APPENDIX

D

Assistance Programs for People with Low Incomes

This appendix describes assistance programs, partly or wholly financed by the federal government, that provided income support, near-cash income support, or other benefits and services to people with low income through 1994. Table D-1 categorizes 70 programs by the type of test they use to determine income eligibility for program benefits. In fiscal 1992 the expenditures of these programs totaled $279 billion. Of these 70 programs,

- 14 of them (20%), which account for 2 percent of the expenditures, use the poverty guidelines (or a multiple of them) as the sole criterion of income eligibility (see Part A of Table D-1);
- 13 of them (19%), which account for 56 percent of the expenditures, accord eligibility to people already participating in another program, such as Aid to Families with Dependent Children (AFDC) and Supplemental Security Income (SSI), and also permit other people to qualify by comparing their incomes to the poverty guidelines (see Part B of Table D-1);[1]

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[1] In some programs, the comparison is to a multiple of the poverty guidelines if that level is higher than a percentage of state median income or a percentage of the lower living standard income level defined by the U.S. Department of Labor. The lower living standard income levels are published by the department's Employment and Training Administration for 25 metropolitan areas and for metropolitan and nonmetropolitan components of the four census regions, Alaska, and Hawaii. These levels represent the Bureau of Labor Statistics lower level family budget, developed for 1967 on the basis of 1960-1961 consumer expenditure data and last published for 1981, updated for price changes. In 1993, 70 percent of the lower living standard income level for a family of four varied from $14,300 in nonmetropolitan areas of the South to $23,870 in metropolitan areas of Hawaii; in comparison, the federal poverty guideline for a family of four in 1993 was $14,350 (Burke, 1993:Tables 12,14).

TABLE D-1 Expenditures on Government Assistance Programs for Low-Income People, by Type of Income Test, Fiscal 1992

Program[a]	Expenditures[b] (million $)	
A. *Programs that link eligibility solely to the federal poverty guidelines*		
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	2,600	
Maternal and Child Health Services Block Grant	1,059	
Child and Adult Care Food Program	624	
Community Health Centers	537	
Community Services Block Grant	438	
Special Programs for Students from Disadvantaged Backgrounds (TRIO Programs)	385	
Legal Services	350	
Summer Food Service Program for Children	203	
Title X Family Planning Services	150	
Foster Grandparents	66	
Migrant Health Centers	58	
Senior Companions	29	
Follow Through	9	
Special Milk Program (free segment)	2	
Total	6,510	(2%)
B. *Programs that link eligibility to the federal poverty guidelines and also to participation in other programs (e.g., AFDC, SSI, or food stamps)*		
Medicaid	118,067	
Food Stamps	24,918	
School Lunch (free and reduced-price segments)	3,895	
Head Start	2,753	
Training for Disadvantaged Adults and Youth[c]	1,774	
Low-Income Home Energy Assistance Program (LIHEAP)[d]	1,594	
Summer Youth Employment and Training Program[c]	1,183	
Job Corps[c]	955	
School Breakfast (free and reduced-price segments)	782	
Senior Community Service Employment Program	395	
Weatherization Assistance	174	
Commodity Supplemental Food Program (CSFP)	90	
Vocational Education Opportunities, Disadvantaged Activities	N.A.	
Total	156,580	(56%)
C. *Programs that link eligibility to a percentage of the local area median income defined by the Department of Housing and Urban Development*		
Section 8 Low-Income Housing Assistance	12,307	
Low-Rent Public Housing	5,008	
Rural Housing Loans (Section 502)	1,468	
Child Care and Development Block Grant	825	
Section 236 Interest Reduction Payments	652	
Rural Rental Housing Loans (Section 515)	573	

