
IMPLEMENTATION OF THE STATE LEGALIZATION IMPACT ASSISTANCE GRANTS UNDER THE IMMIGRATION REFORM AND CONTROL ACT OF 1986

OVERVIEW



OFFICE OF INSPECTOR GENERAL
OFFICE OF EVALUATION AND INSPECTIONS

FEBRUARY 1990

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This study was conducted to determine the effectiveness of the sample States' implementation of State Legalization Impact Assistance Grants funds awarded under the Immigration Reform and Control Act of 1986.

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**IMPLEMENTATION OF THE STATE
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**Richard P. Kusserow
INSPECTOR GENERAL**

EXECUTIVE SUMMARY

PURPOSE

The purpose of this inspection was to determine the effectiveness of the States' implementation of the State Legalization Impact Assistance Grants (SLIAG) program, identify potential problems early in the process, and identify good practices which could be shared with all States.

BACKGROUND

The SLIAG program was established under the Immigration Reform and Control Act (IRCA) of 1986 to reduce the financial burden of providing public assistance, public health assistance, and educational services to eligible legalized aliens. In Fiscal Year (FY) 1988, \$928.5 million in program funds were allocated to States, and funds will continue to be allocated through FY 1991. These funds also cover administrative costs for implementing SLIAG at the State and local levels. Payments are made for public assistance activities generally available to all needy individuals and public health assistance services offered under the States' public health programs. The payments also cover educational services designed to assist eligible legalized aliens to attain a satisfactory level of performance in school and to achieve English language proficiency and citizenship skills necessary to become permanent residents or any educational services authorized by the Adult Education Act. The Family Support Administration (FSA) is responsible for administering the program.

Because SLIAG was a new program, FSA realized that problems would surface early in its implementation. In addition to the normal difficulties encountered in creating new processes and procedures, FSA recognized that SLIAG would have unique problems. Some of these issues include the diversity of programs which SLIAG encompasses, cultural and language barriers associated with the service population, maintaining confidentiality of information, and the extremely short time frames for the grant award process.

METHODOLOGY

In response to the anticipated difficulties with implementing SLIAG, FSA requested that the Office of Inspector General (OIG) conduct reviews in 10 States to determine the progress of States' implementation of this program. The FSA selected nine States and the District of Columbia because of the variety of programs they offered, the number of eligible legalized aliens in the population, or the amount of the grant award. The nine States are Arizona, California, Colorado, Florida, Illinois, Massachusetts, New York, Texas, and Washington.

Interviews based on structured discussion guides for each major program area, as well as documentation furnished by FSA and State and local officials, built the base of information for this report. This report represents an overview of the sample States' implementation of the SLIAG program as of August 1988.

FINDINGS

Both FSA and the States were committed to identifying implementation problems and developing effective solutions to them.

Since 1987, FSA has held national conferences and issued information to States on implementing the SLIAG program.

The States have developed innovative approaches to effectively and efficiently implement the SLIAG program.

Nevertheless, we found inefficiencies and vulnerabilities needing attention by FSA and the States.

The FSA application review process created a number of significant problems for the States. Also, the FSA's application review process interfered with the States' ability to plan for services.

The FSA's definition of public assistance includes some public health assistance activities. This created administrative and service delivery problems for States' public health agencies.

Conflicting interpretations of the term "public charge" has caused uncertainties for the aliens as to what services they are entitled to receive without fear of deportation.

The FSA's policy of denying payments for services rendered by community-based organizations and qualified designated entities prior to the application approval date caused difficulties.

States were unable to access minimal eligible legalized alien information in the Immigration and Naturalization Service (INS) files.

Some States' systems and procedures to identify eligible legalized aliens were nonexistent or only in developmental stages at the time of this review.

The SLIAG funds allotted to the States greatly exceed actual expenditures to date.

Out of \$2 billion appropriated in FYs 1988 and 1989, as of June 30, 1989, only 20 percent has been drawn down by the States or set aside for reimbursement of Federal expenditures. This discrepancy makes the program extremely vulnerable to potential waste.

RECOMMENDATIONS

The FSA should make its application and grant award process more orderly. Specifically FSA should

- provide definitive written instructions on the SLIAG application requirements and establish a dialogue with the States on SLIAG policy, compliance, and reporting issues to minimize the confusion that occurred in the initial application process;
- ensure that sufficient time is allotted to the application process, including the State's initial application, FSA's review and formal comment, the States' consideration of FSA comments, negotiation of disputes, and submission of revised applications for FSA approval;
- revise the grant award process for approved applications so that the notice of grant award reaches the States prior to the beginning of the fiscal year; and
- develop an appeals process to use if program or costs associated with providing services are denied in the initial application process.

The FSA should reconsider its position to classify certain public health services as public assistance and make appropriate adjustments to this position.

The FSA and the INS should further clarify what is meant by "public charge" and widely disseminate this information to the aliens who have raised concerns about their resident status.

The FSA should analyze the effect of its policy to deny retroactive payment to community-based organizations and qualified designated entities for services rendered in good faith, and determine whether a modification to its position would be warranted.

The FSA should arrange for INS to conduct matches of State and INS records to permit the State to make retroactive determinations of SLIAG eligibility for program services that meet SLIAG funding requirements.

The FSA should follow-up with the States to ensure proper procedures and systems have been implemented to account for SLIAG expenditures.

The FSA should request the Congress to suspend the FY 1991 appropriation of \$1 billion until an accurate assessment can be made of State financial needs under SLIAG. Alternatively, the appropriations for FYs 1990 and 1991 should each be reduced by \$500 million.

FSA COMMENTS

The FSA commented on the draft report. They generally agreed with our findings and recommendations and reported having taken a number of steps to improve implementation of SLIAG. We modified the report to reflect certain concerns and factual matters, mostly of a technical nature, which they raised. Their comments are included verbatim in Appendix B.

CONGRESSIONAL ACTION

Since issuance of the draft report, legislation was enacted (PL 101-166) that reduced the FY 1990 SLIAG funding level by \$555,299,000.

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INTRODUCTION

PURPOSE

The Family Support Administration (FSA) requested that the Office of Inspector General (OIG) conduct an inspection in nine States and the District of Columbia to determine the effectiveness of the States' implementation of the State Legalization Impact Assistance Grants (SLIAG) program awarded under the Immigration Reform and Control Act (IRCA) of 1986. These inspections included reviewing mechanisms in place to identify these funds and to determine whether present or projected policies and procedures adhere to FSA guidelines. The FSA also was interested in identifying potential problems early in the process and any good practices which could be shared with all States. This report presents an overview of those issues identified that require FSA's attention and a summary of the good practices found during this inspection.

BACKGROUND

Under IRCA, eligible legalized aliens may apply for permanent residency within a 1-year period after they are first eligible (i.e., by the 31st month after they receive temporary resident status).

This new population will increase the demand for State public assistance and public health assistance services significantly. It will also increase the demand for State educational services as these new residents obtain English language and civic skills needed to become U.S. citizens.

