

November 1997

ILLEGAL ALIENS

Extent of Welfare Benefits Received on Behalf of U.S. Citizen Children



B-275806

November 19, 1997

The Honorable Orrin G. Hatch
Chairman
The Honorable Patrick J. Leahy
Ranking Minority Member
Committee on the Judiciary
United States Senate

The Honorable Henry J. Hyde
Chairman
The Honorable John Conyers, Jr.
Ranking Minority Member
Committee on the Judiciary
House of Representatives

In recent years, public concern about illegal immigration has often focused on the costs associated with illegal aliens' use of public benefits and the extent to which these benefits serve as an incentive for immigration.¹ In 1996, the Congress took steps to address these concerns through welfare and immigration reform legislation. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193) further restricted the limited access of illegal aliens to federal public benefits and limited their access to state and local public benefits. In addition, the legislation established requirements for states and selected federal agencies to report information to the Immigration and Naturalization Service (INS) on any individual they know is unlawfully in the United States. In the Illegal Immigration Reform and Immigrant Responsibility Act of 1996 (P.L. 104-208), the Congress addressed several enforcement issues, including the need for improved border control and better ways of deterring the use of fraudulent documents.

The act also requires us to report on the extent to which means-tested public benefits are provided to illegal aliens for the use of eligible individuals. This is most likely to occur when an illegal alien parent not eligible for aid receives benefits on behalf of his or her U.S. citizen child. A child born in the United States to an illegal alien obtains U.S. citizenship at birth regardless of the parent's immigration status and, as any other citizen in need, may receive welfare and other benefits. When such a child receives assistance, the aid also helps support the child's family, raising

¹An illegal alien is a person who is in the United States in violation of U.S. immigration laws. Such a person may have entered illegally—that is, without Immigration and Naturalization Service inspection (undocumented) or using fraudulent documentation—or legally under a nonimmigrant visa or other temporary condition and subsequently violated the terms of the visa or other terms of entry.

concerns about the use of public assistance by those illegally in the United States. This report responds to the mandate for information on the extent to which this occurs and, as agreed with your offices, discusses (1) to what extent and in what locations selected federal means-tested benefits are being provided to illegal aliens for the use of their U.S. citizen children and (2) the nature and extent of fraud or misrepresentation detected in connection with these benefits.

Of the many federal means-tested programs, we focused on the four largest programs—Aid to Families With Dependent Children (AFDC),² the Food Stamp program, Supplemental Security Income (SSI), and Department of Housing and Urban Development (HUD) rental housing assistance³—likely to provide benefits to U.S. citizen children through an ineligible parent rather than providing benefits or services directly to a recipient—as is the case with Medicaid. We conducted fieldwork in California, New York, and Texas, which our preliminary work showed were the principal locations where these benefits were being provided. In addition, we used the most recent AFDC and Food Stamp administrative data available to develop national estimates of the number of households with an illegal alien parent receiving benefits for U.S. citizen children.⁴ We also identified some cases of illegal aliens receiving SSI benefits for their U.S. citizen children using data from the Social Security Administration (SSA). To determine the extent of fraud or misrepresentation detected, we spoke with officials at the national level for each program and in the three states and reviewed available studies.⁵ Appendix I provides more details on our methodology.

²Welfare reform legislation ended the AFDC program for all states as of July 1997 and instead provides states with funds through Temporary Assistance for Needy Families (TANF) block grants.

³HUD housing programs generally do not provide payments directly to recipients but do subsidize the rent a household pays.

⁴To identify all households that potentially include an illegal alien parent of a U.S. citizen child, our estimate includes households headed by (1) one illegal alien parent, (2) an illegal alien parent with an illegal alien spouse, or (3) a parent who is not an illegal alien but who has an illegal alien spouse.

