DOCUMENT RESUME

ED 223 371 PS 013 236

TITLE Impact of Budget Cuts on Children: Background Materials for Joint Hearing of the Subcommittee on Oversight of the Committee on Ways and Means and the Subcommittee on Health and the Environment of the Committee on Energy and Commerce, U.S. House of Representatives, 97th Congress, 2nd Session.

INSTITUTION Congress of the U.S., Washington, DC. House Committee on Energy and Commerce.; Congress of the U.S., Washington, D.C. House Committee on Ways and Means.

REPORT NO WMCP-97-30

PUB DATE 3 Mar 82

NOTE 46p.

PUB TYPE Viewpoints (120) -- Legal/Legislative/Regulatory Materials (090)

EDRS PRICE MF01/PC02 Plus Postage.

DESCRIPTORS Adoption; Block Grants; Breakfast Programs; Children; *Day Care; *Federal Programs; *Financial Support; Foster Care; *Health Programs; Health Services; Lunch Programs; Mothers; *Nutrition; Nutrition Instruction; Social Services; Tax Credits; *Welfare Services

IDENTIFIERS Congress 97th; Project Head Start; Special Supplemen Food Program Women Infants Child; Work Incentive Program

ABSTRACT

Prepared for joint hearings on the impact of the proposed budget cuts on programs affecting children, these background materials describe the main programs which serve children in five general areas. These areas are health services for mothers and children, child nutrition programs, aid to families with dependent children, day care and other child care programs, and child welfare, foster care, and adoption programs. Both the impact of the previously enacted FY 1982 budget cuts and the impact of the new proposed budget cuts for FY 1983 are analyzed. (RH)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ERIC

ED223371

97th Congress
2d Session

COMMITTEE PRINT

WMCP: 97-30

SUBCOMMITTEE ON OVERSIGHT

OF THE

COMMITTEE ON WAYS AND MEANS

AND

SUBCOMMITTEE ON HEALTH AND THE ENVIRONMENT

OF THE

COMMITTEE ON ENERGY AND COMMERCE

U.S. HOUSE OF REPRESENTATIVES

IMPACT OF BUDGET CUTS ON CHILDREN

BACKGROUND MATERIALS FOR JOINT HEARING OF THE SUBCOMMITTEE ON OVERSIGHT OF THE COMMITTEE ON WAYS AND MEANS

AND THE

SUBCOMMITTEE ON HEALTH AND THE ENVIRONMENT OF THE COMMITTEE ON ENERGY AND COMMERCE

U.S. DEPARTMENT OF EDUCATION
NATIONAL INSTITUTE OF EDUCATION
EDUCATIONAL RESOURCES INFORMATION
CENTER (ERIC)

X This document has been reproduced as received from the person or organization originating it.

Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official NIE position or policy.

MARCH 3, 1982

Prepared for the use of the Committee on Ways and Means by its staff

---

U.S. GOVERNMENT PRINTING OFFICE
90-774 O WASHINGTON: 1982

PS013236

ERIC Full Text Provided by ERIC

COMMITTEE ON WAYS AND MEANS

DAN ROSTENKOWSKI, Illinois, *Chairman*

SAM M. GIBBONS, Florida
J. J. PICKLE, Texas
CHARLES B. RANGEL, New York
FORTNEY H. (PETE) STARK, California
JAMES R. JONES, Oklahoma
ANDY JACOBS, Jr., Indiana
HAROLD FORD, Tennessee
KEN HOLLAND, South Carolina
WILLIAM M. BRODHEAD, Michigan
ED JENKINS, Georgia
RICHARD A. GEPHARDT, Missouri
THOMAS J. DOWNEY, New York
CECIL (CEC) HEFTEL, Hawaii
WYCHE FOWLER, Jr., Georgia
FRANK J. GUARINI, New Jersey
JAMES M. SHANNON, Massachusetts
MARTY RUSSO, Illinois
DON J. PEASE, Ohio
KENT HANCE, Texas
ROBERT T. MATSUI, California
DON BAILEY, Pennsylvania
BERYL ANTHONY, Jr., Arkansas
BARBER B. CONABLE, Jr., New York
JOHN J. DUNCAN, Tennessee
BILL ARCHER, Texas
GUY VANDER JAGT, Michigan
PHILIP M. CRANE, Illinois
BILL FRENZEL, Minnesota
JAMES G. MARTIN, North Carolina
L. A. (SKIP) BAFALIS, Florida
RICHARD T. SCHULZE, Pennsylvania
BILL GRADISON, Ohio
JOHN H. ROUSSELOT, California
W. HENSON MOORE, Louisiana

JOHN J. SALMON, *Chief Counsel*
JOSEPH K. DOWLEY, *Assistant Chief Counsel*
ROBERT J. LEONARD, *Chief Tax Counsel*
A. L. SINGLETON, *Minority Chief of Staff*

SUBCOMMITTEE ON OVERSIGHT

CHARLES B. RANGEL, New York, *Chairman*

SAM M. GIBBONS, Florida
J. J. PICKLE, Texas
ED JENKINS, Georgia
FRANK J. GUARINI, New Jersey
JAMES M. SHANNON, Massachusetts
MARTY RUSSO, Illinois
PHILIP M. CRANE, Illinois
W. HENSON MOORE, Louisiana
JOHN J. DUNCAN, Tennessee
JAMES G. MARTIN, North Carolina

3

COMMITTEE ON ENERGY AND COMMERCE

JOHN D. DINGELL, Michigan, *Chairman*

JAMES H. SCHEUER, New York
RICHARD L. OTTINGER, New York
HENRY A. WAXMAN, California
TIMOTHY E. WIRTH, Colorado
PHILIP R. SHARP, Indiana
JAMES J. FLORIO, New Jersey
ANTHONY TOBY MOFFETT, Connecticut
JIM SANTINI, Nevada
EDWARD J. MARKEY, Massachusetts
THOMAS A. LUKEN, Ohio
DOUG WALGREN, Pennsylvania
ALBERT GORE, Jr., Tennessee
BARBARA A. MIKULSKI, Maryland
RONALD M. MOTTL, Ohio
PHIL GRAMM, Texas
AL SWIFT, Washington
MICKEY LELAND, Texas
RICHARD C. SHELBY, Alabama
CARDISS COLLINS, Illinois
MIKE SYNAR, Oklahoma
W. J. (BILLY) TAUZIN, Louisiana
RON WYDEN, Oregon
RALPH M. HALL, Texas

JAMES T. BROYHILL, North Carolina
CLARENCE J. BROWN, Ohio
JAMES M. COLLINS, Texas
NORMAN F. LENT, New York
EDWARD R. MADIGAN, Illinois
CARLOS J. MOORHEAD, California
MATTHEW J. RINALDO, New Jersey
MARC L. MARKS, Pennsylvania
TOM CORCORAN, Illinois
GARY A. LEE, New York
WILLIAM E. DANNEMEYER, Califorina
BOB WHITTAKER, Kansas
THOMAS J. TAUKE, Iowa
DON RITTER, Pennsylvania
HAROLD ROGERS, Kentucky
CLEVE BENEDICT, West Virginia
DANIEL R. COATS, Indiana
THOMAS J. BLILEY, Jr., Virginia

FRANK M. POTTER, Jr., *Chief Counsel and Staff Director*
SHARON E. DAVIS, *Chief Clerk/Administrative Assistant*
DONALD A. WATT, *Printing Editor*
RANDALL E. DAVIS, *Minority Counsel*

SUBCOMMITTEE ON HEALTH AND THE ENVIRONMENT

HENRY A. WAXMAN, California, *Chairman*

JAMES H. SCHEUER, New York
THOMAS A. LUKEN, Ohio
DOUG WALGREN, Pennsylvania
BARBARA A. MIKULSKI, Maryland
RON WYDEN, Oregon
JAMES J. FLORIO, New Jersey
ANTHONY TOBY MOFFETT, Connecticut
RICHARD C. SHELBY, Alabama
PHIL GRAMM, Texas
MICKEY LELAND, Texas
JOHN D. DINGELL, Michigan (*ex officio*)

EDWARD R. MADIGAN, Illinois
CLARENCE J. BROWN, Ohio
WILLIAM E. DANNEMEYER, California
BOB WHITTAKER, Kansas
DON RITTER, Pennsylvania
CLEVE BENEDICT, West Virginia
THOMAS J. BLILEY, Jr., Virginia
JAMES T. BROYHILL, North Carolina
(*ex officio*)

KAREN NELSON, *Staff Director*

ERIC Full Text Provided by ERIC

PREFACE

The following materials have been prepared by the staffs of the Subcommittees as background for the joint hearings on the impact of the proposed budget cuts on programs that affect children. The material is designed to describe the main programs serving children in five general areas, and to analyze first, the impact of the previously enacted FY 1982 budget cuts and second, the impact of the new proposed budget cuts for FY 1983.

