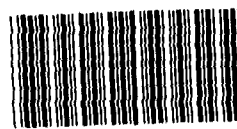


May 1991

HEALTH AND  
HUMAN SERVICES

Funding for State  
Legalization Impact  
Assistance Grants  
Program



144214

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**Human Resources Division**

B-244166

May 23, 1991

The Honorable Tom Harkin  
Chairman, Subcommittee on Labor, Health  
and Human Services and Education  
Committee on Appropriations  
United States Senate

The Honorable William H. Natcher  
Chairman, Subcommittee on Labor, Health  
and Human Services and Education  
Committee on Appropriations  
House of Representatives

This is in response to your requests that we examine the funding requirements for the State Legalization Impact Assistance Grants (SLIAG) program. Specifically, you asked us to identify the program's funding needs for fiscal year 1992, as well as fiscal years 1993 and 1994, when the program expires.

The Immigration Reform and Control Act of 1986 (IRCA) (P.L. 99-603) provided appropriations to help states meet the costs, over a 7-year period, of services provided to aliens granted legal status by IRCA and to cover federal program and administrative costs.<sup>1</sup> The act provided for appropriations of \$1 billion for each of the 4 fiscal years, 1988-91. Unused funds from these years were authorized to be used by states through fiscal year 1994. The federal program and administrative costs, currently estimated to be about \$500 million over the life of the program, are to be subtracted from the annual appropriations. Thus, about \$3.5 billion is available to reimburse the states for SLIAG costs.

The Congress acted in 1989 and again in 1990 to reduce by about \$1.1 billion the annual appropriations for fiscal years 1990 and 1991. As a result, \$1.1 billion was to be available in fiscal year 1992. These actions were taken because the states were not expected to draw down<sup>2</sup> all the appropriated funds through the end of fiscal year 1991. The administration's 1992 budget request, however, proposes to rescind the

<sup>1</sup>These costs include the federal costs of administering the SLIAG program and the federal share of costs (generally referred to as a federal offset) incurred in certain programs, primarily Medicaid and Food Stamps, to provide benefits to legalized aliens.

<sup>2</sup>Drawdowns are the final step in the process of transferring federal grant funds to the states. States are allocated funds based on a formula established by the Department of Health and Human Services (HHS). States may draw down their SLIAG allotment without prior approval, but they must be able to substantiate expenditures.

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remaining \$1.1 billion and, thus, eliminate any additional funding for 1992 through 1994. If the proposal is adopted, total SLIAG reimbursement to the states would be limited to what has been made available through fiscal year 1991—about \$2.4 billion, after subtracting for federal costs.

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## Results in Brief

Data we obtained from HHS, 14 states, and the District of Columbia suggest that the states may need all \$4 billion of the program's appropriated funds by the end of fiscal year 1994. The states estimate that over \$3.3 billion (about \$2.8 billion for the states and \$500 million for federal costs) may be needed through the end of fiscal year 1992, requiring about \$450 million of the appropriation for that year. The \$3.3 billion would be needed to cover expected drawdowns by the states, leaving open the opportunity to shift about \$671 million for use in 1993 and 1994.

Several states have been overallocated funds to date, resulting in some having projected surpluses by the end of fiscal year 1992, as well as by the end of the program in 1994. Other states may not have sufficient funds to meet their program costs by 1994 even with the full appropriation of \$4 billion. A redistribution of some previously distributed funds would enable these states to meet more of their funding needs through 1994.

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## Scope and Methodology

We obtained and analyzed HHS's SLIAG program cost data, including state drawdown activity recorded through March 31, 1991, and HHS and state estimates of costs to be incurred through fiscal year 1994. To obtain the state estimates we sent a detailed questionnaire to 15 states<sup>3</sup> and the District of Columbia. We also interviewed HHS and state program officials and obtained additional supporting information for the estimates. Our work was performed from April 1 through May 20, 1991.

Several factors beyond the scope of our work could influence the state and federal estimates. These factors include (1) the extent to which the eligible legalized alien (ELA) population uses services, (2) the reliability of ELA population data, (3) the validity of state methodologies for estimating and documenting costs, and (4) economic conditions. As a result,

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<sup>3</sup>The 15 states are Arizona, California, Colorado, Florida, Georgia, Illinois, Massachusetts, Nevada, New Jersey, New Mexico, New York, Oregon, Texas, Virginia, and Washington. New Mexico did not provide the requested information. The other 14 states and the District of Columbia account for 98 percent of the program's estimated cost claims.

the estimates may be subject to variation, and caution should be exercised in their use. We performed our work in accordance with generally accepted government auditing standards.

