concentrated Employment Program and Migrant Seasonal Farm Workers Program under the Economic Opportunity Act of 1964 (P.L. 88-452).

VOCATIONAL EDUCATION

ADMINISTRATIVE AGENCY

Office of Education, Department of Health, Education, and Welfare (HEW) through state and local educational agencies

LEGISLATIVE BACKGROUND

Title of Bill: Vocational Education Act of 1963, P.L. 88-210

Date of Enactment: December 17, 1963

Initial Appropriation: \$60 million *Current Appropriation:* \$800 million

Amendments: Vocational Education Amendments of 1968, P.L. 90-576; Education Amendments of 1976, P.L. 94-482, Title II

DESCRIPTION

Under the Vocational Education Act of 1963 (P.L. 88-210), federal financial assistance is available to the states to establish, expand, and improve the quality of vocational education programs. Plans for programs for training, counseling, and placement services to help prepare individuals

In-Kind Services

for gainful employment are submitted by the states to the Office of Education of HEW for approval. The programs are then administered by state and local education agencies. While the benefits of the program are available to all citizens, the program is primarily intended to help improve the chances of employment for low-income persons. Separate additional monies are set aside for special programs for "persons who have academic, socioeconomic, or other handicaps that prevent them from succeeding in the regular vocational education programs." Funds for these special programs are available on a non-matching basis, while general programs must have their federal funds matched by the states.

PRECEDENTS

The Smith-Hughes Vocational Education Act of February 23, 1917, provided \$7 million of federal monies to assist the states in programs of vocational education in agriculture, trade and industry, home economics and the training of teachers for such programs. The George-Barden Vocational Education Act of 1946 (P.L. 79-586) and a few other later amendments expanded the fields of vocational education and provided increased federal financial support. The Vocational Education Act of 1963 (P.L. 88-210) was basically a further expansion of earlier legislation.

CHANGES

Amendments to the Vocational Education Act in 1968 (P.L. 90-576) increased the amount of available federal grants, expanded special coverage of the programs to physically handicapped persons, and provided additional money for increased vocational education counseling.

RELATED PROGRAMS

Elementary and Secondary Education Act Programs; Adult Education Grants to States

ELEMENTARY AND SECONDARY EDUCATION PROGRAMS

ADMINISTRATIVE AGENCY

Office of Education, Department of Health, Education, and Welfare (HEW)

LEGISLATIVE BACKGROUND

Title of Bill: Elementary and Secondary Education Act of 1965, P.L. 89-10

Date of Enactment: 1965

Initial Appropriation: \$1.331 billion *Current Appropriation:* See below

Amendments: P.L. 89-313 (handicapped); P.L. 89-750 (adult education);

Synopses of Selected Income Maintenance Programs

P.L. 90-247 (dropouts); P.L. 92-142 (handicapped); P.L. 93-380 (comprehensive); P.L. 93-644 (Follow Through and Head Start); P.L. 94-194 (Right to Read); P.L. 94-482 (comprehensive)

DESCRIPTION

The bulk of funding goes to ESAE Title I programs which provide financial assistance to local education agencies for the education of children from low-income areas, the handicapped, migrants, and delinquents. Special incentive grants are also available under Title I for educational research and library resources. The original Title III provided grants for adult education, supplementary educational centers, and counseling. Title IV relates to libraries; Title V includes the programs Head Start and Follow Through and makes grants available for strengthening state education agencies. Title VII deals with bilingual education and the Right-to-Read program. Money for dropout prevention is available under Title VIII. Federal funds are also available for the gifted, the socially maladjusted, enrichment programs in reading and language, and summer school and day camps for the disadvantaged. Federal funding formulas vary. Each program is funded separately.

PRECEDENTS

The National Defense Education Act Amendments of 1958 (P.L. 85-864) contained remedial reading and language programs for adults; the NDEA of 1964 (P.L. 89-253) provided federal matching funds for the establishment of programs for guidance, counseling, and testing to identify students with above-average abilities. The Economic Opportunity Act of 1964 (P.L. 88-452) provided preschool programs for the disadvantaged. Minor precedents for federal assistance in research were established by the Cooperative Research Act of 1954 and by aid to educational agencies affected by federal activities (1950; P.L. 81-274).

CHANGES

Bilingual (P.L. 93-380) and adult (P.L. 89-750) education both assumed whole titles under ESEA in subsequent amendments. Categories and programs for Indian children and children of migratory agricultural workers were established in 1966. The low-income factor, used to determine some program funding, was raised for the first time in 1967 by 50%. An antidiscrimination clause and programs for school nutritional and health services were added in 1969. Special programs called Talent Search and Upward Bound were authorized in 1972 to identify disadvantaged youth with exceptional abilities for post-secondary education.

RELATED PROGRAMS

Emergency School Aid Act programs for special programs and projects (P.L. 92-318); grants for educationally-deprived children (P.L. 92-318); Native American Programs (P.L. 93-644); Citizenship Education and Training (P.L. 82-414)

ADULT EDUCATION GRANTS TO STATES

ADMINISTRATIVE AGENCY

Office of Education, Department of Health, Education and Welfare (HEW)

LEGISLATIVE BACKGROUND

Title of Bill: Adult Education Act of 1966 (Title III of the Elementary and Secondary Education Amendments of 1966), P.L. 89-750

Date of Enactment: 1966

Initial Appropriation: \$40 million *Current Appropriation:* \$67.5 million
Amendments: Elementary and Secondary Education Amendments of 1969 (P.L. 90-247)

DESCRIPTION

Adult Education Grants were designed to encourage the development of adult public education to the level of secondary school completion. Adults 16 and over with less than a twelfth-grade education and not presently enrolled in school are eligible for the state's programs. First priority must be given to instruction in speaking, reading and/or writing the English language. Federal matching funds given to state education agencies supply 90% of costs; states may exercise flexibility in allocation of grant monies.

PRECEDENTS

The Cooperative Research Act of 1954 (U.S. 20 § 331a) provided pilot programs for four educational research and development centers. Some remedial programs are included in the Elementary and Secondary Education Act of 1965 (P.L. 89-10).

CHANGES

Remedial educational services available under the National Defense Education Act of 1958 were combined with Adult Education Grant

Synopses of Selected Income Maintenance Programs

programs in the Elementary and Secondary Education Amendments of 1969, which also established the National Advisory Council on Adult Education. The Older Americans Comprehensive Services Amendments of 1973 provided grants for the establishment of remedial educational programs for the elderly.

RELATED PROGRAMS

University Community Services-Grants to States of the Higher Education Act of 1965 (P.L. 89-329); Indian Education for Adults, provided by the Snyder Act of 1921 (P.L. 67-25)

NATIONAL SCHOOL LUNCH PROGRAM (NSLP)

ADMINISTRATIVE AGENCY

Food and Nutrition Service, Department of Agriculture (USDA) through state educational agencies

LEGISLATIVE BACKGROUND

Title of Bill: National School Lunch Act, P.L. 79-396

Date of Enactment: June 4, 1946

Initial Appropriation: \$75 billion *Current Appropriation:* \$1.752 billion

Amendments: Amendments to National School Lunch Act, P.L. 87-823; Amendments to National School Lunch Act, P.L. 90-302; Amendments to National School Lunch Act, P.L. 92-153; Amendments to National School Lunch Act, P.L. 92-433; National School Lunch and Child Nutrition Act Amendments of 1973, P.L. 93-150; National School Lunch Act and Child Nutrition Act of 1966 Amendments of 1975, P.L. 94-105

DESCRIPTION

The National School Lunch Program (NSLP) is designed to serve as a nutritional aid to the nation's elementary and secondary school-age population. The program allows participating schools to sell lunches below cost to any child and provide free or reduced price lunches to children of families whose annual income is determined by local school authorities to be below federal poverty levels. The federal government reimburses the schools for a portion of the cost of the lunches. The meals are required to meet certain minimum nutritional standards. The Food and Nutrition Service of USDA administers the NSLP through the state educational agency, which then disburses the program funds to individual public and

In-Kind Services

non-profit private schools. The NSLP is also designed to encourage the consumption of domestic agricultural commodities through federal donations of foods to the schools for use in providing nutritious lunches.