TABLE D-1 *Continued*

Program[a]	Expenditures[b] (million $)	
C.—*continued*		
Rural Rental Assistance Payments (Section 521)	320	
Section 101 Rent Supplements	54	
Section 235 Homeownership Assistance for Low-Income Families	45	
Rural Housing Repair Loans and Grants (Section 504)	24	
Rural Housing Preservation Grants (Section 533)	23	
Home Investment Partnerships[e]	3	
Total	21,302	(8%)
D. *Programs that have their own income eligibility standards (or that link eligibility to participation in another program)*		
Aid to Families with Dependent Children (AFDC)	24,923	
Supplemental Security Income (SSI)	22,774	
Earned Income Tax Credit (EITC)	9,553	
Medical Care for Veterans Without Service-Connected Disability	7,838	
Stafford Loans (formerly Guaranteed Student Loans)	5,683	
Social Services Block Grant (Title XX)	5,419	
Pell Grants	5,374	
Foster Care	4,170	
Pensions for Needy Veterans, Their Dependents, and Survivors	3,667	
Job Opportunities and Basic Skills Program (JOBS) (successor to the Work Incentive Program—WIN)	1,010	
Child Care for AFDC Recipients (and ex-recipients)	755	
"At Risk" Child Care (to avert AFDC eligibility)	604	
College Work-Study Program	595	
Supplemental Educational Opportunity Grants (SEOG)	520	
Adoption Assistance	402	
Emergency Assistance (EA) to Needy Families with Children	268	
The Emergency Food Assistance Program (TEFAP)	250	
Perkins Loans	156	
Assistance to Refugees and Cuban/Haitian Entrants (cash component)	139	
State Student Incentive Grant (SSIG) Program	127	
Dependency and Indemnity Compensation (DIC) and Death Compensation for Parents of Veterans	68	
Fellowships for Graduate and Professional Study	63	
Health Professions Student Loans and Scholarships[f]	48	
General Assistance to Indians	46	
Medical Assistance to Refugees and Cuban/Haitian Entrants	42	
Farm Labor Housing Loans (Section 514) and Grants (Section 516)	29	
Social Services for Refugees and Cuban/Haitian Entrants	26	
Indian Housing Improvement Grants	20	
Rural Housing Self-Help Technical Assistance Grants (Section 523) and Rural Housing Site Loans (Sections 523 and 524)[g]	9	
Ellender Fellowships	4	
Child Development Associate Scholarship Program[h]	1	
Total	94,583	(34%)

continued on next page

TABLE D-1 *Continued*

NOTE: The poverty guidelines are issued annually by the U.S. Department of Health and Human Services (HHS). They are developed by smoothing the official poverty thresholds for different size families. For historical reasons, the guidelines are higher than the thresholds for Alaska (by 25%) and Hawaii (by 15%). A few programs use the official thresholds rather than the guidelines.

[a]Programs are listed in decreasing order of fiscal 1992 expenditures.
[b]Expenditures include federal, state, and local outlays for benefits and administrative costs.
[c]These programs also permit eligibility on the basis of 70 percent of the Department of Labor lower living standard income level for specific areas when that level is higher than the poverty guidelines.
[d]This program also permits eligibility on the basis of 60 percent of state median income.
[e]This program links eligibility to 75 percent of state median income for families of the same size.
[f]This program includes a provision to forgive loans to needy students who fail to complete studies, in which need is defined as a percentage of the federal poverty guidelines.
[g]This program also permits eligibility on the basis of a percentage of the local area median income defined by the Department of Housing and Urban Development.
[h]This program accords eligibility to people with incomes below 195 percent of the Department of Labor lower living standard income level.

- 12 of them (17%), which account for 8 percent of expenditures, determine eligibility on the basis of comparing family income to a percentage of the local area median family income defined by the U.S. Department of Housing and Urban Development (HUD), or, in one case, a percentage of state median income for families of the same size (see Part C of Table D-1);[2]
- 31 of them (44%), which account for 34 percent of expenditures, have their own income eligibility standards or accord eligibility to people who qualify for other kinds of assistance (see Part D of Table D-1).[3]

For some of the 31 programs that have their own income eligibility standards, such as AFDC, Foster Care, and Aid to Refugees, the responsibility for determining income eligibility standards rests with the individual states (or localities). For other programs, such as the Earned Income Tax Credit (EITC), the federal portion of SSI, veterans' pensions, and various education grant and loan programs, federal standards apply.

The 14 assistance programs that use the poverty guidelines as the sole

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[2] Almost all of these programs provide some type of housing assistance to low-income families. HUD prepares estimates of median family income for metropolitan areas and nonmetropolitan counties in the United States (Office of Policy Development and Research, 1992b).

