

## SECTION 12-SOCIAL WELFARE PROGRAMS IN THE TERRITORIES

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### COVERAGE AND PARTICIPATION IN SELECTED PROGRAMS

Most social welfare programs available in the 50 States and the District of Columbia are also available in the territories. The territories are: the Commonwealth of Puerto Rico, Guam, the Virgin Islands, the Commonwealth of the Northern Mariana Islands, and American Samoa.<sup>1</sup> Social welfare programs discussed in this chapter provide retirement and disability benefits, financing of health care, unemployment compensation, public assistance for low-income persons or families, education benefits, job training, and social services.

Social welfare programs can be divided into two categories:

1. *Federal Programs that Make Direct Payments to Individuals*—These programs have Federal eligibility and benefit rules and are administered directly by the Federal Government.<sup>2</sup>
2. *Federal-State Programs*—For these programs, States and sometimes

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<sup>1</sup> For an overview of how the territories are politically organized and their history see Brunno & Laney (1996). This section discusses the availability of social programs in the five major territories and provides an overview of special rules that apply there. It does not discuss Federal financial assistance for three areas that were formally part of the trust territories and are now independent in "free association" with the United States: the Marshall Islands, the Federated States of Micronesia, and Palau. (The fourth area of the trust territories, the Northern Marianas, became a Commonwealth of the United States.) These areas remain eligible for some residual aid from the United States.

<sup>2</sup> This chapter's classification of programs making "direct" payments to individuals differs from that found in Federal budget documents and the U.S. Census Bureau publication Consolidated Federal Funds Report. This chapter classifies unemployment compensation (UC) as a Federal-State program because States administer and design their own programs within Federal guidelines. UC is not a grant-in-aid program, so that other documents classify it as a direct payment to individuals. Food stamps is also classified as a Federal-State program because it is administered by the States.

localities have a role in the design, administration, and often financing of benefits and services. For the territories to participate in the joint Federal-State programs, Federal law must make them eligible, but the territory's government must act to meet conditions for Federal assistance.

Table 12-1 shows the coverage of residents of the territories by selected social welfare programs directly administered by the Federal Government. With the exception of Supplemental Security Income (SSI), residents of the territories are eligible for social benefits on virtually the same basis as residents of the States.

TABLE 12-1--COVERAGE OF RESIDENTS OR WORKERS IN THE TERRITORIES FOR SELECTED SOCIAL WELFARE PROGRAMS MAKING DIRECT PAYMENTS FOR INDIVIDUALS

Program	Puerto Rico	Virgin Islands	Guam	Northern Marianas	American Samoa
Social Security	Yes	Yes	Yes	Yes	Yes
Medicare	Yes	Yes	Yes	Yes	Yes
Supplemental Security Income	No	No	No	Yes	No
Guaranteed Student Loans	Yes	Yes	Yes	Yes	Yes
Pell Grants	Yes	Yes	Yes	Yes	Yes

Source: Congressional Research Service.

Table 12-2 summarizes the availability in each territory of major social programs that are operated jointly by the Federal Government and the respective territory. Coverage under the Unemployment Compensation Program is determined in the Federal Unemployment Tax Act (FUTA), which applies to Puerto Rico and the Virgin Islands but not the other territories. Though coverage is determined in FUTA, program design is left to the territory. The Food Stamp Program itself operates only in the Virgin Islands and Guam, with special grant programs operating in Puerto Rico, the Northern Marianas and American Samoa. The other nutrition programs, for which benefits are fully federally financed but administration is left to the States, generally apply in the territories.

Most Federal-State social welfare programs other than those discussed above are grant-in-aid programs by which the Federal Government helps finance benefits and services in State or local programs. Territories, like States, may choose not to participate in grant programs. Participation in a program entails accepting Federal rules and guidelines and sometimes providing State or local dollars to match Federal dollars.

Table 12-2 shows whether Federal law makes the territory eligible to participate and whether the area participated in the program in fiscal year 2003.

TABLE 12-2--FEDERAL-STATE SOCIAL WELFARE PROGRAMS IN THE TERRITORIES, FY 2003

Program	Puerto Rico		Guam		Virgin Islands		Northern Marianas		American Samoa	
	Eligible	Participating	Eligible	Participating	Eligible	Participating	Eligible	Participating	Eligible	Participating
Unemployment Compensation	Yes	Yes	No	NA	Yes	Yes	No	NA	No	NA
Public Assistance and Related Programs:										
TANF	Yes	Yes	Yes	Yes	Yes	Yes	No	NA	Yes	No
Aid to the Aged, Blind, or Disabled	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	NA
Child Support Enforcement	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	No
Foster Care and Adoption Assistance	Yes	Yes	Yes	No	Yes	No	No	NA	Yes	No
Medical Assistance <sup>1</sup>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Social and Support Services:										
CCDBG	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Social Services Block Grant (Title XX)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Older Americans Act	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Food and Nutrition Assistance:										
Food Stamp Program	No	NA	Yes	Yes	Yes	Yes	No	NA	No	NA
Nutrition Assistance <sup>2</sup>	Yes	Yes	No	NA	No	NA	Yes	Yes	Yes	Yes
Child Nutrition (WIC)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
(WIC)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
Education and Training <sup>3</sup>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Child Protection:										
Child Welfare Services	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Promoting Safe and Stable Families	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
CAPTA	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

<sup>1</sup> "Medical Assistance" includes Medicaid, SCHIP, and the Maternal and Child Health Block Grant.