(IV)

TABLE OF CONTENTS

HEALTH SERVICES FOR MOTHERS AND CHILDREN

I. Medicaid, Title XIX of the Social Security Act

Overview: Medicaid is a Federal-State entitlement program that purchases medical care for some 22 million low-income aged, blind and disabled persons and families with dependent children. Enacted in 1965 as Title XIX of the Social Security Act, Medicaid is the single most important source of health care financing for poor children. In 1981, an estimated 11 million dependent children under 21 were covered by Medicaid, representing more than 48 percent of all Medicaid eligibles. Of all public dollars buying children's health care in 1979, about 55 percent came through Medicaid.

State participation in the program is voluntary, although all States but Arizona (which is negotiating special terms) have chosen to do so. The Federal Government shares in the cost of the medical care purchased by States on behalf of Medicaid eligibles according to a formula that is based upon per capita income of ~~the State~~ (the range is a minimum of 50 percent in the wealthier States to 77 percent in the poorer States). In FY 1982, the Federal Government will spend an estimated $17.3 billion on Medicaid, the States an additional $14.2 billion.

Each State administers its own program through a State Medicaid Agency within broad Federal guidelines; thus, eligibility, benefits and provider reimbursement policies vary considerably from State to State. Responsibility for managing the program at the Federal level rests with the Health Care Financing Administration of the Department of Health and Human Services.

Eligibility: Eligibility for Medicaid is tied to the receipt of cash assistance under the Aid to Families with Dependent Children program and the Supplemental Security Income program (SSI) for the aged, blind and disabled. In general, States are required to cover the "categorically needy"--that is, persons receiving cash assistance under the AFDC and SSI programs. Of the 9.1 million children eligible for Medicaid in 1979, most (87 percent) qualified as "categorically needy."

States have the option of extending Medicaid coverage to the "medically needy." These are persons who are aged, blind, disabled or members of families with dependent children, who are unable to afford medical care, but whose incomes are higher than the AFDC or SSI eligibility standards. In order to qualify for "medically needy" coverage, a person must "spend down" to the State "medically needy" income standard by incurring medical expenses. If these expenses, when applied against the person's income, bring that income below the State's "medically needy" standard, then the person is eligible for Medicaid coverage. If a State opts to cover any "medically needy" group (e.g., aged, blind, etc.), it must cover children up to 18 for ambulatory services and pregnant women for prenatal care and delivery. As of 1981, 30 States offered coverage to the "medically needy."

Due to restrictive eligibility requirements, many poor children do not have Medicaid coverage. In 1976, an estimated 25 percent of children in families below $5,000 per year had no Medicaid or other health coverage at all. While children represent about 48 percent of the total Medicaid population, they account for only about 19 percent of the Medicaid expenditures. In general, Medicaid income standards for mothers and children are lower than those for aged, blind or disabled adults.

Services: Under Medicaid law, States must offer certain "mandatory" services to the "categorically needy": inpatient and outpatient hospital services; laboratory and x-ray services; skilled nursing facility (SNF) services to persons 21 or older; home health services for those entitled to SNF care; family planning services and supplies; rural health clinic services; and certified nurse midwife services. Of particular importance to children is the other "mandatory" service known as early and periodic screening, diagnosis and treatment (EPSDT), which is intended to make health assessments and preventive care available to children under 21 in order to avoid more costly illnesses and conditions.

States may also offer "optional" services to receive Federal matching payments for them. These include: intermediate care facility (ICF) services, prescription drugs, eyeglasses, dental care, clinic services, physical therapy, occupational therapy and services for individuals with speech, hearing and language disorders.

The States may limit the amount, duration and scope of both the "mandatory" and the "optional" services they offer (e.g., 14 hospital days per year, 3 physician visits per month). States may also impose nominal cost-sharing requirements on the "medically needy" for all services and on the "categorically needy" for "optional" services. Nationwide, about 30 percent of the Medicaid dollar is spent on hospital care, 45 percent on nursing home care (SNF and ICF).

FY 1982 Budget Changes: Through the Omnibus Budget Reconciliation Act of 1981, P.L. 97-35, Congress reduced Federal Medicaid outlays for FY 1982 by $944 million and $880 million in FY 1983. The major portion of these "savings" comes from a pro rata reduction in Federal matching payments to most States by 3 percent in FY 1982, 4 percent in FY 1983 and 4.5 percent in FY 1984. In addition, States were given flexibility in administering "medically needy" programs allowing them to deny coverage to children under 18 for all but ambulatory services and to pregnant women for all but prenatal care and delivery.

In addition, the Act made a number of major changes in AFDC eligibility rules resulting in the loss of cash assistance and Medicaid coverage for working mothers and their children. According to Administration estimates, the net result of these changes alone is the loss of Medicaid benefits for 661,000 children and 181,000 adults in AFDC families between 1982 and 1983.

ERIC

It should be noted that, even before the 1981 Reconciliation Act changes, and even before the advent of the current recession, the Medicaid program did not offer adequate coverage to the nation's poor children. In 1979 it reached only about 55 percent of those persons with incomes below Federal poverty guidelines. Moreover, the coverage offered to those eligible was often quite limited, as States sought to reduce outlays by limiting benefits or reimbursement levels. In 1981, before the impact of the Federal budget reductions was felt, ten States imposed limits on the number of covered days, six restricted the number of physician visits, and fourteen States cut eligibility.

The President's FY 1983 Budget: The Administration is proposing to cut Federal Medicaid outlays by $2.1 billion in FY 1983. This amount is in addition to the $880 million in reductions already scheduled for implementation under the 1981 Reconciliation Act. These reductions are proposed at a time when many States are finding their revenues reduced by the downturn in the economy and the decline in overall Federal assistance, and when the price of medical care is rising at rates in excess of the overall cost of living.

The major Administration "savings" proposals would shift Federal Medicaid costs to the States and program beneficiaries. The current Federal matching rates would be reduced by 3 percentage points for all "optional" services (such as clinic care) and all "optional" eligibility categories (such as "medically needy" families. This would require States to spend more of their own funds to provide the same level of services or eligibility; where States are unable or unwilling to do so, these services and categories will be cut.

The Administration is also proposing to require States to impose copayments on all "categorically needy" AFDC recipients and all "medically needy" mothers and children. The mandatory minimum amounts would be $1.00 per visit for physician, clinic or hospital outpatient department services in the case of the "categorically needy", $1.50 in the case of the "medically needy." For inpatient hospital services, whether elective or emergency, minimum copayments in the amount of $1 and $2 per day would be required for the "categorically needy" and "medically needy," respectively. States could, at their option, impose additional cost-sharing requirements on any group for any services; this cost-sharing would not longer have to be "nominal," as required under current law. States would not be required to increase cash assistance payments under AFDC to offset the mandatory co-payment requirements. Thus, mothers and children in AFDC families would find their access to medical care substantially impaired.