[3] One program assigned to this category—the Child Development Associate Scholarship Program—does not, properly speaking, have its own income eligibility standard, but it does not fit any of the other three categories either. It accords eligibility to people with income below 195 percent of the Department of Labor lower living standard income level.

criterion for income eligibility have uniform nationwide eligibility standards (with the exception of Alaska and Hawaii, for which the guidelines are higher than in other states). Ten other programs (e.g., veterans' pensions, EITC) also have uniform standards. The remaining 46 programs have standards that vary by geographic area. Some of these programs, as a sole eligibility criterion or as one of their criteria, explicitly have a comparison of income with a standard that varies by geographic area: either a percentage of the local area median income defined by HUD, a percentage of the Department of Labor lower living standard income level, or a percentage of state median family income. Other programs (e.g., AFDC) have eligibility standards that vary because they are set by the states (or localities). Still other programs (e.g., Head Start, School Lunch) have varying eligibility standards in practice because one of their criteria is participation in another program, such as AFDC, in which individual states or localities set the standards (however, *benefits* do not usually vary by area for these programs).

Below are brief descriptions of all 27 programs that have as at least one of their income eligibility criteria a comparison of income with the poverty guidelines. The descriptions are organized alphabetically within categories of types of benefits: medical, food, education, other services, jobs and training, and energy. The last section of the appendix describes a few of the major cash and near-cash assistance programs that use a test of income eligibility other than the poverty guidelines. Descriptions are included for AFDC, the EITC, housing assistance, SSI, and veterans' pensions. The information in this appendix is derived largely from Burke (1993), supplemented by U.S. House of Representatives (1994).

PROGRAMS THAT TIE ELIGIBILITY TO THE POVERTY GUIDELINES

Medical Programs

Community Health Centers Centers receive grant money to provide primary care services to medically underserved populations, defined on the basis of such factors as the ratio of primary care doctors to population, infant mortality rate, percentage of elderly, and percentage of families with incomes below the poverty level. Families with incomes below 100 percent of poverty are entitled to free services; those with incomes between 100 and 200 percent of poverty are required to make partial payment; and those with higher incomes are required to make full payment for services.

Maternal and Child Health Services Block Grant (Title V) Funds are provided to the states to undertake various activities to improve the health status of mothers and children (e.g., prenatal care, well-child care, dental care, immunization, screening for lead poisoning, etc.). States determine eligibility criteria, but, according to federal law, they are supposed to target mothers and children with low incomes or limited availability of health services. Low income is defined as income below 100 percent of the federal poverty guidelines. States cannot charge low-income people for services under the block grant; they can charge others for services, based on a sliding scale that takes account of family income, resources, and size.

Medicaid Traditionally, states have been required to provide Medicaid benefits to elderly, blind, and disabled people who receive SSI and to parents and children who receive AFDC. Hence, the income eligibility guidelines for these two programs (see next section) govern Medicaid eligibility for these groups.

There are various exceptions and modifications to the general rule that SSI and AFDC recipients are eligible for Medicaid. For example, states can—and 12 states do—apply the more restrictive criteria that were in effect in 1972 for low-income elderly, blind, and disabled people before the implementation of SSI. Conversely, states must extend Medicaid eligibility to certain groups who do not receive AFDC but who meet AFDC eligibility requirements: examples are first-time pregnant women, members of two-parent families in which the principal earner is unemployed, and people who do not receive a payment because the amount would be less than $10. States must also continue Medicaid coverage for 4-12 months for families that stop receiving AFDC. States must also continue Medicaid coverage for certain groups of people who lose SSI eligibility.

In addition, states may choose to cover the "medically needy," that is, people who are categorically eligible for AFDC or SSI but whose incomes are somewhat above the AFDC or SSI limits. People can be deemed medically needy if their incomes fall below a state-set standard that does not exceed 133 percent of the state's AFDC maximum benefit or if their incomes fall below AFDC or SSI limits after deducting out-of-pocket medical expenses.

Beginning in the mid-1980s, Congress has allowed—and, in some cases, required—states to provide Medicaid benefits to people on the basis of comparing their family incomes with the federal poverty guidelines rather than with AFDC or SSI standards. A growing number of people are becoming eligible on the basis of these income-to-poverty ratios, although the majority of Medicaid beneficiaries are still AFDC or SSI recipients (see, e.g., U.S. House of Representatives, 1994:Table 18-2). At present, states must extend Medicaid benefits to pregnant women and children up to age 6 with family incomes below 133 percent of the federal poverty guidelines. States must also cover all children under age 19 who were born after September 1983 and whose family incomes are below 100 percent of the poverty guidelines. In addition, states may provide coverage to pregnant women and children under age 1 with family incomes between 133 and 185 percent of the poverty guidelines. Finally, states must provide limited coverage (and may provide full coverage) for elderly and disabled people who are eligible for Medicare and whose family incomes are below 100 percent of the poverty guidelines.