<sup>2</sup> "Nutrition Assistance" Block Grant (Puerto Rico) and Special Grants for "Food-Stamp-Like" Programs (Northern Marianas and American Samoa).

<sup>3</sup> "Education and Training" includes Compensatory Education for the Disadvantaged and Workforce Investment Act programs.

NA- Not applicable.

Source: Congressional Research Service.

**EXPENDITURES FOR SELECTED MAJOR SOCIAL WELFARE  
PROGRAMS IN THE TERRITORIES**

Table 12-3 shows Federal expenditures for selected major social welfare programs in the territories. For some Federal-State programs, such as Medicaid, State Children's Health Insurance Program (SCHIP), child support, and the programs for the aged, blind, and disabled, the table shows the Federal share of expenditures. Where the territories are required to match Federal expenditures with their own funds, the territory's match is not shown. For programs that make direct payments to individuals such as Social Security and Medicare, Federal outlays represent the total amount spent by the program in the territories.

**TABLE 12-3--FEDERAL FUNDING FOR SELECTED MAJOR SOCIAL  
WELFARE PROGRAMS IN THE TERRITORIES, FY 2002**

	[In Thousands of Dollars]				
	Puerto Rico	Guam	Virgin Islands	Northern Marianas	American Samoa
<b>Social Insurance:</b>					
Social Security	\$4,561,070	\$99,610	\$115,645	\$10,256	\$30,312
Medicare	1,416,073	1,307	23,179	<sup>1</sup>	<sup>1</sup>
Unemployment Compensation	334,865	NA	17,419	NA	NA
<b>Public Assistance:</b>					
SSI	NA	NA	NA	3,870	NA
Aid to the Aged, Blind, or Disabled	21,618	674	707	NA	NA
Temporary Assistance for Needy Families	72,550	4,021	2,847	NA	NA
Child Support Enforcement	23,384	4,032	3,516	NA	NA
Foster Care and Adoption Assistance	13,631	NA	NA	NA	NA
<b>Health Care for Low-Income Persons and Families:</b>					
Medicaid	192,900	5,880	6,080	2,100	3,470
SCHIP	30,297	1,158	860	364	397
<b>Social and Support Services:</b>					
Social Services Block Grants <sup>2</sup>	8,793	293	293	59	54
CCDBG <sup>2</sup>	47,374	4,001	2,199	1,636	2,663
Older Americans Act <sup>2</sup>	14,633	2,290	2,677	727	1,300
<b>Nutrition Assistance:</b>					
Food Stamps	NA	54893	20597	NA	NA
Nutrition Assistance Block Grant <sup>2</sup>	1,350,518	NA	NA	6,126	5,300
Child Nutrition	181,180	5,637	6,434	UA	UA
WIC	168,475	6,257	5,562	NA	5,536

<sup>1</sup> Less than \$500 in reported expenditures.

<sup>2</sup> Grant award or obligations rather than expenditures.

Note- UA denotes unavailable data, and NA denotes not applicable to the territory either because it is ineligible or eligible but not participating in the program (see Table 12-2).

Source: For programs providing direct payments for individuals (Social Security, Medicare, and Supplemental Security Income) and Unemployment Compensation: U.S. Bureau of the Census, Consolidated Federal Funds Report: 2002 (May 2003). Aid to the Aged, Blind, or Disabled, TANF, Child Support Enforcement, Foster Care and Adoption Assistance, Medicaid, SCHIP, Social Services Block Grant, CCDBG, and Older Americans Act programs: U.S. Department of Health and Human Services. Nutrition assistance: U.S. Department of Agriculture, Food and Nutrition Service.

12-5  
**SPECIAL RULES**

**SSI COVERAGE**

The Social Security Amendments of 1972 (Public Law 92-603) ended matching grant programs to the 50 States and the District of Columbia for assistance to needy adults who are aged, blind, or disabled and replaced them with Supplemental Security Income (SSI). The new SSI Program provided a Federal entitlement program of cash payments for individuals in these groups. However, although later extended to the Northern Marianas, SSI was not extended to Puerto Rico, Guam, and the Virgin Islands. The old grant programs for the needy, aged, blind, and disabled authorized under four separate titles of the Social Security Act<sup>3</sup> continue there. The territories determine benefit amounts. In contrast, the regular SSI Program has federally determined benefits (though States may supplement federally financed benefits).