To help States defray many of the costs of providing public assistance, public health assistance, and educational services to eligible legalized aliens, IRCA authorized \$1 billion each year from Fiscal Years (FY) 1988 through 1991 for SLIAG grants, less an amount identified as the "Federal offset." With few exceptions, eligible legalized aliens are ineligible for federally funded public assistance programs such as Aid to Families with Dependent Children (AFDC), Food Stamps, and Medicaid. The "Federal offset" is the estimated cost to the Federal Government of providing these services or benefits to those few legalized aliens who are eligible for them. In FY 1988, the law provided \$928.5 million to be allocated to States.

To receive SLIAG funds, States must apply to the FSA Division of State Legalization Assistance, which is responsible for approving applications and administering the program. The application must be approved in total for a State to receive any SLIAG funds. The FSA also provides States with technical assistance on policy issues and on the methods used to estimate costs and verify actual costs.

The basic requirement for States to claim reimbursement is that costs must be allowable, reasonable, and allocable. State public assistance and public health assistance programs must be the same ones available to the general public. States cannot create new programs in these areas specifically for eligible legalized aliens. However, States may create new or additional education programs for eligible legalized aliens. States may also claim reimbursement for program administrative and SLIAG administrative costs.

The SLIAG funds may be used to pay any SLIAG-related cost, which is defined in regulation at 45 CFR 402.2 as the expenditure of funds (whether State, local, or SLIAG) for any purpose for which SLIAG reimbursement would be allowable. State and local governments are not required to spend their own funds before drawing down SLIAG funds. The maximum SLIAG reimbursement for educational services is an average of \$500 per year per eligible legalized alien. Determining program administrative costs should be made in accordance with the final regulation at 45 CFR 402.22.

The FSA is responsible for administering the program. Because SLIAG was a new program, FSA realized that problems would surface early in its implementation. In addition to the normal difficulties encountered in creating new processes and procedures, FSA recognized that SLIAG would have unique problems. Among them are the diversity of programs which SLIAG encompasses, cultural and language barriers associated with the service population, maintaining confidentiality of information, and the extremely short time frames for the grant award process.

METHODOLOGY

The FSA selected nine States and the District of Columbia for the inspection because of the variety of programs offered, the number of eligible legalized aliens in the population, or the amount of the grant. The nine States are Arizona, California, Colorado, Florida, Illinois, Massachusetts, New York, Texas, and Washington. This report provides an overview of the States' implementation of the SLIAG program as of August 1988.

Prior to conducting the inspection, the OIG developed structured discussion guides for each major program activity at the State and local levels. In conducting the reviews, interviews were held with officials from public assistance, public health assistance, and education.

ORGANIZATIONAL STRUCTURE

The organization administering SLIAG is slightly different in each State. The areas of public assistance, public health assistance, and education were assigned to appropriate agencies at the State level. Public assistance was assigned to the primary public assistance agency within the specific State. Public health assistance was generally assigned to the Department of Health or corresponding agency within each State. The State's Department of Education must be responsible for SLIAG funds used for educational services. The assignment of functional responsibilities to the components accounts for most of the variance in organizational structure among States.

Each State designated a single point of contact to administer and coordinate the SLIAG program. The single point of contact was usually the grantee agency, with some States selecting an agency or person to handle the administrative duties separately from the normal public assistance, public health assistance, and education functions. The majority of States, however, had assigned the administrative and grantee functions to the entity in charge of public assistance.

FINDINGS AND RECOMMENDATIONS

Both FSA and the States were committed to identifying problems and developing effective solutions for them.

FINDING: Since 1987, FSA has held national conferences and issued information to States on implementing the SLIAG program.

- The FSA held several national conferences beginning in 1987 to share information with States on SLIAG legislation, the implications for States, the application process, and the documentation of costs.
- The FSA also provided States with “Question and Answer” issuances and demographic data from the Immigration and Naturalization Service (INS).

FINDING: The States developed innovative approaches to effectively and efficiently implement the SLIAG program.

We identified many good practices developed by the States to make the implementation of SLIAG more efficient. They are classified into four areas briefly described below. A complete explanation of the specific good practices appears in the appendix of this report.

- **Guidelines for Administration:** States developed new methods and procedures to handle the additional administrative responsibilities that arose in the SLIAG program. Many States formed special committees and groups to deal with the various aspects of SLIAG program administration.
- **Systems to Identify Eligible Legalized Aliens:** Many States have implemented innovative methods to efficiently identify the eligible legalized aliens who qualify for services under the SLIAG program.
- **Controls for the Distribution of Funds:** Systems have been developed in many States to more effectively control funds.
- **Innovative Approaches to Education:** Education programs designed for eligible legalized aliens are allowed under SLIAG. Several States have developed unique programs and classes to educate legalized aliens.

Nevertheless, we found inefficiencies and vulnerabilities needing attention by FSA and the States.

FINDING: The FSA application review process created a number of significant problems for the States. Also, the FSA's application review process interfered with the States' ability to plan for services.

- Delay in FSA issuing the implementing regulation resulted in the States' having insufficient time to properly plan for SLIAG.
- Numerous policy misinterpretations and disagreements resulted because the FSA did not provide definitive written instructions to assist the States in understanding SLIAG application requirements.
- The time frames for States submitting the initial SLIAG applications, FSA review and comment, and revision of the applications were too short.
- Implementing SLIAG-funded programs was delayed because of a significant delay in notifying the States of the grant award.
- No formal appeals process exists if program costs are denied in the first level review.

According to final regulations published March 10, 1988, States had to submit the FY 1988 application no later than May 16, 1988. Revisions to the application had to be submitted by July 1, 1988, and the FY 1989 application had to be submitted no later than July 15, 1988. Applications were to contain brief descriptions of the States' programs or services, estimates of the States' SLIAG-related costs for each program or activity for that particular fiscal year (including information of the number of eligible legalized aliens residing in the State), and a brief explanation of the methodology used to estimate these costs.

RECOMMENDATION: The FSA should make its application and grant award process more orderly. Specifically, FSA should

- provide definitive written instructions on the SLIAG application requirements and establish a dialogue with the States on SLIAG policy, compliance, and reporting issues to minimize the confusion that occurred in the initial application process;
- ensure that sufficient time is allotted to the application process, including the States' initial application, FSA's review and formal comment, the States'

consideration of FSA comments, negotiation of disputes, and submission of revised applications for FSA approval;

- revise the grant award process for approved applications so that the notice of grant award reaches the States prior to the beginning of the fiscal year; and
- develop an appeals process to use if program or costs associated with providing services are denied in the initial application process.

FINDING: The FSA's definition of public assistance includes some public health activities. This created administrative and service delivery problems for States' public health agencies.