Migrant Health Centers Centers receive grant money to provide services in areas with large numbers of migratory farm workers. Free service is given to people whose principal employment is in agriculture on a seasonal basis and whose family incomes are below 100 percent of the federal poverty guidelines; partial payment, on a sliding scale, is required for people with incomes between 100 and 200 percent of the poverty guidelines.

Title X Family Planning Services Clinics must provide family planning services to all people who request them. Priority must be given to people from families with low incomes. Services are provided free of charge to people with incomes below 100 percent of the federal poverty guidelines; partial payment is required for people with incomes between 100 and 250 percent of the poverty guidelines.

Food Programs

Child and Adult Care Food Program Free meals in child and adult day care centers are available to those whose household incomes are not above 130 percent of the federal poverty guidelines. Those whose household incomes are above 130 percent, but not above 185 percent, of the poverty guidelines are eligible for a reduced price meal.

Commodity Supplemental Food Program Commodities are provided to local projects in 63 areas that offer food packages to low-income mothers, children, and elderly persons. People eligible for food packages include pregnant women, breastfeeding women, postpartum women, infants, and children up to age 6 who qualify for food, health, or welfare benefits under a government program for low-income people. Depending on state requirements, such people may also have to be designated as being at nutritional risk or may have to live in the service area. Also eligible are elderly people with incomes below the federal poverty guidelines.

Food Stamps Households composed entirely of recipients of AFDC or SSI are automatically eligible for food stamps, so long as they meet food stamp employment-related requirements (e.g., certain nonworking able-bodied adult household members must register for employment and accept a suitable job if offered one). Hence, the income eligibility requirements for these two programs apply (see next section).

Households that are not automatically eligible for food stamps on the basis of receiving AFDC or SSI must meet certain income and asset requirements. Households without elderly or disabled members qualify if they have gross monthly incomes below 130 percent of the poverty guidelines (gross income excludes a few kinds of payments, such as the EITC) or net monthly incomes below 100 percent of the poverty guidelines. Households with an elderly or disabled member need only meet the net income test. Elderly people are defined as those aged 60 or older; disabled people are generally those receiving such government disability benefits as Social Security or SSI disability payments. Countable liquid assets (including a portion of the value of vehicles) cannot exceed $2,000 for households without elderly or disabled members and $3,000 for households with an elderly or disabled member.

Net monthly income for households without elderly or disabled members is gross monthly income minus: a standard deduction that does not vary by household size ($131 a month in fiscal 1994); 20 percent of any earned income (to allow for taxes and work expenses); out-of-pocket dependent care expenses, when necessary for work or training, up to $200 per month for each dependent under age 2 and up to $175 for other dependents; and shelter expenses that exceed 50 percent of counted income after all other deductions up to a legislatively set ceiling ($231 a month as of July 1994).

Net monthly income for households with an elderly or disabled member is gross monthly income minus: the standard, earned income, and dependent care deductions noted above; shelter expenses that exceed 50 percent of counted income after all other deductions, with no ceiling; and out-of-pocket medical care expenditures for the elderly or disabled member that exceed $35 a month.

School Lunch and School Breakfast Programs For the School Lunch Program, all school children are eligible to receive at least a partly subsidized meal in participating schools and institutions. Children whose gross family incomes are at or below 130 percent of the federal poverty guidelines are eligible for a free lunch and children in households receiving AFDC or food stamps are automatically eligible for a free lunch. Children whose gross family incomes are more than 130 percent but not more than 185 percent of the guidelines are eligible for a reduced-price lunch (not more than 40 cents per meal). Other children pay whatever the full school price is for a lunch, which, however, is less than cost because of the federal subsidy.

The School Breakfast Program operates similarly, except that the subsidy for breakfasts for non-needy children is smaller. The income eligibility guidelines for school breakfasts are the same as for school lunches. Almost all participants in the School Breakfast Program—98 percent—are children who receive free or reduced-price breakfasts; in contrast, 48 percent of participants in the School Lunch Program receive free or reduced-price lunches.