**NUTRITION ASSISTANCE BLOCK GRANT FOR PUERTO RICO AND  
GRANTS FOR THE NORTHERN MARIANAS AND AMERICAN SAMOA**

Among the territories, the regular Food Stamp Program operates only in Guam and in the Virgin Islands. They are considered “States” for food stamp purposes, although some slightly different rules apply in calculating benefits (see the section of the Green Book covering the Food Stamp Program for these differences). Moreover, restrictions on the eligibility of noncitizens under the regular program apply in Guam and the Virgin Islands.

The Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) replaced the regular Food Stamp Program in Puerto Rico with a special Nutrition Assistance Block Grant. Puerto Rico was given almost complete authority in designing its program within the funding provided by the block grant (an indexed amount standing at \$1.395 billion in fiscal year 2003): Puerto Rico’s eligibility standards and benefit levels are lower than the regular Food Stamp Program; instead of requiring that all benefits be spent on food items, Puerto Rico earmarks 75 percent of benefits specifically for food; and restrictions on the eligibility of legally resident noncitizens established for the regular Food Stamp Program do not apply.

The Northern Marianas and American Samoa also receive nutrition assistance grants. The Commonwealth of the Northern Marianas receives a periodically negotiated grant (\$7.1 million in fiscal year 2003) and operates a program much like the regular Food Stamp Program (although with lower eligibility standards and benefits and a requirement that a portion of benefits be spent on locally produced foods). American Samoa gets an indexed grant (\$5.6 million in fiscal year 2003) and operates a program limited to helping low-income elderly and disabled persons. Restrictions on the eligibility of legally resident noncitizens

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<sup>3</sup>Title I, Grants to States for Old-Age Assistance for the Aged; Title X, Grants to the States for Aid to the Blind; Title XIV, Aid to the Permanently and Totally Disabled; and Title XVI, Grants to the States for Aid to the Aged, Blind, or Disabled.

established for the regular Food Stamp program do not apply in the Northern Marianas and American Samoa.

The section of the Green Book covering the Food Stamp Program provides some additional information on nutrition assistance in the territories.

#### PUBLIC ASSISTANCE PROGRAMS

Combined Federal funding for public assistance programs for Puerto Rico, Guam, and the Virgin Islands is capped at a maximum dollar amount for each jurisdiction. The cap for the territories covers the combined Federal grants for Temporary Assistance for Needy Families (TANF); grant programs discussed above that operate in these areas instead of SSI; and programs under title IV-E of the Social Security Act (Foster Care, Adoption Assistance, and Independent Living Programs).

Table 12-4 shows public assistance Federal funding caps and the estimated FY2002 expenditures in the territories. The caps are not subject to adjustment or increases under current law.

TABLE 12-4--PUBLIC ASSISTANCE FUNDING FOR THE TERRITORIES,  
FISCAL YEAR 2002  
[In Thousands of Dollars]

Territory	Total Federal Funding Cap	Estimated TANF Expenditures (including matched funding) <sup>1</sup>	Estimated Expenditures for Aged, Blind, or Disabled Assistance	Estimated Expenditures for Title IV-E programs: foster care, independent living, and adoption assistance
Puerto Rico	\$107,255	\$72,550	\$21,618	\$11,409
Guam	4,686	4,012	674	NA
Virgin Islands	3,554	2,847	707	NA
American Samoa	1,000	NA	NA	NA

<sup>1</sup> If a territory does not tap all the funds available under the terms of the laws governing TANF, assistance to the aged, blind, or disabled, or Title IV-E (for adoption and foster care assistance and independent living costs), additional Federal funds (up to the capped amount) are available if the territory provides a 25-percent match. American Samoa is not eligible for funding for assistance to the aged, blind, or disabled (although it uses its nutrition assistance grant to aid these persons). The Northern Marianas is not eligible for any of these programs (although it is eligible for SSI assistance).

NA-Not available.

Source: Congressional Research Service and the U.S. Department of Health and Human Services.

Puerto Rico, Guam, the Virgin Islands, and American Samoa are also eligible for certain TANF funds in addition to these caps. They can receive additional funding for the Welfare-to-Work Grant Program, bonuses for high performance and reductions in out-of-wedlock births, and evaluations.

TANF operates in three territories: Puerto Rico, Guam, and the Virgin Islands. American Samoa is eligible, but has declined to participate.

**HEALTH PROGRAMS****MEDICAID***Financing*

In the 50 States and the District of Columbia, Medicaid is an individual entitlement. There are no limits on the Federal payments for Medicaid as long as the State is able to contribute its share of the matching funds. In contrast, Medicaid Programs in the territories are subject to spending caps. Table 12-5 shows Medicaid caps for fiscal years 1983-2004 for each of the territories. For fiscal year 1999 and subsequent fiscal years, these caps are increased by the percentage change in the medical care component of the Consumer Price Index (CPI-U) for All Urban Consumers (as published by the Bureau of Labor Statistics). The Federal Medicaid matching rate, which determines the share of Medicaid expenditures paid for by the Federal Government, is statutorily set at 50 percent for the territories.