⁵For the purposes of this study, we use the phrase “misrepresentation or fraud” to discuss fraud as described in three studies of the AFDC caseload conducted in three California counties. These studies consider fraud to exist when previously unreported information that should have been used to evaluate eligibility is discovered during the investigation. More specifically, fraud is said to occur when an individual willfully misrepresents information even though there is no immediate impact on the benefit amount. Further, a finding of fraud occurs when a recipient’s willful misrepresentation results in an overpayment of aid or total ineligibility. Last, fraud is found to exist if a household voluntarily withdraws from aid or aid is terminated due to failure to cooperate with the study and it is believed reasonable to conclude that fraud existed. We recognize, however, as do the California studies, that the legal definition of fraud requires an offender to be successfully prosecuted and convicted. Only a small number of cases are prosecuted, in part because it is a time-consuming and labor-intensive process.

Results in Brief

In fiscal year 1995, about \$1.1 billion in AFDC and Food Stamp benefits were provided to households with an illegal alien parent for the use of his or her citizen child. This amount accounted for about 3 percent of AFDC and 2 percent of Food Stamp benefit costs. A vast majority of the households receiving these benefits resided in a few states—85 percent of the AFDC households were in California, New York, Texas, and Arizona; 81 percent of Food Stamp households were in California, Texas, and Arizona. California households alone accounted for \$720 million of the combined AFDC and Food Stamp benefit costs, with such households representing about 10 percent of the state's AFDC and Food Stamp caseloads. Although illegal aliens also received SSI and HUD housing assistance for their citizen children, data to develop estimates for these two programs were not available.

Comprehensive national statistics on any misrepresentation or fraud perpetrated by illegal aliens receiving benefits on behalf of their citizen children are not available. However, a few California counties' studies of AFDC households indicate that the rates and types of potential misrepresentation or fraud are similar both for households headed by illegal aliens and for the general welfare population. In these studies, one of the most commonly cited types of misrepresentation or fraud was the underreporting of income. Income is a key factor in determining program eligibility and benefit amounts and, when underreported, can result in overpayment of benefits. The states we visited had procedures in place to verify income; however, officials said that verifying individuals' income from earnings obtained through the underground economy was very difficult—for both illegal aliens and citizens—in part because these earnings are not documented or reported to state or federal databases used to verify employment and earnings.

Background

An estimated 5 million illegal aliens resided in the United States in 1996, according to INS. Official estimates, however, are not available on the number of children born to illegal aliens in the United States.⁶ Illegal alien parents may apply on behalf of their children for those federal welfare benefits to which their children are entitled as citizens. A household composed of an illegal alien parent and a citizen child gains access to federal welfare benefits by virtue of the child's eligibility. The AFDC, Food Stamp, and SSI programs generally do not provide direct payment of

⁶We recently reported that in 1995, undocumented alien mothers received Medicaid benefits for 78,386 births in California and 24,549 births in Texas. These births represented 14 and 8 percent, respectively, of all births in these states in that year. See Undocumented Aliens: Medicaid-Funded Births in California and Texas (GAO/HEHS-97-124R, May 30, 1997).

benefits to minors—children under 18—requiring that their benefits be paid through an authorized representative payee, typically the custodial parent. In such cases, the citizenship status of the parent is not a consideration in deciding who the payee should be. The rationale is that the parent of an eligible child is in the best position to make decisions on how benefits should be spent on behalf of his or her child. For housing assistance, HUD provides funds to a public housing authority or owner of a housing unit to subsidize the rent for an eligible household. Under HUD rental programs, a household composed of an illegal alien and a citizen would be eligible for assistance if the citizen met eligibility criteria and assistance was available.⁷

Although illegal alien parents are not eligible for assistance, their income and assets are taken into account when determining the eligibility of and benefit amounts for their citizen children. Table 1 shows the average monthly benefit amounts under the various programs. Recipients often receive assistance from more than one program. In 1995, about 87 percent of AFDC households also received Food Stamp benefits and 31 percent received housing assistance.⁸ No individual may receive both AFDC and SSI benefits.

⁷Housing benefits are limited by budgetary constraints to about one-fourth of those who are eligible.