Special Milk Program Children in participating schools and residential child care institutions whose gross family incomes are at or below 130 percent of the federal poverty guidelines are eligible for free or partially subsidized milk. Participating schools can elect to provide free milk or to require partial payment. The Special Milk Program operates mainly in schools and institutions that do not participate in the School Lunch or School Breakfast Programs.

Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) Supplemental foods are provided to low-income pregnant women, new mothers, nursing mothers, infants, and children up to age 5 who are judged to be at nutritional risk by a local agency. Income limits for WIC are to be no less than those set by states or local agencies for free or reduced-price health care so long as they are no greater than 185 percent and no less than 100 percent of the federal poverty guidelines.

Summer Food Service Program for Children There are no individual income requirements for participation. Eligibility for benefits is tied to the location and type of sponsor operating a program. Eligible programs must operate in areas where at least 50 percent of the children are from families with incomes at or below 185 percent of the federal poverty guidelines.

Education Programs

Follow Through Children from families whose incomes are below 100 percent of the official poverty guidelines are eligible for special educational services in the early elementary grades. At least 60 percent of participants must have participated in Head Start or similar preschool programs with a focus on pupils from low-income families.

Head Start Children from families with incomes below 100 percent of the federal poverty guidelines are eligible for Head Start, as are children from families receiving AFDC or other public assistance. No more than 10 percent of participating children, including handicapped children, can be from nonpoor families.

Special Programs for Students from Disadvantaged Backgrounds These programs (e.g., Upward Bound, Talent Search) are for college students. Eligibility criteria differ somewhat for the various programs, but generally two-thirds of participants must be low-income, first-generation college students. Low income is defined as taxable income below 150 percent of the Census Bureau poverty thresholds.

Vocational Education Opportunities, Disadvantaged Activities (Perkins Act) Vocational education services and activities are available to disadvantaged individuals, including members of economically disadvantaged families, migrants, people with limited English proficiency, and high school dropouts or potential dropouts. States are required to adopt a uniform method to determine who is economically disadvantaged by using one or more of the following tests: annual incomes below 100 percent of the official poverty line, eligibility for free or reduced-price school lunch or food stamps, eligibility for AFDC or other public assistance, receipt of a Pell Grant or comparable state needs-based education assistance, or eligibility for participation in programs under the Job Training Partnership Act.

Other Service Programs

Community Services Block Grant Beneficiaries of programs funded by the Community Services Block Grant (which include nutrition services, emergency services, and employment services) must have incomes no higher than 100 percent of the federal poverty guidelines, or, at state option, 125 percent of the poverty guidelines.

Legal Services The eligibility level for Legal Services is set by individual programs, but incomes may not exceed 125 percent of the federal poverty guidelines unless specifically authorized by the Legal Services Corporation. However, there are exceptions to the income limits in specified circumstances: for example, services can be provided to people with incomes between 125 and 187.5 percent of the federal poverty guidelines if they have exceptional medical care expenses, child care or other work-related expenses, certain debts or expenses associated with age or disability, or meet other criteria. Individual programs are also required to establish “specific and reasonable” limits each year on assets that income-eligible people may hold, taking into account the special needs of elderly, institutionalized, and handicapped people.

Jobs and Training Programs

Foster Grandparents People who are at least 60 years of age, no longer in the regular work force, and of low income are eligible for a stipend plus transportation and meal costs. The low-income test is met for people with family incomes below 125 percent of the federal poverty guidelines or below 100 percent of the guidelines plus any SSI supplement that is provided by the state, whichever figure is higher.

Job Corps Economically disadvantaged youths aged 14 through 21 who live in a disorienting environment are eligible to receive basic education, vocational skills training, counseling, work experience, and health services. The definition of “economically disadvantaged” (which applies to all programs authorized by the Job Training Partnership Act) includes recipients of AFDC or other cash welfare; recipients of food stamps; people with countable family incomes below 100 percent of the federal poverty guidelines or below 70 percent of the lower living standard income level, whichever is higher; foster children whose care is supported by the government; and handicapped adults whose own incomes meet the program's limit but whose families' incomes exceed it. The definition of countable income excludes unemployment compensation, child support, and welfare payments.

Senior Community Service Employment Program People aged 55 and over with low incomes are eligible for part-time community service jobs for which their wages are subsidized by the federal government. People meet the income eligibility criteria if their countable incomes are less than 125 percent of the federal poverty guidelines or if they are receiving regular cash welfare. Countable income is gross income minus welfare payments, disability payments, unemployment benefits, trade adjustment benefits, capital gains, certain veterans' payments, and one-time unearned income payments or unearned income payments of fixed duration. There is an extra $500 deduction for reenrollees.