In addition to these and other legislative changes in the Medicaid program, the Administration is also proposing further reductions in AFDC eligibility and benefits which will result in the loss of Medicaid coverage for 133,000 AFDC families in FY 1983.

II. Maternal and Child Health (MCH) Services Block Grant, Title V of the Social Security Act

Overview: The MCH Block Grant makes Federal funds available to the States for the provision or purchase of a broad range of maternal and child health services. The purposes are to enable States to reduce infant mortality, to reduce the incidence of preventable diseases and handicapping conditions among low-income children, to increase the availability of prenatal, delivery, and postpartum care to low-income women, to increase the number of children immunized against disease and receiving health assessments, and to provide medically necessary services to handicapped children.

The MCH Block Grant was created by the Omnibus Budget Reconciliation Act of 1981, P.L. 97-35. It represents a consolidation of seven separate formula and categorical grant programs: the Maternal and Child Health and Crippled Children's program (formerly at Title V of the Social Security Act); the Supplemental Security Income program for Disabled Children; the Lead-based Paint Poisoning Prevention program; the Voluntary

Testing and Counseling Programs for Genetic Diseases; the Sudden Infant Death Syndrome program; the Hemophilia Diagnosis and Treatment Centers program; and the Adolescent Pregnancy program.

A total of $373 million is authorized to be appropriated in FY 1982 and each fiscal year thereafter for the new MCH Block Grant; actual FY 1982 appropriations total $347.5 million. MCH Block Grant funds may not be transferred to other block grants or used for purposes other than the provision or purchase of maternal and child health and crippled children's services.

Funds appropriated in any fiscal year are to be allocated among the States based on their proportionate share of 1981 outlays for the programs consolidated into the MCH block grant. In order to receive their allocations, States must file with the Secretary of Health and Human Services a description of intended expenditures and a statement of assurances that the State will comply with certain Federal requirements. In addition, States are required to submit to the Secretary, and to make available to the public, annual activity reports and biennial audits. MCH Block Grant funds may not be used in a manner that discriminates on the basis of age, handicap, sex, race, color, national origin or religion.

There is a State matching requirement. For each $4 in Federal funds a State receives under the MCH services block grant, it must spend $3 of its own funds on MCH services.

The legislation provides that 15 percent of the funds appropriated in FY 1982--and between 10 and 15 percent of the amounts each fiscal year thereafter--is to be administered by the Secretary of HHS. This Federal set-aside may be applied to one or more of the following purposes: special projects of regional and national significance; research; training; genetic disease testing, counseling, and information development and dissemination; and hemophilia programs. The Secretary is also responsible for identifying within the Department of HHS an identifiable maternal and child health unit which, in conjunction with the National Center for Health Statistics, is to collect and maintain information on the health status and health service needs of mothers and children.

Eligibility: States may set their own eligibility criteria under the MCH Block Grant. If a State elects to charge for services provided, it may do so; however, it may not impose any charges for services on children or mothers whose incomes fall below the Federal poverty guidelines established by OMB (the current poverty level for a family of four, except in Alaska and Hawaii, is $8,450). In 1980, under the former programs consolidated into the MCH Block Grant, 2.8 million children and 400,000 mothers received physician services.

Services: States may use MCH Block Grant funds for the provision of a broad range of maternal and child health immunization programs, vision and hearing screenings, school health services, dental care, and inpatient hospital services to crippled children, high-risk pregnant women and infants. Block Grant funds may not be used to make cash payments to recipients, to purchase or improve land or buildings or to match other Federal payments.

FY 1982 Budget Changes: In the Omnibus Budget Reconciliation Act of 1981, P.L. 97-35, Congress created the Maternal and Child Health Services Block Grant out of seven different formula and categorical grant programs. The Act reduced the authorization level for the Block Grant in FY 1982 to $373 million, an 18 percent reduction from FY 1981 appropriations levels of $456 million for the programs involved, without adjusting for inflation. Actual FY 1982 appropriations were $347.5 million, even lower than the authorized level.

The President's FY 1983 Budget Proposal: The Administration is proposing to include the Special Supplemental Food Program for Women, Infants and Children (WIC), as well as the related Commodity Supplemental Foods program (CSFP), into the MCH Block Grant, reducing the authorization for FY 1983 to $1 billion. This would represent a 22 percent reduction from FY 1982 appropriations levels for all three programs of $1.282 billion,

ERIC Full Text Provided by ERIC

without any adjustment for inflation. States would either have to make up the shortfall in Federal funds or reduce outlays for maternal and child health, maternal and child nutrition or both. The target population for these programs--low-income mothers and children--are unlikely to be able to make up the resulting reduction in eligibility or benefits.

III. Special Supplemental Food Program for Women, Infants and Children (WIC), Section 17 of the Child Nutrition Act of 1966

Overview: WIC is a Federally-funded program that provides supplemental food and nutrition education through State and local health clinics to low-income, high risk pregnant and nursing women and their infants and children. WIC is intended to complement medical care services in improving the health status of this target population.

For FY 1982, $1.017 billion is authorized for WIC; actual appropriations for the year total $904.3 million. No State or local matching funds are required.

WIC is administered at the Federal level by the Food and Nutrition Service of the Department of Agriculture. The Department distributes WIC funds among the various States, who in turn distribute the funds among local agencies based upon claims. The State agencies involved are commonly State health departments; the local agencies may be public health or welfare agencies or private nonprofit health agencies that provide health services. Twenty percent of the funds are available to States for administrative costs, such as eligibility certifications and food delivery.

In order to participate in WIC, States must submit an annual operating plan describing the State's delivery system, arrangements for coordinating with related Federal programs, and priority areas and populations. The State agency is required to fund local agencies serving areas or special populations most in need.

ERIC Full Text Provided by ERIC

Eligibility: The target population is pregnant and postpartum mothers and infants as well as children who are (1) low-income and (2) medically certified to be at risk because of inadequate nutrition or poor health or both. Women are eligible for up to one year after termination of pregnancy; infants and children up to age 5. States have some discretion in determining income eligibility levels; however, these may not be lower than 100 percent of the Federal poverty level or higher than 185 percent ($15,630 for a family of 4 for 1981-82).

Services: Beneficiaries receive prescribed supplemental foods, such as iron-fortified infant formula, milk, eggs, cheese, cereals and fruit juice, whether in the form of food or as vouchers that can beredeemed in stores willing to participate. Food packages vary by eligibility category (e.g., infants 0 through 3 months, infants 4 through 12 months, etc.). Participants also receive nutritional education.

FY 1982 Budget Changes: Although the Administration proposed to cap WIC funding in FY 1982 and subsequent years at $725 million, or 28 percent below FY 1981 appropriations, the Congress agreed to authorize the program at $1.017 billion in FY 1982. Actual appropriations for FY 1982 are $904.3 million. The effect of this appropriations level is a reduction in the population served by the program of 200,000 mothers, infants and children.

The President's FY 1983 Budget Proposals: The Administration is proposing to consolidate WIC, along with the companion Commodity Supplemental Foods program, into the Maternal and Child Health Services Block Grant established by the Omnibus Budget Reconciliation Act of 1981. The authorization for the new Block Grant would be set at $1 billion. This represents a reduction of $281.6 million from FY 1982 appropriations for the programs involved, or 22 percent before adjusting for inflation. States would have to decide whether to make up the shortfall in Federal funding or whether to ration health care or nutrition or both to this population.