⁸Almost all AFDC recipients—97 percent—also received Medicaid. In fiscal year 1994, the average annual Medicaid expenditure for a child on AFDC was \$1,039. Under welfare reform legislation, individuals who meet the eligibility requirements that existed as of July 16, 1996, of their states' now terminated AFDC programs will remain eligible for Medicaid.

Table 1: Major Federal Welfare Programs With Benefit Amounts for One Person or Household

Program	Benefit	National average monthly benefit amount
AFDC	Cash assistance to needy families with dependent children who meet state eligibility criteria	\$290 for households with one recipient child ^a
Food Stamp	Food assistance for needy individuals who meet federal eligibility criteria	\$71 per person ^a
SSI	Cash assistance to needy blind, disabled, or aged individuals who meet federal eligibility criteria	\$453 per disabled child ^b
HUD rental housing assistance	Public housing, tenant-based certificates or vouchers, or project-based rental subsidies for private-market housing	\$385 per household ^c

^aAFDC and Food Stamp data were obtained from the National Integrated Quality Control System for fiscal year 1995.

^bThe benefit amount was for September 1995, as reported in SSA administrative data, and includes both federal and state assistance and may include retroactive payments.

^cThe HUD average benefit is for tenant-based housing, not public housing, and covers the 30-month period ending June 1997. See *A Picture of Subsidized Households in 1997: Description of a Data File* (Washington, D.C.: HUD, Oct. 1997). The amount of assistance for a household comprising an illegal alien parent with an eligible child would be prorated on the basis of the number of eligible people in the household. In this case, the household would receive one-half as much rental assistance as it would if both parent and child were eligible.

The 1996 welfare reform legislation made sweeping changes to welfare programs for needy families, but it did not directly affect the eligibility of illegal aliens' citizen children. Although TANF block grants, which replaced AFDC, will allow states more flexibility in structuring their programs, federal and state officials stated that U.S. citizen children of illegal aliens will remain eligible for assistance. The provision in the welfare reform law that requires reporting of illegal aliens to INS, however, may have an impact in the longer term. Prior to the legislation, AFDC, SSI, and housing assistance programs generally were not required to report illegal aliens to INS.⁹ The new provision requires that states operating TANF programs, the Commissioner of SSA, and the Secretary of HUD periodically provide information to INS on any individual they know is unlawfully in the United States. Federal officials stated that an interagency workgroup is presently determining what level of evidence will be required to establish that someone is known to be unlawfully present in the United States, as well as reporting procedures. No time frame, however, was available for when

⁹Food Stamp program regulations regarding reporting requirements have not changed. They require that illegal aliens be reported to INS. In the states we visited, this reporting focused on illegal aliens issued a final order of deportation by INS.

agencies and states are to begin reporting known illegal aliens to INS. If the final regulations for this reporting affect illegal aliens acting as payees for their U.S. citizen children, some illegal aliens could be discouraged from seeking benefits for their eligible children. Also, the Congress is considering legislation that would deny citizenship to children born in the United States to a parent who is not a citizen or lawful permanent resident.

An Estimated \$1.1 Billion Provided in AFDC and Food Stamp Benefits

In fiscal year 1995, an estimated \$1.13 billion—\$700 million under the AFDC program and \$430 million in Food Stamp benefits—was provided to households in which either the head of household or his or her spouse was an illegal alien.¹⁰ These benefits were provided to illegal alien parents for the well-being of their U.S. citizen children. The payments represent about 3 percent of total AFDC benefit costs and about 2 percent of total Food Stamp benefit costs.¹¹ Approximately 153,000 AFDC households—with 300,000 citizen children—and 224,000 Food Stamp households—with 428,000 citizen children—had an illegal alien as the head of household or spouse of the head of household. In many cases, these estimates reflect the same households and citizen children, since 94 percent of the AFDC households with an illegal alien parent also received Food Stamp benefits and 65 percent of the Food Stamp households with an illegal alien parent also received AFDC. A summary of estimated benefits provided to these households in fiscal year 1995, by program, is shown in table 2.