PRECEDENTS

None

CHANGES

Amendments to the National School Lunch Act in 1962 (P.L. 87-823) targeted "Special Assistance" funds for specifically low-income area schools. The NSLP was expanded by further amendments in 1968 (P.L. 90-302) to include food service programs in certain child day care institutions. The rates of federal reimbursement were increased by amendments in 1971 (P.L. 92-153) in order to encourage more schools to participate in the NSLP. An amendment in 1972 (P.L. 92-433) included summer child care institutions in the program. Under certain conditions, schools may receive cash in lieu of donated foods as a result of the National School Lunch and Child Nutrition Act Amendments of 1973 (P.L. 93-150). Reimbursement rates were again expanded under the National School Lunch Act and Child Nutrition Act of 1966 Amendments of 1975 (P.L. 94-105).

RELATED PROGRAMS

Food Stamp Program; School Breakfast Program; Special Supplemental Food Program for Women, Infants, and Children

FOOD STAMP PROGRAM

ADMINISTRATIVE AGENCY

Food and Nutrition Service, Department of Agriculture (USDA) through state and local welfare agencies

LEGISLATIVE BACKGROUND

Title of Bill: Food Stamp Act of 1964, P.L. 88-525

Date of Enactment: August 31, 1964

Initial Appropriation: \$75 million *Current Appropriation:* \$5.180 billion

Amendments: Amendments to Food Stamp Act, P.L. 90-91; Amendments to Food Stamp Act, P.L. 91-671; Agriculture and Consumer Protection Act of 1973, P.L. 93-86; Amendments to Food Stamp Act, P.L. 93-347; Food Stamp Act of 1977, P.L. 95-113

Synopses of Selected Income Maintenance Programs

DESCRIPTION

The Food Stamp Program is designed to supplement the food purchasing power of eligible low-income households in order to upgrade the quality of their diets and to expand the market for domestic agricultural goods. As administered by the Food and Nutrition Service of USDA through the state and local welfare offices, the program gives free bonus coupons, or stamps, to households to be used in retail stores to purchase domestically produced food, excluding alcohol and tobacco. Eligibility for the program and the value of the stamps to be received are determined by individual household size and monthly net income. Eligible recipients without jobs must meet a work registration requirement. The surplus-commodities program, in which eligible families receive unused foods bought by the federal government, has been largely replaced by the food stamp program. This allows greater market choice for the recipient, but no nutritional guidelines are set on the use of the stamps. Although the food stamp program is growing, actual participation is still well below the number eligible. The federal government pays the full value of the bonus coupons and shares equally with the states the administrative costs of the program.

PRECEDENTS

The first food stamp program existed from 1939 to 1943 and was called the "Food Stamp Plan." Families on public assistance were eligible to receive general stamps and specific stamps, the latter to be used only to purchase designated surplus foods. A food stamp program was reinstated by Executive Order as a pilot project in 1961, involving originally eight test areas. The Food Stamp Act of 1964 (P.L. 88-525) grew out of generally favorable response to the pilot program, and it extended benefits nationwide.

CHANGES

The original emphasis of the food stamp program was to strengthen the market for domestic agricultural goods. It was administered by USDA and was financed under Section 32 of P.L. 74-320 (1935), which set aside 30% of U.S. customs receipts to be spent to encourage domestic food consumption and to reestablish farmers' purchasing power. Amendments to the Food Stamp Act in 1967 (P.L. 90-91) provided that the food stamp program be financed solely with funds from the general Treasury (although USDA still runs the program) in recognition of the predominately welfare function of food stamps. It is important to note that until the passage of the Food Stamp Act of 1977 (P.L. 95-113), eligible recipients were required to purchase food stamps, exchanging money for food coupons whose value was greater than the amount paid. Amendments to

In-Kind Services

the Food Stamp Act in 1970 (P.L. 91-671) began the movement toward the elimination of the purchase requirement, as it provided free stamps to families with incomes less than \$30 a month. This 1970 legislation also established national eligibility and benefit standards, a registration-for-work requirement, and an annual cost-of-living increase. The Agriculture and Consumer Protection Act of 1973 (P.L. 93-86) called for nationwide mandatory implementation of a food stamp program, allowed for semi-annual cost-of-living adjustments, and expanded the coverage of the program to the elderly in certain federally subsidized housing and to drug addicts and alcoholics in private nonprofit treatment centers. Amendments to the Food Stamp Act in 1974 (P.L. 93-347) set the federal share of administering the food stamp program at 50% of all administrative costs. The Food Stamp Act of 1977 (P.L. 95-113) totally eliminated the purchase requirement and tightened eligibility criteria.

RELATED PROGRAMS

National School Lunch Program; School Breakfast Program; Special Supplemental Food Program for Women, Infants, and Children

SCHOOL BREAKFAST PROGRAM

ADMINISTRATIVE AGENCY

Food and Nutrition Service, Department of Agriculture (USDA) through state educational agencies

LEGISLATIVE BACKGROUND

Title of Bill: Child Nutrition Act of 1966, P.L. 89-642

Date of Enactment: October 11, 1966

Initial Appropriation: \$7.5 billion *Current Appropriation:* \$184 billion

Amendments: Amendments to Child Nutrition Act, P.L. 92-433; National School Lunch and Child Nutrition Act Amendments of 1973, P.L. 93-150; National School Lunch Act and Child Nutrition Act of 1966 Amendments of 1975, P.L. 94-105

DESCRIPTION

Citing evidence of a relationship between an adequate breakfast and improved performance in school, Congress, in the Child Nutrition Act of 1966 (P.L. 89-642), provided federal funds to elementary and secondary schools to be used for developing school breakfast programs for all children. Free or reduced-price breakfasts are available in participating schools to children unable to pay the full cost, as determined by local

Synopses of Selected Income Maintenance Programs

school authorities based on family income. The federal government reimburses the schools for a portion of the costs of the breakfasts. The Food and Nutrition Service of USDA administers the program through the state educational agency, which then distributes the funds to the individual public and non-profit private schools. In selecting schools for participation in the program, the state educational agency is to give priority to schools in poor economic areas and to schools to which the children must travel long distances daily. It is assumed that children in such schools are least likely to receive an adequate breakfast at home. The breakfasts served under the program must meet minimum nutritional guidelines. Federal monies are also available to schools in poor economic areas for acquiring and maintaining the food service equipment necessary for implementing school breakfast and lunch programs.

PRECEDENTS

The school breakfast program is basically an expansion of the National School Lunch Program, which was established in 1946 (P.L. 79-396). The Child Nutrition Act of 1966 (P.L. 89-642) was originally proposed as an amendment to this program's legislation.

CHANGES

The school breakfast program was initially legislated and funded as a two-year pilot project. Extensions were periodically granted until the National School Lunch Act and Child Nutrition Act of 1966 Amendments of 1975 (P.L. 94-105) made the program permanent. Amendments to the Child Nutrition Act in 1972 (P.L. 92-433) established a "performance" criteria for funding of the program. Levels of federal financial assistance are partially based upon the quantities of full-price, reduced-price, and free breakfasts served under the program in the previous year, multiplied by a national average cash payment of each category of breakfast. This was designed to increase the levels of federal assistance to encourage more schools to participate in the program. The National School Lunch Act and Child Nutrition Act of 1966 Amendments of 1975 (P.L. 94-105) also liberalized the eligibility requirements of students for free and reduced-price breakfasts and lunches.