Senior Companions Volunteers at least 60 years of age, no longer in the regular work force, and of low income are eligible for a stipend plus transportation and meal costs. The definition of low income is the same as in the Foster Grandparents Program.

Summer Youth Employment and Training Program Education, training, and summer jobs are available for economically disadvantaged youths aged 16-21 who are unemployed, underemployed, or in school, and, at local option, economically disadvantaged youths aged 14-15. The definition of economically disadvantaged is the same as in the Job Corps.

Training for Disadvantaged Adults and Youth This program of education, training, and supportive services must have 90 percent of its participants who are economically disadvantaged. The definition of economically disadvantaged is the same as in the Job Corps.

Energy Programs

Low-Income Home Energy Assistance Program (LIHEAP) LIHEAP is designed to help low-income households meet their energy-related expenses, including home heating or cooling bills, weatherization, and energy-related emergencies. The federal government makes block grants to the states, which have considerable discretion in regard to determining eligibility and benefits. States can elect to make LIHEAP payments to households that receive benefits from AFDC, SSI, or the Veterans' Administration. They can also provide benefits to households with incomes of less than 150 percent of the federal poverty guidelines or 60 percent of the state's median income, whichever is greater. The income ceiling for eligibility cannot be less than 110 percent of the poverty guidelines.

States must ensure that the largest benefits go to households with the lowest income and highest energy costs relative to their incomes, taking account of family size. LIHEAP benefits cannot be counted as income for purposes of determining eligibility or benefits for any other federal or state assistance program. In fiscal 1992, average benefits for heating assistance ranged widely, presumably as a function of climate conditions as well as state choices regarding eligibility and benefit levels, from $39 in Texas to $459 in Massachusetts.

Weatherization Assistance Weatherization aid is available to families receiving AFDC, SSI, or state assistance program benefits or whose family incomes are below 125 percent of the federal poverty guidelines.

SELECTED PROGRAMS WITH THEIR OWN INCOME ELIGIBILITY STANDARDS

Aid to Families with Dependent Children AFDC is a state-administered program with funding provided by both the states and the federal government through a matching provision. The program was established by the Social Security Act of 1935. In order to qualify for federal funding, a state must establish a standard of need that defines in monetary amounts the basic needs the state wishes to recognize as appropriate for an assistance standard of living; however, neither the components of the standard nor the methods for setting the standard are prescribed by federal law or regulation. Each state must apply this standard uniformly and statewide in determining financial eligibility for assistance, although it may vary the standard to account for family size or composition, area cost-of-living differentials, or other factors.

Although states are required to establish need standards, they may adopt lower payment standards for benefits: they may set a maximum payment that is below the need standard; they may pay a percentage of the difference between a family's income and the need standard; or they may pay a percentage of the need standard.

Recently, a number of states have lowered their payment standards to satisfy budget constraints and to try to induce recipients to adopt preferred behaviors. As examples, some states no longer provide an additional benefit for an additional child, or they condition benefit amounts on such actions as recipients' obtaining immunization shots for their children. (See Wiseman, 1993, for a list of these kinds of changes in payment standards for which states had waivers from the federal government approved or pending in 1992.)

Over the years, amendments to the law, court decisions, and federal regulations have formally reaffirmed the states' autonomy in setting AFDC benefit levels. In particular, the 1967 amendments to the Social Security Act affirmed the right of states to set payment maximums and to apply "ratable reductions" in order to set benefits lower than their standards of need. The

1967 amendments included a provision to require states to update their need standards to reflect cost-of-living increases since the standards were adopted; however, states were not required to pay benefits consistent with these increases. No such requirement to adjust need standards for inflation has been legislated since 1967.

Although the states have very wide latitude in setting their need and payment standards, federal regulations have always been more specific about the resource side of the equation for determining AFDC eligibility and benefits (see U.S. House of Representatives, 1994:327-329; Solomon and Neisner, 1993). Currently, to receive AFDC payments, a family must pass two income tests. First, a family's gross monthly income cannot be higher than a certain percentage of the state's need standard. This provision was first adopted in 1981, with the limit initially set at 150 percent and raised to 185 percent in 1984. Second, a family's net or countable monthly income must not exceed 100 percent of the need standard or 100 percent of the payment standard in the many states in which the payment standard is below the need standard.