Several programs administered by the entity responsible for public health assistance under SLIAG are considered public assistance programs for SLIAG reimbursement purposes. The distinction is important because the identification of a service as public assistance requires the documentation of costs incurred for individual eligible legalized aliens served. If a program or service is considered public health, the population ratio method for establishing costs can be used. Applying this method, costs are determined by the percentage of eligible legalized aliens in a service population to all members of the relevant service population. This percentage is applied to total program costs to determine how much can be reimbursed with SLIAG funds.

While there is no quarrel with the logic of FSA's definition of public assistance versus public health, the distinction creates serious administrative and service delivery problems for public health agencies. These agencies, not the public assistance agencies, must develop and implement new processes for identifying individual eligible legalized aliens in order to document costs. Public health officials are concerned that asking patients about their legal status will seriously affect the willingness of patients who are illegal residents to access public health services. These people often enter the country with highly contagious diseases such as Hepatitis B and need treatment immediately. The effect of this policy on the public health in general is not known at this time.

RECOMMENDATION: The FSA should reconsider its position to classify certain public health services as public assistance and make appropriate adjustments to this position.

FINDING: Conflicting interpretations of the term "public charge" has caused uncertainties for the aliens as to what services they are entitled to receive without fear of deportation.

Another situation causing concern for the States, regards the definition of the "public charge." Part of the eligible legalized alien population is afraid to apply for public assistance for fear of being considered a "public charge." This, they believe, could jeopardize their chances for permanent resident alien or citizenship status. In addition, some qualified designated entities are telling aliens not to apply for SLIAG-related programs for the same reason. This situation

has caused uncertainties in the alien population regarding benefits they may be entitled to and whether accepting these benefits would subject them to possible deportation if they are identified as a "public charge."

RECOMMENDATION: The FSA and the INS should further clarify what is meant by "public charge" and widely disseminate this information to the aliens who have raised concerns about their resident status.

FINDING: The FSA's policy of denying payments for services rendered by community-based organizations and qualified designated entities prior to the application approval date caused difficulties.

Some community-based organizations and qualified designated entities have provided health and educational services to eligible legalized aliens with the understanding they would be reimbursed for these services by the State. The FSA, however, has established a policy that services rendered prior to the approved application date could not be reimbursed. This has placed a financial burden on these providers, who have rendered the service believing they would be reimbursed, but may not get paid for it.

RECOMMENDATION: The FSA should analyze the effect of its policy to deny retroactive payment to community-based organizations and qualified designated entities for services rendered in good faith, and determine whether a modification to its position would be warranted.

FINDING: States were unable to access minimal eligible legalized alien information in INS files.

State records generally do not provide for identification of eligible legalized alien status. Although the INS data files contain this information, it is unavailable to other agencies due to unresolved issues covering confidentiality and transfer provision issues. Inability to obtain legalized alien information from the INS files prevents the States from performing retroactive identification of services provided to recipients who may or may not be eligible legalized aliens. Recent information obtained through contacts with FSA indicate that FSA is working with INS to establish a way to match files so statistical data can be obtained, but not specific eligible legalized alien data.

RECOMMENDATION: The FSA should arrange for INS to conduct matches of State and INS records to permit the State to make retroactive determinations of SLIAG eligibility for program services that meet SLIAG funding requirements.

FINDING: Some States' systems and procedures to identify eligible legalized aliens were nonexistent or only in developmental stages of implementation at the time of this review.

The following items describe the major systems and procedures that were absent or not in full operation at the time of the review. These problems were not found in every State.

- Guidelines for determining allowable costs for public health and education were lacking.
- Systems to identify individual eligible legalized aliens and validate costs of services rendered were lacking, particularly for public health assistance.
- Methods for determining and documenting administrative costs had not been developed at the time of the review.
- Planned modifications of accounting systems to control SLIAG expenditures and disbursements had not been implemented.
- Necessary operating agreements between the State, counties, and major providers containing the details for implementing SLIAG had not yet been formalized.
- Formal procedures for periodic reviews of cash balances had not been developed.

RECOMMENDATION: The FSA should follow-up with the States to ensure proper procedures and systems have been implemented to account for SLIAG expenditures.

FINDING: The SLIAG funds allotted to the States greatly exceed actual expenditures to date.

The Immigration Reform and Control Act of 1986 provided up to \$1 billion dollars per year for Fiscal Years 1988 through 1991, less an offset for certain Federal costs for eligible legalized aliens. The States have until the close of Fiscal Year 1994 to obligate SLIAG funds allotted to them during the grant period.

As of June 30, 1989, only about 20 percent of the \$2 billion appropriated for Fiscal Years 1988 and 1989 has been drawn down by the States or set aside for reimbursement of Federal expenditures. The States indicate the low costs claimed to date are due, at least in part, to delays in implementing the SLIAG program. Though our findings support this position, the SLIAG costs are also affected at least as much by the size of the eligible legalized alien population and the number of them receiving benefits.

Fewer illegal aliens applied for legalized alien status than had been anticipated in the passage of the Immigration Reform and Control Act. Through May 12, 1989, only 1.7 million aliens

had applied for amnesty under the eligible legalized aliens provision of the Act. This is below the estimated 2 to 4 million that were originally expected to be eligible for SLIAG related services.

Of much greater significance, however, is the fact that information to date indicates that claims for services are far below original estimates.

In order to get a better handle on this situation, we obtained information from the Office of the Assistant Secretary for Management and Budget about the rate of expenditure of SLIAG funds in FYs 1988 and 1989. We found that:

- Of the \$928.5 million allocated to the States for FY 1988 and the \$645 million originally allocated for FY 1989, the States have requested reimbursement for only \$216.7 million through June 30, 1989. Of this, \$210 is from FY 1988 appropriations, and \$6.7 from FY 1989.
- Of the \$1 billion appropriated for FY 1989, \$355 million had originally been reserved for Federal expenses. However, claims for the Federal portion of the program were far lower than originally expected and, during the mid-session budget review, the Department reduced its estimate to only \$100 million. This further demonstrates the degree to which the demand for SLIAG services is falling behind appropriated resources. Moreover, it provides a windfall to the States by making available an additional \$255 million in FY 1989 that had not previously been allocated to them. This windfall should further reduce the need for SLIAG funds in FYs 1990 and 1991.

The graph on page 11 shows the relationship of appropriations to current expenditures under the SLIAG program.

We recognize that this early information, particularly since FY 1988 was the first year of SLIAG implementation, provides a limited basis for estimating the needs of the States in future fiscal years. At the same time, we believe that it would be unwise to postpone for several years any adjustments necessary to bring appropriations for this program more in line with actual program needs. Over-obligating of funds makes the program extremely vulnerable to waste. It can lead to situations which promote approval of frivolous or unnecessary expenditures or in claiming reimbursement for items, such as computers and administrative expenses, which are shared by several other programs and the value of which is marginal, at best to SLIAG. The only ways to avoid such waste are to intensify program audits or to bring the obligational authority more in line with expected expenditures. There are no sufficient audit resources to rely exclusively on that approach.