RELATED PROGRAMS

National School Lunch Program; Food Stamp Program; Special Supplemental Food Program for Women, Infants, and Children

**SPECIAL SUPPLEMENTAL FOOD PROGRAM
FOR WOMEN, INFANTS, AND CHILDREN (WIC)**

ADMINISTRATIVE AGENCY

Department of Agriculture (USDA)

LEGISLATIVE BACKGROUND

Title of Bill: Child Nutrition Act Amendments of 1972, P.L. 92-433,
Section 17

Date of Enactment: September 26, 1972

Initial Appropriation: \$20 billion *Current Appropriation:* \$338.7 billion
(estimate for 1978)

Amendments: National School Lunch Act and Child Nutrition Act of
1966 Amendments of 1975, P.L. 94-105

DESCRIPTION

The WIC Program was created by the addition of Section 17 to the Child Nutrition Act of 1966 (P.L. 89-642). Its purpose is to supply nutritious food to pregnant women, infants, and young children during critical times of development in order to prevent birth defects and future health problems. WIC is designated for implementation in concentrated low-income, poor-nutrition areas, and is intended to supplement rather than supplant existing food programs such as food stamps. Eligibility for receiving supplemental food is determined by private physicians and government health professionals. Cash grants are awarded by USDA to state health departments for distribution to local health or welfare agencies, Indian tribes, and private non-profit clinics choosing to participate in the program. These agencies are responsible for publicizing the program, distributing the vouchers for supplemental food, and keeping detailed medical records of the recipients for evaluation purposes. Administrative costs cannot exceed a specified limit determined by Congress. The Act also establishes a fifteen-member National Advisory Council on Maternal, Infant, and Fetal Nutrition to oversee and evaluate the program.

PRECEDENTS

Major precedents for supplemental food assistance include the National School Lunch Program (P.L. 79-396), the School Breakfast Program (P.L. 89-642), and the Special Milk Program (P.L. 91-295), which are all administered by USDA.

Synopses of Selected Income Maintenance Programs

CHANGES

The National School Lunch Act and Child Nutrition Act of 1966 Amendments of 1975 (P.L. 94-105) increased federal funding to \$25 million per year and limited administrative costs to 20% of total expenditures. Since its initiation as a three-year Pilot Project, the WIC Program has grown to 1,500 individual clinics in 49 states, Puerto Rico, and the Virgin Islands. The total caseload for 1975 was 753,000.

RELATED PROGRAMS

Food Stamps; School Breakfast Program; National School Lunch Program; Special Milk Program

HOSPITAL INSURANCE PROGRAM (MEDICARE, PART A)

ADMINISTRATIVE AGENCY

Social Security Administration, Department of Health, Education, and Welfare (HEW)

LEGISLATIVE BACKGROUND

Title of Bill: Social Security Act Amendments of 1965, P.L. 89-97, Title XVIII

Date of Enactment: July 30, 1965

Initial Appropriation: N/A

Amendments: Social Security Amendments of 1967, P.L. 90-248, Title XVIII; Social Security Amendments of 1972, P.L. 92-603, Title XVIII; Social Security Benefits-Increases (1973), P.L. 93-233; Social Security Act of 1975, P.L. 94-182

DESCRIPTION

The Medicare Hospital Insurance Program was added to the Social Security Act by the creation of a new section, Title XVIII. The Hospital Insurance Program is designed to provide basic protection against the costs of hospital and post-hospital services for persons 65 years of age or older. The program eligibility requirements do not include income or asset restrictions; therefore, virtually every person over 65 years old is covered under this compulsory plan. Financing of the program is based on an earmarked payroll tax under OASI which is paid by the employee and employer on a 50%-50% basis. Congress periodically adjusts the tax rate and entitlement for Hospital Insurance to reflect rising costs. General revenue funds from the United States Treasury are used to cover those

In-Kind Services

persons with insufficient payroll tax credit, such as career housewives. Blue Cross and private insurance companies work with state health agencies in processing claims and annually redetermining the amount of payments due. Benefits available under the Hospital Insurance Plan include hospital and post-hospital services, with certain restrictions placed on the time and nature of services covered. The federal government makes direct payment to the service providers after the participant pays a set deductible amount of the cost, which is determined according to hospital costs and length of time services are needed. Hospital Insurance does not apply if the participant is covered under Workmen's Compensation.

PRECEDENTS

None

CHANGES

Social Security Amendments of 1967 (P.L. 90-248) provided increased benefits, extended protection under health insurance, and simplified administrative procedures. Eligibility was extended in the Social Security Amendments of 1972 (P.L. 92-603) to include disability insurance beneficiaries and chronic renal disease patients. The estimated federal cost of the program for FY 1978 is \$17,814,000 for approximately 25,765 beneficiaries, reflecting the increase in the number of persons eligible and the rising costs of health care.

RELATED PROGRAMS

Supplementary Medical Insurance, Title XVIII, and Medicaid, Title XIX, of the Social Security Act Amendments of 1965 (P.L. 89-97)

SUPPLEMENTARY MEDICAL INSURANCE PROGRAM (MEDICARE, PART B)

ADMINISTRATIVE AGENCY

Social Security Administration, Department of Health, Education, and Welfare (HEW)

LEGISLATIVE BACKGROUND

Title of Bill: Social Security Act Amendments of 1965, P.L. 89-97, Title XVIII

Date of Enactment: July 30, 1965

Initial Appropriation: N/A

Synopses of Selected Income Maintenance Programs

Amendments: Social Security Amendments of 1967, P.L. 90-248, Title XVIII; Social Security Amendments of 1972, P.L. 92-603, Title XVIII; Social Security Benefits-Increases (1973), P.L. 93-233; Social Security Act of 1975, P.L. 94-182

DESCRIPTION

The Supplementary Medical Insurance Program (SMI) was created under Title XVIII of the Social Security Act in conjunction with the Health Insurance Program. SMI is a voluntary insurance plan to extend coverage of hospital and post-hospital costs for those persons eligible for Health Insurance under Medicare. Financing of SMI is based on small monthly premiums deducted from the participant's Social Security and/or Railroad Retirement payments, and Civil Service benefits. Participants also qualifying for Medicaid, a program for the indigent and medically needy, can receive benefits from both programs to cover hospital expenses. The state may pay the beneficiary's requirement if he or she receives public assistance. The federal government matches the participant's payment with funds from the general revenue. Blue Shield and other private insurance companies work with the federal government in determining the premium amounts, currently set at \$7.70 per month, and in processing claims. The federal government makes payments either by reimbursing the participant or by directly paying the provider of services. The federal payments are generally 80% of the excess of reasonable charges for services. Reasonable charges are determined by customary charges for similar services, prevailing charges in the locality, and the efficiency of service delivery. Payments are not made in those claims in which Workmen's Compensation applies. SMI benefits are basically the same as those provided under Hospital Insurance.

PRECEDENTS

None

CHANGES

Social Security Amendments of 1967 (P.L. 90-248) provided increased benefits, extended protection under health insurance, and simplified administrative procedures. Eligibility was extended in the Social Security Amendments of 1972 (P.L. 92-603) to include disability insurance beneficiaries and chronic renal disease patients.

RELATED PROGRAMS

Hospital Insurance (Medicare), Title XVIII, and Medicaid, Title XIX, of the Social Security Act Amendments of 1965 (P.L. 89-97)

MEDICAL ASSISTANCE PROGRAM (MEDICAID)

ADMINISTRATIVE AGENCY

Medical Services Administration; Bureau of Family Services; Department of Health, Education, and Welfare (HEW)

LEGISLATIVE BACKGROUND

Title of Bill: Social Security Amendments of 1965, P.L. 89-97, Title XIX

Date of Enactment: July 30, 1965

Initial Appropriation: \$362 million *Current Appropriation:* \$10.3 billion

Amendments: Public Laws 91-56, 92-223, and 93-66

DESCRIPTION

Medicaid is a program of federal grants to states for the indigent and medically needy. It additionally covers some charges imposed on Medicare patients which are not covered by that service. Federal grants (ranging from 50% to 83% of a state's Medicaid costs) are based on a variable formula with the highest formula amounts given to the states with the lowest per capita income; grants are generally made to a state's welfare agency. Eligibility, limits on duration, and specified types of care vary from state to state. Federal guidelines require that all recipients of income or means-tested cash assistance payments be eligible; provision of inpatient and outpatient hospital care, laboratory and x-ray services, skilled nursing home care, and physician services are also mandatory.