*Administration of Medicaid Programs in the Territories*

The territories operate their Medicaid Programs under rules different from those that apply to the 50 States and the District of Columbia. The territories are not required to cover the same eligibility groups and they use different financial standards (income and assets tests) in determining eligibility. For example, Medicaid requires States to cover certain mandatory eligibility groups such as poverty-related pregnant women and children, qualified Medicare beneficiaries, and specified low-income Medicare beneficiaries. For the territories, on the other hand, coverage of these groups is optional. Furthermore, because the territories must operate their programs under funding caps, the Centers for Medicare and Medicaid Services (CMS) are more flexible in oversight of Medicaid Program rules and regulations with regard to services required to be covered by the plan. Finally, the territories are exempt from the requirement to offer program beneficiaries freedom of choice of providers. However, the territories are required to meet certain rules that apply to the States. For example, with regard to rules about amount, duration, and scope of covered services, the territories must meet the same standards that apply to the States and the District of Columbia so long as they are using Federal matching payments for their services.

*Puerto Rico*<sup>4</sup>- In 1994, Puerto Rico established a new public agency, the Puerto Rico Health Insurance Administration, for the purpose of implementing “Reforma,” a privatized, island-wide, managed care delivery system. Medicaid services in the Commonwealth of Puerto Rico are covered under Reforma. Once the Commonwealth has spent all of its combined Medicaid and SCHIP capped allotments, care provided through the Medicaid program is completely funded by Reforma dollars. In addition, the Commonwealth utilizes a “Catastrophe Fund”

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<sup>4</sup>Medicaid Program descriptions come from information provided by the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services, Center for Medicaid and State Operations, Policy Coordination and Planning Group. These descriptions represent the Medicaid programs operating in the outlying areas as of FY2002.

(consisting of territory-only funds) to provide certain types of off-island care for Reforma enrollees.

Puerto Rico uses its own poverty level (the Commonwealth poverty level) to determine eligibility for the program. The Commonwealth poverty level of \$8,220 per year for a family of four is substantially lower than the mainland level<sup>5</sup> and has not changed since 1998. Medicaid eligibility determinations are made by the Office of Economic Assistance to the Medically Indigent, Puerto Rico Department of Health. The Medicaid Program extends coverage to both the categorically needy (AFDC and TANF-related groups) and the medically needy. Mandatory and many optional services are covered. Puerto Rico does not have an SSI Program, but SSI-related eligibility groups such as Old-Age Assistance, Aid to the Blind, Aid to the Permanently and Totally Disabled, and so forth do exist.

TABLE 12-5--MEDICAID FEDERAL SHARE LIMITS,  
FISCAL YEARS 1983-2004

Fiscal Year	Puerto Rico	Guam	Virgin Islands	Northern Marianas	American Samoa
1983	\$45,000,000	\$1,400,000	\$1,500,000	\$350,000	\$750,000
1984-1987	63,400,000	2,000,000	2,100,000	550,000	1,150,000
1988	73,400,000	2,320,000	2,430,000	636,700	1,330,000
1989	76,200,000	2,410,000	2,515,000	693,350	1,390,000
1990-1993	79,000,000	2,500,000	2,600,000	750,000	1,450,000
1994	116,500,000	3,685,000	3,837,500	1,110,000	2,140,000
1995	122,200,000	3,870,000	4,030,000	1,160,000	2,240,000
1996	128,100,000	4,060,000	4,220,000	1,220,000	2,350,000
1997	133,000,000	4,210,000	4,380,000	1,270,000	2,440,000
1998	167,000,000	5,090,000	5,260,000	1,810,000	3,010,000
1999	171,500,000	5,230,000	5,400,000	1,860,000	3,090,000
2000	177,500,000	5,410,000	5,590,000	1,930,000	3,200,000
2001	184,400,000	5,620,000	5,810,000	2,010,000	5,620,000
2002	192,900,000	5,880,000	6,080,000	2,100,000	3,470,000
2003	201,400,000	6,140,000	6,350,000	2,190,000	3,620,000
2004	210,100,000	6,400,000	6,620,000	2,280,000	3,780,000

Source: Table prepared by the Congressional Research Service based on data from the Centers for Medicare and Medicaid Services.

The yearly categorically needy income standard in FY2002 for a family of four was \$1,536. The medically needy income eligibility standard for a family of four was \$8,220. The territory-only program covers individuals with annual income twice the Commonwealth poverty level (i.e., \$16,440 for a family of four).