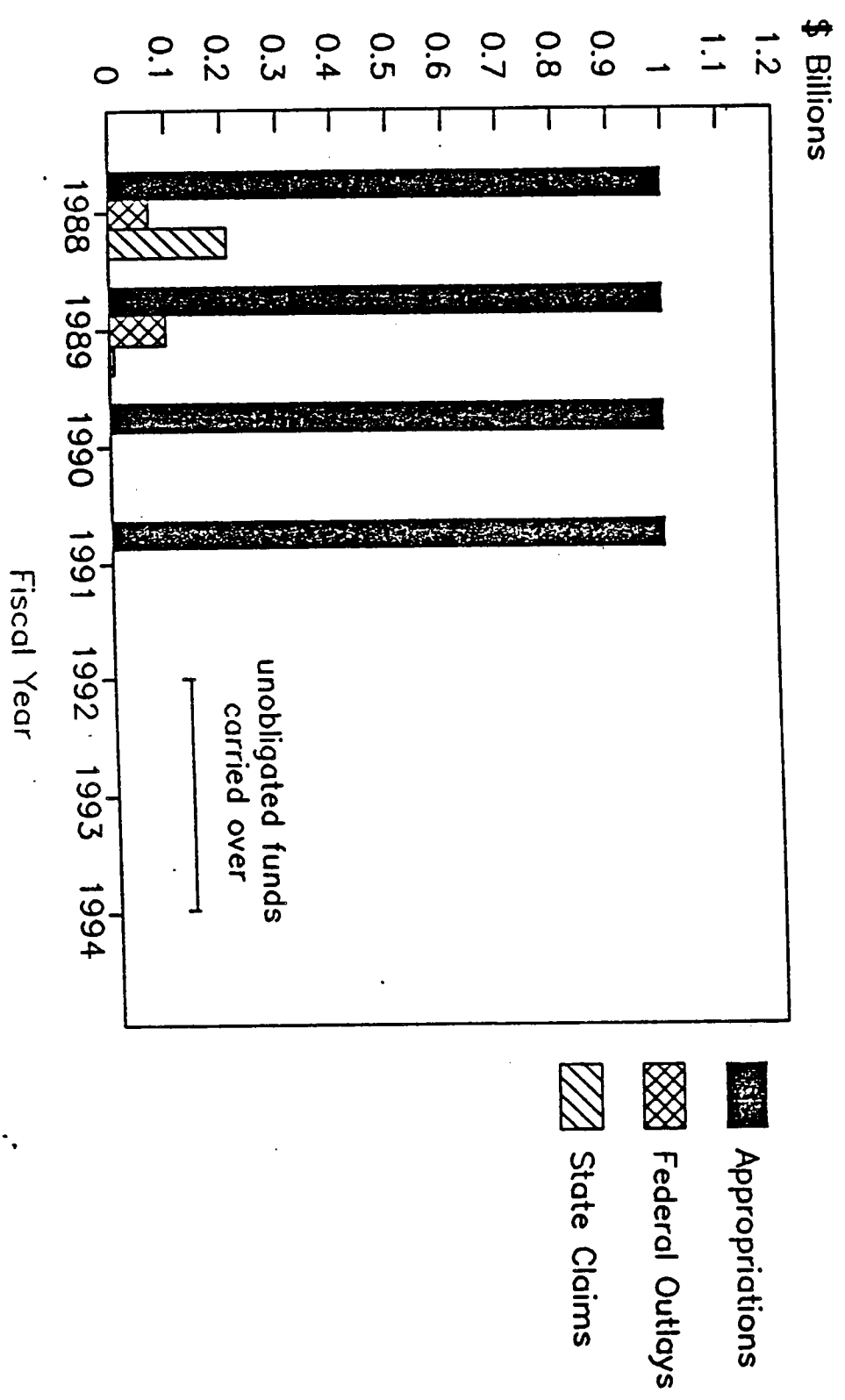
In enacting the SLIAG program, the Congress took the unusual step of appropriating funds in advance for 4 years—\$1 billion for each of FYs 1988 through 1991. Since unobligated funds from one year can be carried over to the next, the proper amount of obligational authority can be achieved simply by asking the Congress to withdraw a reasonable amount from future appropriations.

In view of the extremely low rate of claims for reimbursement received thus far coupled with the lower than expected legalized alien population, it would not be unreasonable to reduce the SLIAG appropriations substantially.

We also queried the States we had previously reviewed to obtain their assessments of the demand for SLIAG services as of July 1989. With few exceptions, they reported that demand is less than originally expected, particularly for public assistance. Aside from the implementation delays previously reported, the States attribute this reduced demand to their inability to identify legalized aliens for whom services rendered are reimbursable under SLIAG and to aliens' reluctance to apply for public assistance.

RECOMMENDATION: The FSA should request the Congress to suspend the FY 1991 appropriation of \$1 billion until an accurate assessment can be made of State financial needs under SLIAG. Alternatively, the appropriations for FYs 1990 and 1991 should each be reduced by \$500 million.

SLIAG Appropriations Far Exceed Expenditures



FSA COMMENTS AND OIG RESPONSE

The FSA commented on the draft report. They generally agreed with our findings and recommendations and have taken a number of steps to improve implementation of the SLIAG program, including clarifying program policies and procedures. We have modified certain aspects of the report based on FSA's comments. Following is a summary of specific issues raised by FSA and our response to them.

The FSA questioned the statement that the new population would significantly increase public assistance and public health assistance services. Early estimates indicated that large numbers of aliens would qualify to access the SLIAG program. The report recognized that information obtained during the review determined that substantial increases in workloads and expenditures could occur in these areas as well as in education. However, we understand from recent discussions with States' officials that demand for services nationally is falling behind earlier projections.

We reported that no formal appeals process exists if program costs are denied in the first level review. We agree with FSA's statement that the Grant Appeals Board does have jurisdiction over matters for withholding and repayment of SLIAG funds. However, it was the States' concern that an effective appeals mechanism be in place for issues involving programs or costs at the first level of FSA's review in the application process.

The FSA's definition of public assistance included some public health activities which created administrative and service delivery problems for public health agencies. The OIG recommended that FSA reconsider this position.

The FSA replied that they see this primarily as an issue of cost identification and that they will work with the States to develop methods of documenting costs which are consistent with FSA's responsibilities as stewards of public funds. We believe that FSA's actions to identify alternative methods is responsive to our concerns.

We continue to believe that a strict interpretation which permits public health costs to be claimed only for specific eligible legalized aliens is burdensome to the States and, in many cases, would require considerable revisions to the States' system or statutory requirements. However, we do agree that FSA's use of alternative systems, such as the Cost Documentation System and a revised population ratio method system which reflects usage, would enhance cost effectiveness without requiring States to develop new systems or make considerable revisions to present systems. The population ratio method could be revised to consider not only eligible legalized aliens in the service population but usage of those services by the eligible legalized alien population based on information already obtained from program experience. Where appropriate, other alternatives might be used which would produce a more

efficient system for the States and address congressional intent that the States would not be required to establish new or elaborate systems.