¹⁰We previously reported that for fiscal year 1992 about \$479 million annually—or 2 percent of federal, state, and local AFDC benefits—was provided to the citizen children of illegal aliens. See *Benefits for Illegal Aliens: Some Program Costs Increasing, But Total Costs Unknown* (GAO/T-HRD-93-33, Sept. 29, 1993).

¹¹AFDC benefit costs were shared between the federal government and the states, with the federal share being about 55 percent nationally. Food Stamp benefit costs are fully federally funded.

Table 2: Estimated Number of AFDC and Food Stamp Households Headed by Illegal Aliens and Benefits Provided to Citizen Children, Fiscal Year 1995

Program	Total households nationwide (millions)	Estimated households headed by illegal aliens ^a	Percentage of total households	Total estimated benefits provided to households headed by illegal aliens ^a (millions)	Percentage of total benefits
AFDC	4.9	153,000 ^b	3	\$700	3
Food Stamp	10.9	224,000 ^b	2	\$430	2

^aSee appendix I for the sampling errors associated with these estimates.

^bSince households are likely to participate in both programs, the estimated number of households should not be totaled.

Source: GAO estimate based on data obtained from the National Integrated Quality Control System.

About 77 percent of AFDC and 78 percent of Food Stamp households with an illegal alien parent had one or two citizen children; the remaining households had three or more citizen children receiving benefits. In addition, while most of the illegal alien parent households had only citizen children in the households, a significant portion—23 percent of AFDC and 29 percent of Food Stamp recipients—had both eligible citizen children and noneligible illegal alien children.

Data Not Available to Accurately Estimate SSI Benefits or HUD Rental Housing Assistance

SSA does not have any comprehensive data on the number of U.S. citizen children of illegal aliens receiving SSI benefits. Based on the limited data available, we estimated that as of December 1996, at least 3,450 disabled U.S. citizen children of illegal aliens received benefits at an annualized federal benefit cost of about \$17.6 million. SSA officials explained that readily available data cannot be used to accurately estimate the total number of cases in which an illegal alien parent received benefits on behalf of citizen children because the citizenship status of payees is not uniformly identified in SSA's automated systems.

Similarly, HUD does not have any data that would allow for an estimate of the number of households in which illegal aliens are receiving rental housing assistance for the benefit of U.S. citizen children. Before June 1995, citizenship status was not considered when determining the eligibility of individuals for HUD's various rental assistance programs and such information was not collected or maintained on participants. However, recently implemented regulations and provisions included in the immigration reform legislation prohibit HUD from providing rental

assistance to persons other than U.S. citizens and certain qualified noncitizens.¹² HUD has begun redesigning its automated databases and data collection instruments to capture information on participants' citizenship and alien status. However, this process is ongoing and the agency is not yet able to report the level of assistance being provided to households composed of both illegal aliens and eligible U.S. citizen children.

