Assistance Programs

Supplemental Security Income

In 1972, Congress replaced the categorical Federal-State programs for the needy aged, blind, and disabled with the Federal Supplemental Security Income (SSI) program, which is administered by the Social Security Administration (SSA). This ended the multiplicity of eligibility requirements and benefit levels that had characterized the assistance programs formerly administered at the State and local levels. The program went into effect in January 1974.

The SSI program consists of two parts—the Federal program, and State supplementation of the Federal payment. Under the Federal program the eligibility requirements are nationally uniform for age, the limits on income and resources allowed, and the definitions of disability or blindness. Federal benefit payments are also nationally uniform so that regardless of where qualified individuals live, they are guaranteed the same minimum payment.

Anyone who received assistance under the former State assistance programs before January 1, 1974, could not receive lower benefits under the new program. States whose previous assistance levels were higher than the Federal SSI payment were required to supplement it in order to maintain that assistance level. In addition, States were given the option of supplementing the Federal payment for all, or certain categories, of their recipients. As of January 1997, all but two States offered supplementary payments to at least some of their recipients.

In December 1996, 6.7 million people received Federal SSI payments, State supplementation, or both. These payments averaged $366 that month.

Eligibility

Basic requirements for SSI eligibility involve citizenship, income, financial resources, age, and disability.

Since the passage of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, SSI eligibility is generally restricted to U.S. citizens residing in one of the 50 States, the District of Columbia, or the Northern Mariana Islands. However, eligibility is still possible for noncitizen members of certain classes of refugees or asylees, active duty or retired military personnel and their families, and lawful permanent residents who have earned or can be credited with 40 quarters of Social Security covered employment.

The SSI program provides monthly cash payments to aged, blind, or disabled persons whose countable income is less than $5,808 per year (or is less than a combined income of $8,712 for a couple with both eligible), as of January 1, 1997. In most cases ownership of financial assets is limited to $2,000 for an individual or $3,000 for a couple.

To qualify as aged, an individual must be at least 65 years old. Qualifying standards for SSI payments based on disability are almost the same as those used for the Social Security Disability Insurance program. That is, an individual is considered to be disabled if he or she is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or which has lasted (or can be expected to last) for a continuous period of 12 months. This 12-month requirement does not apply to the blind in SSI.

The substantial gainful activity criterion does not apply to children under age 18. The standard for them is a medically determinable physical or mental impairment *which results in marked and severe functional limitations*.

An individual is considered to be blind if he or she has a central visual acuity of 20/200 or less in the better eye with the use of correcting lenses, or has tunnel vision of 20 degrees or less.

As of January 1, 1997, persons for whom drug addiction or alcoholism is a contributing factor material to the finding of disability ceased to be eligible for SSI.

Inmates of public institutions, including prisoners, are not eligible for SSI. There are some exceptions to this general rule: those in medical institutions where the Medicaid program pays more than half of the cost of their care may receive up to $30 monthly; and those who live in certain public emergency shelters and community based residences for 16 persons or less may, if otherwise eligible, receive SSI.

Benefits and Factors Affecting Benefits

For the year beginning January 1, 1997, a maximum Federal monthly SSI payment of $484 is payable to eligible individuals living in their own households. To receive the maximum, individuals generally must have no more than $20 in other income. Couples, in which both husband and wife are eligible for SSI may receive a maximum Federal monthly payment of $726. The SSI Federal benefit rate is increased annually by the same cost of living factor applicable to Social Security benefits.

In December 1996, 6.3 million persons were receiving Federal SSI payments averaging $339 per month.

Income

The maximum SSI payment is reduced to reflect other income and in-kind support and maintenance. If a recipient lives in another person's household and receives both food and shelter from the person in whose household he or she is living, the Federal benefit is reduced by one-third. This is done instead of determining the actual dollar value of the in-kind support and maintenance. When recipients have other income, SSI payments are reduced by the amount of that income determined to be countable. The first $20 per month of unearned income generally is not counted. Additional unearned income (most often a Social Security benefit) reduces SSI payments dollar for dollar. SSI recipients are required to apply for any other benefits to which they may be entitled, such as Social Security, unemployment insurance, or workers' compensation.

If a child recipient under age 18 lives with parents, or an adult lives with a spouse who is not eligible for SSI, some of the income of the parent or spouse may be counted as unearned income to the eligible person. This process is called "deeming".

To encourage SSI recipients to work, $65 of earned income in any month is excluded in addition to the initial $20 exclusion. Thereafter, SSI payments are reduced by $1 for every $2 earned.

Other income excluded when determining payment amounts includes certain scholarships, certain student earnings, work expenses of blind persons, impairment-related work expenses of the disabled, payments for providing foster care to a child not eligible for SSI, and the Earned Income Tax Credit. Income necessary for an approved plan for achieving self-support for blind and disabled recipients is also disregarded. Irregular and infrequent income is not counted as long as it does not exceed $20 per month if unearned or $10 a month if earned.

The Employment Opportunities for Disabled Americans Act of 1986 provided additional work incentives—special SSI benefits and Medicaid coverage—to blind and disabled individuals eligible for SSI payments who work despite severe impairments. This legislation made permanent and revised section 1619 of the Social Security Act which was enacted as a temporary demonstration project in 1980.

Under section 1619(a), a disabled recipient who loses Federal SSI eligibility because of earnings over the substantial gainful activity level may continue to receive SSI payments under a special benefit status and retain eligibility for Medicaid under Title XIX of the Social Security Act. This special benefit status may continue as long as the recipient has the disabling impairment and until his or her earnings exceed the amount that would reduce the cash benefit to zero.