PRECEDENTS

The Social Security Act of 1935, Title V, provided categorical grants-in-aid to states for maternal and child health services and programs for crippled children. Other significant precedents: the Kerr-Mills Medical Assistance Program of the Social Security Amendments of 1960 (P.L. 86-778); Health Service programs to the Cuban refugees (1962), migrant farm workers (1962), Head Start participants (1965), and residents of Appalachia (1965); medical vendor payments to states (1950); the Indian Health Program; medical services for the armed forces; and neighborhood health centers under the Office of Economic Opportunity (1964, P.L. 88-452)

CHANGES

The Social Security Amendments of 1967 (P.L. 90-36) tightened eligibility by restricting federal grants to a formula (133-1/3%) based on state cash assistance payments. 1972 amendments provided several changes, among them: family planning services were made mandatory;

Synopses of Selected Income Maintenance Programs

states were allowed to reduce Medicaid expenditures; more leeway was allowed in determining "reasonable" medical costs; a 1977 deadline for provision of comprehensive services was eliminated; states were permitted to require "nominal deductibles" from the medically indigent and from cash assistance recipients for nonmandatory services; and, full federal funding was made available for nursing home inspections. Medicaid costs have risen nearly 3000% since its inception.

RELATED PROGRAMS

Comprehensive Public Health Services (42 U.S.C. 246); Community Health Centers (P.L. 94-63); Medicare (P.L. 89-97); Community Nursing Home Care (P.L. 88-450)

IV. PUBLIC EMPLOYMENT

MANPOWER DEVELOPMENT AND TRAINING ACT (MDTA)

ADMINISTRATIVE AGENCY

Department of Labor (DOL) and Department of Health, Education, and Welfare (HEW)

LEGISLATIVE BACKGROUND

Title of Bill: Manpower Development and Training Act of 1962, P.L. 87-415

Date of Enactment: March 12, 1962. Replaced by the Comprehensive Employment and Training Act (CETA) in 1973.

Initial Appropriation: \$255 million

Amendments: Manpower Development and Training Amendments of 1963 (P.L. 88-210, 88-214); 1966 (P.L. 89-15, 89-792, 89-794); 1968 (P.L. 90-636)

DESCRIPTION

The Manpower Development and Training Act, which was designed ostensibly for the purpose of serving workers who had lost their jobs because of automation, called for extensive government intervention in labor markets. The rationale behind the Act was that by enhancing workers' skills and mobility among occupations, some unemployment might be avoided and economic growth promoted without generating inflationary pressure on wages. The MDTA authorized testing, counseling, living allowances, and training for unemployed heads of households having at least three years employment experience and for whom a "reasonable expectation" of employment after training could be established. Programs of on-the-job training were to be administered by DOL, and classroom training by HEW. The MDTA also included a small special program for youth.

PRECEDENTS

While a manpower training effort of the magnitude of MDTA was unprecedented, there were two precursory pieces of legislation that provided for lesser training efforts. The Area Redevelopment Act of 1961, whose primary thrust was capital investment, included a small training component; and the Trade Act of 1962 provided a nominal program for retraining workers displaced as a result of foreign competition.

Synopses of Selected Income Maintenance Programs

CHANGES

In the first six months after its enactment, the MDTA found itself unable to locate large numbers of technologically displaced workers. It may or may not have been a mere coincidence that at this same time, the civil rights movement was gathering steam; and that, administratively at first, then through legislation, the MDTA became the vehicle for a policy response to that movement. Lacking displaced worker clients, MDTA attention was redirected toward youth and the disadvantaged. MDTA amendments in 1963 (P.L. 88-210, 88-214) enlarged the existing youth program and added provisions for counseling, testing, and job placement as well as reducing the labor market experience requirement for other MDTA programs from three to two years. MDTA appropriations were increased to more than \$3 million annually by the end of 1964, and beginning in 1966, 65% of MDTA training slots would be apportioned to disadvantaged applicants. The program was further altered to serve the disadvantaged by expanding training opportunities for workers over 45 years of age; further reducing labor force experience requirements; providing minor medical care to trainees; and establishing pilot programs for bonding ex-offender job-seekers and for promoting the geographic mobility of low-income workers. In short, the MDTA, before it was replaced by the Comprehensive Employment and Training Act in 1973, had become much more than a program for retraining technologically displaced workers.

RELATED PROGRAMS

None

PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT

ADMINISTRATIVE AGENCY

Secretary of Commerce, assisted by the Assistant Secretary of Commerce, the Administrator of Economic Development, and the Area Redevelopment Administration, Department of Commerce

LEGISLATIVE BACKGROUND

Title of Bill: Public Works and Economic Development Act of 1965, P.L. 89-136; amended by P.L. 94-487

Date of Enactment: August 26, 1965

Initial Appropriation: \$500 million *Current Appropriation:* \$425 million
Amendments: Public Works and Economic Development Act Amendments of 1971, P.L. 92-65, Title I; Emergency Jobs and Unemployment

Public Employment

Assistance Act of 1974, P.L. 93-567, Title III; Public Works and Economic Development Act Amendments of 1976, P.L. 94-487

DESCRIPTION

The goal of this program is to remedy substantial and persistent unemployment and underemployment by helping areas confronting those problems to take effective steps in planning and financing public works and economic development projects. Providing grants and loans to those areas, the program stresses that such assistance be preceded by and consistent with sound, long-range economic planning. Eligible areas are primarily determined by their average rate of unemployment as compared to the national average. Other eligible areas include those in which the median income is below or equal to 50% of the national median income, federal or state Indian reservations which manifest economic distress on the basis of unemployment and income statistics, areas in which the Secretary of Commerce determines an actual or threatened unusual and abrupt rise in unemployment due to the curtailment or closing of a major source of income, and areas of long-term economic deterioration. The Act also establishes regional planning commissions to initiate and coordinate preparation of long-range overall economic development programs. Grants and loans are also provided for technical assistance and research.

PRECEDENTS

Two earlier programs designed to aid economically distressed areas were the Area Rehabilitation Act (1961), and the Public Works Acceleration Act (1962).

CHANGES

Title X, the Job Opportunities Program, was added to the act in 1974 and provides emergency financial assistance to stimulate, maintain, or expand job-creating activities of areas, both rural and urban, which suffer from unusually high levels of unemployment. In 1976, provisions were added which authorized assistance for preventative economic planning and for long-term economic rehabilitation.

RELATED PROGRAMS

None

Synopses of Selected Income Maintenance Programs

WORK INCENTIVE PROGRAM (WIN)

ADMINISTRATIVE AGENCY

Department of Labor (DOL) and Department of Health, Education, and Welfare (HEW) through local WIN sponsors

LEGISLATIVE BACKGROUND

Title of Bill: Social Security Amendments of 1967, P.L. 90-248

Date of Enactment: January 2, 1968

Initial Appropriation: N/A

Amendments: Social Security Amendments of 1971, P.L. 92-223

DESCRIPTION

The Work Incentive Program was authorized by amendments to Title IV of the Social Security Act. Title IV provides for grants to states for aid and services to needy families with children and for child-welfare services. WIN was designed to help employable members of families receiving Aid to Families with Dependent Children (AFDC) payments to find jobs and thereby achieve economic independence. WIN is the only employment and training program that serves welfare recipients exclusively. Emphasis in the early years of the WIN Program (1968-1972) was on increasing individual job readiness through training, counseling, and other employment and supportive services.

PRECEDENTS

The Social Security Amendments of 1962 (P.L. 87-543) authorized the Community Work Training Program, which was a small-scale attempt to employ unemployed heads of families receiving AFDC payments. This program was multiplied in size, renamed the Work Experience and Training Program (WET), opened up to other needy persons as well as public assistance recipients, and added to the anti-poverty package of 1964. In 1967, the Social Security Act was amended to transfer administrative responsibility for WET from the Office of Economic Opportunity to the DOL and HEW. It was then renamed the Work Incentive Program, and was opened to welfare recipients only.

CHANGES

The WIN Program underwent extensive restructuring during fiscal 1973 in response to changes mandated by the 1971 Amendments to Title IV of the Social Security Act (P.L. 92-223). The program which emerged, known as WIN II, placed heavier emphasis on immediate job placement, with training and other assistance to be provided only when placement was

Public Employment

not feasible. WIN II requires all applicants for and recipients of AFDC who are 16 years of age or older to register for WIN as a condition of eligibility for AFDC, unless legally exempt by reasons of health, incapacity, family responsibility, advanced age, student status, or geographic location. In addition, the 1971 amendment brought with it new regulations (effective March 16, 1976) which transferred the registration function for WIN from the local welfare agencies to WIN sponsors (usually the public employment service within a state); introduced Intensive Employment Services (IES) as a program component optional to the WIN sponsor; and streamlined WIN hearing and adjudication procedures.