Majority of Cases Located in a Few States

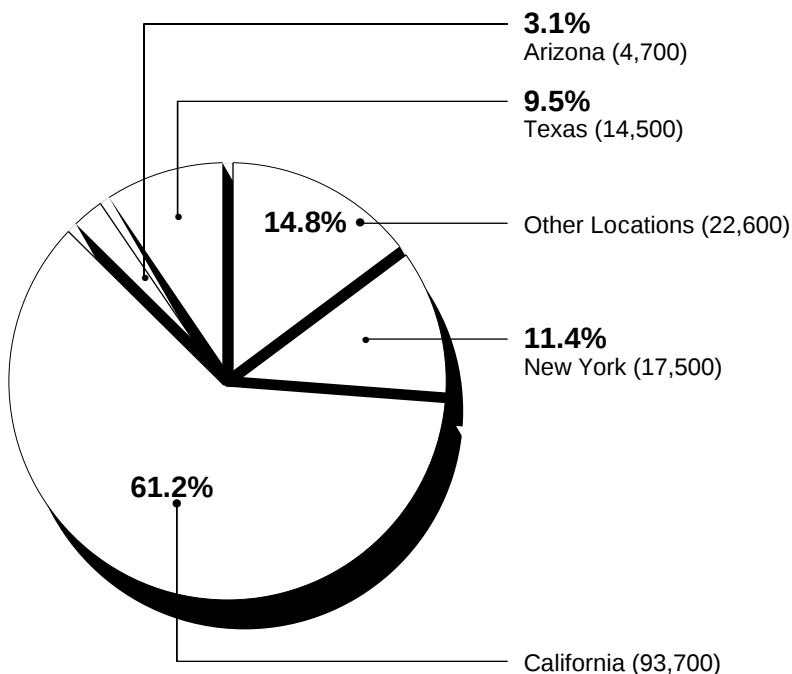
Most illegal aliens receiving AFDC or Food Stamp benefits on behalf of U.S. citizen children are located in only a few states. Over 85 percent of the households with children of an illegal alien parent receiving AFDC are located in California, Texas, New York, and Arizona.¹³ (See fig. 1.) The distribution of Food Stamp households with an illegal alien parent is only slightly different, with 54 percent of the cases in California, 23 percent in Texas, and 4 percent in Arizona.¹⁴ In addition, the majority of SSI cases of illegal alien payees for citizen children that records allowed us to identify were located in California and Texas.

¹²Under the law, a public housing authority has the option, but is not required, to verify the citizenship information provided by program participants.

¹³INS has estimated that most illegal aliens reside in a few states, including California, Texas, New York, Florida, and Illinois. For some of these states, although they have a large number of illegal immigrants, the sample data on which we based our estimates did not contain enough households with an illegal alien parent for us to develop an estimate.

¹⁴We were unable to estimate the number of households or benefits being provided under the Food Stamp program in New York because we did not have a large enough number of these households in the sample.

Figure 1: AFDC Households With an Illegal Alien Parent Receiving Benefits on Behalf of U.S. Citizen Children, by State, Fiscal Year 1995



Note: See appendix I for sampling errors.

Source: GAO estimate based on data obtained from the National Integrated Quality Control System.

In California, households composed of an illegal alien parent and citizen children represented about 10 percent of the state's AFDC and Food Stamp caseloads in 1995 and accounted for \$720 million in AFDC and Food Stamp benefits combined. Other studies from the California counties of Los Angeles and Orange estimated that these households have constituted up to 20 percent of each county's AFDC caseload in recent years. In the other states for which we developed estimates, illegal alien payee cases ranged from 4 to 7 percent of each state's AFDC and Food Stamp caseloads. (See app. I for more details on the estimated number of households and benefits provided by state and the associated sampling errors.)

Detected Misrepresentation or Fraud Similar for Households Headed by Illegal Aliens and Other Households

Although procedures are in place to prevent and detect fraud, comprehensive national statistics on fraud perpetrated by illegal aliens serving as payees on behalf of their citizen children are not available. However, studies of AFDC households in a few California counties with large populations of illegal aliens serving as payees indicate that there is little difference in the rate and type of misrepresentation or fraud detected for them and other households receiving benefits.

Various Methods Used to Prevent and Detect Fraud

To prevent and detect misrepresentation or fraud, federal, state, and local agencies use various approaches in processing applications for benefits, ensuring the continued eligibility of recipients, and maintaining payment accuracy for the AFDC, Food Stamp, and SSI programs.¹⁵ While each of these programs has different goals, all require individuals or families to meet certain eligibility criteria. To establish program eligibility, proof of citizenship and a social security number typically must be presented for all applicants, including U.S. citizen children of illegal aliens.¹⁶ In addition, since these are means-tested programs, the income and resources of an applicant's household cannot exceed specific limits set by each program. Benefits, based on total household income, are then computed for the eligible family members.