Although the responsibility for the determination of whether individuals will become public charges rests with the INS, we recognize the efforts FSA has made to communicate to the States all information provided by INS on this subject.

At the time of our review, the States were clearly under the impression that FSA would disapprove claims for services rendered by community-based organizations and qualified designated entities prior to the approval of the State's application. In their response, FSA has stated they have no policy on retroactive denials of payments for such services by these contractors. Since our review, FSA has clarified this issue and advised States which enter into contracts that all costs incurred before the date of execution of the contract must be fully documented.

The FSA commented that several of the good practices described under "Guidelines for Administration" and "Systems to Identify Eligible Legalized Aliens" appear to be inconsistent with statutory and regulatory requirements. Under closer review, we found no inconsistencies. However, we did modify our description of these good practices to resolve FSA's concerns.

The FSA made numerous comments to clarify certain matters of fact, policy, or procedure. We have included these comments verbatim in Appendix B.

CONGRESSIONAL ACTION

We recommended that FSA request Congress to either suspend the FY 1991 SLIAG appropriations of \$1 billion or reduce each of the FYs 1990 and 1991 appropriations by \$500 million. Since issuance of the draft report, legislation was enacted (PL 101-166) that reduced the FY 1990 SLIAG funding level by \$555,299,000.

APPENDIX A

GOOD PRACTICES

Each State included in this review had developed and implemented procedures and/or programs to enhance the efficient operation and administration of the SLIAG program. These good practices are organized into four categories and are described below.

GUIDELINES FOR ADMINISTRATION: States developed new methods and procedures to handle the additional administrative responsibilities that arose in the SLIAG program. These procedures include

- forming internal advocacy and work groups to facilitate and refine SLIAG implementation;
- designating a single point of contact that is separate from the public assistance, public health assistance, and education functions to allow greater visibility;
- establishing a working advisory group to resolve policy issues and assure State departments are in compliance with SLIAG policies;
- surveying the State's public assistance, public health assistance, and educational services to assess the organizational needs in implementing SLIAG;
- utilizing a centralized intake process for all noncitizen applicants for assistance to assure adequate and accurate delivery of generally available services; and
- establishing effective accounting and reporting systems.

SYSTEMS TO IDENTIFY ELIGIBLE LEGALIZED ALIENS: A challenge facing the States in implementing SLIAG has been the identification of eligible legalized aliens. The States have established various creative methods for finding and communicating with this population. These methods include

- using the assigned alien identification number from the I-688 Card (Temporary Resident Card) to verify eligible legalized alien status, and assure that only the intended population is using SLIAG-funded education programs;

- contracting with an independent consulting firm to develop a system to identify eligible legalized aliens and document costs;
- maintaining computerized eligibility data to facilitate the verification process for SLIAG-funded services;
- using radio broadcasts in foreign languages to inform the public, including eligible legalized aliens, of available services;
- developing a map showing the concentration of eligible legalized aliens by ZIP code to identify service delivery centers most affected by SLIAG;
- instructing local offices to maintain a list of individuals determined eligible for SLIAG-funded services;
- requiring organizations offering educational services to eligible legalized aliens to develop significant outreach and public relations activities;
- developing a special code that identifies an individual as an eligible legalized alien;
- using a separate form in the normal enrollment process to identify school aged eligible legalized aliens; and
- conducting workshops to acquaint school officials who are working under SLIAG with the various INS cards.

CONTROLS FOR THE DISTRIBUTION OF FUNDS: Systems have been developed in many States to more effectively control funds. These systems include

- establishing a reimbursement cap for each hour of attendance by eligible legalized aliens in educational facilities and using this to account for, limit, and avoid duplicate billings for educational services;
- displaying the costs allowable for SLIAG funding on the standard application for educational providers;
- modifying existing automated accounting systems to accommodate SLIAG and prevent reimbursement for unallowable expenditures;

- establishing formal contracts, grants, or operating agreements between service providers and the State agency;
- using an automated account to determine if SLIAG funds are being disbursed as planned or if excesses may accumulate; and
- ensuring providers contracted to perform educational services claim only direct administrative personnel costs to the maximum of eight percent of the contractor's total funding.

INNOVATIVE APPROACHES TO EDUCATION: Of the three areas covered by SLIAG (public assistance, public health assistance, and education), education is the only one where new programs designed specifically for eligible legalized aliens under SLIAG can be established. Good practices designed to fulfill the educational needs of eligible legalized aliens include

- designing new education programs to assist eligible legalized aliens in becoming lawful permanent residents;
- sending eligible legalized aliens through a pre-appraisal process to assess their educational needs and refer them to the appropriate programs and program levels; and
- contracting with a variety of educational service providers to conduct SLIAG-related educational programs.

APPENDIX B

FSA'S COMMENTS



Memorandum

Date: September 26, 1989

From: Acting Assistant Secretary
for Family Support

Subject: OIG Draft Report: Implementation of the State Legalization
Impact Assistance Grants Under the Immigration Reform and
Control Act of 1986 - Overview (OAI-07-88-00440)

To: Richard P. Kusserow
Inspector General

Attached are the Family Support Administration comments on the above report. Many of our comments are technical in nature due to the complexity of the legislation and the fact that the SLIAG program was very new at the time of the review.

We appreciate the assistance and cooperation we have received from you in response to our request to conduct this round of reviews of the SLIAG program. The reports we received are very useful to us in understanding how States are implementing the program.


Catherine Bertini

Attachment

OIG DRAFT REPORT:
Implementation of the State Legalization Impact Assistance
Grants
Under the Immigration Reform and Control Act of 1986 -
Overview

The Family Support Administration's comments are divided into three sections: Comments on background information and other narrative material that does not relate directly to the draft report's findings, comments on the findings, and responses to the draft report's recommendations.

Narrative:

Page i (Executive Summary) -- The draft report says that SLIAG funds may be used for "educational services designed to assist eligible legalized aliens to attain a satisfactory level of performance in school and to achieve English language proficiency and citizenship skills necessary to become permanent residents." The final report should make clear that, by regulation, SLIAG funds may be used to provide adults any educational service authorized by the Adult Education Act.

Page 1 (Background) -- The draft report says, "This new population will increase the demand for State public assistance and public health assistance services significantly." The draft report isn't clear whose conclusion this is or upon what data and analysis the conclusion is based. The final report should clarify these points.

In the course of implementing SLIAG, we have discovered that neither State and local public health programs nor, with few exceptions, public assistance programs, inquire about legal status. This suggests that at least some aliens were using these services before legalization and that newly legalized aliens do not represent a "new population" for public assistance and public health assistance services. Preliminary cost data from States suggests that newly legalized aliens are accessing public assistance services at rates far lower than the general population. There are indications that a backlog of public health needs existed and was identified during the medical examinations required of all applicants for legalization. However, there is no data to suggest that, other than this temporary bulge in demand for public health services, newly legalized aliens will generate a significant increase in demand for public health assistance or public assistance services.