RELATED PROGRAMS

None

COMPREHENSIVE MANPOWER SERVICES, TITLE I, COMPREHENSIVE EMPLOYMENT AND TRAINING ACT (CETA)

ADMINISTRATIVE AGENCY

Department of Labor (DOL) in consultation with the Department of Health, Education, and Welfare (HEW), with services administered by local prime sponsors

LEGISLATIVE BACKGROUND

Title of Bill: Comprehensive Employment and Training Act of 1973, P.L. 93-203

Date of Enactment: December 28, 1973

Initial Appropriation: N/A

Amendments: None

DESCRIPTION

Comprehensive Manpower Services is a program designed as a decentralized system for delivering employment and training services on a national scale. The purpose of the system is to provide job opportunities, vocational education and training, along with supportive services; and to develop lasting, unsubsidized employment for the unemployed, the underemployed, and the economically disadvantaged. The decentralized structure of the system provides flexibility for adapting services to meet local labor needs. The services are administered through units of general local government, i.e., cities or counties, with populations of 100,000 or more. The prime sponsors receive funds from the Secretary of Labor

Synopses of Selected Income Maintenance Programs

according to guidelines outlined in the legislation. The prime sponsors are responsible for contracting the employment and training services needed locally. There is a great deal of variation in the services delivered and the administrative procedures from prime sponsor to prime sponsor. Therefore, Comprehensive Manpower Services established a structure for CETA which each state must maintain. Each state must have State Manpower Services Councils to monitor the operations, review plans, and make annual reports to the Governor on the activities of each prime sponsor in its region. The Governor is responsible for all land areas which do not fall under the jurisdiction of a prime sponsor as defined above. These areas are called, collectively, the Balance of State. The Balance of State, organized under the Governor, operates as a prime sponsor. Each prime sponsor must establish Prime Sponsor Planning Councils with the function of submitting recommendations regarding program goals, objectives and evaluation procedures. The Secretary of Labor is required to review plans, hold public hearings, and determine the merit of any allegations or wrongdoing. Each prime sponsor submits plans and objectives to a Regional Office of the Department of Labor for approval of funds.

PRECEDENTS

The Manpower Development and Training Act, P.L. 87-415 (1962), was the first attempt at comprehensive manpower legislation. The Comprehensive Manpower Services program is an outgrowth of this earlier program.

CHANGES

None

RELATED PROGRAMS

None

PUBLIC SERVICE EMPLOYMENT PROGRAMS, TITLE II, COMPREHENSIVE EMPLOYMENT AND TRAINING ACT (CETA)

ADMINISTRATIVE AGENCY

Assistant Regional Director of Manpower, Department of Labor (DOL),
through local prime sponsors

LEGISLATIVE BACKGROUND

Title of Bill: Comprehensive Employment and Training Act of 1973, P.L.
93-203, amended by P.L. 93-567

Public Employment

Date of Enactment: December 28, 1973

Initial Appropriation: \$250 million *Current Appropriation:* \$400 million

Amendments: None

DESCRIPTION

Title II of CETA targets federal funds to areas with unemployment in excess of or equal to 6.5%. Designed to create transitional public service employment for unemployed and underemployed persons, Title II programs ideally lead to unsubsidized, private sector employment. Funds may be used to provide training and supportive services to accomplish this goal, but no less than 90% of Title II funds may be expended for wages and employee benefits. To be eligible for Title II jobs, a person must be underemployed or must have been unemployed for at least thirty days before application. Special preference is awarded to unemployed persons most severely disadvantaged in terms of length of time of unemployment and prospects of securing employment without assistance; to certain groups of unemployed veterans; to welfare recipients; and to former manpower program trainees. Prime sponsors and employing agencies must follow a directive called maintenance of effort which requires them to ensure that new jobs are actually created and that federal money is not used as substitute funding for positions already funded through other sources. Discrimination and nepotism are prohibited, and CETA funds may not be used for political activities.

PRECEDENTS

The CETA, Title II emphasis on job training and its specific targeting of aid to particular groups was derived from the approach taken by the Economic Opportunity Act of 1964.

CHANGES

None

RELATED PROGRAMS

None

Synopses of Selected Income Maintenance Programs

TITLE III, COMPREHENSIVE EMPLOYMENT AND TRAINING ACT (CETA)

ADMINISTRATIVE AGENCY

Department of Labor (DOL) in consultation with the Department of Health, Education, and Welfare (HEW) through local prime sponsors

LEGISLATIVE BACKGROUND

Title of Bill: Comprehensive Employment and Training Act of 1973, P.L. 93-203, Title III

Date of Enactment: December 28, 1973

Initial Appropriation: N/A

Amendments: None

DESCRIPTION

Title III of CETA has two parts: (A) provision of additional manpower services to people who are at a particular disadvantage in the labor market; and (B) expansion of work opportunities and assured access to those opportunities for all who desire it, through a comprehensive program of research, training, and evaluation. Part A of Title III requires the Secretary of Labor to provide special programs for segments of the community that are in need of services beyond the scope of Title I program sponsors. As these special programs are tailored to the specific needs of each target group, the actual services provided may vary greatly. Special manpower target groups served by Title III programs include: youth, offenders, older workers, persons of limited English speaking ability, native Americans, migrant and seasonal farm workers, and others determined by the Secretary of Labor as having particular disadvantages in the labor market.

Part B of this program requires the Secretary of Labor to establish (1) a comprehensive program of manpower research, (2) a comprehensive system of labor-market information, (3) a national computerized job bank program, and (4) a demonstration voucher system program, whereby private employers would be reimbursed by the federal government for hiring and training the disadvantaged. Part B also authorizes the Secretary to contract with public or private non-profit organizations to conduct experimental, developmental, and demonstration projects.

PRECEDENTS

Precursors of the type of programs provided for in Part A of Title III are found in programs authorized by the Economic Opportunity Act of 1964 (P.L. 88-452) and the Economic Opportunity Amendments of 1972 (P.L. 92-424). Most notable of these were the National Older Workers

Public Employment

Projects (under Operation Mainstream), the Neighborhood Youth Corps, and the Public Service Service Careers Program, which was authorized by a 1966 amendment to the Economic Opportunity Act of 1964 (P.L. 89-794), to provide permanent public sector jobs for the disadvantaged by removing personal and/or institutional barriers to their employment. Community service employment for youth may also be traced back to the Civilian Conservation Corps and National Youth Administration, enacted in 1934 as New Deal work relief programs.

CHANGES

No significant changes

RELATED PROGRAMS

None

JOB CORPS, TITLE IV, COMPREHENSIVE EMPLOYMENT AND TRAINING ACT (CETA)

ADMINISTRATIVE AGENCY

Job Corps Office, Department of Labor (DOL)

LEGISLATIVE BACKGROUND

Title of Bill: Comprehensive Employment and Training Act of 1973, P.L. 93-203, Title IV

Date of Enactment: December 28, 1973

Initial Appropriation: N/A

Amendments: None

DESCRIPTION

The purpose of the Job Corps is to assist disadvantaged youth aged 16 to 21 years to become more responsible, employable, and productive citizens. All participants in the program are out of work and out of school, and in need of additional education, vocational training, counseling, and other services to help them obtain employment, return to school, qualify for other training programs, or enlist in the Armed Forces. The Job Corps program consists of two principal components—basic education and vocational skills training. Residential living during a student's enrollment in the program is also an important component of the "Job Corps experience." Since its inception in 1965, the Job Corps has enrolled over one-half million disadvantaged young people.

Synopses of Selected Income Maintenance Programs

PRECEDENTS

The Job Corps was originally authorized under Title I-A of the Economic Opportunity Act of 1964 (P.L. 88-452). It began operating in 1965 and continued with such success that it was adopted, virtually unchanged, as Title IV of CETA.

CHANGES

Since its incorporation into CETA, the program's emphasis on residential living has fallen off somewhat. As a result, nonresidential training has become available at some (usually urban) Job Corps Centers. Recent program emphasis has been on increasing training opportunities for women and on greater union involvement in vocational training.

