

SECTION 12. SOCIAL WELFARE PROGRAMS IN THE TERRITORIES

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COVERAGE AND PARTICIPATION IN SELECTED PROGRAMS

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

Social welfare programs can be divided into two categories:

1. *Federal programs that make direct payments for individuals.*— These programs have Federal eligibility and benefit rules and are administered directly by the Federal Government.²

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

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

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

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

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

Program	Puerto Rico	Virgin Islands	Guam	Northern Marianas	American Samoa
Social Security	Yes	Yes	Yes	Yes	Yes
Medicare	Yes	Yes	Yes	Yes	Yes
Supplemental Security Income (SSI)	No	No	No	Yes	No
Guaranteed student loans	Yes	Yes	Yes	Yes	Yes
Pell grants	Yes	Yes	Yes	Yes	Yes

Source: Congressional Research Service.

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

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

Table 12–2 shows whether Federal law makes the territory eligible to participate and whether the area participated in the program in fiscal year 1997 (TANF entry indicates whether the area met the requirement to submit a plan by July 1, 1997). Federal law permits some agencies to consolidate funding and waive certain requirements of grant programs for territories other than Puerto Rico.

TABLE 12-2.—FEDERAL-STATE SOCIAL WELFARE PROGRAMS IN THE TERRITORIES, FISCAL YEAR 1997

Program	Puerto Rico		Virgin Islands		Guam ¹		Northern Mari- anas		American Samoa	
	Eli- gible	Partici- pating	Eli- gible	Partici- pating	Eli- gible	Partici- pating	Eli- gible	Partici- pating	Eli- gible	Partici- pating
Unemployment compensation:										
Unemployment compensation	Yes	Yes	Yes	Yes	No	NA	No	NA	No	NA
Public assistance and related programs:										
TANF	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	No
Aid to the Aged, Blind, and Disabled	Yes	Yes	Yes	Yes	Yes	Yes ¹	Yes	No	No	NA
Child Support Enforcement	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	No
Foster Care and Adoption Assistance	Yes	Yes	Yes	No	Yes	No	Yes	No	Yes	No
Medical assistance:										
Medicaid	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
State Children's Health Insurance Program	Yes	NA	Yes	NA	Yes	NA	Yes	NA	Yes	NA
Maternal and Child Health Block Grant	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
CCDBG	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Social Services Block Grant (title XX)	Yes	Yes	Yes	Yes ²	Yes	Yes ²	Yes	Yes ²	Yes	Yes ²
Food and nutrition assistance:										
Food Stamp Program	No	NA	Yes	Yes	Yes	Yes	No	NA	No	NA
Nutrition Assistance Block Grant (Puerto Rico) and spe- cial grants for "food-stamp-like" programs (Northern Marianas and American Samoa).	Yes	Yes	No	NA	No	NA	Yes	Yes	Yes	Yes
Child nutrition	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
WIC	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
Education and training:										
Compensatory education for the disadvantaged	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
JTPA	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Child protection:										
Child welfare services (title IV-B Part 1)	Yes	Yes	Yes	Yes ²	Yes	Yes ²	Yes	Yes ²	Yes	Yes ²

TABLE 12-2.—FEDERAL-STATE SOCIAL WELFARE PROGRAMS IN THE TERRITORIES, FISCAL YEAR 1997—Continued

Program	Puerto Rico		Virgin Islands		Guam ¹		Northern Mari- anas		American Samoa	
	Eli- gible	Partici- pating	Eli- gible	Partici- pating	Eli- gible	Partici- pating	Eli- gible	Partici- pating	Eli- gible	Partici- pating
Family preservation services (title IV-B Part 2)	Yes	Yes	Yes	Yes ²	Yes	Yes	Yes	Yes	Yes	Yes
Child Abuse Prevention and Treatment Act	Yes	Yes	Yes	Yes ²	Yes	Yes ²	Yes	Yes ²	Yes	Yes ²

¹ Guam operated adult public assistance programs in fiscal year 1997, but did not receive Federal funding for them because it used all of its limited public assistance funds for Aid to Families with Dependent Children (AFDC) in that year.