Page 2 (Background) -- The draft report says that reimbursement for public assistance and public health assistance "is limited only to the amount of State and local funds expended for SLIAG-related costs." SLIAG funds may be used to pay any SLIAG-related cost, which is defined in regulation at 45 CFR 402.2 as the expenditure of funds (whether State, local, or SLIAG) for any purpose for which SLIAG reimbursement would be allowable. The

final report should make clear that State and local governments are not required to spend their own funds before drawing down SLIAG funds.

Page 3 (Organizational Structure) -- The draft report says that State departments of education are "usually responsible for education matters." In fact, IRCA specifies that SLIAG funds to be used for educational services must be paid to the State educational agency, which, in turn, may provide services through local educational agencies or other public or private non-profit organizations. The final report should make clear that State educational agencies must be responsible for SLIAG funds used for educational services.

Pages 12-13 (Good Practices) -- Several of the "good practices" described under "Guidelines for Administration" and "Systems to Identify Eligible Legalized Aliens," as described, appear to be inconsistent with statutory and regulatory requirements. One such recommended practice is, "surveying the State's public assistance, public health assistance, and educational services to assess the overall needs in providing assistance to eligible legalized aliens." A survey of the needs of eligible legalized aliens for public assistance or public health assistance would not be an allowable use of SLIAG funds because public assistance and public health assistance activities that receive SLIAG funds must be generally available. No public assistance or public health activity, including a needs survey, that is targeted specifically to eligible legalized aliens could be funded through SLIAG. (The "generally available" requirement does not apply to educational services.)

The draft report also praises a system which utilizes a "centralized intake process for all noncitizen applicants for assistance to assure adequate and accurate delivery of services." We believe that it would be important to look closely at such a system to ensure that the "generally available" requirements, discussed above, for public assistance and public health assistance were met, and that only allowable costs were charged to SLIAG.

The draft report further endorses identification of areas of concern from the alien population by establishing a bilingual toll free hotline. This description raises questions not only regarding the "generally available" requirement, discussed above, but also regarding the extent to which hotline activities would meet the statutory and regulatory definition for either public assistance or public health assistance.

It also is unclear what is meant by, "forming advocacy and work groups to facilitate implementation of SLIAG and generate new ideas."

Under "Systems to Identify Eligible Legalized Aliens" on pages 12-13, the draft report endorses use of the I-688 card to "assure that only the intended population is using SLIAG-funded programs." The final report should clarify that the purpose for identifying eligible legalized aliens is to ensure that SLIAG funds are being used in accordance with IRCA and Federal regulations. Whether an individual is an eligible legalized alien cannot affect eligibility for public assistance and public health assistance activities for which SLIAG funds are used because such activities must be generally available. Whether or not educational services are limited to eligible legalized aliens, it would be necessary to determine the number of eligible legalized aliens receiving services in order to determine the allowable amount of SLIAG payment for such services.

The draft report also endorses the practice of using radio broadcasts in foreign languages to inform eligible legalized aliens of available services. The final report should make clear which services are included. The cost of such messages directed specifically to eligible legalized aliens could be funded by SLIAG only to the extent that they related to availability of educational services. Even so, the cost would come under either the State educational agency's administrative cost cap or the maximum payment provisions that apply to educational providers.

Similarly, the draft report includes under good practices a requirement that organizations offering services to eligible legalized aliens develop "significant outreach and public relations activities." The cost of outreach designed to inform eligible legalized aliens of the availability of educational services is allowable, but the cost of outreach directed specifically to eligible legalized aliens regarding public assistance and public health assistance activities would not be allowable as a SLIAG-related cost because of the "generally available" requirement that IRCA applies to public assistance and public health assistance activities. It is unclear what is meant by "public relations," so we cannot determine whether such activities could be funded through SLIAG for any activity.

Finally, the draft report endorses an instruction to "social service districts to maintain a list of individuals eligible for SLIAG-funded services." The final report should make clear what this statement means, especially in light of the fact that "social services" are not included in the range of activities for which SLIAG funds may be used.

The final report should either present the practices described in such a way to make clear that costs associated with the activities in question are allowable or omit them from the list of good practices. If the OIG is unable to determine definitively that the activities meet SLIAG statutory and

regulatory criteria, we would request that the OIG forward to us immediately specific information about any such practices.

FINDINGS AND RECOMMENDATIONS

FINDING: Since 1987, FSA has held national conferences and issued information to States on implementing the SLIAG program.

COMMENT: Since the OIG's onsite visits in August 1988, we have continued to provide assistance to States. We have conducted several more workshops and meetings to assist States in implementation. In October 1988, we issued a compendium incorporating the extensive formal guidance previously provided to States on methods of cost documentation. We also have provided assistance to individual States in the form of correspondence, telephone consultation, and onsite technical assistance. We have conducted initial program reviews of the major States and are in the process of planning further monitoring visits. We request that the final report reflect this continuing dialogue with States.

FINDING: The FSA application review process created a number of significant problems for the States. Also, the FSA's application review process interfered with the States' ability to plan for services.

COMMENT: The draft report says that the time period for submission, review, revision and approval of the initial application was too short. We agree that it would have been preferable to have had a longer period of time between the publication of the final regulation and the deadline for submission and approval of FY 1988 and FY 1989 applications. However, the final report should note that, because of the way IRCA set up the allocation formula, one major reason for the compressed timeframe was that we could not award funds to any State until all States' applications had been approved. In order for us to run the allocation formula, which IRCA requires to include estimates of costs, we must have approved estimates for all States before we can calculate States' allocations.

The report says no formal appeals process exists if programs or costs are denied. The SLIAG regulation provides that the Grant Appeals Board has jurisdiction over issues related to the withholding and repayment of funds. For other matters, States may follow normal procedures for disagreeing with an agency finding.

RECOMMENDATION: The FSA grant process should be made more orderly.

RESPONSE: The report should make clear that this recommendation applies to the SLIAG grant process, not the overall FSA grant

process. We have already made a number of significant changes in the application and grant award process. As the draft report indicates, the timeframes for the FY 1988 and FY 1989 application processes were necessarily short. In effect, the States and FSA had to complete two application processes in less than a year. We do not expect similar problems for the FY 1990 and FY 1991 application processes.

To ensure that States have adequate time to prepare their FY 1990 applications based on empirical data, we have extended the deadline from July 15 to October 1, 1989. Additionally, we have encouraged States to submit as early as possible any new programs, questions, or issues, and have advised them that they may submit all or portions of their applications at any time. All comments on States' submissions now are written. We issued extensive written guidance on the FY 1990 application process and the standards we will apply in reviewing applications.