RELATED PROGRAMS

None

NATIONAL COMMISSION FOR MANPOWER POLICY, TITLE V, COMPREHENSIVE EMPLOYMENT AND TRAINING ACT (CETA)

ADMINISTRATIVE AGENCY

Self-administered

LEGISLATIVE BACKGROUND

Title of Bill: Comprehensive Employment and Training Act of 1973, P.L. 93-203, Title V

Date of Enactment: December 28, 1973

Initial Appropriation: N/A

Amendments: None

DESCRIPTION

Title V of CETA establishes the National Commission for Manpower Policy. The Commission is charged with the broad responsibilities of developing proposals for a framework of a national manpower policy, and advising the Congress, the President, the Secretary of Labor, and other federal department or agency heads on national manpower issues. The Commission is composed of seventeen members, five of them Cabinet secretaries, the other twelve being appointed by the President and representing labor, industry, commerce, education, state and local manpower programs, and the general public.

PRECEDENTS

None

CHANGES

None

RELATED PROGRAMS

The National Commission for Manpower Policy, in its advisory capacity, is indirectly related to all the programs provided under the various titles of CETA. In addition, the assistance of the Commission may be sought by the personnel of other manpower programs.

**EMERGENCY JOB PROGRAM, TITLE VI,
COMPREHENSIVE EMPLOYMENT AND TRAINING ACT (CETA)**

ADMINISTRATIVE AGENCY

Assistant Regional Director of Manpower, Department of Labor (DOL),
through local prime sponsors

LEGISLATIVE BACKGROUND

Title of Bill: Emergency Jobs and Unemployment Assistance Act of 1974,
P.L. 93-567, amending CETA P.L. 93-203

Date of Enactment: December 31, 1974

Initial Appropriation: \$2.5 billion *Current Appropriation:* \$2.5 billion

Amendments: None

DESCRIPTION

Title VI is the second CETA title under which public service jobs are funded. Designed to supplement CETA Title II, Title VI focuses on rapid job creation. Hiring preference under Title VI is extended to unemployed persons who have exhausted unemployment insurance benefits, to unemployed persons not new to the labor force who do not qualify for such benefits, and to persons who have been unemployed for fifteen weeks or more.

Within these target groups, special consideration must be given to the most severely disadvantaged, to certain veterans, to welfare recipients, and to former manpower program trainees.

Subpart D of Title VI details special provisions for areas with an excess of 7% unemployment. For these areas, the requisite of "transitional" employment may be waived, eligibility for hiring may commence after

Synopses of Selected Income Maintenance Programs

fifteen rather than thirty days of unemployment, funds may be allocated for work experience in the public sector, and funds may be expended for fifteen rather than thirty days of unemployment, funds may be allocated for work experience in the public sector, and funds may be expended for projects which would not otherwise have been implemented.

Title II restrictions regarding maintenance of effort, discrimination, nepotism, and political activity apply to Title VI. Like Title II, Title VI is administered through local prime sponsors.

PRECEDENTS

Title VI, deemed necessary to fight the excessively high unemployment rate associated with the economic recession of 1974, was designed to supplement Title II, CETA.

CHANGES

None

RELATED PROGRAMS

None

GENERAL PROVISIONS, TITLE VII, COMPREHENSIVE EMPLOYMENT AND TRAINING ACT (CETA)

ADMINISTRATIVE AGENCY

Secretary of Labor, Department of Labor (DOL)

LEGISLATIVE BACKGROUND

Title of Bill: Comprehensive Employment and Training Act of 1973, P.L. 93-203, amended by P.L. 93-567

Date of Enactment: December 28, 1973

Initial Appropriation: N/A

Amendments: None

DESCRIPTION

CETA Title VII contains provisions applicable to all other CETA titles. The four most relevant to the public service employment portions of the act are as follows: (1) advisory planning councils, which include representatives of the client community, are to assist in the formulation, implementation and review of local programs; (2) discrimination based on race, creed, color, national origin, sex, age, and/or political affiliation or

Public Employment

belief is emphatically forbidden, as are political activities by employees; (3) provisions for enforcement procedures are spelled out; and, (4) a complaint procedure for citizens is set forth. Title VII also defines CETA terms and details record, audit and report conditions.

PRECEDENTS

None

CHANGES

In 1974 the definition of "public service" was changed to include child care and part-time work for individuals who are unable to work full time due to age, handicap, or other factors.

RELATED PROGRAMS

None

EMERGENCY JOBS AND UNEMPLOYMENT ASSISTANCE

ADMINISTRATIVE AGENCY

Secretary of Labor, Department of Labor (DOL)

LEGISLATIVE BACKGROUND

Title of Bill: Emergency Jobs and Unemployment Assistance Act of 1974, P.L. 93-567

Date of Enactment: December 31, 1974

Initial Appropriation: \$2 billion

Amendments: P.L. 94-45

DESCRIPTION

Title I of this Act became Title VI of CETA and is covered thoroughly in the synopsis of CETA Title VI (Emergency Jobs Program). Title II establishes a temporary federal program of special unemployment assistance for workers who are unemployed during periods of aggravated unemployment and who have exhausted their entitlement to regular and extended federal benefits. The benefits paid under this Act amount to the weekly benefit which would have been paid under either federal or state unemployment compensation law, whichever is higher. Eligibility criteria include active job search and subsequent acceptance of job offers. Instructors, researchers and administrative employees of educational institutions are excluded from receiving benefits between two successive

Synopses of Selected Income Maintenance Programs

academic years. Triggers for the payment of benefits may vary from area to area, depending upon the unemployment level and the length of time that the unemployment rate has been above a certain level. Title III of this act amended the Public Works and Economic Development Act of 1965, P.L. 89-136, by adding a Title X. This is covered briefly in the synopsis of that Act.

PRECEDENTS

There have been many emergency relief programs; the most recent is the Federal-State Extended Unemployment Compensation Act of 1970.

CHANGES

This program began as a temporary relief measure for a period of high unemployment. By extending it every year and by incorporating parts of it into long term programs, Congress has made it a permanent relief measure.

RELATED PROGRAMS

None

YOUTH EMPLOYMENT AND DEMONSTRATION PROJECTS

ADMINISTRATIVE AGENCY

Secretary of Labor through interagency agreements with the Secretary of the Interior and the Secretary of Agriculture will administer the National Young Adult Conservation Corps. Prime sponsors are responsible for administering the Title II programs under Part C of Title III of CETA.

LEGISLATIVE BACKGROUND

Title of Bill: Youth Employment and Demonstrations Projects Act of 1977, P.L. 95-93

Date of Enactment: August 5, 1977

Initial Appropriation: N/A

Amendments: None

DESCRIPTION

The purpose of this Act is to provide for more adequate employment opportunities for the youth of this nation, and to provide for other improvements in employment and training programs. Title I of this Act amends CETA by adding a new Title VIII, establishing a National Young Adult Conservation Corps (NYACC), to provide work in the national parks

Public Employment

and forests for unemployed youths. Title II of the Act expands the services of CETA by adding a new Part C to Title III of CETA, entitled **Youth Employment and Training Programs**. This new Part C authorizes: (1) **Youth Incentive Entitlement Pilot Projects**, designed to link educational training with employment opportunities; (2) **Youth Community Conservation and Improvement Projects**, to put unemployed youths to work on the rehabilitation or improvement of public facilities, neighborhood improvements, weatherization, and basic repairs to low-income housing; and (3) **Youth Employment and Training Programs**, a broad variety of employment and training programs designed to enhance job prospects and career opportunities for young people.

PRECEDENTS

The NYACC is very similar to the Civilian Conservation Corps of the 1930s. It is modeled after the Youth Conservation Corps summer programs of the early 1970s. Targeting manpower programs toward the youth is a concept that has been developing since the redirection of MDTA. Some components of this Act are unprecedented, e.g., the Youth Incentive Entitlement Pilot Projects.