Families must also meet an asset test. Federal regulations currently limit assets or "countable resources" to $1,000 per family, excluding a home and car (provided the equity value of the car does not exceed $1,500). States must also exclude burial plots from countable resources and may exclude such essential items for daily living as clothing and furniture (U.S. House of Representatives, 1994:331). Finally, families must meet various other state and federal requirements (e.g., provisions for work, education, or training).

The definition of countable income for AFDC is gross income minus various exclusions. Currently, states must deduct from gross income the following unearned income components: the first $50 of monthly child support receipts; certain Department of Education grants and loans to college students; the value of Department of Agriculture donated foods; benefits from child nutrition programs; and payments to participants in Volunteers in Service to America (VISTA), some payments to certain Indian tribes, and Agent Orange settlement payments. In addition, states must deduct from gross income the following earned income components: a standard work expense deduction of $90 per month and actual child care expenses up to a ceiling of $175 per month per child ($200 for a child under age 2 and less for part-time work). For AFDC recipients who obtain employment subsequent to enrollment, the states must deduct an additional $30 of earnings per month for the first 12 months and an additional one-third of remaining earnings for the first 4 months. The states must also ignore any benefits from the EITC. Finally, although states have the authority to count food stamp benefits as income for purposes of determining AFDC benefits, no state currently does so. Rather, the process works the other way: AFDC benefits are counted as income for purposes of determining food stamp benefits.

In January 1994 the AFDC need standards for the 50 states and Washington, D.C., showed considerable variation, from $1,648 per month in New Hampshire to $320 per month in Indiana, with a median value of $574 (and a coefficient of variation of 41%). The maximum AFDC benefit showed similar variation from $923 per month in Alaska to $120 in Mississippi, with a median value of $366 (and a coefficient of variation of 40%).[4] The maximum combined AFDC and food stamp benefit showed less variation, from $1,208 in Alaska to $415 in Mississippi, with a median value of $658 (and a coefficient of variation of 22%); see Table 8-1. In relation to the poverty thresholds, in January 1994 the median state AFDC need standard was 60 percent of the poverty threshold for a family of three, and the median state AFDC maximum payment was 38 percent of that threshold (see Table 8-3).

Earned Income Tax Credit The EITC was enacted in 1975 to provide tax relief to low-income working families and improve incentives to work. It is refundable, thereby serving as a kind of negative income tax. The EITC was recently expanded to increase the basic benefit for families with more than one child and to provide an EITC for childless workers. For tax year 1994 the maximum EITC credit is 26.3 percent of earnings of $7,750 for a family with one qualifying child and 30 percent of earnings of $8,425 for a family with two or more qualifying children. To qualify, a child must be related to and live with the taxpayer(s) more than 6 months of the year and must be under age 19 (or 24 if a full-time student) or be permanently and totally disabled. For families with higher adjusted gross incomes (from $11,000 up to a ceiling of $23,750 (one child) or $25,300 (two or more children) for tax year 1994), the amount of the credit is reduced fractionally for each added dollar of income. The maximum credit for childless workers is 7.65 percent of earnings of $4,000, and it phases out at adjusted gross income of $9,000. There is no geographic variation in the EITC (as is true of all provisions of the federal income tax). EITC benefits cannot be counted as income for determining eligibility or benefits for AFDC, Medicaid, SSI, food stamps, or low-income housing programs.

Section 8 Low-Income Housing Assistance and Low-Rent Public Housing The Section 8 program provides rent subsidies to low-income families and single people, defined as those with incomes at or below 80 percent of the area median (adjusted for family size) as determined by the Department of Housing and Urban Development. A large proportion of subsidies is supposed to go to "very low income" households—those with incomes below 50 percent of the area median.

Countable annual income is defined as gross annual income (which excludes a few sources, such as earnings of children, foster care payments, educa-

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[4] All dollar amounts are for a three-person AFDC unit, consisting of a caretaker and two children.

tional scholarships, and lump sums) minus the following: $480 for each family member (other than the head or spouse) who is under 18, older and disabled, or a full-time student; $400 for an elderly family member; medical expenses of more than 3 percent of gross income for an elderly family member; and child care and handicapped assistance expenses necessary for a family member to work or further his or her education.[5] For families with net family assets above $5,000 (including the net cash value of real property, savings, stocks, bonds, and other forms of investment but excluding furniture and automobiles), the greater of the following is included in countable income: actual income from all net family assets or a percentage of their value based on the current passbook savings rate.