IV. Other Child Health and Related Programs

While Medicaid and the Maternal and Child Health Services Block Grant are the largest Federal health programs directed toward the needs of mothers and children, they are by no means the only ones. Other important child health programs include:

Childhood Immunization Program (section 317(j) of the Public Health Service Act): This program, administered by the Centers for Disease Control of the Department of Health and Human Services, provides grants, vaccine, epidemiological assistance and personnel to State and local health departments to immunize children against such preventable diseases as polio, measles, rubella, tetanus, diphtheria and whooping cough. The program was funded at $24 million in FY 1981 and provided for the immunization of 6.3 million children. FY 1982 funding was reduced to $21.8 million; it is estimated that this will result in a one-third reduction in the number of children immunized. The President's FY 1983 budget proposes to fund the program at a level of $21.9 million.

Community Health Centers (section 330 of the Public Health Service Act): This program makes Federal grant funds available directly to public and nonprofit private health clinics delivering comprehensive primary care to medically underserved populations. There were some 870 CHCs in urban and rural underserved areas in 1981, serving about 5.2 million people. About 45 percent of the population served by these Centers was children, and about 35 percent women of childbearing age. Funding for the program was reduced from $324 million in FY 1981 to $248 million in FY 1982, a 24 percent decline without adjusting for inflation. As a result, 140 Centers have already been closed, and a total of 220 is expected to close by the end of FY 1982. This means that an estimated 560,000 children and 440,000 women of childbearing age will have to look elsewhere for care in the medically underserved areas where they live.

The Omnibus Budget Reconciliation Act of 1981 created a Primary Care Block Grant which, effective FY 1983, gives the States the option to take over administration of the CHC program. If a State chooses not to do so, then the Federal Government will continue to run the program in that State. The Administration in its FY 1983 budget is proposing to restructure the Primary Care Block Grant to include three other programs (Migrant Health Centers, Family Planning and Black Lung Clinics) and to set the authorization level at the combined FY 1982 appropriations levels for all the programs involved ($417 million). Congress rejected a similar Administration proposal last year.

Family Planning Program (Title X of the Public Health Service Act): The Family Planning program makes funds available to public and nonprofit private projects that provide family planning and related health and educational services. In 1981, over 4 million adolescents, women and mothers received services at about 5,000 family planning sites. Program appropriations for FY 1981 were $162 million, for FY 1982, $124 million. The President's FY 1983 budget proposes to consolidate the Family Planning program into the Primary Care Block Grant. Congress rejected a similar Administration proposal last year, deciding instead to reauthorize the program on a categorical basis through FY 1984.

Migrant Health Centers (section 329 of the Public Health Service Act): The MHC program provides grants to public or private nonprofit entities delivering primary health care services to migrant and seasonal farmworkers in high impact rural areas that experience significant inflows of workers during the harvest and growing seasons. In 1981, over 120 MHCs served some 220,000 migrants and 360,000 seasonal farmworkers, a high percentage of whom were women and children with no other source of prenatal or well-child care. FY 1982 appropriations for the MHC program are $38 million, down from $43 million in FY 1981. The President's FY 1983 budget proposes to fold the Migrant Health Center program into the Primary Care Block Grant. Congress rejected a similar Administration proposal last year, opting to reauthorize the program as a categorical program through FY 1984.

Community Mental Health Centers (Title XIX of the Public Health Service Act): The CMHC pro-

ERIC

gram makes grant funds available, through the States, to public and private nonprofit entities providing comprehensive mental health services on an outpatient basis. In 1981, about 790 CMHCs throughout the country delivered services to 3.1 million people, about 20 percent of whom were children and adolescents. In FY 1981, CMHC funding, authorized under the Community Mental Health Centers Act, was $783 million. Under the Omnibus Budget Reconciliation Act of 1981, this Federal categorical program was consolidated into a new Alcohol, Drug Abuse and Mental Health Services Block Grant to the States, and overall funding was reduced by 20 percent in FY 1982. Although the proportion of funds allocated to mental health varies from State to State, nationwide roughly half of the funds are distributed to CMHCs. The President's FY 1983 budget proposes to continue funding for this Block Grant at FY 1982 levels, making no adjustment for inflation.

Commodity Supplemental Food Program (CSFP): The CSFP is a predecessor of the WIC program, and currently operates along side of, or in place of WIC programs in 21 project areas. Persons may participate in one or the other of these programs, but may not participate in both. Authorized through FY 1985, the CSFP program provides Federally purchased commodities to States, which in turn distribute them through local agencies to low-income pregnant and postpartum women, and infants and children residing in approved project areas. In FY 1981, an average of 113,000 women, infants and children participated in CSFP programs operating in 21 project areas at a Federal cost of $27.5 million. FY 1982 appropriations provided $29.8 million for the program. For FY 1983 the Administration has proposed to consolidate this program and WIC into the Maternal and Child Health Services Block Grant as described above.

CHILD HEALTH AND RELATED FUNDING
(in millions)

	FY 1981 Actual	FY 1982 (Est.)	FY 1983 Admin. Proposal
Medicaid	$16,833	$18,101	$17,006
Maternal & Child Health Services Block Grant	456.2 a/	347.5	1,000
Special Supplemental Food Program for Women, Infants and Chidren	900.0	904.3	-- b/
Commodity Supplemental Food	[illegible]	29.8	-- b/
Childhood Immunization	24.0	21.8	21.9
Community Health Centers	323.7	248.4	417 c/
Migrant Health Centers	43.2	38.4	-- c/
Family Planning	161.7	124.8	-- c/
Community Mental Health Centers	278.1	-- d/	-- d/

a/Total appropriations for programs consolidated into Block Grant in FY 1982.

b/The Administration proposes to consolidate this program into the Maternal and Child Health Services Block Grant.

c/The Administration proposes to consolidate this program into the Primary Care Block Grant which becomes effective for CHCs in FY 1983.

d/Consolidated into Alcohol, Drug Abuse and Mental Health Services Block Grant.

CHILD NUTRITION PROGRAMS

Overview: Millions of American children every day receive a large part of their nutritional needs through one or more major child nutrition programs supported by the Federal Government: the School Breakfast and School Lunch programs, the Child Care Food program, the Summer Feeding program, and the Special Milk program.

About 3.6 million children in 33,000 schools, 88 percent of them poor or near-poor, participate in the School Breakfast program; 27 million children participate in the School Lunch program. A 1980 study by the Congressional Budget Office found that, except for the WIC program, the School Breakfast program is the most nutritionally effective of the child nutrition programs and is highly cost effective.

The Child Care Food program provides meals to children of working and poor parents while they are cared for in day care centers or family day care homes. About 90 percent of the funds for this program are used to provide meals for poor or near-poor children. Nearly 2 million low-income children, primarily from inner-city neighborhoods, receive lunches during the summer months through the Summer Feeding program.

A description of the major child nutrition programs follows.

I. National School Lunch Program (NSLP)

The NSLP, the oldest and largest child nutrition program, is permanently authorized by the National School Lunch Act of 1946. In FY 1981, Federal subsidies were provided to State educational agencies, and in some cases directly to schools, to reimburse the costs of serving lunches to just over 26 million children.

Approximately 48 percent of the children participating in the school lunch program were from families whose income allowed them to receive the lunches free or at reduced price. Beginning in the 1981-82 school year, income eligibility is set at 130 percent of the OMB income poverty guidelines for free meals and 185 percent of these guidelines for reduced price meals. The remaining children received lunches that were federally subsidized to a lesser degree, but without regard to family income status.

II. School Breakfast Program (SBP)

The school breakfast program was established as a two-year pilot program in 1966 with the enactment of the Child Nutrition Act of 1966. The program was originally designed as a grant-in-aid to states for the purpose of creating or expanding nonprofit breakfast programs in schools. In 1973 the funding of the program was modified to a performance funding basis providing cash assistance to states on the basis of the number of breakfasts served and a federal reimbursement rate. The program was extended, and in 1975 was permanently authorized.