CHANGES

None

RELATED PROGRAMS

None

V. HOUSING

LOW INCOME HOUSING—ASSISTANCE (PUBLIC HOUSING)

ADMINISTRATIVE AGENCY

Housing-Federal Housing Commissioner, Department of Housing and Urban Development (HUD)

LEGISLATIVE BACKGROUND

Title of Bill: United States Housing Act of 1937, P.L. 75-412

Date of Enactment: September 1, 1937

Initial Appropriation: \$1 million *Current Appropriation:* \$1.1 billion

Amendments: Housing and Urban Development Act of 1969, P.L. 91-152;
Brooke Amendment

DESCRIPTION

The objective of this program is to provide safe and decent housing for families of low income through authorized Public Housing Agency (PHA) ownership. The federal government contracts with these local PHA's to pay the annual interest and principal on long-term, tax-exempt bonds which finance construction by the PHA. With the payment of costs of permanent financing and construction assured, and coupled with state and local government tax exemptions, rents are set by the PHA at low levels. Rents are to cover only the operating and maintenance expenses of the housing facilities. Those eligible for the program are families of low income as defined by the local PHA, or single persons who are elderly, disabled, handicapped, or displaced by urban renewal, natural disaster, or governmental action. Additionally, income limits for admission are set by the PHA with approval of HUD, currently at 90% of the income limits for admission to the Lower Income Housing Assistance Program of 1974; that limit is 80% of the median income of families from the PHA area. Tenants must pay a portion of their adjusted monthly income toward rent.

PRECEDENTS

This program actually took the place of the direct construction of similar housing by the federal government under the Public Works Administration. The PWA was terminated when a federal court of appeals ruled its construction unconstitutional in 1936.

Synopses of Selected Income Maintenance Programs

CHANGES

In recent years, Congress has authorized additional federal payments to PHA's in the form of operating subsidies which are designed to meet deficits caused by increased operating costs and statutory limitations on the amount of rent paid by the tenant. This limitation, passed as the Brooke Amendment in 1969, sets the rent a tenant family must pay for a public housing unit at 25% of the family's adjusted income, no matter how low that may be. Additionally, recertification of income is now required to remain in the program. At the time of the moratorium imposed upon federal housing and subsidy programs by the Nixon Administration in 1973, there were over one million public housing units with over three million occupants in public housing in the United States. During fiscal year 1976, seven thousand new units were established under this program. No new units are anticipated, as the Section 8 program passed in 1974 is designed to phase out this program.

RELATED PROGRAMS

Rent Supplements

MORTGAGE INSURANCE—RENTAL HOUSING FOR THE ELDERLY

ADMINISTRATIVE AGENCY

Housing-Federal Housing Commissioner, Department of Housing and Urban Development (HUD)

LEGISLATIVE BACKGROUND

Title of Bill: Housing Act of 1959, Section 231, P.L. 86-372

Date of Enactment: September 23, 1959

Initial Appropriation: \$500 million *Current Appropriation:* \$104.4 million

Amendments: None

DESCRIPTION

The objective of this program is to provide good quality rental housing for the elderly. It is an insured loan program in which HUD guarantees loans made by private lenders for the construction or substantial rehabilitation of eight or more units designed for elderly or handicapped individuals. The maximum interest rate paid by the mortgagors is 9% and all private and public mortgagors are eligible for this program with the stipulation that at least half the units must be reserved for use by elderly and/or handicapped persons. There are no income limits for tenants in this program, and rents are set at local rates.

PRECEDENTS

Public housing and early subsidy programs that have been extended for use by the elderly and the handicapped serve as the basis for this program.

CHANGES

Handicapped persons became eligible participants under this program in 1964.

RELATED PROGRAMS

Rent Supplements; Housing for the Elderly and Handicapped (Section 202)

LEASED HOUSING (SECTION 23)

ADMINISTRATIVE AGENCY

Housing-Federal Housing Commissioner, Department of Housing and Urban Development (HUD)

LEGISLATIVE BACKGROUND

Title of Bill: Housing and Urban Development Act of 1965, P.L. 89-117

Date of Enactment: August 10, 1965

Initial Appropriation: N/A *Current Appropriation:* \$923 million

Amendments: None

DESCRIPTION

In order to provide an alternative means (other than Public Housing) of housing low-income families, this program authorizes local Public Housing Authorities (PHA) to lease vacant units in existing structures rather than build new structures as is done in the conventional Public Housing program. These units are then filled by eligible tenants from the growing Public Housing waiting lists. The PHA selects the tenants, fixes the amount of rent the tenants pay (subject to the statutory limits of 25% of adjusted income), agrees upon a total rent based upon that of similar units in the area, and receives annual contributions from HUD to make up the difference between the total rental charge and the rent paid by the eligible tenant. The eligibility and admission requirements and income limits for this particular program are the same as those used in the Public Housing program.

Synopses of Selected Income Maintenance Programs

PRECEDENTS

The precedent for this program is the Public Housing Program. Section 23 was undertaken when the construction costs of new public housing units became prohibitive. The Leased Housing Program serves primarily those who have been on Public Housing waiting lists for some time.

CHANGES

When in 1973 many other subsidized housing programs were frozen by the Nixon Administration, Section 23 escaped the freeze. Many observers argue that it did so because it could be "administered in a way which carries out some of the principles of cash assistance," and thus fit nicely with the Administration's proposed Family Assistance Plan. HUD officials envision that the Section 8 Housing Assistance program will eventually replace the Section 23 program.

RELATED PROGRAMS

Public Housing; Rent Supplements

RENT SUPPLEMENTS

ADMINISTRATIVE AGENCY

Housing-Federal Housing Commissioner, Department of Housing and Urban Development (HUD)

LEGISLATIVE BACKGROUND

Title of Bill: Housing and Urban Development Act of 1965, P.L. 89-117

Date of Enactment: August 10, 1965

Initial Appropriation: N/A *Current Appropriation:* \$266 million

Amendments: None

DESCRIPTION

Under this program, HUD makes payments to owners of approved multifamily rental housing projects to supplement the partial rental payments of tenants who are eligible. These monthly payments to project owners make up the difference between the partial rents paid by assisted tenants and the market rental rate, not to exceed 70% of this market rate. The assisted tenant must meet the eligibility requirements prescribed for admission to low income housing in order to qualify for this program. Those assisted must fall into one of the following categories: (1) displaced by public action; (2) 62 years of age or older; (3) physically handicapped

or disabled; (4) presently living in sub-standard housing; (5) occupying or formerly occupying housing destroyed or extensively damaged by a natural disaster; or (6) on active military duty. Under the program, the tenant must pay 25% of their adjusted gross income or 30% of the basic rent of a unit, whichever is greater.

PRECEDENTS

None

CHANGES

None

RELATED PROGRAMS

Rental Housing for the Elderly; Rental Housing (Section 236)

HOMEOWNERSHIP FOR LOWER INCOME FAMILIES (SECTION 235)

ADMINISTRATIVE AGENCY

Housing-Federal Housing Commissioner, Department of Housing and Urban Development (HUD)

LEGISLATIVE BACKGROUND

Title of Bill: Housing and Urban Development Act of 1968, P.L. 90-448

Date of Enactment: August 1, 1968

Initial Appropriation: \$25 million *Current Appropriation:* \$207 million
(estimate for 1978)

Amendments: None

DESCRIPTION

The intent of this program is to make homeownership more readily available to low-income families by providing interest reduction payments on a monthly basis to lenders on behalf of the lower income families. This assistance is provided in the form of Guaranteed/Insured Loans and Direct Payments for Specified Use. Those who qualify for the program must be either (1) a family; or (2) if single, 62 years of age or older or physically handicapped or disabled. The maximum income of the eligible participants is 80% of the area's median income with some adjustments made for family size. The federal government subsidizes payments to the extent of reducing the mortgage to 5% with the minimum homeowner's contribution to payment at least 20% of adjusted gross income toward the

Synopses of Selected Income Maintenance Programs

mortgage, taxes, and insurance. The local HUD Area or Insuring Office handles all applications and documents. The normal processing time is five days for approval of the property and three days for approval of the home purchaser. HUD does allow for appeal. The mortgage term may extend for thirty years.

PRECEDENTS

Section 235 is the latest in a series of programs using guaranteed mortgages and/or subsidized housing payments in some form to aid low-income families.