In addition, under section 1619(b), blind or disabled recipients who are no longer eligible for either regular or special SSI payments because of their earnings usually may retain Medicaid eligibility if they: (1) continue to have the disabling impairment;

(2) meet all nondisability eligibility criteria except for earned income; (3) would be seriously inhibited from continuing employment without Medicaid services; and (4) have earnings insufficient to provide a reasonable equivalent of SSI payments and Medicaid.

Individuals institutionalized for medical care whose institutional stay at the time of admission is not expected to exceed 3 months, and for whom the receipt of benefits is necessary to maintain living arrangements to which they may return, may continue to receive full SSI payments for up to 3 months at the rate that was applicable to them in the month prior to the first full month of institutionalization. Continued payments may also be made for up to 2 months after entering certain medical or psychiatric institutions for individuals who were eligible under section 1619 of the Social Security Act provided that the institution had agreed to permit the individual to retain these benefits.

Resources

Although the amount of assets a person may hold to be eligible for SSI is fixed at $2,000 for an individual ($3,000 for a couple), certain resources are excluded from consideration. The most important of these is a home occupied by the recipient. Also excluded are personal goods and household effects with an equity value of up to $2,000.

An automobile may be excluded, regardless of its value, if the individual or a member of the individual’s household uses it for transportation for employment or medical treatment, if it is modified to be operated by or used for transportation of a handicapped person, or if it is needed for essential daily activities. If an automobile cannot be excluded based on the nature of its use, a current market value of up to $4,500 may be excluded.

Life insurance policies are not countable if the face values do not exceed $1,500. Under certain circumstances, real property can be excluded for as long as the owner’s reasonable efforts to sell it are not successful.

Special exclusions are applicable to the resources necessary for an approved plan of self-support for blind or disabled recipients and for property essential to self-support. The value of burial spaces for a recipient, spouse, and immediate family members is excluded, as is up to $1,500 of funds set aside for burial of the individual and spouse.

State Supplementation

States are permitted a great deal of discretion in their supplementation. A State may administer its supplemental payments or choose to have them administered by the Federal Government. States that elect Federal administration of their supplementary programs may vary the amount of the supplement by reason for eligibility (aged, blind, or disabled) and by status (individual or couple). They may differentiate between various living arrangements (living alone, living with relatives, or living in a domiciliary care facility), although not more than five such arrangements may be recognized in one State. A sixth living arrangement variation is permitted provided it applies only to individuals in Medicaid facilities—that is, facilities receiving Title XIX payments with respect to such persons for the cost of that care. States may also differentiate among geographic regions, although not more than three may be recognized in one State. States that administer their own supplementary programs have even greater discretion over their supplementation criteria.

Financing and Administration

Federal SSI payments and administrative costs are financed from Federal Government general revenues. When a State chooses Federal administration of its supplementation, SSA maintains that State's payment records and issues the Federal payment and the State supplement in one check. Since passage of the Omnibus Budget Reconciliation Act (OBRA) of 1993, States are required to pay fees for Federal administration. Until then SSA assumed the cost of administering these supplements and was reimbursed by the State only for the amount of the supplementary payments.

Applications for federally administered SSI payments are taken at SSA field offices where the supporting documentation is examined, and the field office staff determines whether the appli

Supplemental Security Income, December 1996

	Reason for eligiblity			
Type of SSI payment	Total	Aged	Blind	Disabled
Total	6,677	1,446	*83	**5,146
Federally administered:				
Federal payment	6,326	1,296	76	4,953
Federal payment only	4,192	774	45	3,372
Federal and federally administered State supplement	2,133	522	31	1,580
State supplement only:				
Federally administered	288	116	6	166
State administered	***63	33	1	27
	Number of persons (in thousands)			
Total	$366	$268	$383	$394
Federal	339	229	334	368
Federally administered State supplement	105	112	154	101
State administered State supplement	152	169	172	143

*Includes 20,002 persons aged 65 or older.
**Includes 656,517 persons aged 65 or older.
***Includes persons from whom reason for eligiblity was not available.

cant meets the citizenship, age, income, and asset criteria. When disability or blindness is involved, medical determinations of eligibility are generally made by Disability Determination Services, which are agencies of each individual State. Computation of federally administered benefit amounts is made through SSA's central computer operations and certification is then made to the Treasury Department for the issuance of monthly checks.

SSA field offices may make emergency payments of up to $484 to an eligible individual and $726 to a couple (plus the federally administered State supplementary payments, if any) if severe financial difficulty is evident.

If a State chooses to administer its own supplementation, it processes applications and makes eligibility determinations separately from the Federal Government. As of December 1996, about half the States were administering their own supplementary payments.

Temporary Assistance to Needy Families

Temporary Assistance for Needy Families (TANF) provides assistance and work opportunities to needy families. It replaced the Aid to Families with Dependent Children program (AFDC) as soon as the State submitted a complete plan implementing TANF, but no later than July 1, 1997. AFDC provided cash assistance based on need, income, resources, and family size.

TANF was created by The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Public Law 104-193). The law contains strong work requirements, a performance bonus to reward States for moving welfare recipients into jobs, State maintenance of effort requirements, comprehensive child support enforcement, and supports for families moving from welfare to work, including increased funding for child care and guaranteed medical coverage.

Nearly all recipients must work after 2 years of assistance. Each State is required to have a fourth of families working or off the rolls by September 30, 1997, and half by 2002. Parents must work a prescribed number of hours per week: single parents, 20 hours the first year and 30 by 2000; couples, 35 hours. Work can be unsubsidized or subsidized employment, on-the-job training, work experience, community service, 12 months of vocational training, or child care provided to individuals participating in community service. Exceptions are allowed for 6 weeks of job search time, parents with a child under age 6 who cannot find child care, and single parents with children under age one.