² Programs operating under consolidated grants.

NA—Not available or not applicable.

Note.—The State Children's Health Insurance Program (S-CHIP) will begin in fiscal year 1998.

Source: Congressional Research Service.

EXPENDITURES FOR SELECTED SOCIAL WELFARE PROGRAMS IN THE TERRITORIES

Table 12–3 summarizes Federal expenditures for programs that make direct payments from the Federal Treasury for individuals. These programs are the largest of the social welfare programs and require no fiscal contribution from the States or territories.

TABLE 12–3.—FEDERAL EXPENDITURES FOR DIRECT PAYMENTS TO INDIVIDUALS IN THE TERRITORY, FISCAL YEAR 1996

[In thousands of dollars]

Program	Puerto Rico	Guam	Virgin Islands	Northern Marianas	American Samoa
Social Security	\$3,135,526	\$55,024	\$56,661	\$1,208	\$17,897
Medicare	1,031,896	1,010	17,882	NA	NA
Supplemental Security Income	NA	NA	NA	1,976	NA
Pell grants	257,919	1,306	1,141	489	820
Federal family education loan—interest subsidies	58	NA	47	NA	NA

NA—Not available.

Source: Congressional Research Service based on U.S. Bureau of the Census (1997). Residents of all territories are eligible for Medicare and Federal family education loans, but reported data for some areas are either \$0 or round to \$0 (less than \$500).

Table 12–4 shows expenditures for selected Federal-State social programs in the territories. The table shows both total expenditures and the amount of those expenditures for which the territory received reimbursement from the Federal Government. The Federal Government reimburses the territories for 50 percent of Medicaid expenditures up to the territorial funding ceiling set in statute. Similarly, the Federal Government reimburses these areas for 75 percent of their public assistance expenditures, up to a statutory cap. The table also shows financial information for the Child Support Enforcement Programs. The territories are provided a 66 percent match for child support administrative expenses, though some expenses are reimbursed at a higher rate. They also receive incentive payments based on their child support collections and the ratio of those collections to expenditures.

TABLE 12-4.—TOTAL EXPENDITURES AND FEDERAL ASSISTANCE FOR SELECTED FEDERAL-STATE PROGRAMS OPERATING IN THE INSULAR AREAS,
FISCAL YEAR 1996

[In thousands of dollars]

Program	Puerto Rico	Guam	Virgin Islands	Northern Marianas	American Samoa
Unemployment compensation:					
Federal expenditures	\$308,671	NA	\$11,817	NA	NA
Medicaid:					
Total medical assistance payments	235,617	\$11,047	7,292	\$2,140	\$10,807
Total administrative expenses	20,584	743	1,081	220	NA
Total expenditures	256,201	11,790	8,373	2,360	10,807
Total Federal reimbursement (subject to caps)	128,100	4,060	4,193	1,180	2,350
Public assistance expenditures:					
AFDC benefits	63,448	14,100	4,174	NA	NA
Emergency assistance	413	0	0	0	0
AFDC administrative	14,627	1,580	702	NA	NA
Adult assistance benefits	13,097	2,066	854	NA	NA
Total public assistance expenditures	91,586	17,745	5,730	NA	NA
Total Federal grants (subject to caps)	¹ 68,908	3,800	2,800	NA	NA
JOBS (includes child care funding for AFDC recipients):					
Total expenditures	16,809	581	337	NA	NA
Total Federal grants (subject to caps)	11,552	391	252	NA	NA
Child support enforcement (preliminary fiscal year 96 data):					
Administrative costs	28,569	2,624	2,418	NA	NA
Federal share of administrative costs	19,504	1,744	1,597	NA	NA
Incentive payments	372	281	67	NA	NA
Nutrition assistance programs:					
Food Stamp Program	NA	28,174	44,302	NA	NA

Nutrition Assistance Block Grant (Puerto Rico) and grants for food-stamp-like programs	1,143,000	NA	NA	4,459	4,427
Child nutrition	165,018	4,769	5,583	3,111	6,294
WIC	132,779	5,200	6,025	NA	4,325

¹ In fiscal year 1996, Puerto Rico transferred \$13.1 million to the Social Services Block Grant (SSBG), so that grants subject to the ceilings under section 1108(a) as then in effect totaled \$82 million.