In FY 1981, an average of approximately 3.8 million children participated in the school breakfast programs operated by some 35,000 schools. The vast majority of the participants (80 percent) were from families with incomes below 125 percent of the poverty level and received free breakfasts.

III. Child Care Food Program (CCFP)

The CCFP has been one of the fastest growing child nutrition programs. The program subsidizes meals served to children under 18, but primarily of preschool age, who are enrolled in a licensed nonprofit, nonresidential child-care program.

Average daily FY 1981 participation in the child care food program was 744,500 children.

ERIC Full Text Provided by ERIC

These children, most of whom are under age 5, were participating in some 66,000 day care centers and family day care homes. In FY 1981, over 90 percent of the children in these outlets received free or reduced price meals.

IV. Summer Food Service Program (SFSP)

The Summer Food Service program provides federal reimbursement for meals served free, during the summer months, to children living in areas with poor economic conditions. Such areas are defined as areas where 50 percent or more of the children in school food programs receive free or reduced price meals. Programs are operated by residential public or private non-profit summer camps or public or private non-profit school authorities, or local, municipal or county governments developing special summer or school vacation program which provide food service.

In the summer of 1981, an average of 1.3 million children participated in the Summer Food Service program at a federal cost of $106.7 million. Under current law federal expenditures for the Summer 1982 program are expected to fall to $61.1 million as a consequence of changes made in P.L. 97-35.

V. Special Milk Program (SMP)

The Special Milk program provides a federally set subsidy or reimbursement rate for milk served in schools or institutions that do not participate in other child nutrition programs. For FY 1982, this program is expected to provide $23.9 million in federal funds to offset the cost of providing such milk. This milk may be provided free to low income children (in which case the federal payment meets the full cost) or at a lowered price for all children, without regard to family income, at the option of the participating school. In the past, the vast majority of milk, 86 percent, was provided at the partially subsidized rate.

In FY 1981, approximately 10 million children, in 85,000 schools and institutions, received federally subsidized milk under this program at a cost of $119.8 million. For FY 1982, it is expected that approximately 20 percent of former participants will be participating in the program. This dramatic reduction is a consequence of the provision in P.L. 96-35, which prohibited schools participating in federally subsidized meal programs from also participating in the special milk program. In FY 1981, approximately 88 percent of all special milk was provided to recipients in schools that had other Federal food service programs.

VI. Nutrition Education and Training (NET)

The NET program provides Federal funds for grants to state educational agencies for development of comprehensive nutrition information and educational programs for children participating in school lunch and other child nutrition programs. Funding is to provide training and education for teachers and school food service personnel and for nutrition education program for children. In FY 1982, $5 million was appropriated for this program, which was funded at $16.6 million in FY 1981.

VII. Other Nutrition Programs Affecting Children

Two especially important nutrition programs affecting children are the Special Supplemental Food Program for Women, Infants and Children (WIC) and the Commodity Supplemental Food program (CSFP). The Administration proposal for FY 1983 would eliminate funding for both these programs and increase funding for the Maternal and Child Health (MCH) Block Grant. A description of these programs and the proposed funding cuts can be found in the chapter on Health Service *supra*.

FY 1982 Budget Changes: Child nutrition programs were cut significantly in the FY 1982 budget. The School Breakfast program was cut by 20 percent. As a result of the cut, some 800

ERIC Full Text Provided by ERIC

fewer schools now serve breakfast; over 400,000 fewer children now participate in the program. About 70 percent of the decrease is in free or reduce-priced breakfasts to poor or near-poor children.

The School Lunch program was cut by 30 percent, or $1 billion. These cuts were achieved by changing eligibility rules for free and reduce-price meals and by decreasing the subsidy for students paying full price for their meals. As a result of the FY 1982 cuts, over 2,000 fewer schools and nearly 3 million fewer children are participating in the program, including 900,000 poor and near-poor children who had been receiving free or reduced-price lunches.

The Child Care Food program (CCFP) was also cut by 30 percent, or nearly $130 million. Child care centers and family homes can now serve only two meals and one snack a day, compared to three meals and two snacks a day before the cuts. Eligibility rules were also changed for this program. Some child care centers have been forced to close because of the combined effects of CCFP, CETA and social services cuts. Many of those that remain open are raising fees charged to low-income working parents, reducing the number of children they care for, or reducing the quality of care they provide.

The Summer Food Service program was cut by 50 percent in FY 1982. Only 1 million children will be eligible to participate in the summer of 1982. Programs previously operated by churches and religious organizations, YMCAs and YWCAs, boys' and girls' culbs, and similar organizations no longer will be permited to participate.

The Special Milk program has been cut by over 80 percent. In FY 1982, the program was eliminated in schools that operate school lunch programs.

The President's FY 1983 Budget: The Administration has proposed even further cuts in child nutrition programs for FY 1983. The School Lunch program will be relatively unaffected, but the remaining four programs, which serve primarily poor and near-poor children, will be significantly hurt if these proposals are adopted.

ERIC Full Text Provided by ERIC

The Reagan Administration proposes a Child Nutrition Block Grant, which would combine the School Breakfast program and CCFP, and a cut in funding for these programs from $735 million to $488 million. When this new cut is added to the cuts made in these programs last year, the combined cut over the two years will be about 50 percent. Furthermore, the proposed FY 1983 figure would be a permanent funding level, so the number of meals that could be provided with the Block Grant would decrease as food prices continue to rise. More schools will drop out of the School Breakfast component./ Hard-pressed low-income working parents will be faced with increases in child care costs to cover the cuts from the Child Care Food component.

In addition to the cuts in School Breakfast and CCFP, the Administration has proposed eliminating the Summer Food Service program and the Special Milk program entirely. This will mean that approximately an additional 1 million poor children may go without nutritious meals during the summer months in 1983, and many poor children will no longer be eligible for free milk.

ERIC

CHILD NUTRITION AND RELATED FUNDING a/ b/
(in millions)

	FY 1981 Actual	FY 1982 (est.)	FY 1983 Admin. Proposal
School Lunch			
Regular (Sec. 4)	$ 763.7	$ 425.0	$ 452.0
Special (Sec. 11 --free and reduced)	1,608.8	1,620.3	1,768.9
School Breakfast	321.0	335.0	0
Child Care Food	317.5	298.4	0
Summer Food	122.6	62.0	0
Gen. Nutrit. Asst. (proposed FY 1982)	--	--	488.0
Nutrit. Educ. & Training	16.6	5.0	0
Special Milk	119.8	23.9	0
TOTAL	$3,270.0	$2,769.6	$2,681.0

a/Does not reflect Administration proposed changes in the WIC and CSFP programs.

b/Funding levels shown includes amount provided to territories (exclusive of Puerto Rico) and the savings associated with proposed nutrition assistance grant program for the territories.

Source: FY 1983 Budget Appendix and Food and Nutrition Service Budget Request Supporting Documents--February 8, 1982.

ERIC Full Text Provided by ERIC

AID TO FAMILIES WITH DEPENDENT CHILDREN

Overview: Aid to Families with Dependent Children (AFDC) is the only program explicitly aimed at protecting poor children by giving their families income support. Sixty-eight percent of all AFDC recipients, or over 7 million persons, are children. Half are white. Half are eight years old or younger. The remaining 3.5 million are primarily the sole parent living with children in single parent families.

Very few children "grow up" on welfare. Each year, about one-third of all AFDC families leave the program and are replaced by other families. One out of every eight children is receiving AFDC right now. One out of four will receive AFDC at some point in their lives. Contrary to popular perception, the average AFDC family has two children.

Many parents of AFDC children are already working, trying to work or unable to work. Four out of five of all AFDC families are headed by single women. Over half have at least one child under six. Of ten mothers on AFDC, four are caring for preschool children; three are working, seeking work or in training; one is disabled; and two are not currently seeking work. Of this latter group, more than half are either over 45 or have never been employed. Two-thirds of the mothers of children on AFDC were not high school graduates.