States must make an initial assessment of recipients' skills, and can develop personal responsibility plans that identify needed education, training, and job placement services. Various incentives are provided to States to encourage maintaining program spending levels.

Families cannot spend more than five cumulative years on TANF. States can specify fewer years, and exempt up to 20% of the caseload from the time limit. After the time limit is exceeded, they can elect to provide noncash assistance and vouchers to families using Social Services Block Grant or State funds.

Child care funding is provided to help more mothers move into jobs. Women on welfare continue to receive health coverage for their families, including a year or more of transitional Medicaid when they leave welfare for work.

To be eligible for TANF block grants, States must operate a child support enforcement program meeting Federal requirements. The Federal Case Registry and National Directory of New Hires will be used to track delinquent parents across State lines. Child support can be withheld directly from wages, and paternity establishment is streamlined; cash assistance will be reduced by at least 25% in cases of failure to cooperate with paternity establishment. The law establishes uniform interstate child support laws, central registries of child support orders and collections, and toughened enforcement of child support.

Unmarried minor parents are required to live with a responsible adult or in an adult-supervised setting and participate in educational and training activities in order to receive assistance. Efforts are to be under taken to prevent nonmarital teen pregnancy.

Food and Nutrition Assistance

The U.S. Department of Agriculture provides children and needy families access to a more healthful diet through its food assistance programs and comprehensive nutrition education efforts, and provides farmers an outlet for the distribution of food purchased under farmer assistance authorities.

USDA's Food and Consumer Service administers 15 Federal food and nutrition assistance programs. These programs serve 1 in 6 Americans. This section describes the Food Stamp program, the cornerstone of the USDA food assistance programs; the National School Lunch and School Breakfast programs, which provide pre-school and school-aged children with nutritious meals that are free or provided at a greatly reduced price; and WIC (Special Supplemental Nutrition Program for Women, Infants, and Children), which provides food supplements, nutrition education, and health care referrals.

FCS programs are operated in a State-Federal partnership, in which the Federal Government is generally responsible for food costs for the programs and shares administrative costs with the States. FCS is responsible for interpreting Federal statutes, issuing program regulations and instructions, establishing nationwide standards, and ensuring program integrity. FCS regional offices monitor State agencies to ensure the adequacy of their administration. States are responsible for determining the eligibility of needy persons to participate in nutrition assistance programs, as well as the delivery of services. States are also generally responsible for coordinating USDA nutrition programs with other local welfare, health care, and assistance programs. For example, in most States the welfare department operates the Food Stamp program, the education department operates the child nutrition programs, and the health department operates WIC.

For FY 1997, Congress appropriated $43 billion for the 15 food and nutrition assistance programs, which represents 75% of the entire USDA budget of $59.1 billion.

Food and Nutrition Assistance Programs

- Food Stamp Program
- Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
- WIC Farmers Market Nutrition Program
- National School Lunch Program
- School Breakfast Program
- Summer Food Service Program
- Emergency Food Assistance Program
- Child and Adult Care Food Program
- Commodity Supplemental Food Program
- Special Milk Program
- Food Distribution Program on Indian Reservations
- Nutrition Program for the Elderly
- Commodity Distribution to Charitable Institutions and to Soup Kitchens and Food Banks
- Nutrition Education and Training Program
- Nutrition Assistance Program in Puerto Rico and the Northern Mariana Islands

Food Stamp Program

The Food Stamp program was begun in its modern form in 1961 as a pilot program and made permanent in 1964, but it originated as the Food Stamp Plan in 1939 to help the needy. Expansion of the program occurred most dramatically after 1974, when Congress required all States to offer food stamps to low-income households. Program growth has continued since then. Participation generally peaks in periods of high unemployment, inflation, and recession.

The program issues monthly allotments of coupons that are redeemable at retail food stores, or provides benefits through electronic benefit transfer (EBT). The EBT system allows food stamp customers, using a plastic card similar to a bank card, to buy groceries by transferring funds directly from a food stamp benefit account to a retailer's account. Recent welfare reform legislation (The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Public Law 104-193)) requires all States to convert to EBT issuance by the year 2002.

Food stamp eligibility and allotments in all 50 States, the District of Columbia, Guam, and the Virgin Islands are based on household size, income, assets, and other factors.

Benefits

In FY 1996, the Food Stamp program served an average of more than 25 million persons each month. The average monthly benefit was more than $73 per person and more than $172 per household.

Eligibility

To participate in the program households may have no more than $2,000 in countable resources, such as a bank account ($3,000 if at least one person in the household is age 60 or older). Certain resources are not counted, such as a home and lot. Special rules apply to the resource value of vehicles owned by household members.

The gross monthly income of most households must be 130% or less of the Federal poverty guidelines ($20,280 for a family of four in 1997). Gross income includes all cash payments to the household, with few exceptions specified in the law or the program regulations.

Net Income Computation.— Net monthly income must be 100% or less of the Federal poverty guidelines. Net income is figured by adding all of a household's gross income, and then taking a number of approved deductions for child care, extra shelter costs, and other expenses. Households with an elderly or disabled member are subject only to the net income test. The welfare reform legislation of 1996 placed caps on the amount of extra shelter costs that could be deducted.

Net income is computed by deducting the following from monthly gross income:

(1) Twenty percent of earned income.

(2) A standard deduction of $134 for FY 1997.

(3) The amount paid for dependent care (up to $200 a month for children under age 2 and $175 for all other dependents) while the dependent's caretaker is working or looking for work.

(4) Any out-of-pocket medical expenses in excess of a $35 deductible for a person aged 60 or older or a disabled person.

If more than one person in the household is aged or disabled, $35 is subtracted once before deducting combined medical expenses.

(5) A child support deduction for legally obligated child support paid for a nonhousehold member.