NA—Not available.

Source: Congressional Research Service. Data are from the U.S. Census Bureau, Department of Health and Human Services (DHHS) and the Department of Agriculture.

SPECIAL RULES

SSI COVERAGE

The Social Security Amendments of 1972 (Public Law 92-603) ended matching grant programs to the 50 States and the District of Columbia for assistance to needy adults who were aged, blind, or disabled and replaced them with Supplemental Security Income (SSI). The new SSI Program provided a Federal entitlement program of cash payments for individuals in these groups. However, SSI was not extended to Puerto Rico, Guam, and the Virgin Islands. The old grant programs for the needy, aged, blind, and disabled authorized under four separate titles of the Social Security Act³ continue there. The territories determine benefit amounts. In contrast, the regular SSI Program has federally determined benefits (though States may supplement them). SSI also is fully federally financed. SSI is available in the Northern Marianas.

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

Among the territories, the regular Food Stamp Program operates only in Guam and the Virgin Islands. The Omnibus Budget Reconciliation Act of 1981 (Public Law 95-35) replaced the Food Stamp Program in Puerto Rico with a special Nutrition Assistance Block Grant. Puerto Rico was given a great deal of flexibility in program design. Funding is limited to an amount set in law, which for fiscal year 1998 is \$1.204 billion, making it by far the largest Federal needs-tested program in the Commonwealth. The Northern Marianas and American Samoa are also given fixed grants with which they administer food-stamp-like programs, though the program in American Samoa is limited to the elderly and disabled.

The programs that operate instead of the regular Food Stamp Program in Puerto Rico, the Northern Marianas, and American Samoa were generally unaffected by the changes to the Food Stamp Program made in the 1996 welfare reform law. Additionally, the bar on food stamp eligibility that applies to most noncitizens does not apply in these programs. Instead, these territories are governed by the law's rules for public benefits that apply to needs-tested programs other than food stamps. That is, the territory may aid those who arrive after August 22, 1996, after they have resided in the United States for 5 years.

Regular food stamp rules apply in Guam and the Virgin Islands, and noncitizens are generally ineligible for food stamps in these areas. Guam and the Virgin Islands have higher food stamp benefits than are paid in the 48 contiguous States and the District of Columbia (higher food stamp benefits are also paid in Alaska and Hawaii), and households in these areas are also subject to special rules governing deductions from gross income when calculating countable income to determine food stamp payments.

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

PUBLIC ASSISTANCE FUNDING CAPS

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

Before July 1, 1997, the public assistance cap covered Federal matching grants under Aid to Families with Dependent Children (AFDC), assistance programs for needy adults; and title IV-E programs. The welfare reform legislation (Public Law 104-193) ended AFDC and related programs, and established the new TANF Program, which provides capped Federal funding for all jurisdictions. The bulk of TANF funding is contained in a basic block grant which allocates funds through a formula based on Federal payments from fiscal year 1992 through fiscal year 1995.

For Puerto Rico, Guam, and the Virgin Islands, the welfare reform bill also:

1. Raised the overall cap on public assistance expenditures by approximately 10 percent, effective October 1, 1996; and
2. Authorized a new special matching grant (section 1108(b) grants) for their TANF or title IV-E (foster care, adoption assistance, and independent living) programs. It provides 75 percent reimbursement for expenditures made on these programs above the fiscal year 1995 levels.

Table 12-5 shows the public assistance funding caps and the TANF block grant and the total public assistance funding caps for the territories. These caps are not subject to adjustment or increases under current law. Funds above the TANF cap amount are available on a 75 percent matching basis for adult public assistance, TANF, or title IV-E (foster care, adoption assistance, and independent living) programs. This superblock feature of funding for the territories provides them with added flexibility in using Federal funds to attack social problems.