In most States, AFDC payments are low. In Mississippi (the lowest), the average payment for a child is $0.99 a day or $30 per month; in Texas it is $1.19 per day or $36 per month. The nationwide high is $4.21 per child per day. States set these benefit levels. By contrast, the average monthly payment for a disabled child under the SSI program (where federal law sets benefit levels) is $7.53 per day, or $229 per month.

AFDC recipients get no automatic cost of living increases, and State AFDC payments have generally not kept pace with inflation. The average AFDC recipient now gets $3.10 per day, a decrease from the comparable $3.55 per day in 1976. Michigan, for example, has cut benefits twice in the last three years, and other States have not adjusted AFDC grants to reflect losses due to inflation. In Arizona, for example, AFDC benefits increased by 46 percent during a period when the cost of living rose by 135 percent. AFDC children in Arizona effectively lost more than $1 out of every $3 to inflation. When measured in constant dollars (adjusted to reflect the effects of inflation using the CPI-Xi index), the median State benefit for a family of four decreased from $492 in 1970 to $360 in October of 1981.

States can pick and choose among many options for who can receive AFDC. Nineteen States will not aid a first-time pregnant woman until she gives birth. Twenty-six States will not help a two-parent family with an unemployed parent.

<u>FY 1982 Budget Changes</u>: Federal funds for the $7 billion AFDC program were cut by slightly over $1 billion in FY 1982. Combined with State matching funds, this resulted in a reduction of almost $2 billion in money available for income supports to poor children and their families. The AFDC changes adopted include the following mandatory provisions:

* Limiting AFDC eligibility to families whose gross incomes do not exceed 150 percent of their State's standard of need.

* Reducing disregards that are applied to earned income before AFDC benefits are determined.

* Counting a stepparent's income as available to a child in determining AFDC eligibility and benefit levels--whether it is in fact available or not.

ERIC Full Text Provided by ERIC

* Not allowing Federal assistance for AFDC for mothers pregnant for the first time until their sixth month of pregnancy.

* Limiting a former State option of providing AFDC to students ages 18 to 21, to students through age 18 who are expected to complete high school or a vocational program by age 19.

* Except for the first and last months of AFDC eligibility, AFDC grant levels are now calculated "retrospectively," based on income of one or two months prior to the month the grant is issued.

Optional provisions include:

* Allowing States to count the value of food stamps and housing subsidies as income in determining a family's AFDC eligibility and benefit levels.

* Allowing States to set up community work experience programs ("workfare"), which require recipients to work off their AFDC grant.

* Allowing States to set up alternative work programs for AFDC recipients, including work supplementation programs and work incentive demonstration substitutes for the WIN program.

<u>FY 1982 Budget Changes</u>: The impact of these changes on the 7.6 million children and their families who receive AFDC will be significant. At least 660,000 families are expected to lose AFDC or to receive reduced benefits. These families include over 1 million children. In New York State alone, approximately 36,000 18- to 21-year-olds who are in school are expected to lose their AFDC eligibility.

Loss of AFDC also means the loss of medical care and other essential support services for many children and their families. In 20 States, loss of AFDC automatically means loss of eligibility for Medicaid. In addition, increased fiscal pressures on families have accelerated the demand for alternative services, which are also being severely cut back. For example, reductions in coverage of first-time pregnant women are occurring at the same time unplanned teenage pregnancies are likely to increase as a result of reductions in family planning services.

The President's FY 1983 Budget: The Administration has proposed an additional $1.2 billion in cuts in the AFDC program for FY 1983, a real cut of over $2 billion when loss of State matching funds is included. And the Administration's "new federalism" proposal would by FY 1984 ask States to take full responsibility for the AFDC and Food Stamp programs in exchange for total federalization of some version of the Medicaid program.

Specifically, the legislative changes proposed for FY 1983 include the following:

* Eliminate the Emergency Assistance program.

* Require that part of the value of low income energy assistance grants be counted as income in determining a family's AFDC benefits.

* Reduce shelter and utility allowances to AFDC families who have chosen to share housing with other families based on the assumption that they no longer need the full amount of shelter and utility assistance available to a family of their size.

* Include the income of all unrelated adults as part of the AFDC household's income.

* Require inclusion of all related minor children, except those receiving SSI benefits, in the assistance unit.

* Require States to round benefits to the lower whole dollar.

* Prorate the first month's benefit based on date of application.

* Reduce Federal matching funds for erroneous benefit payments.

* Combine administrative costs for AFDC, Medicaid and Food Stamps.

* Eliminate funding for the Work Incentive program (WIN) which provides job counseling, training, placement and support services for AFDC recipients trying to find permanent employment.

* Mandate workfare programs rather than leave implementation of such programs to State option.

* Mandate job search for AFDC applicants; provide AFDC-Unemployed Parent benefits only if the parent participates in workfare; remove the parent or caretaker from the grant for voluntary quitting work, reducing earnings, refusing employment or refusing a workfare assignment; and remove an employable parent from the AFDC grant when the youngest child reaches 16.

These changes and others are expected to result in a $1.2 billion reduction in the program. The overall impact of these cuts on families and children will be made more damaging when viewed in the context of the anticipated $2.8 billion cut in the Food Stamp program.

ERIC

AID TO FAMILIES WITH DEPENDENT CHILDREN (AFDC)

	FY 1981 Actual	FY 1982 Est.	FY 1983 Admin. Prop.	1983 as a % of 1981
Federal Outlays (millions)	$ 7,085	$ 6,953	$ 6,077	-14%
Number of Recipients (thousands)	11,068	11,035	10,552	- 5%
Number of Families (thousands)	3,788	3,802	3,659	- 3%

DAY CARE AND OTHER CHILD CARE PROGRAMS

Overview: Day care refers to care given infants and children by persons other than their own parents, usually when the mother is working or for other reasons is unable to provide fulltime care for her child. It is popularly believed that the care of children of working mothers is most often provided in a center that employs trained child care workers and provides appropriate nutrition and appropriate play equipment and rest space. In fact, many children are in group care in a home provided by an untrained person or in individual care provided by a relative, neighbor or friend in either the home of the child or the caretaker. In many cases, children, even very young children, are left alone when mothers work.

According to the most recent census data, most mothers (58 percent) with children under 18 work outside the home. In March 1981, a record of 8.2 million (44.9 percent) of all preschoolers (under age 6) had mothers in the workforce. Adequate child care is a major problem for most working and would be working mothers. (Of AFDC mothers only 14 percent are in the work force.) Concern for the welfare of the children of working mothers as well as concern for increasing the economic independence of families have been reasons that the Federal Government has become involved in Day Care.

The first significant use of Federal funds for Day Care Services was during World War II when the Lanham Act provided funds to the States to provide day care for mothers working in war industries. At the end of the war, the funds were withdrawn, the centers closed, but not all mothers left the workforce. During the last half of the 1960's and during the decade of the 70's, Federal funding for day care expanded greatly. Currently, there are a large number of Federal programs that include day care as a component part. Federal support comes from a variety of sources and precise amounts of funding for day care are difficult to determine. Overall, Federal support for day care has increased from $12.3 million in 1965 to approximately $2.0 billion in FY 1981 ($3.0 billion if the tax credit for day care is included).

Several factors make it impossible to calculate the actual number of children in Federally supported day care programs: (1) any one day care center may receive funds from more than one Federal program; (2) day care is frequently only a part of the budget of a larger discretionary Federal program that varies from State to State; (3) accurate records have not been kept or are not current; and (4) some of the Federal support is not provided by direct payments but is provided by an indirect method such as allowing an individual a tax credit for day care expenditures or not counting certain amounts spent on day care as income for purposes of determining eligibility for AFDC or food stamps.