Section 8 families pay a rent equal to 30 percent of their countable income or 10 percent of gross income, whichever is higher, and the federal government makes up the difference.

The low-rent public housing program operates in the same manner as the Section 8 program, but the benefit is a rent subsidy for a unit in a public housing project rather than a rent subsidy for a unit of the recipient's choosing.

Supplemental Security Income The SSI program provides monthly cash benefits to needy aged, blind, and disabled people. SSI began operating in 1974, replacing the former federal-state programs for old-age assistance, aid to the blind, and aid to the permanently disabled. About 40 percent of SSI recipients are over age 65; the remainder are disabled. Children can qualify for benefits on the basis of disability, and children can also benefit indirectly because they live in a household with one or more SSI recipients.

SSI is unique among current assistance programs in that it provides a nationwide federal benefit (indexed each year for inflation) that is supplemented by most states. State supplementation is required for people who received benefits under one of the former federal-state programs that were more generous than the federal SSI benefits, although relatively few SSI beneficiaries receive supplementation for this reason. States can also choose to supplement the federal benefit for other beneficiaries in their state, and only seven states do not currently provide some form of supplementation. In the aggregate, 44 percent of SSI beneficiaries receive some type of state supplement (U.S. House of Representatives, 1994:222-223).

To be eligible for SSI benefits, aged, blind, or disabled people must have countable monthly incomes that do not exceed the federal benefit standard plus the applicable state supplementation. Countable income is gross income minus: $20 of unearned income (not counting such means-tested income as

[5] Legislation in 1990 liberalized the deductions allowed from gross income by increasing the dependent allowance from $480 to $550 per dependent; allowing a deduction of 10 percent of earned income; and extending the medical expense deduction to nonelderly families. However, these liberalizations were only to take effect if approved in an appropriations measure, which, to date, has not occurred.

veterans' pensions or government-provided in-kind assistance) and the first $65 of earned income plus one-half of remaining earnings. Blind recipients are also allowed to deduct reasonable work expenses, and disabled recipients are also allowed to deduct work and living expenses caused by their disabilities. SSI recipients must apply for other benefits, such as Social Security, for which they are eligible. Also, if a recipient is living in another person's household and receiving support and maintenance from that person, that support is valued as income to the recipient in the amount of one-third of the federal benefit standard. The income of an ineligible spouse or parent also figures into the recipient's income. Finally, SSI recipients cannot have countable assets that exceed $2,000 for individuals or $3,000 for married couples.

As of January 1994 the maximum federal SSI benefit for a single individual living in his or her own home was 77 percent of the corresponding official 1993 poverty threshold; for couples, the maximum benefit was 92 percent of the corresponding threshold. State SSI supplements vary, although not as widely as AFDC payment levels. In looking at only those states (about half) that supplement the federal benefit for single aged people, the median combined federal-state benefit in those states was 83 percent of the official 1993 poverty threshold, with a range from 77 to 142 percent. The addition of food stamps raised the median benefit in these states to 95 percent of the poverty threshold, with a range from 92 to 156 percent (U.S. House of Representatives, 1994:Tables 6-1, 6-7, 6-8).

Pensions for Needy Veterans, Their Dependents, and Survivors The federal government provides pensions to veterans who served honorably for at least 90 days (including at least 1 day of wartime service), who are totally and permanently disabled for reasons not related to their military service, and who have incomes below the prescribed limits. (Veterans disabled during military service are eligible for disability compensation payments, for which there is no income test.) Survivors of veterans who die from a nonservice cause who meet the income test are also eligible for pensions.

There are different definitions of countable income for veterans who established pension eligibility at different times. For those entitled after January 1979, virtually all of their income is counted with the exception of public or private cash welfare aid. In addition, veterans must meet an asset test, in which a determination is made of whether their property (excluding a home and personal effects) is of sufficient value that it could be converted to provide income support.

Maximum pension amounts (paid to those with no countable income) are about the same as the official poverty thresholds for veterans with no more than two dependents. For widows and widowers and for veterans with three or more dependents, the maximum pension amounts are 60-80 percent of the corresponding poverty thresholds.