The amount of household income and other resources are verified at the time of application and, for successful applicants, periodically thereafter to ensure continued eligibility and payment accuracy. Applicants must provide proof of income and resources such as pay stubs, vehicle registration forms, and rental agreements. For the AFDC, Food Stamp, and SSI programs, officials access the Income and Eligibility Verification System or use computer matching with other databases to corroborate information provided by applicants.¹⁷

¹⁵HUD's rental housing assistance programs require all applicants to self-certify their status as either citizens or eligible noncitizens to establish eligibility for assistance. However, current regulations do not require verification of an applicant's citizenship status for all of HUD's rental housing assistance programs.

¹⁶Under the Food Stamp program, for an individual reporting to be a U.S. citizen, proof of citizenship is required to the extent that it is questionable. The determination of questionable citizenship is left to the discretion of the state agency.

¹⁷Federal law has supported using computerized systems to validate social security numbers and identify household information, such as earnings, assets, and receipt of other forms of aid by applicants and recipients. Such matches are required in TANF and were required under the Food Stamp program until made optional in the 1996 welfare reform legislation.

In addition to the verification procedures used during the application process and periodic reviews, some states take further steps to aid in detecting and preventing misrepresentation or fraud. For instance, all AFDC applicants in New York City are required to participate in office interviews and home visits by investigative staff to validate application information. As a result of these investigations, approximately 35 percent of new applicants never received benefits, according to city officials. In California and Texas, cases are referred to investigators for additional reviews, including home visits, if fraud is suspected. Although the officials we spoke with generally agreed that intensive screening is effective, it is also resource intensive and costly.

Under the AFDC and Food Stamp programs, all states have been required by federal regulations to conduct quality control reviews of a sample number of cases to ensure that benefit amounts are correct. These reviews include verification of eligibility and income data; if fraud is suspected, a referral for investigation is made. Although the quality control program is not a requirement under TANF, states may continue the program at their option.

In addition to the application and review procedures, some federal agencies, states, and localities train staff to identify fraudulent documents and provide updates on the latest counterfeit documents. For example, SSA staff use black light equipment to determine whether documents submitted in support of SSI benefit claims are authentic. Staff are also trained to use interview techniques to better identify misrepresentation by applicants.

Incidence and Types of Misrepresentation or Fraud Detected Similar for Illegal Alien Payees and the General AFDC Population

National studies on the nature and extent of misrepresentation or fraud by illegal aliens obtaining benefits for their citizen children are not available. However, three California counties—Fresno, Los Angeles, and Orange—have experienced rapid growth in their AFDC child-only cases (those without an adult recipient)¹⁸ and, in recent years, began conducting studies to investigate fraud among child-only and other cases. Although these studies used a much broader definition of fraud and a different methodology than generally used in AFDC and Food Stamp quality control reviews, they provide some evidence that the types and frequency of misrepresentation or fraud in cases where illegal aliens receive AFDC benefits for their U.S. citizen children are similar to that of the general

¹⁸A child-only case is an AFDC case in which the parent or caretaker is excluded from receiving benefits due to (1) receipt of SSI benefits; (2) undocumented alien immigration status; (3) failure to cooperate with program requirements, such as work or child support enforcement; or (4) lack of need.

AFDC population.¹⁹ Based on a random sample of 450 AFDC cases, a 1997 Orange County study identified potential misrepresentation or fraud in 38 percent of the illegal alien payee cases and over 46 percent of all other cases.²⁰ These findings of potential fraud were associated with overpaid benefit amounts totaling 9 percent of combined AFDC and Food Stamp benefits paid in a typical month to the 450 cases. Two additional studies based on random samples and conducted in Los Angeles County and Fresno County identified potential misrepresentation or fraud in 42 to 45 percent of the AFDC cases involving illegal alien payees.²¹ In these two studies, about one-half of the cases in which misrepresentation or fraud was identified resulted in an overpayment of benefits. In the other cases, the incorrectly reported information did not have an impact on benefit amount.

The most commonly cited types of misrepresentation or fraud identified in all three of the California studies were misreported or unreported income and misrepresented household composition, such as unreported members living in a household.²² The types found in cases involving illegal alien payees did not differ from those of the general AFDC population. Officials in New York and Texas also identified misreporting of income and household composition as the most common types of misreporting among AFDC child-only cases and the general AFDC population.