CHANGES

When the Nixon Administration imposed a moratorium on all subsidized housing construction programs in 1973, Section 235 assistance came to a halt. However, in January 1976, HUD announced that it would begin processing applications for the program with some major changes from the original program. These changes included an increase in income eligibility requirements (from a maximum of 135% of public housing limits to a maximum of 80% of the area's median income); an increase in the interest rate from 1% to 5%; and, down payment requirements up from a flat \$200 minimum to 3% of the mortgage. Consequently, it has become a more moderate program. Funding was continued through 1977 from a total budget of housing assistance payments of \$2.975 billion.

RELATED PROGRAMS

Farm Labor Housing Loans and Grants; Interest Reduction-Acquisition and Rehabilitation of Homes for Resale to Lower Income Families; Interest Reduction-Purchase of Rehabilitated Homes by Lower Income Families

RENTAL HOUSING FOR LOWER INCOME FAMILIES (SECTION 236)

ADMINISTRATIVE AGENCY

Housing-Federal Housing Commissioner, Department of Housing and Urban Development (HUD)

LEGISLATIVE BACKGROUND

Title of Bill: Housing and Urban Development Act of 1968, P.L. 90-448

Date of Enactment: August 1, 1968

Initial Appropriation: \$25 million *Current Appropriation:* \$622 million
(estimate for 1978)

Amendments: None

DESCRIPTION

The objective of this program is to provide good quality rental and cooperative housing for persons of lower and moderate income by providing interest reduction payments to lower their housing costs. The types of assistance provided by this program are Direct Payments for Specified Use and Guaranteed/Insured Loans. HUD insures lenders against losses on mortgage loans. Insured mortgages may be used to finance the construction or rehabilitation of rental and cooperative detached, semi-detached, row, walk-up, or elevator-type structures. Eligibility for this program falls into three categories: 1) Applicant Eligibility: Eligible mortgagors include non-profit, cooperative, builder-seller, investor-sponsor, and limited-distribution sponsors (public bodies do not qualify as mortgagors under this program); 2) Beneficiary Eligibility: Families and individuals, including the elderly and handicapped or those displaced by government action or natural disaster eligible to receive the benefits of the subsidies, must fall within certain income limits as determined locally on a case-by-case basis; 3) Credentials/Documentation: Documentation regarding the characteristics of the property and qualifications of the mortgagor is submitted with the application. To be considered for participation each sponsor must undergo a preapplication process with the local HUD Area or Insuring Office. All finalized applications and documents are also sent to the local HUD Area or Insuring Office. The local office reviews all applications and documents, and grants feasible proposals. The sponsor is then invited to apply for mortgage commitment. Deadlines are established on a case-by-case basis by the local office. Processing time ranges from six to nine months. Applicant has the right to appeal. Assistance payments are made monthly by HUD to the mortgagee, and may bring the effective interest rate paid by the mortgagor down to as low as one percent. The mortgage term normally extends for forty years. Interest reduction payments may extend for the full term of the mortgage.

PRECEDENTS

This program is an extension of Low Income Housing which began in 1937.

CHANGES

None

Synopses of Selected Income Maintenance Programs

RELATED PROGRAMS

Farm Labor Housing Loans and Grants; Mortgage Insurance-Investor Sponsored Cooperative Housing; Mortgage Insurance-Management Type Cooperative Projects; and Mortgage Insurance-Rental Housing

HOUSING FOR THE ELDERLY AND HANDICAPPED (SECTION 202)

ADMINISTRATIVE AGENCY

Housing-Federal Housing Commissioner, Department of Housing and Urban Development (HUD)

LEGISLATIVE BACKGROUND

Title of Bill: Housing and Community Development Act of 1974, Title II, Section 202, as an amendment to the Housing Act of 1959; P.L. 86-372

Date of Enactment: 1974

Initial Appropriation: N/A *Current Appropriation:* \$750 million

Amendments: None

DESCRIPTION

This program, commonly known as the Section 202 program, provides for direct loans to be made by HUD to nonprofit corporations or consumer cooperatives for the purpose of constructing new housing or rehabilitating existing housing for the elderly and the handicapped. The loan may include facilities for housing-related facilities such as central dining areas or health centers. Eligible tenants for housing developed under this program must be elderly (62 years of age or older), physically handicapped, or developmentally disabled. The income limits for admission are based on 135% of the maximum public housing limits in the county in which the Section 202 development is located. The amount of rent paid by the tenant is established for each unit near or at the market rate and is paid regardless of income. Families whose incomes fall within 80% of the median family income for the area in which the project is located may benefit from subsidy payments under the Section 8 Housing Assistance Payments Program. To date, 17,113 units have been funded under this program.

PRECEDENTS

Public Housing and Housing for the Elderly served as the basis for this program.

CHANGES

None

RELATED PROGRAMS

Lower Income Housing Assistance (Section 8); Rent Supplements

LOWER INCOME HOUSING ASSISTANCE (SECTION 8)

ADMINISTRATIVE AGENCY

Department of Housing and Urban Development (HUD) through local Public Housing Agencies

LEGISLATIVE BACKGROUND

Title of Bill: Lower Income Housing Assistance, P.L. 94-375

Date of Enactment: 1974, as an amendment to the U.S. Housing Act of 1937, P.L. 75-412

Initial Appropriation: \$1.225 million on Section 8 and other public housing contract programs *Current Appropriation:* \$5.092 billion

Amendments: None

DESCRIPTION

The purpose of this program is to aid lower income families in obtaining decent, safe, and sanitary housing in private accommodations, and to promote economically mixed housing by placing them in existing, newly constructed and substantially rehabilitated middle income housing. The type of assistance provided is project grants. These assistance payments are made to owners, who may be private owners, cooperatives, or certain public housing agencies. The contract between HUD and the owner of new or rehabilitated units provides that all ownership, management, and maintenance responsibilities, including tenant selection and termination of tenancy, are assumed by the owner. The Bill does not provide for appeal. Payment periods may run for a minimum period of one month up to 180 months, or 240 months in the case of new or substantially rehabilitated units.

PRECEDENTS

This program is an extension of Low Income Housing Assistance (Public Housing) which began in 1937.

Synopses of Selected Income Maintenance Programs

CHANGES

None

RELATED PROGRAMS

Lower Income Housing-Assistance Program (Public Housing); Lower Income Housing-Homeownership for Lower Income Families

EMERGENCY HOMEOWNERS' RELIEF

ADMINISTRATIVE AGENCY

Housing-Federal Housing Commissioner, Department of Housing and Urban Development (HUD)

LEGISLATIVE BACKGROUND

Title of Bill: Emergency Housing Act of 1975, P.L. 94-50

Date of Enactment: July 2, 1975

Initial Appropriation: \$35 million *Current Appropriation:* \$40 million

Amendments: None

DESCRIPTION

This program is designed to meet the growing inability of homeowners who were caught in the economic recession of the early 1970s and are unemployed or underemployed, to meet the financial obligations necessary to retain their place of residence. Eligibility requirements include: payments under the mortgage are at least three months delinquent; the holder of the mortgage has indicated the intention to foreclose; the mortgagor has experienced a substantial reduction in income as a result of involuntary unemployment or underemployment due to adverse economic conditions and is unable to make full mortgage payments; and, there is a reasonable prospect that the homeowner will be able to make full mortgage payments in the future. Under the program, the recipient receives an emergency mortgage relief loan or advance of credit from a qualified financial institution which is guaranteed by the federal government, or if the homeowner chooses, he/she may qualify for emergency relief payments. Under the relief payment option, the Secretary of HUD prescribes the terms of the payments, which are made directly to the mortgagee. Under all options of this program, assistance available is equal to the amount determined to be reasonably necessary to supplement the amount the homeowner is capable of contributing toward the payment of the mortgage itself. Payments may not exceed \$250 and may be received

Housing

for twelve months, or in accordance with HUD guidelines, they can be extended for an additional twelve months. The payment, in any form, must be paid back (at low interest rates, normally 5%) beginning one year after the last loan payment. Extensions of this requirement are available under HUD guidelines.

PRECEDENTS

None

CHANGES

Authorization for this program along with funding was extended through Fiscal Year 1978.

RELATED PROGRAMS

None