The following programs are the most significant Federal support of day care and child care services.

I. Block Grants for Social Services (BGSS)

Under Title XX of the Social Security Act, Federal funds are given to the States (with no requirement for State matching funds) to provide a whole host of social services. One of the services is day care. The States have much flexibility in deciding how much of the grant, if any, will go to day care, but they are specifically authorized to give grants to day care providers who hire welfare recipients as "caregivers." There are no family income requirements and no fee requirements.

States receive Federal money on the basis of population. The total amount available to all States for FY 1982 is $2.4 billion. As a result of the Administration's FY 1982 budget, as enacted in P.L. 97-35, States no longer have to provide 25 percent in matching funds and they no longer have to develop periodic State plans. However, they must make and publish annual reports on the use of funds and independent audits are required at least every two years. Because it is an entitlement

ERIC

program, Title XX was not affected by the 4 percent across-the-board reduction in funding which was provided for most non-entitlement domestic programs for 1982 as part of P.L. 97-92.

It is estimated that day care services for children consumed about 25 percent of all Federal funds spent for Title XX in Fiscal Year 1981 or approximately $715 million. Day care expenditures of both State and Federal funds were approximately $886 million or 20 percent of the total Title XX program. With few excpetions, expenditures for a particular service vary widely among the States.

FY 1982 Budget Changes: The Omnibus Budget Reconciliation Act of 1981 (P.L. 97-92) amended Title XX, reducing funding from $3.1 billion to $2.4 billion and eliminated a special $200 million earmarked for child care that was 100 percent Federally funded. It also eliminated the requirement that the States supply $1 for every $3 in Federal money.

The President's FY 1983 Budget: The Administration's FY 1983 budget proposal would mean an 18 percent cut in the Title XX Social Services Block Grant (from $2.4 billion to $1.974 billion) which some estimate will cause 100,000 families to lose child care services.

II. Work Incentive Program (WIN)

The Work Incentive Program (WIN), contained in Title IV A and C of the Social Security Act, authorizes 90 percent matching grants to the States to help applicants and recipients of Aid to Families with Dependent Children (AFDC) find and retain jobs. WIN requires States to provide child care services for those who need them in order to participate in employment or training under WIN. WIN is jointly administered by HHS and the Department of Labor. The average number of children who received WIN day care during FY 1979 was 74,029. The day care portion of the program for FY 1981 cost an estimated $50 million.

FY 1982 Budget Changes: In FY 1982 the WIN funding was reduced from $365 million to

ERIC Full Text Provided by ERIC

$245 million, a reduction of almost 33 percent.

The President's FY 1983 Budget: The Administration is proposing to eliminate funding for the WIN program altogether in FY 1983.

III. Head Start

In January 1964, President Johnson announced his plans for the War on Poverty. The war was launched with the enactment of the Equal Opportunity Act (P.L. 88-452) which provided Federal funding for programs designed to reduce the causes of poverty. Head Start, authorized under this Act is an educational program for primarily low-income children between the ages of 3 and 5. It has as its broad objectives the improvement of a child's health and social development, as well as preparation for formal education. The program stresses the importance of parent participation in both the program planning and implementation. Since 1965 Head Start has provided health, educational and nutritional services to 7.8 million children and their families. The average cost of maintaining a child in Head Start is $2,343 per year.

The demonstrated success of Head Start is well documented. Head Start children are medically screened and provided with any necessary treatment. Therefore, the health of these children is better than children of similar background who have not been in Head Start. Follow-up studies have also shown that Head Start children do better in school and require less remedial education than non-Head Start children. Head Start has also fostered the increased education and employment of parents. Over 12,000 parents received some college education and 30 percent of Head Start classroom staff are current or former Head Start parents.

Head Start is administered by the Department of Health and Human Services. Federal funding is set at 80 percent of program costs distributed directly to the agencies providing the services. The remaining 20 percent is paid by the States. At least 90 percent of Head Start children come from low-income families, and 10 percent of Head Start children must be selected from the handicapped population. Some 61 percent of Head Start's children are black or hispanic and 65 percent live in urban areas. In FY 1981, 378,500 children participated in Head Start.

FY 1982 Budget Changes: The Administration originally adopted the 16 percent increase proposed by the Carter Administration in Head Start's budget, from $820 million in FY 1981 to $950 million in FY 1982. This increase would have helped Head Start programs keep pace with inflation but not expand. In September, the Administration shifted from requesting $950 million and recommended that Head Start be cut back 12 percent, to $836 million. Congress included $912 million for Head Start for FY 1982.

Funding constraints over the past several years have caused a reduction in the number of hours of service per day and the number of weeks per year that programs stay open. Teachers receive low salaries (averaging approximately $7,500 per year). Classroom size has increased, staff-child ratios have decreased, and high transportation costs have excluded many isolated rural families from the program.

The Head Start program has also suffered indirectly as a result of program cuts in other areas. For example, Head Start lost 6,000 workers (or $26.9 million) because of the elimination of the Public Service Employment component of the Comprehensive Employment and Training Act (CETA). These workers served more than 50,000 children. Head Start lost almost $20 million from the Department of Agriculture's Child Care Food program. Head Start lost approximately $12.1 million from Title XX social services (now the Social Services Block Grant). In addition, the effects of cuts in AFDC, Medicaid, food stamps and low-income energy assistance will affect many of the children and families served by Head Start.

The President's FY 1983 Budget: Budget Director Stockman proposed that Head Start be placed in a block grant to be phased in over a four-year period beginning in FY 1983 and funded at $780 million--a cut of 14.5 percent. The President, in response to an appeal by the

ERIC Full Text Provided by ERIC

Department of Health and Human Services Secretary Schweiker, has overruled Stockman and proposed that Head Start remain as a categorical program with funding of $912-million in FY 1983.

IV. Indirect Federal Supports for Day Care

A. Tax Credit for Day Care Expenditures:

The largest single source of support for day care services is through indirect funding provided under the Internal Revenue Code. According to the 1982 Carter Budget Analysis, in 1980 about $885 million was "spent" under the provisions of the tax code, as amended by the 1976 Tax Reform Act, which provides for a tax credit to families with children under age 15 who have day care expenses related to their employment or education.

The credit is currently claimed by 3.8 million families, mostly middle- and upper-income. The tax credit cost the Federal Government approximately $1 billion in 1981. Until passage of the Economic Recovery Tax Act of 1981, the maximum credit was 20 percent of expenses up to $2,000 for one child or $4,000 for two or more children. The Tax Act provides a sliding scale beginning at 30 percent for those earning $10,000 or under a year, leveling out at 20 percent for incomes of $28,000 per year and up. The maximum amount of expenses against which the credit can be taken has been increased to $2,400 for one child and $4,800 for two or more children. The credit is not refundable, so people whose incomes are too low to owe any income tax do not benefit from these credit provisions.

B. AFDC:

States are required to disregard certain earned income when determining the eligibility for AFDC. In the FY 1982 budget, the Administration placed a limit of $160 per month on the amount which could be disregarded as a day care expense. Previously all day care expenses reasonably attributable to the earning of income were disregarded.

DAY CARE AND RELATED PROGRAMS FUNDING LEVELS
(in millions)

	FY 1981 Actual	FY 1982 (Est.)	FY 1983 Admin. Proposal
Block Grants for Social Services Title XX	$2,900	$2,400	$1,974
(Day Care estimated portion)	715		
Work Incentive Program (WIN)	365	245.8	0
(Day Care estimated portion)	50		
Head Start	820	912	912

CHILD WELFARE, FOSTER CARE AND ADOPTION PROGRAMS

Overview: Over 1.8 million American children receive publicly supported child welfare services. Of these, some have been involved in the more than 600,000 cases of child abuse and neglect reported each year. Others come from families who seek help when pressures of unemployment, fiscal constraints and other crises become too much to bear.