According to one of the California studies, 81 percent of the misreported income cases involved cash obtained by applicants from sources that made verification virtually impossible because there are no records of the financial transactions.²³ This study uses the term “underground economy”

¹⁹The studies’ definition of fraud and objectives, scope, and methodology differed from those used in AFDC and Food Stamp quality control reviews. The county studies defined misrepresentation or fraud as any case in which investigators discovered unreported information that should have been reported and used to evaluate eligibility, even if no overpayment of benefits resulted. Their methods also differed. For example, investigators in the Orange County study made unannounced home visits and considered the entire assistance period. AFDC and Food Stamp quality control reviewers generally announced their visits to households and examined data for the one month’s sample.

²⁰County of Orange Fraud Incidence Study: A Joint Effort of the California Department of Social Services and Orange County Social Services Agency and District Attorney (Orange County, Calif.: Apr. 1997). Food Stamp program fraud was also included in this study. The 450 cases were selected between August 1994 and October 1995.

²¹Fresno County Child-Only Study: A Joint Effort Between the County of Fresno Department of Social Services, the Office of the District Attorney, and the California Department of Social Services (Fresno County, Calif.: Jan. 1995) and Department of Public Social Services, Welfare Fraud and Prevention Investigations Section, Child-Only Study: Final Report (Los Angeles County, Department of Public Social Services, Calif.: Jan. 1996).

²²Misrepresenting household composition includes situations in which not all members of the household are reported, an absent parent is actually living in the home, or a child is not living in the reported residence.

²³County of Orange Fraud Incidence Study, Apr. 1997.

to refer to a source of income from which individuals are paid in cash and their earnings are not reported to the Internal Revenue Service or the state. In addition, officials in California, Texas, and New York cited the difficulties of verifying income that individuals—both illegal aliens and citizens—derived from the underground economy. Moreover, because illegal aliens may not legally obtain social security numbers—which serve as the basis for reporting through the Income and Eligibility Verification System—verification of income for this population is difficult. California officials also noted that it is more difficult to obtain evidence of fraud without a social security number.

Agency Comments and Our Evaluation

We received comments from the Department of Health and Human Services (HHS) and the Department of Agriculture (USDA). Their comments are included in appendixes II and III, respectively, and technical comments were incorporated as appropriate. HHS stated that our report identifies the difficult and complicated policy issue of providing food and cash assistance to families containing both citizens and illegal immigrants. Yet it also stated that we had not sufficiently emphasized that citizen children of illegal alien parents are legally eligible for benefits on the same basis as any other citizen in need. We believe our report clearly states that these citizen children are eligible for assistance and, while we acknowledge the difficult policy issues involved, this report focuses on describing the extent to which such children receive assistance.

USDA commented that the report provides valuable information and emphasized that illegal aliens receive no benefits for themselves and that their income and resources are considered in determining the eligibility of any citizen children. In addition, USDA was concerned that the misrepresentation and fraud rates identified by the California counties' studies may inadvertently be misinterpreted. It noted that the studies' definition of misrepresentation and fraud is much broader than that used in Food Stamp quality control studies, which generally focus on the percentage of benefit dollars overpaid as a result of intentional misrepresentation. To address this concern, we have more clearly emphasized the amount of benefit overpayments identified in the studies. We also recognize that the studies use a much broader definition of misrepresentation and fraud than used in quality control reviews and clarified this in the report.

We also provided a copy of the report to SSA, which did not have comments. In addition, we considered and incorporated, where

appropriate, technical comments from the State of California and Orange County, California. HUD, Los Angeles County, New York, and Texas did not have technical comments.

As required by the Illegal Immigration Reform and Immigrant Responsibility Act of 1996, we are sending copies of this report to the Inspector General of the Department of Justice. We are also sending copies to the Secretaries of USDA, HHS, and HUD and the Commissioners of SSA and INS. We will also make copies available to others upon request.