The draft report on page 5 recommends that we "revise the grant award process for approved application so that notice of grant award reaches the States prior to the beginning of the fiscal year." Under the regulation, that is not possible. For FY 1990, the deadline for submitting applications is October 1, 1989, and applications must be approvable by December 15, 1989. While we cannot run the allocation formula or award grants until all States' applications are approved, we expect to run the formula in January 1990. However, States have told us that, because they have FY 1988 and FY 1989 funding that they can carry over into FY 1990, the delay will not be a problem for them. For FY 1991, the deadline for filing applications is July 15, 1990, and applications must be approvable by October 1, 1990. We expect to run the allocation formula and prepare grant awards early in FY 1991.

The draft report also recommends that we develop an appeals process to use if programs or costs associated with providing services are denied in the initial application process. The Department's Grant Appeals Board already has jurisdiction over cases involving the repayment or withholding of funds. Normal channels within the Department are open to States that disagree with decisions made during the course of application review.

FINDING: The FSA's definition of public assistance includes some public health activities. This created administrative and service delivery problems for States' public health agencies.

COMMENT: We question how the definitions of public health and public assistance create service delivery problems for State public health agencies. By statute and regulation, all programs or activities under both categories must be generally available. In practice, this means that SLIAG funds are available only to reimburse costs in ongoing, generally available programs. In

most programs, immigration status is not a condition of eligibility. (The draft report notes that undocumented aliens access public health assistance services.) If the alien is eligible for services, he or she would receive those services regardless of whether they were reimbursed under SLIAG. The final report should clarify this point.

Page 6 of the draft report notes that "there is no quarrel with the logic of FSA's definition of public assistance versus public health," but does not explain that logic or why the OIG recommends that FSA reverse its logic. The final report should explain that the regulatory definitions of public assistance and public health assistance are based directly on section 204 of the Immigration Reform and Control Act of 1986 (IRCA), which created SLIAG.

Programs of public assistance are defined as programs that "provide for cash, medical or other assistance...designed to meet the basic subsistence or health needs of individuals" [section 204(j)(2)(A) emphasis added]. Consistent with IRCA's explicit inclusion of medical assistance under the public assistance category, State or locally funded programs that provide medical treatment to needy individuals are considered by FSA to be public assistance.

IRCA defines programs of public health assistance as programs which "provide public health services, including immunizations for immunizable diseases, testing and treatment for tuberculosis and sexually-transmitted diseases, and family planning services" [section 204(j)(3)(A)]. These statutory definitions and the legislative history indicate that Congress intended to allow certain traditional public health functions under the public health assistance category and medical assistance to the needy under the public assistance category. In implementing SLIAG, we have followed that statutory framework. We have defined public health assistance as, among other things, programs or activities that "are provided for the primary purpose of protecting the health of the general public" [45 CFR 402.2]. The scope of programs included in that regulatory definition of public health assistance goes far beyond the specific activities listed in the IRCA.

Regarding the draft report's concern, on page 6, that aliens "often enter the country with highly contagious diseases...and need treatment immediately," the final report should note that the treatment of dangerous contagious diseases, including tuberculosis and sexually transmitted diseases, is included in the statutory and regulatory definition of public health assistance.

The public assistance/public health assistance categorization issue is primarily one of cost documentation requirements, not

the allowability of costs associated with any particular health program. We permit States to use the population ratio method to establish costs for all programs that are allowable as public health assistance, as defined in the statute and regulation governing SLIAG. This method may be used to establish actual costs and involves merely performing a mathematical calculation with easily available aggregate population and program cost data. Implicit in this method is the assumption that eligible legalized aliens will access programs in the same frequency and at the same cost as the general population. We do not believe this assumption to be appropriate for medical assistance programs that provide treatment to needy individuals, i.e., what the statute defines as a public assistance program. To the contrary, the information that we have to date indicates that allowing use of the population ratio method for these programs generally would overstate costs; dramatically in some cases. However, we would be willing to allow use of the population ratio method for any program for which there is an empirical basis to indicate that doing so would not overstate costs.

FSA realizes that many public assistance and public health programs do not routinely collect information on immigration status but has found many do collect social security numbers. That is why we funded and devoted substantial resources to developing a system that will match the social security numbers of program participants with those of newly legalized aliens. This system gives States information on the number of newly legalized aliens participating in a program and the cost of services to them. It is now available and allows States to establish costs for FY 1988 as well as current and future years. In May, we sent State SLIAG Single Points of Contact suggestions for other possible methods for establishing costs. None of these alternative methods requires setting up new administrative mechanisms or checking status of all program participants.

We will continue to work closely with States to develop methodologies to document costs for all programs in its approved applications.

RECOMMENDATION: The FSA should reconsider its position to classify certain public health services as public assistance and make appropriate adjustments to this position.

RESPONSE: As discussed above, the primary issue relating to the definitions of public assistance and public health assistance is one of cost documentation. States would like to use the population ratio method for all programs run by their health departments. The final report should clarify whether the OIG is recommending that we allow use of the population ratio in programs where, as discussed above, its use would likely overstate actual costs.

We believe that using the population method for all programs run by State health departments would be inconsistent with our responsibility to exercise fiscal responsibility in administering SLIAG funds. However, we recognize that some States may encounter difficulties in establishing actual costs, especially where ELAs are a small percentage of a State's population or for programs that few ELAs access. We will continue to work with States to ensure that a method is available to allow them to establish actual costs for each program in their approved applications, consistent with our responsibilities as stewards of public funds.

FINDING: Conflicting interpretation of the term "public charge" has caused uncertainties for the aliens as to what services they are entitled to receive without fear of deportation.

RECOMMENDATION: The FSA and the INS should further clarify what is meant by "public charge" and widely disseminate this information to the aliens who have raised concerns about their resident status.

RESPONSE: Under IRCA and the Immigration and Nationality Act, the INS alone is responsible for determining whether individuals are likely to become public charges. FSA cannot establish policy on this issue. Nor can FSA disseminate information directly to the alien population. INS is precluded by IRCA from providing names and addresses of eligible legalized aliens to outside agencies.

However, we agree that it is important that all concerned know INS policy on the public charge issue. We note that the INS Phase II regulation clarifies this issue. Additionally, INS representatives have made presentations at virtually all of our workshops and conferences. At these meetings, States have been able to ask questions and receive direct information from the INS. We have communicated to States all information provided to us by INS on this and other pertinent issues, and will continue our policy of disseminating any relevant information that we receive.

The Department also has indicated its support for a legislative change to allow States to use a small portion of their SLIAG grants to inform temporary residents of the requirements for adjustment to lawful permanent resident status and of the rights and responsibilities of lawful temporary residents. Such use is not permitted under current law.

FINDING: The FSA's policy of denying payments for services rendered by community-based organizations and qualified designated entities prior to the application approval date caused difficulties.

COMMENT: We have no such policy. Under the SLIAG regulation, any allowable public assistance or educational services cost incurred by a State since October 1, 1987 may be reimbursed with SLIAG funds. Any allowable public health assistance or SLIAG administrative cost incurred after November 6, 1986 may be reimbursed with SLIAG funds.