### Estimates Suggest That \$4 Billion May Be Needed by the End of 1994

States estimate that their costs will eventually exceed the authorized \$4 billion in SLIAG funds. The states project their total SLIAG costs will be about \$3.7 billion. Because federal costs are estimated to be about \$500 million, states may not recover all their SLIAG costs.

HHS estimates state costs of about \$3.3 billion over the life of the program, or about \$400 million less than the state estimates. The differing cost estimates are primarily due to differing projections of the ELA population's use of states' education services. HHS assumes that the ELA population will use less of these services than the states estimate.

Although, it is difficult to accurately estimate future funding needs, the estimates we obtained suggest that all of the program's remaining funds may be needed.

### States May Need \$450 Million of 1992 Appropriation

As mentioned earlier, the administration proposes to rescind program funds of \$1.1 billion. However, according to HHS and state estimates, about \$450 million<sup>4</sup> of the amount appropriated for 1992 may be needed during that fiscal year. This amount should be sufficient to cover projected drawdowns for all states through the end of fiscal year 1992.

Most states have already been allocated sufficient federal funds to meet their estimated requirements through fiscal year 1992. At least three states, however, may not have been allocated sufficient funds to meet their estimated requirements through 1992. For example, by the end of fiscal year 1992, California estimates it will have incurred total SLIAG costs of about \$2.4 billion and will need to have drawn down at least \$1.7 billion. By the end of fiscal year 1991, however, California will have been allocated a little more than \$1.4 billion, creating a possible shortfall of almost \$300 million if additional funds are not provided. New York and Colorado are in similar situations.

<sup>4</sup>At least \$900 million would be needed to cover all projected costs through fiscal year 1992. However, we believe \$450 million should be adequate based on state estimates of drawdowns, which have historically lagged behind program expenditures.

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Appendix I shows the annual SLIAG appropriations and funding estimates for fiscal years 1988-94. The estimated funding requirement of \$450 million is shown for fiscal year 1992, along with the possible shift to 1993 and 1994 of the remaining appropriation (\$671 million).

We based our estimate of 1992 appropriation needs on HHS's present method for allocating funds to the states. As discussed below, there may be other options for allocating funds that could lower the amount needed for 1992.

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## Present Allocation Method Results in Funding Imbalances

HHS has allocated about \$2.4 billion to the states through May 20, 1991, including a recent allocation of about \$269 million. HHS presently uses an allocation formula established in regulation that is based (as IRCA generally required) on states' estimates of their ELA population and their expected program costs. Fifty percent of available funds are allocated based on ELA population and 50 percent based on estimated costs.

Currently, some states have been allocated more funds than they estimate needing over the life of the program. Other states, such as California and New York, project that their SLIAG costs will exceed the total funds due them under current allocation methods. These imbalances occur because ELA population estimates are weighted heavily (50 percent) in the formula, and they assume an even utilization rate of services among the states—which has not happened.

If the current allocation formula is followed in future state distributions, it could perpetuate the problem of excess funding for some states. We estimate, for example, that Texas and Florida would receive funding allocations totaling about \$412 million and \$145 million, respectively, if all program funds were appropriated. However, these states estimated their total program needs at about \$322 million and \$120 million, respectively. Other states' allocations may not be sufficient to meet their program costs.

Some of these imbalances can be seen in appendixes II and III. Appendix II shows the states' estimates of SLIAG costs through fiscal year 1994 and the estimated allocation each state would get if a total of \$3.5 billion was made available to the states under current allocation methods. As the last column indicates, several states are in a potential surplus situation, while at least four states would appear to have excess costs. Appendix III shows the states' allocation of funds through fiscal year

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1991 and their estimated costs and drawdowns through fiscal year 1992.

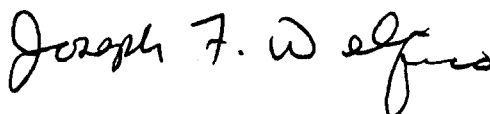
To help remedy these situations, a number of options are available. For example, the allocation method could be changed so that there would be greater weight (more than the current 50 percent) given to costs. Also, consideration could be given to redistributing excess funds to states that may be underfunded. For example, the data in appendix III would suggest that only about \$145 million would be required in fiscal year 1992 to meet expected drawdowns if the funding imbalances could be corrected. The current law does not provide clear authority to take such action, but it could be achieved through legislation. If pursued, however, we believe it would be best to do this as near the end of the program as possible, so that this action can be based on the latest data, and be less speculative.

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We did not obtain written comments on this report. However, we did discuss the contents with HHS program officials and incorporated their comments where appropriate.

Unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of this letter. At that time, we will send copies to the Secretary of Health and Human Services; the Director, Office of Management and Budget; and other interested parties.

If you or your staffs have any questions concerning this report, or need more detailed program data, please call me on (202) 275-6193. The major contributors are listed in appendix IV.