(6) An excess shelter expense deduction, which is total shelter costs including utilities minus 50% of income after all the above deductions have been subtracted. Effective January 1, 1997, the cap on the excess shelter expense deduction is $250 for households without aged or disabled persons. Households with an aged or disabled person do not have a limit on this deduction.

Most able-bodied adult applicants must meet certain work requirements. All household members must provide a Social Security number or apply for one.

Certification.— Households are certified to receive food stamps for varying lengths of time, depending on their income sources and individual circumstances. Recertification is required at least annually. Households whose sole income is from SSI or Social Security are certified for a 1-year period. However, many States have waivers authorizing 24-month certification periods for these households.

Welfare reform legislation of 1996 placed time limits on benefits for able-bodied, childless adults. Time limits are imposed for childless unemployed adults aged 18-50. Those who are not disabled are limited to 3 months of benefits in any 36-month period, unless they are working 20 hours per week, participating in a work training program for at least 20 hours per week, or participating in workfare. States may request waivers to delay implementation for areas with at least 10% unemployment or insufficient jobs.

*Noncitizens.—*The welfare reform legislation also prohibits most immigrants from receiving food stamp benefits. Illegal immigrants have always been barred from receiving benefits, but the welfare reform act extended that prohibition to most legal immmigrants as well. Exceptions include veterans or active duty military personnel and their spouses and children, and persons who have 40 quarters of qualified work history in the United States. Refugees, asylees, and certain aliens subject to deportation can receive benefits for up to 5 years after their receive their status.

Determination of Food Stamp Allotment

Households are issued a monthly allotment of food stamps based on the Thrifty Food Plan, a low-cost model diet plan. The TFP is based on the National Academy of Sciences' Recommended Dietary Allowances, and on food choices of low-income households.

An individual household's food stamp allotment is equal to the maximum allotment for that household's size, less 30% of the household's net income. Households with no countable income receive the maximum allotment.

There are higher allotment levels in Alaska, Hawaii, Guam, and the Virgin Islands. These separate allotment levels reflect higher food prices in those areas.

Households can use food stamps to buy any food or food produce for human consumption, and seeds and plants for use in home gardens to produce food. Though in some remote areas of Alaska, recipients may use food coupons to purchase some kinds of hunting and fishing equipment for procurement of food.

Households Cannot Use Food Stamps to Buy:

- Alcoholic beverages and tobacco
- Lunch counter items or foods to be eaten in the store
- Vitamins or medicines
- Pet foods
- Nonfood items (except seeds and plants)

Restaurants can be authorized to accept food stamps in exchange for low-cost meals from qualified homeless, elderly, or disabled people. Food stamps cannot be exchanged for cash.

Block Grant Program

In Puerto Rico, the Northern Mariana Islands, and American Samoa, the Food Stamp program was replaced in 1982 by a block grant program. The territories now provide cash and coupons to participants rather than food stamps or food distribution. The grant can also be used for administrative expenses or special projects related to food production and distribution.

Congress appropriated the same amount of money for FY 1997 as in FY 1996 for Puerto Rico, $1.1 billion; the Northern Marianas, $5.1 million; and for American Samoa, $5.3 million.

Financing and Administration

In most States, the Food Stamp program is operated through State welfare agencies and local welfare offices. However, Social Security offices notify Social Security and SSI applicants/recipients of the benefits under the Food Stamp program and make food stamp applications available to them. The Social Security offices forward the applications and any supporting documents to the local food stamp offices, where eligibility is determined.

The Federal Government, through general revenues, pays the entire cost of the food stamp benefit, but Federal and State agencies share administrative costs. In FY 1996, the total Federal Food Stamp program cost was $24.4 billion.

Special Supplemental Food Program for Women, Infants, and Children (WIC)

The WIC program provides a combination of food, nutrition counseling, and access to health services to low-income women, infants, and children who are at nutritional risk. WIC seeks to improve fetal development and reduce the incidence of low birthweight, short gestation, and anemia through intervention during the prenatal period. Participants receive food supplements, nutrition education, and access to health care services to maintain and improve their health and development.

Generally, most States provide WIC vouchers that can be used at authorized retail food stores for specific foods that are rich sources of nutrients. WIC foods include iron-fortified infant formula and infant cereal, iron-fortified adult cereal, vitamin C-rich fruit or vegetable juice, eggs, milk, cheese, peanut butter or dried beans or peas. Special therapeutic infant formulas are provided when prescribed by a physician for a specified medical condition.

The WIC program, which originated under the Child and Nutrition Act of 1966, was established as a pilot program in 1972 and made permanent in 1974. It is available in each State, the District of Columbia, 32 Indian Tribal Organizations, Puerto Rico, the Virgin Islands, American Samoa, and Guam.

Benefits

In FY 1996, average monthly participation in the WIC program was 7.2 million individuals (1.6 million women, 1.8 million infants, and 3.7 million children). The average monthly benefit was about $31.24 for food per person. Approximately 45% of the infants born in the United States participate in the program.

Eligibility

Pregnant and postpartum women, infants, and children up to age 5 are eligible. They must meet income guidelines, a State residency requirement, and be individually determined to be at “nutritional risk” by a health professional.

Income.—The applicant’s income must fall below 185% of the Federal poverty guidelines ($28,860 for a family of four in 1997). While most States use the maximum guidelines, they may set lower income limit standards. A person who participates in certain other benefit programs such as the Food Stamp program or Medicaid automatically meets the income eligibility requirement.

Nutritional Risk.—Two major types of nutritional risk are recognized for WIC eligibility: (1) Medically based risks (designated as high priority) such as anemia, underweight, maternal age, history of pregnancy complications, or poor pregnancy outcomes and (2) diet-based risks such as inadequate dietary pattern. Nutritional risk is determined by a health professional such as a physician, nutritionist, or nurse, and is based on Federal guidelines. This health screening is free to program applicants.