*Guam*- Guam's Medicaid program is administered by the Department of Public Health and Social Services, Bureau of Health Care Financing. Guam claims Federal funds only for covered services to categorically needy individuals that meet an income eligibility threshold of 100 percent of the FPL. The medically needy were included until October 1984, but after that have been covered with territorial funds only. Guam has chosen to cover certain optional categorical groups, and does

<sup>5</sup> In 2002, the poverty guideline in the 48 contiguous States and the District of Columbia was \$18,000 for a family of four (see the Federal Register, v. 67, no. 31, February 14, 2002, p. 6931-6933).



pay Medicare premiums (i.e., buy-in) for individuals entitled to both Medicare and Medicaid. Guam does not have an SSI Program, but SSI-related eligibility groups such as Old-Age Assistance, Aid to the Blind, Aid to the Permanently and Totally Disabled, and so forth, do exist. All mandated services, except rural health clinics and nurse-midwife services, are provided, as well as many optional services. When these services are not available on Guam, but are medically necessary, off-island services including transportation are provided. Almost all patients are sent to Hawaii, or occasionally to California. All off-island care, except emergency care, must be preapproved and is based on negotiated rates.

*Virgin Islands*-The Virgin Islands' Medicaid Program is administered by the Bureau of Health Insurance and Medical Assistance under the Virgin Islands Department of Health. The program covers categorically needy and medically needy individuals. The Virgin Islands does not have an SSI Program, but the mainland eligibility classifications of Aid to the Blind, Old-Age Assistance and Aid to the Permanently and Totally Disabled exist. The Virgin Islands does not cover poverty-level eligibility groups, but Medicaid does pay Medicare premiums (i.e., buy-in) for these eligible for both programs. In FY2002, the medically needy income level for a family of four was \$8,500; the categorically needy standard for a family of four was \$3,156. Mandatory and many optional services are provided. Medicaid beneficiaries requiring services not available within the islands are sent to Puerto Rico or the mainland for care.

*Commonwealth of the Northern Mariana Islands (CNMI)*-CNMI's Medicaid program has operated under a Section 1902(j) waiver of the Social Security Act since October 1, 1989<sup>6</sup>. The program is administered by the Department of Public Health and Environmental Services. CNMI is the only U.S. territory which has SSI, and its entire Medicaid program is based on SSI requirements. All individuals receiving SSI cash payments are eligible for Medicaid simply by filling out an application. Additionally, individuals with income below 150 percent of the SSI Federal benefit rate are eligible for CNMI's Medicaid program. Although CNMI does not have a medically needy program as such, anyone can spend down to become eligible for any month in which medical costs reduce income to the Commonwealth's Medicaid eligibility threshold. CNMI pays Medicare premiums (i.e., buy-in) for dually entitled individuals. All mandated services, except rural health clinics and nurse-midwife services, are provided by the Commonwealth Health Center on Saipan. Certain covered services, such as nursing facility and home health services are only available off-island. For medically necessary care which cannot be provided in CNMI, patients are sent to Guam, Hawaii, or occasionally the mainland-generally to California.

*American Samoa*-The Medicaid program in American Samoa has operated under a Section 1902(j) waiver since January 29, 1983. In American Samoa,

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<sup>6</sup> Section 1902(j) refers to the section of the Social Security Act under which authority is granted to waive certain Medicaid program rules. Under a Section 1902(j) waiver, the only Medicaid requirements that may not be waived include: (1) the 50 percent Federal medical assistance percentage (FMAP); (2) the capped Medicaid allotments for Guam; and (3) payment may not be made for services that are not described in Section 1905(a) of the Social Security Act.

Medicaid eligibility determinations are based on a system they call “presumptive eligibility.”<sup>7</sup> Annually, American Samoa estimates the number of individuals who fall below an estimated-needs or poverty level. Individuals whose income falls below this level are determined to be poor and are thus eligible for the territory’s Medicaid Program. The poverty level for American Samoa is computed by multiplying the poverty level for the United States, as determined by the Office of Management and Budget (OMB), by the lower of (1) the ratio of American Samoa’s median income to the U.S. median income or (2) the ratio of the territory’s median income to that of the State receiving the highest Federal match rate, and then adjusting this computation by a deflector factor. The numbers of “presumed eligibles” are determined by comparing census data, previous year tax returns, or survey data with the estimated poverty levels. All mandated services except rural health clinics, early and periodic screening, diagnosis, and treatment, and nurse-midwife services are covered; however, nursing facility services and home health are not provided on-island. American Samoa also provides coverage for a number of optional services. Other practitioner services and private duty nursing are provided off-island. Off-island services are generally provided in Hawaii, or occasionally on the mainland.