TABLE 12-5.—PUBLIC ASSISTANCE FUNDING FOR THE TERRITORIES

[In thousands of dollars]

Territory	TANF State family assistance grant	Funds available for adult assistance, child protection, and 1108(b) matching grants	Total funding cap
Puerto Rico	\$71,563	\$35,692	\$107,255
Guam	3,465	1,221	4,686
Virgin Islands	2,847	707	3,554
American Samoa ¹	NA	1,000	1,000

¹ American Samoa is not eligible for grants under the adult public assistance programs.

NA—Not available.

Source: Congressional Research Service.

Puerto Rico, Guam, the Virgin Islands, and American Samoa are also eligible for certain TANF funds in addition to these caps. They can receive additional funding for welfare-to-work grants created in the Balanced Budget Act of 1997 (Public Law 105–33), bonuses for high performance and reductions in out-of-wedlock births, and evaluations.

MEDICAID CAPS AND MATCHING RATE

For the States, there is no limit on Federal payments for Medicaid. As with public assistance programs, however, the territories are subject to spending caps for Medicaid. The Balanced Budget Act of 1997 raised the Medicaid funding caps for the territories. Table 12–6 shows the Medicaid caps for fiscal year 1998 under prior law, the increase enacted in the Balanced Budget Act, and the new caps for fiscal year 1998. For fiscal year 1999 and subsequent fiscal years, these caps will be increased by the percentage change in the medical care component of the Consumer Price Index (CPI) for all Urban Consumers. The Medicaid matching rate, which determines the share of Medicaid expenditures paid for by the Federal Government, is statutorily set at 50 percent for the territories.

TABLE 12–6.—MEDICAID FUNDING CAPS FOR THE TERRITORIES, FISCAL YEAR 1998

[In thousands of dollars]

Territory	Prior law cap	Increase provided by Public Law 105–33	New fiscal year 1998 cap
Puerto Rico	\$137,000	\$30,000	\$167,000
Virgin Islands	4,150	750	4,900
Guam	4,340	750	5,090
Northern Marianas	1,310	500	1,810
American Samoa	2,510	500	3,010

Source: Congressional Research Service based on discussions with Health Care Financing Administration staff.

STATE CHILDREN'S HEALTH INSURANCE PROGRAM

All territories are eligible to participate in the State Children's Health Insurance Program (S-CHIP) created in the Balanced Budget Act of 1997 (Public Law 105–33). Except for a special rule for funding, S-CHIP will operate in the territories on the same terms as in the States. The program provides funds at a 65 percent matching rate to the territories up to a maximum cap. The cap for the territories is a special set-aside 0.25 percent of total available funding. For fiscal year 1998 through fiscal year 2001, Puerto Rico's cap is \$9.8 million; Guam's cap is \$374,063; the Virgin Islands cap is \$277,875; American Samoa's cap is \$128,250; and the Northern Mariana's cap is \$117,563.

CONSOLIDATION OF CERTAIN GRANTS FOR INSULAR AREAS OTHER THAN PUERTO RICO

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

The Department of Health and Human Services (DHHS) permits Guam, the Virgin Islands, the Northern Marianas, and American Samoa to consolidate up to 22 grant programs, including the Social Services Block Grant (title XX), Maternal and Child Health, child welfare services, and Child Abuse and Neglect State Grants.⁴ DHHS permits these areas to submit a single report in lieu of individual reports required for the programs included in a consolidated grant. All eligible insular areas have opted for consolidated grants, though for only some of the programs (see table 12–2 for an indication of which major programs are consolidated in each area).

CERTAIN TAX PROVISIONS THAT AFFECT LOW-INCOME FAMILIES WITH CHILDREN⁵

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

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

⁴See regulations at 45 CFR 97.10–97.16. The regulations list 21 programs that may be consolidated. In addition to these 21 programs, information from DHHS indicates that the territories can also consolidate the title IV–B subpart B program for family preservation (which is not listed in the regulations).

⁵For a general discussion of the application of Federal taxes in the territories see Brumbaugh (1994).

tions operating in the territories may already have their Federal tax liability eliminated or significantly reduced by the possession's tax credit, a special incentive provided to companies that operate in the territories.

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

REFERENCES

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