Financing and Administration

WIC is a Federal grant program that provides each State with a set amount of money to serve its most needy WIC population. Local public or nonprofit private health or welfare agencies, which operate the program, apply to their respective States or jurisdictions to qualify for funds. Individual participants apply to one of the approximately 10,000 local clinics that provide WIC services.

In FY 1996, Federal program costs were $3.69 billion. (This amount includes the cost for the WIC Farmers Market Nutrition Program. This program, which was established in 1992, provides WIC participants additional coupons to purchase locally grown fresh fruits and vegetables at farmers markets.)

National School Lunch Program

The National School Lunch program is a federally assisted meal program, which operates in public and private schools and residential child care institutions, provides nutritionally balanced, low-cost or free lunches to children.

The National School Lunch Act of 1946 created the modern school lunch program. By the end of its first year, about 7.1 million children were participating in the program. Since the program began, more than 180 billion lunches have been served.

Benefits

More than 94,000 schools and residential child care institutions participate in the National School Lunch program. In FY 1996, more than 25 million children each day got their lunch through the program.

Most of the support USDA provides to schools comes in the form of cash reimbursements for meals served. Schools in the lunch program get cash subsidies and donated commodities from USDA for each meal they serve. The reimbursement is highest for meals served to students who qualify to receive their meals free, and the lowest reimbursement is for students who pay full price. The current cash reimbursement rates are: Free meals, $1.8375 reduced-price meals, $1.4375; and full-price meals, $0.1775.

Schools can charge no more than 40 cents for a reduced-price lunch. USDA sets no limit on the amount they can charge for full-price meals. Higher reimbursement rates are in effect for Alaska and Hawaii.

In addition to cash reimbursements, schools receive commodity foods, called “entitlement” foods, at an annually adjusted per meal rate (15 cents in 1997) for each meal they serve. Schools can also receive “bonus” commodities when they are available from surplus stocks purchased by USDA under price support programs. About 17% of the total dollar value of food for the lunch program is provided directly by USDA as commodities. Schools purchase the remaining 83% from their own vendors.

Eligibility

Any child at a participating school (94,000) may purchase a meal through the lunch program. Children from families with incomes at or below 130% of the poverty level are eligible for free meals. Those between 130% and 185% of the poverty level are eligible for reduced-price meals.

Children from families with incomes over 185% (currently $28,860 for a family of four) pay full price, though their meals are still subsidized to some extent. Local school food authorities set their own prices for full-price meals.

Financing and Administration

The National School Lunch program is usually administered by State education agencies, which operate the program through agreements with local school districts. USDA's Food and Consumer Service administers the program at the Federal level. School districts and independent schools that choose to take part in the lunch program receive cash subsidies and donated commodities from USDA for each meal they serve. In FY 1996, total programs costs were approximately $5.3 billion, exclusive of State administrative costs and bonus commodity donations.

School Breakfast Program

The School Breakfast program is a Federal program that provides States with cash assistance for nonprofit breakfast programs in schools and residential child care institutions. The program began as a pilot project in 1966, and was made permanent in 1975.

Benefits

Over 6 million children in more than 65,000 schools start their day with the School Breakfast program. In 1996, an average of 6.6 million children participated in the program every day. Of those, 5.7 million received their meals free or at a reduced price. The schools submit a claim for meals served to their State agency. USDA reimburses the State, which in turn reimburses the local school food authority. For school year 1996-97, the Federal Government reimburse schools at the following rates: $1.0175 per meal for free breakfasts; 71.75 cents for reduced-price breakfasts; and 19.75 cents for paid breakfasts.

Schools may qualify for higher “severe need” reimbursements if a specified percentage of their meals are served free or at a reduced price. The severe need payments are 20 cents higher than the normal reimbursements for free and reduced-price breakfasts. More than 60% of the breakfasts served in the School

Breakfast program receive the severe need subsidy. Reimbursement payments for all meals are higher in Alaska and Hawaii.

Schools may charge no more than 30 cents for a reduced-price breakfast. USDA places no limit on the amount a school may charge for breakfasts served to students who pay the full meal price.

Eligibility

Any child at a participating school may purchase a meal through the breakfast program. A child whose family meets income criteria may receive a free or reduced-price breakfast. The Federal Government then reimburses the schools for each meal served that meets program requirements.

Children from families with incomes at or below 130% of the poverty level (currently $20,280 for a family of four) are eligible for free meals. Those between 130% and 185% of the poverty level (currently $28,860 for a family of four) are eligible for reduced-price meals. Children from families over 185% of the poverty level pay a full price, though their meals are subsidized to some extent.

Public schools or nonprofit private schools of high school grade or under, and residential child care institutions are eligible to participate in the program. Participating schools and institutions must serve breakfasts that meet Federal nutritional standards, and must provide free and reduced-price breakfasts to eligible children.

Financing and Administration

The School Breakfast Program is administered by the State education agencies and local school food authorities at the local level. At the Federal level, it is administered by USDA's Food and Consumer Service. For FY 1997, Congress appropriated $1.198 billion for the School Breakfast program.

Housing Assistance

The U.S. Department of Housing and Urban Development (HUD) gives grants to Public Housing Agencies (PHAs, including Indian Housing Authorities (IHAs)) to finance the capital cost of the construction, rehabilitation, or acquisition of public housing developed by PHAs to provide decent shelter for low-income residents at rents they can afford. The first low-rent public housing projects in the United States were constructed as the result of the vast public works program set in motion in 1933 by the National Industrial Recovery Act. The Housing Act of 1937 marked the earliest of the Federal housing programs designed to meet the direct concerns for the well-being of individuals. The housing acts of 1949 and 1954 created the massive urban renewal programs of the 1950's, and Section 8 programs provided hundreds of thousands of new public housing units for the poor.