#### STATE CHILDREN’S HEALTH INSURANCE PROGRAM

##### *Financing*

All of the territories have chosen to participate in the State Children's Health Insurance Program (SCHIP) created in the Balanced Budget Act of 1997 (Public Law 105-33). Each has an approved State plan and will match their Federal program dollars with territory funds. Except for a special rule for funding, SCHIP will operate in the territories on the same terms as in the States. The program provides funds at a 65 percent matching rate to the territories up to a maximum cap. The cap for the territories is a special set-aside, Guam receives 3.5 percent, the Virgin Islands receives 2.6 percent, American Samoa receives 1.2 percent, and the Northern Mariana Islands receives 1.1 percent.

The fiscal year 1999 Omnibus Appropriations Act provided an additional \$32 million in appropriations for the territories only for that year.<sup>8</sup> These additional funds brought the fiscal year 1999 SCHIP Federal share available to the territories to \$42.67 million. P.L. 106-113 increased the territories’ original appropriation for allotment (as specified in the Balanced Budget Act of 1997) to be shared (as specified above) by: \$34.2 for each of FYs 2000 and 2001; \$25.2 million for each of FYs 2002 through 2004; \$32.4 million for each of FYs 2005 and 2006; and \$40 million for FY 2007 (see Table 12-6).

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<sup>7</sup> Presumptive eligibility under Medicaid and SCHIP normally means a period of time for which a person is “presumed eligible” for Medicaid or SCHIP benefits. During this time, services may be rendered and billed to the Medicaid or SCHIP Program with the understanding that an official eligibility determination will be made and the beneficiary will be properly enrolled shortly after receiving services. American Samoa uses the term “presumptive eligibility” to refer to its process for setting its income eligibility limit for coverage under its Medicaid Program.

<sup>8</sup> P.L. 105-277.

SCHIP funds not drawn down from a jurisdiction's Federal allotment by the end of each fiscal year continue to be available for 2 additional fiscal years, providing each jurisdiction a total of 3 years to draw down its allotment of Federal matching funds for a given fiscal year. For example FY2002 allotments are available through FY2004. A jurisdiction must draw down its entire allotment from a given fiscal year before it may access the next year's funding. Under SCHIP law as enacted in 1997, allotments not spent by the end of the applicable 3-year period will be redistributed by a method to be determined by the Secretary of Health and Human Services (HHS) to jurisdictions that have fully spent their original allotments for that year. Redistributed funds not spent by the end of the fiscal year in which they are reallocated will officially expire.

The Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA-2000), incorporated by reference into P.L. 106-554, created a special rule for the redistribution and availability of unused FY1998 and FY1999 SCHIP allotments. The rule decreased the amount available for redistribution to States that had spent all of their allotments by allowing States that had not spent all of their allotments to retain some of their unspent funds. Each territory that spent its original allotment (i.e., all territories) received an amount that bears the same ratio to 1.05 percent of the total amount available for redistribution as the ratio of its original allotment to the total allotment for all territories. Reallocated funds were made available through the close of FY2002.

Finally, SCHIP redistribution legislation has been addressed again by the 108<sup>th</sup> Congress because at the close of FY2002, the FY2000 unspent allotments were subject to reallocation. The legislation impacts the amount of Federal funds available for expenditure by the outlying areas.

On August 15, 2003, the President signed into law, P.L. 108-74, to extend the availability of FY1998 and FY1999 reallocated funds through the end of FY2004, and to establish a new method for redistributing unspent allotments for FY2000 and for FY2001 among all jurisdictions. The new reallocation method detailed in P.L. 108-74 builds on the BIPA-2000 reallocation rule. Under this new rule, 50 percent of the unspent funds for each of FY2000 and FY2001 will be distributed among States and Territories that spent their entire allotment for a given year, and the remaining 50 percent of unspent funds will be retained and distributed among States that have not used their entire allotments. Each territory is to receive an amount equal to 1.05 percent of the total amount available for redistribution for each of those years multiplied by that territory's proportion of the original allotment for all territories. P.L. 108-74 makes redistributed funds from the FY2000 reallocation available through the end of FY2004. Redistributed funds from the reallocations for FY2001 are to be available through the end of FY2005. (Estimates of the Federal funds available to each of the outlying areas based on the reallocation rule of P.L. 108-74 are detailed in Table 12-6).

#### *Administration of SCHIP Programs in the territories*

All territories have opted to use their SCHIP funds to expand their Medicaid Programs. As noted above, the territories' Medicaid Programs operate under a cap

on their regular Medicaid expenditures. Once those caps are reached, the territories provide coverage to eligible children with territory-only funds.<sup>9</sup> Guam, American Samoa, the Northern Marianas, and the Virgin Islands (but not Puerto Rico) may use SCHIP funds to cover Medicaid eligible children after their Medicaid Federal caps have been exhausted.<sup>10</sup> Puerto Rico may use SCHIP funds to insure eligible children between 100 and 200 percent of the Commonwealth poverty level. Finally, the territories are different from the 50 States and the District of Columbia in their reporting requirements for their SCHIP Programs. Under rules promulgated by the U.S. Department of Health and Human Services (HHS), the territories are exempt from the definition of a “State” for the purposes of the requirements of quarterly statistical reporting. In each of the territories, the benefit package for the title XXI program is the same as is offered by the Medicaid program.