We have encouraged States that enter into contracts with an effective date before the date of execution to be sure that all costs covered under such contracts are properly documented.

RECOMMENDATION: The FSA should analyze the effect of its policy to deny retroactive payment to community-based organizations and qualified designated entities for services rendered in good faith, and determine whether a modification to its position would be warranted.

RESPONSE: As noted above, we have no such policy.

FINDING: States were unable to access minimal eligible legalized alien information in INS files.

RECOMMENDATION: The FSA should arrange for INS to conduct matches of State and INS records to permit the States to make retroactive determinations of eligibility for SLIAG services.

RESPONSE: In March 1988, FSA conceived the idea of setting up a computerized matching system that would allow States to use social security numbers of program participants instead of checking immigration status to document program participation by eligible legalized aliens. We received outstanding cooperation from the Social Security Administration, the INS, and the General Services Administration. Barely 14 months after the idea was conceived, the system was set up, problems and concerns about confidentiality and system reliability were addressed and solved, and States were getting cost data from the system.

This recommendation is superfluous and should be omitted because the system was fully operational two months before the draft report was issued.

The final report should refrain from using the phrase, "eligibility for SLIAG services." This phrase, used on page 7, implies that there are activities funded totally by SLIAG or that services directed specifically to this population may be funded by SLIAG. That is true only for educational services. Public assistance and public health assistance programs may receive SLIAG funds only if they are generally available, i.e., that status as a legalized alien is not a factor in determining program eligibility. Thus, there are no "SLIAG services" in the public assistance or public health assistance categories.

FINDING: Some States' systems and procedures to identify eligible legalized aliens were nonexistent or only in developmental stages at the time of this review.

RECOMMENDATION: The FSA should follow up with the States to ensure proper procedures and systems have been implemented to account for SLIAG services.

RESPONSE: It is unclear what is meant by the term, "SLIAG services." (For reasons discussed above, this phrase is misleading.) However, it appears that the intent of the draft report is to recommend that the FSA ensure that States are using SLIAG funds properly. The FSA reviews State end-of-year reports to ensure that costs charged to SLIAG have been calculated properly. Additionally, we are monitoring States' use of SLIAG funds on an ongoing basis. In October 1988, we issued a compendium of previous guidance on acceptable methods to calculate SLIAG-related costs and cautions to States in determining those costs.

FINDING: SLIAG funds allotted to the States greatly exceed actual expenditures to date.

COMMENT: We agree with the OIG's conclusion, that SLIAG funding for FY 1990 and FY 1991 should be reduced. But we believe that the draft report's discussion of this topic is premised on some basic misunderstandings of the SLIAG program.

First, the draft report on page 8, says, "...only 1.7 million aliens had applied for amnesty under the eligible legalized aliens provisions of the Act. This is below the estimated 2 to 4 million that were originally expected to be eligible for SLIAG-related services." The 1.7 million refers only to applicants under section 245A of the Immigration and Nationality Act. The draft report omits Special Agricultural Workers that bring the total number of applicants who, if granted status, would be eligible legalized aliens to 3.1 million. The draft report also fails to note that Replenishment Agricultural Workers will be eligible legalized aliens. We do not at this time know whether or how many aliens will be granted legal status under the Replenishment Agricultural Worker program, but the Secretaries of Agriculture and Labor notified the INS that it should prepare to implement the program, and the numbers could be substantial.

Throughout the draft report, the OIG appears to approach SLIAG as a program that provides services to eligible legalized aliens. This is true only for the education component. IRCA limits use of SLIAG funds for public assistance and public health assistance programs to those that are "generally available," i.e., those ongoing in which an individual's status as a newly legalized alien does not affect eligibility. This means that, in these two program areas, there is no direct relationship between SLIAG

funding and service availability. Instead, SLIAG functions to transfer Federal revenue to State and local governments to reimburse costs that they incur in ongoing programs to provide public assistance and public health assistance services to this population.

As the OIG points out, States are having some difficulty documenting costs, but we expect that ultimately they will be able to do so. For example, many States already are establishing costs through the Cost Documentation System, discussed below, or through some of the alternative methods allowed by the regulation. Whenever these costs are established, States will be able to draw down SLIAG reimbursement. Thus, we have a contingent liability.

We agree with the OIG that this contingent liability is likely to be substantially less than current State estimates which total approximately \$3.3 billion through FY 1994. (Under IRCA, States have through FY 1994 to obligate SLIAG funds.) We also agree that there still is some uncertainty about the rate at which newly legalized aliens are accessing public services. But we strongly disagree that the level of drawdown to date is a good indicator of FY 1988 and FY 1989 costs. As States establish costs, they can be expected to increase their drawdowns substantially. To tie our recommendations for SLIAG funding to drawdowns that dramatically understate allowable costs undermines the valid policy reasons for re-examining SLIAG funding levels.

RECOMMENDATION: FSA should request the Congress to suspend the FY 1991 appropriation of \$1 billion until an accurate assessment can be made of State financial needs under SLIAG. Alternatively, the appropriations for FYs 1990 and 1991 should be reduced by \$500 million.

RESPONSE: As noted above, we believe States will incur costs that total nearly the amount made available under current law. However, there are good policy and budgetary reasons for reducing funding levels. We defer to the Secretary's recommendations for specific funding levels.

The draft report suggests that providing States with substantially more in funding than they have in legitimate costs can lead to wasteful use of SLIAG funds. We agree, but we do not believe that reducing SLIAG funding for FY 1990 and FY 1991 eliminates that danger. States have substantially more funds than they can document in costs now. We believe that the time of greatest danger for wasteful spending is now, when States do not know the full extent of their costs and when they may be seeking to generate costs to justify continued funding. This is why we already have begun an on-going monitoring program and will continue to monitor State programs closely to ensure that use of SLIAG funds is necessary, reasonable, and allocable to SLIAG.

We believe that a strong case can be made for reducing SLIAG funding for several reasons that do not relate to drawdown, or even to what the eventual total of State costs may be. First, the legislative history indicates that Congress created SLIAG to alleviate some of the fiscal impact it expected the legalization program to create for State and local governments. Two of those anticipated impacts have occurred. The first is the temporary "bulge" in demand for public health services created when medical problems were identified in the physical examinations required of legalization applicants. The second impact on State and local governments is the need by "pre-82" aliens for educational services in order to meet the English language and citizenship requirements for permanent residency. Funding already made available to States is more than sufficient to meet the costs generated by both of these factors.

As noted above, SLIAG funding has no direct effect on the availability of services to eligible legalized aliens. Once "pre-82" aliens have met their permanent residence status, we question the extent to which newly legalized aliens should be given continued preferential access to educational services.

For these reasons, we believe that an examination of SLIAG funding needs, balanced with other higher priority needs, leads naturally to a decision to reduce SLIAG funding substantially for FY 1990 and FY 1991.