In most communities, there are three kinds of housing assistance available:

- Public housing, which is low-income housing that is actually operated by the housing authority.
- Section 8 in which the housing authority gives the tenant a certificate or voucher that says the government will subsidize your rent payments and then you go find your own housing.
- Privately owned subsidized housing, where the government provides subsidies directly to the owner who then applies those subsidies to the rents he/she charges low-income tenants.

In rural communities, the Department of Agriculture provides rental assistance programs, home improvement and repair loans and grants, and self-help housing loans to low-income individuals and families.

Public Housing

Public housing was established to provide decent and safe rental housing for eligible low-income families, the elderly, and persons with disabilities. Public housing comes in all sizes and types, from scattered site single family houses to highrise apartments for elderly families. HUD administers Federal aid to local PHAs that manage and operate the housing program for low-income residents at rents they can afford.

Beginning in FY 1998, the Indian component of the Public and Indian Housing program will be removed and folded into the Native American Housing Block Grant program.

Benefits

In FY 1996, HUD distributed more than $6.2 billion to approximately 3,350 PHAs and IHAs provided public housing and services to 1.4 million households.

Eligibility

Public housing is limited to low-income families and individuals. The PHA determines the individual's eligibility based on (1) annual gross income; (2) whether the applicant qualifies as elderly, a person with a disability, or as a family; and (3) U.S. citizenship or eligible immigration status.

PHAs use income limits developed by HUD. HUD sets the lower income limits at 80% and very low income limits at 50% of the median income for the county or metropolitan area in which the recipient chooses to live. Income limits vary from area to area so an individual may be eligible at one PHA but not at another.

*Determination of Rental Amount.—*Rent, which is referred to as the Total Tenant Payment (TTP) in the public housing program, is based on the family's gross annual income less deductions, if any.

HUD regulations allow PHAs to exclude from annual income the following allowances: $480 for each dependent; $400 for any elderly family, or a person with a disability; and some medical deductions for families headed by an elderly person or a person with disabilities. Based on the person's application, the PHA representative determines if any of the allowable deductions should be subtracted from annual income. Annual income is the anticipated total income from all sources received from the family head and spouse, and each additional member of the family aged 18 or older.

The formula used to determine the TTP is the highest of the following, rounded to the nearest dollar:

(1) 30% of monthly adjusted income (monthly adjusted income is annual income less deductions allowed by the regulations);

(2) 10% of monthly income;

(3) welfare rent, if applicable; or

(4) a $25 minimum rent or higher amount (up to $50) set by a PHA.

Section 8 Programs

The Section 8 rental voucher and rental certificate programs are the Federal Government's major programs for assisting very low-income families, the elderly, and the disabled to rent decent, safe, and sanitary housing in the private market. Since the rental assistance is provided on behalf of the family or individual, participants are able to find and lease privately owned housing, including single-family homes, townhouses, and apartments. The participant is free to choose any housing that meets the requirements of the program and is not limited to units located in subsidized housing projects.

Rental Vouchers and Rental Certificates

The Section 8 rental voucher and rental certificate programs place the choice of housing in the hands of the individual family. When a rental voucher or certificate holder finds a unit that the family wishes to occupy, the PHA inspects the dwelling and reviews the lease prior to executing a housing assistance contract with the owner.

The major difference is how the subsidy is calculated. Under the rental certificate program, the rent for the unit usually may not exceed a maximum rent, determined by the PHA, based on HUD standards established for each county and metropolitan area. Most rental certificate families must lease a unit in which the total rent including utilities does not exceed this maximum rent. The rental certificate holder generally pays 30% of its monthly adjusted income towards the rent and utilities.

In the rental voucher program, the PHA determines a payment standard for its jurisdiction. The payment standard is used to calculate the amount of assistance a family will receive, but it does not affect the amount of rent a landlord may charge or the family may pay. A family who receives a rental voucher may selected a unit that rents above or below the payment standard. The family pays more than 30% of its monthly adjusted income for rent and utilities if the rent is greater than the payment standard. If the unit rent is less than the payment standard, the family will pay less than 30% of its monthly adjusted income. The advantage of the rental voucher is that the family generally has a greater choice of housing opportunities. The disadvantage is that most families under the voucher program pay more than 30% of their monthly adjusted income for rent.

The rental certificate program started in the 1970's. The rental voucher program came about in the 1980's and was specifically developed as an alternative to the certificate program.

The Department and Congress both recognize that running two very similar programs is administratively burdensome to PHAs and confusing the program participants. In 1995, HUD issued a final rule that conformed the regulations of the certificate and voucher programs so the only differences between the programs are those that are in the law. The Department has proposed legislation that would eliminate these remaining statutory differences and merge the two programs into a single tenant-based program.

Facts About Public Housing

Household

Total number	1,250,000
Average size	2.4
Race/ethnicity	
White Non-Hispanic	37%
Black Non-Hispanic	47%
Hispanic	13%
Asian	3%
Native American	1%
Age of household head	
Under 25	7%
Composition	
Families with children	49%
Elderly	34%
Disabled	9%
Other	8%
Median income	$6,420
Average monthly rent	$169
Number of public housing developments	13,741

Source: "Tenant data from: "Characteristics of Households," *PD&R Recent Research Results.* HUD, December 1995. Public housing development data from HUD System Information—Retrieval Public Housing, September 1995.

Benefits.—In FY 1996, 4.7 million families received rental assistance (1.4 million in public housing and the rest in privately owned units).