Joseph F. Delfico  
Director, Income Security Issues

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## Abbreviations

ELA	eligible legalized alien
HHS	Department of Health and Human Services
IRCA	Immigration Reform and Control Act of 1986
SLIAG	State Legalization Impact Assistance Grants





# SLIAG Appropriations and Funding Estimates—Fiscal Years 1988-94

Dollars in thousands

	1988	1989	1990	1991	Total through 1991	1992	1993-94	Program total
Original appropriations	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	<b>\$4,000,000</b>	•	•	<b>\$4,000,000</b>
Shift in funds	•	•	-555,244	-566,854	<b>-1,122,098</b>	\$1,122,098 <sup>a</sup>	•	<b>0</b>
Sequester	•	•	-12,180	•	<b>-12,180</b>	•	•	<b>-12,180</b>
Final appropriations	1,000,000	1,000,000	432,576	433,146	<b>2,865,722</b>	1,122,098 <sup>a</sup>	•	<b>3,987,820</b>
Possible shift in funds <sup>b</sup>	•	•	•	•	•	-670,598	670,598	<b>0</b>
Estimated federal costs <sup>c</sup>	-71,500	-101,500	-131,634	-164,468	<b>-469,102</b>	-1,500 <sup>d</sup>	-1,500 <sup>d</sup>	<b>-472,102</b>
Allocations to state accounts	\$928,500	\$898,500	\$300,942	\$268,678	<b>\$2,396,620</b>	\$450,000 <sup>b</sup>	\$669,098 <sup>b</sup>	<b>\$3,515,873</b>

<sup>a</sup>Administration's 1992 budget request proposes to rescind this amount.

<sup>b</sup>Based on states' estimated funding requirements.

<sup>c</sup>Includes federal administrative costs and the federal share of costs incurred in certain programs, primarily Medicaid and Food Stamps, to provide benefits to certain ELAs.

<sup>d</sup>HHS currently plans no additional offset costs for 1992 and beyond. This could change depending on possible action by either HHS or the Congress.

# Comparison of Estimated SLIAG Costs and Allocations Through Fiscal Year 1994

Dollars in thousands

State	States' estimates of costs through FY 1994	Estimated allocations through FY 1994	Difference
Arizona	\$45.2	\$69.4	\$24.2
California	2,630.5	2,170.3	-460.2
Colorado	25.7	23.2	-2.5
District of Columbia	8.9	10.1	1.2
Florida	120.4	145.0	24.6
Georgia	11.7	16.7	5.0
Illinois	100.0	142.9	42.9
Massachusetts	19.5	19.4	-.1
Nevada	14.5	15.4	.8
New Jersey	19.7	28.7	9.1
New York	276.8	250.2	-26.6
Oregon	25.5	25.8	.3
Texas	322.4	412.3	89.9
Virginia	6.5	14.1	7.6
Washington	38.8	42.9	4.1
Others	73.0	129.4	56.4
<b>Total</b>	<b>\$3,739.1</b>	<b>\$3,515.7</b>	<b>\$-223.4</b>

Note: Totals may not add due to rounding.

# SLIAG Allocations Through Fiscal Year 1991 and Estimated Costs and Drawdowns Through 1992

Dollars in thousands

State	Allocations through FY 1991	States' estimates of costs through FY 1992	Estimated drawdowns through FY 1992	Difference between allocations through FY 1991 and	
				Estimated costs through FY 1992	Estimated drawdowns through FY 1992
Arizona	\$45.3	\$40.8	\$39.1	\$4.5	\$6.2
California	1,461.1	2,354.1	1,742.1	-893.0	-281.0
Colorado	15.7	20.2	17.7	-4.5	-2.0
District of Columbia	5.7	8.0	5.7	-2.3	0
Florida	143.0	90.3	90.3	52.8	52.7
Georgia	11.2	10.5	8.5	.7	2.7
Illinois	99.4	88.8	87.8	10.7	11.6
Massachusetts	13.1	17.0	11.0	-3.9	2.1
Nevada	10.9	11.3	9.1	-4	1.8
New Jersey	20.1	17.4	14.1	2.7	6.0
New York	144.8	242.6	188.7	-97.9	-43.9
Oregon	16.5	20.5	14.9	-4.0	1.6
Texas	284.2	292.0	240.7	-7.8	43.5
Virginia	9.4	5.9	5.0	3.5	4.4
Washington	27.8	35.0	18.3	-7.3	9.5
Others	88.4	64.1	48.8	24.3	39.6
<b>Total</b>	<b>\$2,396.6</b>	<b>\$3,318.5</b>	<b>\$2,541.8</b>	<b>\$-921.9</b>	<b>\$-145.2</b>

Note: Totals may not add due to rounding.

# Major Contributors to This Report

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