Over 600,000 of these children are homeless, living away from their families in facilities ranging from foster family homes to costly child care institutions. In a large city for example, it costs $5,000 a year to maintain a child in a foster family home; over $14,000 to maintain a child in an institution; and only $2,300 to maintain a child with special services at home with his or her own family.

Often these homeless children are children with special needs stemming from physical, mental or emotional handicaps; some are victims of parental abuse and neglect; some are involved with the juvenile court. About 60 percent of the children are white. Over 40 percent are pre-adolescents and adolescents.

In many States these children remain in care an average of five years, shuttled from one home or institution to another with no sense of a permanent family. Their own families may not get help to get their children back so the children do not return home, and yet the children are not provided new permanent families through adoption. The main Federal programs designed to help children in these circumstances are described below.

ERIC Full Text Provided by ERIC

I. Child Welfare Services

The Child Welfare Services program is authorized by Title IV-B of the Social Security Act. Under Title IV-B, States receive Federal matching funds for the provision of child welfare services to children and their families, without regard to income. Funds are distributed to the States on the basis of under-18 population and per capita income. By law, the Federal share is 75 percent, but the States spend considerably more than their required 25 percent match for services under this program. It is estimated that the Federal IV-B program provides 8-10 percent of total State spending on child welfare services. The majority of child welfare services funds is spent on foster care maintenance. However, family counseling and rehabilitation, adoption services and child protection services are also funded by this program. (The Adoption Assistance and Child Welfare Act of 1980 (P.L. 96-272) put a ceiling on how much Federal IV-B money can be spent on foster care maintenance--see below.) Throughout the late 1970s it is estimated that between 200,000 and 300,000 children per year received services under the child welfare services program.

Child welfare services are also funded under another major Federal program, the Social Services Block Grant authorized by Title XX of the Social Security Act. Under this program, funds are distributed to the States to use for the provision of a variety of social services, including child protective services, adoption services and foster care services (but not foster care maintenance).

II. Child Welfare Training

The child welfare training program is also authorized by Title IV-B of the Social Security Act, specifically by section 426. This 100 percent Federally funded program provides funds to institutions of higher learning, usually social work schools, for student assistance and curriculum development in the child welfare area. This program also funds various regional training centers and in-service training programs to assist States in interpreting, implementing and administering Federal child welfare programs.

III. Foster Care

The Foster Care program is authorized by Title IV-E of the Social Security Act and provides matching funds to the States for maintenance payments for AFDC-eligible children in foster care. The matching rate for a given State is that State's Medicaid matching rate; nationally this rate has in the past averaged approximately 56 percent. The Foster Care program is an entitlement program, although P.L. 96-272 imposed a temporary State-by-State ceiling on Federal foster care spending for Fiscal Years 1981-84, when IV-B appropriations exceed a certain level. (See below for a description of P.L. 96-272.)

Other Federal programs that fund foster care maintenance or related services include the Supplemental Security Income (SSI) program (Title XVI of the Social Security Act), which provides for foster care maintenance for eligibile disabled foster children; the Emergency Assistance program (Title IV-A of the Social Security Act), under which participating States can provide for emergency foster care maintenance for any child for up to 30 days; and the Social Services Block Grant (Title XX of the Social Security Act), which funds States to provide a range of social services, including foster care and adoption services. Use of Title XX funds for foster care maintenance payments, however, is prohibited.

IV. Adoption Assistance

The Adoption Assistance program was established by P.L. 96-272 and is authorized by Title IV-E of the Social Security Act. This program, which the States are required to establish by the end of FY 1982, provides Federal matching funds, at the Medicaid matching rate, for payments to parents who adopt an AFDC- or SSI-eligible child with "special needs." A child with "special needs" is defined as a child with a specific

ERIC

condition, such as ethnic background, age, membership in a sibling group or mental or physical handicap, which prevents him or her from being placed without assistance payments. The amount of the payments is to be based on the economic circumstances of the adoptive parents and the needs of the child, but cannot exceed the amount the child was receiving as a foster child. Payments can continue until the child reaches the age of 18, or, in some cases, 21. In addition, P.L. 96-272 provided that each child on whose behalf adoption assistance payments are made is deemed to be eligible for medical assistance through the Medicaid program.

V. The Adoption Assistance and Child Welfare Act (P.L. 96-272)

P.L. 96-272, which was enacted on June 17, 1980, made numerous changes in the Child Welfare Services and Foster Care programs, and established the Adoption Assistance program. This latter program was put into a new Title IV-E of the Social Security Act, along with the Foster Care program, which was removed from Title IV-A, the regular AFDC program. This change entailed shifting Federal administration of the Foster Care program from the Social Security Administration to the Children's Bureau in the Office of Human Development Services in the Department of Health and Human Services (HHS). This fiscal and administrative changeover is to be completed by October 1, 1982.

P.L. 96-272 was an attempt to redirect Federal fiscal incentives away from out-of-home care and encourage States to preserve families where possible and, where placement is necessary, to move children into permanent families through return home or adoption. The law also provides Federal reimbursement to States that grant subsidies to assist with the adoption of children with special needs such as mental, physical or emotional handicaps.

The requirements in P.L. 96-272 were designed not only to benefit children but also to be cost-effective. By discouraging the unnecessary

ERIC
Full Text Provided by ERIC

placement of children in foster care settings, and encouraging the growth of alternatives that keep children in the home, P.L. 96-272 may lead over time to significant cost savings. Indeed, the Department of Health and Human Services estimated, upon enactment of P.L. 96-272, that the law would save over $4 billion in out-of-home care costs over the next five years by reducing the average number of children in care by 30 percent. The program has not yet been fully implemented.

FY 1982 Budget Changes: The Administration proposed in FY 1982 to repeal both the Child Abuse Prevention and Treatment Act and the Adoption Assistance and Child Welfare Act of 1980 (P.L. 96-272) and to include the programs addressed by each Act in the Social Services Block Grant. However, the Administration's proposal was defeated in the Congress. Both laws remained intact in the budget reconciliation process, although funding for the Child Abuse program was reduced from $23 million in FY 1981 to about $17 million in FY 1982. The Child Welfare program was funded at a level of $156.3 million, 4 percent below the FY 1981 funding level, and both the Foster Care and Adoption Assistance programs were maintained as entitlements that ensure funding for as many children as are eligible for the programs.

The President's FY 1983 Budget: In its FY 1983 budget proposal, the Administration has proposed to include the Child Welfare programs in a Block Grant. The Child Welfare Block Grant would include the four programs described above: Title IV-B Child Welfare Services and Training programs, and the Titles IV-A and IV-E Foster Care and Adoption Assistance programs addressed by P.L. 96-272. Funding for the Block Grant would be limited to $380 million for FY 1983 and thereafter. Thus, the proposed funding level is 18 percent below the current funding levels for these programs and 46 percent below the funding levels originally anticipated in P.L. 96-272 for FY 1983, leading critics to say that passage of the Block Grant would effectively repeal P.L. 96-272.

ERIC

CHILD WELFARE SERVICES, FOSTER CARE AND ADOPTION ASSISTANCE
FUNDING LEVELS
(in millions)

	FY 1981 Actual	FY 1982 (Est.)	FY 1983 Admin. Proposal
Title IV-E (A) AFDC-Foster Care	$ 349	$ 345	0
Title IV-E Adoption Assistance	10	5	0
Title IV-B Child Welfare Services	163	153	0
Title IV-B Training Program	5.2	3.8	0
TOTAL	$ 527.2	$ 506.8	$ 380 a/

a/The Administration proposes to replace all four listed programs with a Title IV-E Child Welfare Block Grant to be funded at $380 million starting in FY 1983.

ERIC
Full Text Provided by ERIC