Eligibility.—Eligibility for a rental voucher or certificate is determined by the PHA based on total annual gross income and family size and is limited to U.S. citizens and specified categories of noncitizens who have eligible immigration status. In general, the family's income may not exceed 50% of the median income for the county or metropolitan area in which the family chooses to live.

The program regulations require that the PHA must use the same waiting list for admission to its tenant-based certificate and voucher programs. When a family's name reaches the top of the list, the family is offered the form of assistance that first becomes available. If a family refuses the form of assistance the PHA offers, the family may remain on the list and wait for the other form of assistance. If a family refuses offers of both certificate and voucher assistance, the PHA may then remove the family's name from the waiting list.

PHAs have discretion over whether to allow participating families to switch forms of assistance. Some PHAs permit families to switch if the PHA has the other form of assistance available at the time of the request, many PHAs do not.

Special Needs Assistance Programs (Homeless)

HUD administers a number of programs that offer housing and supportive services for homeless persons. These programs provide a range of housing, from emergency to transitional to permanent housing for persons with disabilities. A brief description of three of these programs follow.

Shelter Plus Care

S+C is a program designed to provide housing and supportive services on a long-term basis for homeless persons with disabilities (primarily those with serious mental illness, chronic problems with alcohol and/or drugs, and AIDS) and their families who are living in places not intended for human habitation (for example, cars, parks, and abandoned buildings) or in emergency shelters. The program allows for a variety of housing choices, and a range of supportive services funded by other sources, in response to the needs of the hard-to-reach homeless population with disabilities.

Program grants are used for the provision of rental assistance payments. The supportive services may be funded by other Federal, State, or local sources, as well as private sources.

Section 8 Single Room Occupancy

SRO housing assistance is designed to bring more standard single room dwelling units into the local housing supply and to use those units to assist homeless persons. The SRO units might be in run down hotels, old schools, or even in large abandoned homes that have been rehabilitated.

HUD contracts with PHAs to rehabilitate residential properties for SRO housing. The PHAs make Section 8 rental assistance payments to participating owners on behalf of homeless individuals who rent the rehabilitated dwellings. The rental assistance payments cover the difference between a portion of the tenant's income (normally 30%) and the unit's rent, which must be within the fair market rent established by HUD.

Rental assistance for SRO units is provided for a period of 10 years. Owners are compensated for the cost of some of the rehabilitation (as well as the other costs of owning and maintaining the property) through the rental assistance payments. To be eligible for assistance, a unit must receive a minimum of $3,000 of rehabilitation.

Military Base Redevelopment Planning

For over three decades the Department of Defense has been closing domestic military installations to reduce overhead. Communities where these bases were located are charged with the responsibility of finding alternative uses for them once they have been closed.

In 1987, Congress passed the McKinney Homeless Assistance Act, which made servicing the homeless the first priority for use of all surplus Federal properties, including military facilities.

In 1994, the Base Closure Community Redevelopment and Homeless Assistance Act was passed, superseding the McKinney Act for most base closure building and properties. This legislation was designed to accommodate the impacted communities' multiple reuse as well as to meet national priorities for homeless assistance.

Low-Income Home Energy Assistance

Through LIHEAP, the Federal Government provides grants to States, territories, Indian tribes and tribal organizations to help low-income households meet home heating and cooling costs and to weatherize and make energy saving repairs. The program was established under Title XXVI of the Omnibus Reconciliation Act of 1981 and has been in effect since FY 1982. It is administered at the Federal level by the Administration for Children and Families in the Department of Health and Human Services.

For fiscal year 1996, a total of $1.08 billion (including $180 million in emergency contingency funds released because of abnormally cold weather during the 1995-96 winter) was appropriated by the Congress for low-income home energy assistance.

Benefits

Eligible households may receive funds for heating and cooling costs and for weather-related and supply shortage emergencies. Grantees may also spend a portion of the funds on weatherization or energy-related home repairs. The number of households receiving assistance from the 50 States and the District of Columbia in FY 1995 is shown below. (An unduplicated total of households assisted cannot be derived from these estimates because the same household may be included under more than one type of energy assistance.)

Type of assistance	Number of households (in thousands)
Heating	5,148
Cooling	34
Crisis intervention:	
Winter	932
Summer	78
Low-cost residential weatherization/ energy-related home repair	103

Eligibility

The unit of eligibility for energy assistance is the household, defined as any individual or group of individuals who are living as one economic unit, for whom residential energy is customarily purchased in common either directly or through rent. Payment is limited to households with income under 150% of the poverty income guidelines or 60% of the State's median income, whichever is greater, or to those households with members receiving AFDC, SSI, Food Stamps, or means-tested veterans' benefits. States are permitted to set more restrictive criteria as well.

No household may be excluded from eligibility on the basis of income if its income is less than 110% of the poverty guidelines, but States may give priority to those households with the highest home energy costs or needs in relation to income. Owners and renters are treated equitably.

The States must provide a program plan to HHS that describes eligibility requirements, benefit levels, and estimated amount of funds to be used for each type of LIHEAP assistance. Timely and meaningful public participation in the development of the plan is required. The States must also conduct outreach activities to assure that eligible households, especially those with elderly or disabled individuals or young children, and households with high home energy burdens, are made aware of this assistance.

Administration

LIHEAP is a block grant program. The States have broad discretion in administering the programs. However, they submit program plans to the Department of Health and Human Services, which provides technical assistance and ensures that States follow Federal requirements.

States make payments directly to eligible households or to home energy suppliers on behalf of the households. Payments may be provided in cash, vouchers, or payments to third parties, such as utility companies or fuel dealers.