#### **CONSOLIDATION OF CERTAIN GRANTS FOR INSULAR AREAS OTHER THAN PUERTO RICO**

Public Law 95-134 authorized any Federal agency to consolidate grants for the territories of Guam, the Virgin Islands, the Northern Marianas, and American Samoa. Each of these areas is permitted to submit a single application and is paid a single sum that could be expended on any purpose allowable under any of the programs in the consolidated grant. The areas are permitted to determine the proportion of the consolidated grant to be spent on various activities. Public Law 95-134 also permits the administering agency to waive matching and application or reporting requirements.

The U.S. Department of Health and Human Services permits Guam, the Virgin Islands, the Northern Marianas, and American Samoa to consolidate up to 22 grant programs, including the Social Services Block Grant, Maternal and Child Health, child welfare services, and Child Abuse and Neglect State Grants. HHS permits these areas to submit a single report in lieu of individual reports required for the individual programs.

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<sup>9</sup> Under an interpretation of the law by the U.S. Department of Health and Human Services, funds provided by SCHIP to expand Medicaid Programs do not count against the caps on Medicaid funding.

<sup>10</sup> This is under the Centers for Medicare and Medicaid Services’s interpretation of section 2110(b)(3) of the Social Security Act that waives the rule that SCHIP funds can be used only for children ineligible for Medicaid or group health plan if that coverage was provided by a health insurance program that was in operation before July 1, 1997, and received no Federal funding.

TABLE 12-6--SCHIP FINANCIAL PROGRAM INFORMATION, FOR  
COMMONWEALTHS AND TERRITORIES FISCAL YEARS 1998-2004

Territory	Total Federal Allotment in Dollars <sup>1</sup>	FY1998 SCHIP Redistributed Funds for Territories (available through FY2004) <sup>2</sup>	FY1999 SCHIP Redistributed Funds for Territories (available through FY2004) <sup>2</sup>	Estimated FY2000 SCHIP Redistributed Funds for Territories (available through FY2004) <sup>3</sup>	Estimated FY2001 SCHIP Redistributed Funds for Territories (available through FY2005) <sup>4</sup>	Total Federal funds available for each fiscal year
Fiscal Year 1998						
Puerto Rico	\$9,835,550	\$19,558,283	NA	NA	NA	\$29,393,833
Guam	375,813	747,314	NA	NA	NA	1,123,126
Virgin Islands	279,175	555,148	NA	NA	NA	834,323
American Samoa	128,850	234,870	NA	NA	NA	352,983
Northern Marianas	118,113	256,222	NA	NA	NA	385,072
Total	10,737,500	21,351,837	<sup>5</sup>	NA	NA	32,089,337
Fiscal Year 1999						
Puerto Rico	\$39,101,750	NA	\$27,109,556	NA	NA	\$66,211,306
Guam	1,494,063	NA	1,035,846	NA	NA	2,529,909
Virgin Islands	1,109,875	NA	769,485	NA	NA	1,879,360
American Samoa	512,250	NA	355,147	NA	NA	867,397
Northern Marianas	469,562	NA	325,551	NA	NA	795,113
Total	42,687,500	NA	29,595,585	NA	NA	72,283,085
Fiscal Year 2000						
Puerto Rico	\$41,116,950	NA	NA	\$21,221,544	NA	\$62,338,494
Guam	1,571,063	NA	NA	810,867	NA	2,381,930
Virgin Islands	1,167,075	NA	NA	602,358	NA	1,769,433
American Samoa	538,650	NA	NA	278,011	NA	816,661
Northern Marianas	493,762	NA	NA	254,844	NA	748,606
Total	44,393,737	NA	<sup>5</sup>	23,167,624	NA	67,561,361
Fiscal Year 2001						
Puerto Rico	41,116,950	NA	NA	NA	\$27,113,142	\$68,230,092
Guam	1,571,062	NA	NA	NA	1,035,928	2,607,044
Virgin Islands	1,167,075	NA	NA	NA	769,587	1,936,662
American Samoa	538,650	NA	NA	NA	355,194	893,844
Northern Marianas	493,763	NA	NA	NA	325,595	819,358
Total	33,075,000	NA	NA	NA	29,599,500	62,674,500
Fiscal Year 2002						
Puerto Rico	30,296,700	NA	NA	NA	NA	30,296,700
Guam	1,157,625	NA	NA	NA	NA	1,157,625
Virgin Islands	859,950	NA	NA	NA	NA	859,950