General Assistance

General assistance is a term used to describe aid provided by State and local governments to needy individuals or families who do not qualify for major assistance programs and to those whose benefits from other assistance programs are insufficient to meet basic needs. In fact, general assistance is not usually known by that name, although both Maryland and Rhode Island call it "General Public Assistance". More common is the term "General Relief", but very different names are used in some jurisdictions. Thus New Jersey calls the program "State Aid", Indiana uses "Township Poor Relief", and Tennessee has three equivalent terms: "Poor Relief", "Emergency Relief", and "Paupers Relief".

General assistance is often the only resource for individuals who cannot qualify for unemployment insurance, or whose benefits are inadequate or exhausted. Help may either be in cash or in kind, including such assistance as groceries and rent.

The eligibility requirements and payment levels for general assistance vary from State to State, and often within a State. Payments are usually at lower levels and of shorter duration than those provided by federally financed programs. General assistance is administered and financed by State and local governments under their own guidelines.

General assistance*

Year	Average number (in thousands)	Total payment (in thousands)	Average amount of payments
1940	3,618	$404,963	$8.30
1950	866	298,262	22.25
1960	1,071	322,465	25.10
1970	957	618,319	53.82
1980	945	1,442,278	127.18
1990	1,220	NA	NA
1994	1,125	NA	NA

* Data partly estimated. Number of States reporting: 1960, 53; 1970, 45; 1980, 41; 1990, 37; 1994, 32.

In fiscal year 1994, 32 States, the District of Columbia, Guam, Puerto Rico, and the Virgin Islands reported general assistance data to the Federal Government. About 1.1 million persons received general assistance.

In almost a fourth of the States, assistance was financed from local funds only.

Earned Income Tax Credit

The Earned Income Tax Credit (EITC) is a special Federal income tax credit for low-income workers. The credit reduces the amount of tax they owe (if any) and is intended to offset some of the increases in living expenses and Social Security taxes. Eligible persons who owe no taxes, or whose tax liability is smaller than their tax credit, receive all or part of the EITC as a direct payment. Some workers are prepaid their credits through their employers as “negative withholding” from paychecks. EITC is administered by the Internal Revenue Service as part of its responsibility for collection of Federal income taxes. For tax returns filed through April 1995, 18.3 million of a total of 109.3 million returns (16.7%) claimed earned income tax credits totaling $24.8 billion.

The EITC was initially enacted as a temporary measure in the Tax Reduction Act of 1975 and made permanent in the Revenue Act of 1978. The intent was to aid the working poor—families with children who had an income below the poverty level despite having working members. The 1975 Act emphasized two long-term objectives: (1) to offset the impact of payroll taxes on low-income workers; and (2) to encourage low-income persons, who might otherwise receive welfare benefits, to seek employment.

Benefits

The earned income credit amount depends on the taxpayer's number of qualifying children, amount of earning, and modified adjusted gross income (AGI), which includes items such as taxable Social Security benefits and unemployment benefits.

The amount a person can earn in 1997 and still receive a credit must be less than:

- $25,760 with one qualifying child,
- $29,290 with more than one qualifying child, or
- $9,770 without a qualifying child.

The maximum amount of the credit is:

- $2,210 with on qualifying child,
- $3,656 with more than one qualifying child, or
- $332 without a qualifying child.

Income from working is considered earned income even if it is not taxable. This includes wages, salaries, and tips; union strike benefits; long-term disability benefits received prior to minimum retirement age; net earnings from self-employment; voluntary salary deferrals; voluntary salary reductions; and basic quarters and subsistence allowances from the U.S. military.

The EITC amounts are determined by multiplying income by a credit rate. For example, for 1997, the maximum credit an eligible taxpayer with two or more qualifying children can claim is $3,656, based on a credit percentage of 40% applied to an earned income threshold of $9,140. This maximum is payable for earned income (or AGI, if greater) up to a phaseout income of $11,930. Above this income, a phaseout percentage (21.06% for those with two or more children) is applied to the difference between the actual and phaseout income. The result of this calculation, subtracted from the maximum credit, yields the EITC amount.

The EITC amount can be affected by receipt of other types of public program benefits when they are counted in determining AGI and thus serve to reduce the benefit (for example, unemployment insurance benefits are included in AGI). Conversely, the credit has no effect on certain welfare benefits. The earned income credit cannot be used to determine eligibility or benefit amounts for AFDC, Medicaid, SSI, food stamps, and low-income housing.

Eligibility

EITC eligiblity and credit amounts generally are determined according to the tax filer's earned income and whether they have qualifying children who meet age, relationship, and residency tests or meet other requirements.

Relationship Test

The child must be the tax filer's son, daughter, adopted child, grandchild, stepchild, or eligible foster child (this could include a niece, nephew, brother, sister, or cousin).

Residency Test

The child must have lived with the tax filer for more than half the year (the whole year if the child is an eligible foster child). The home must be in one of the 50 States or District of Columbia. For purposes of the credit, U.S. military personnel stationed outside the United States on extended active duty are considered to live in the United States during that duty period.

Age

The child must be under age 19 at the end of the year, be a full-time student under age 24 at the end of the year, or be permanently and totally disabled at any time during the tax year, regardless of age.

Persons without a qualifying child must be age 25 or older but less than age 65, and not be a dependent for whom a dependency exemption is allowable to another taxpayer.

Persons with investment income of more than $2,200 cannot claim the earned income credit. Investment income if taxable interest and dividends, tax-exempt interest, and capital gain net income.

For 1997, a Social Security number is required for each person listed on the tax return.

Earned income tax credit provisions for 1997

	Families with—		
Provisions	One child	Two or more children	No children
Earned income threshold	$6,500	$9,140	$4,340
Credit percentage	34.0	40.0	7.65
Maximum credit	2,210	3,656	332
Phaseout income	11,930	11,930	5,430
Phaseout percentage	15.98	21.06	7.65
Breakeven income (credit reduced to zero)	25,760	29,290	9,770