TABLE 12-6--SCHIP FINANCIAL PROGRAM INFORMATION, FOR  
COMMONWEALTHS AND TERRITORIES FISCAL YEARS 1998-2004-  
continued

Territory	Total Federal Allotment in Dollars <sup>1</sup>	FY1998 SCHIP Redistributed Funds for Territories (available through FY2004) <sup>2</sup>	FY1999 SCHIP Redistributed Funds for Territories (available through FY2004) <sup>2</sup>	Estimated FY2000 SCHIP Redistributed Funds for Territories (available through FY2004) <sup>3</sup>	Estimated FY2001 SCHIP Redistributed Funds for Territories (available through FY2005) <sup>4</sup>	Total Federal funds available for each fiscal year
American Samoa	363,825	NA	NA	NA	NA	363,825
Northern Marianas	396,900	NA	NA	NA	NA	396,900
<b>Total</b>	<b>33,075,000</b>	<b>NA</b>	<b><sup>5</sup></b>	<b>NA</b>	<b>NA</b>	<b>33,075,000</b>
Fiscal Year 2003						
Puerto Rico	\$30,296,700	NA	NA	NA	NA	\$30,296,700
Guam	1,157,625	NA	NA	NA	NA	1,157,625
Virgin Islands	859,950	NA	NA	NA	NA	859,950
American Samoa	396,900	NA	NA	NA	NA	396,900
Northern Marianas	363,825	NA	NA	NA	NA	363,825
<b>Total</b>	<b>33,075,000</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>33,075,000</b>
Fiscal Year 2004						
Puerto Rico	30,296,700	NA	NA	NA	NA	30,296,700
Guam	1,157,625	NA	NA	NA	NA	1,157,625
Virgin Islands	859,950	NA	NA	NA	NA	859,950
American Samoa	396,900	NA	NA	NA	NA	396,900
Northern Marianas	363,825	NA	NA	NA	NA	363,825
<b>Total</b>	<b>33,075,000</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>33,075,000</b>

<sup>1</sup> Includes total Federal allotments in dollars as specified by BBA 1997 (P.L. 105-33), and additional appropriations for the territories as specified in P.L. 105-277 and P.L. 106-113.

<sup>2</sup> The Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA-2000) incorporated by reference into P.L. 106-554, created a special rule for the redistribution and availability of unused FY 1998 and FY 1999 SCHIP allotments. P.L. 108-74 extends the availability of unspent FY1998 and FY1999 reallocations through the close of FY2004.

<sup>3</sup> Estimates based on CRS analysis of State expenditures at the close of FY2002 and new redistribution method detailed in P.L. 108-74.

<sup>4</sup> Estimates based on CRS analysis of CBO projections of FY2001 funds available for redistribution at the close of FY2003 and redistribution method detailed in P.L. 108-74.

<sup>5</sup>NA-Not applicable.

Source: Table prepared by the Congressional Research Service based on data from the Centers for Medicare and Medicaid Services Administration.

**CERTAIN TAX PROVISIONS THAT AFFECT LOW-INCOME FAMILIES WITH CHILDREN<sup>11</sup>**

Residents of Puerto Rico are exempt from the Federal personal income tax, and hence are not eligible for tax provisions that affect low-income families with children such as the earned income credit (EIC) and the dependent care tax credit (DCTC). Residents of the other territories also do not pay Federal personal income taxes. However, residents of the Virgin Islands, Guam, and the Northern Marianas benefit from the EIC and the DCTC of the Federal Tax Code because their territorial tax systems “mirror” the Federal income tax. Territories generally use the Federal income tax system as their own, though residents pay their taxes to the territory and not the Federal Government. Federal law requires the Virgin Islands to use the Federal income tax system as the territorial tax system. Guam, the Northern Marianas, and American Samoa also are required to mirror the Federal income tax unless they execute an agreement with the Treasury Department meeting conditions required to establish an independent tax system. Only American Samoa has executed such an agreement.

The corporate Tax Code includes two tax credits offered to employers who hire welfare recipients: the work opportunity tax credit and the welfare-to-work tax credit enacted in Public Law 105-34. U.S. chartered corporations operating in the territories are eligible for these two credits because the Federal corporate tax is levied on their worldwide income.

Corporations chartered in territories are considered “foreign” corporations under the Federal Tax Code. Therefore, companies chartered in Puerto Rico would not benefit from Federal tax credits for employers that hire welfare recipients. However, companies chartered in the Virgin Islands, Guam, and the Northern Marianas that operate under mirror tax systems benefit from these credits under territorial tax systems.

**REFERENCES**

- Brumbaugh, D.L. (1994, June). *Federal taxes and the territories: An overview* (CRS 94-498E). Washington, DC: Congressional Research Service.
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- U.S. Bureau of the Census. (1999, April). *Consolidated Federal Funds Report*. Washington, DC: U.S. Department of Commerce.

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<sup>11</sup> For a general discussion of the application of Federal taxes in the territories, see Brumbaugh (1994).