Please contact me at (202) 512-7215 if you have any questions concerning this report or need additional information. Major contributors to this report are listed in appendix IV.

Sincerely yours,

A handwritten signature in black ink, reading "Mark V. Nadel". The signature is written in a cursive style with a large, stylized "M" and "N".

Mark V. Nadel
Associate Director,
Income Security Issues

Contents

Letter		1
Appendix I Methodology		18
Appendix II Comments From the Department of Health and Human Services		21
Appendix III Comments From the Department of Agriculture		24
Appendix IV GAO Contacts and Acknowledgments		27
Related GAO Reports		28
Tables		
	Table 1: Major Federal Welfare Programs With Benefit Amounts for One Person or Household	5
	Table 2: Estimated Number of AFDC and Food Stamp Households Headed by Illegal Aliens and Benefits Provided to Citizen Children, Fiscal Year 1995	7
	Table I.1: Estimated AFDC and Food Stamp Households Headed by an Illegal Alien and Benefits Received, Fiscal Year 1995	19
	Table I.2: Estimated SSI Cases With an Illegal Alien Payee and Benefits Received, December 1996	20
Figure	Figure 1: AFDC Households With an Illegal Alien Parent Receiving Benefits on Behalf of U.S. Citizen Children, by State, Fiscal Year 1995	9

Contents

Abbreviations

AFDC	Aid to Families With Dependent Children
HHS	Department of Health and Human Services
HUD	Department of Housing and Urban Development
INS	Immigration and Naturalization Service
SSA	Social Security Administration
SSI	Supplemental Security Income
TANF	Temporary Assistance for Needy Families
USDA	Department of Agriculture

Methodology

To estimate the locations, number of households involved, and amount of AFDC and Food Stamp benefits provided to illegal aliens for the use of their U.S. citizen children, we used administrative databases composed of statistically valid samples of households nationwide receiving benefits under each of these programs. The source data were AFDC and Food Stamp households selected for quality control reviews from October 1994 through September 1995—the 1995 federal fiscal year. HHS' Administration for Children and Families for AFDC and USDA's Food and Consumer Service for Food Stamps use sample data that are maintained in the National Integrated Quality Control System to estimate state error rates related to eligibility and payment amount and for studies of populations receiving benefits.

As part of the quality control reviews done for both the AFDC and Food Stamp programs, the citizenship or immigration status of household members, such as a parent of a U.S. citizen child receiving benefits, is obtained by program officials. To develop our estimates of households in which an illegal alien received benefits on behalf of citizen children under these programs, we selected only sample households identified as having (1) a person acting as the head of household whose citizenship status was listed as illegal alien due to expired visa or illegal entry into the country or (2) a head of household whose spouse had a citizenship status listed as illegal alien due to expired visa or illegal entry into the country.²⁴ For some individuals, the data did not precisely capture their exact immigration status. For example, citizenship status was listed as "not a U.S. citizen, but exact alien/immigrant status unknown" or "unknown." As a result, there may be additional households with an illegal alien parent that we were unable to identify and are not included in our estimate. Heads of households or their spouses whose citizenship status was listed as being accorded refugee status, granted a stay of deportation by the INS, or permanently residing in the U.S. under color of law were not included in our estimate.

For each of the selected households headed by or whose spouse was an illegal alien, we obtained from the sample case file information on the dollar amount of benefits received by the recipient household for the sample month, projected the yearly dollar amount of such benefits received by the household, and confirmed that the benefits were received

²⁴In 89 and 84 percent of the AFDC and Food Stamp cases, respectively, the head of household was specifically identified as an illegal (undocumented) alien. In the remaining 11 and 16 percent of the cases, the spouse of the head of household was the illegal alien. The head of household in these instances was often identified as an immigrant accorded permanent resident status, a lawful permanent resident under provisions of the Immigration Reform and Control Act, or a U.S. citizen.

on behalf of U.S. citizen children in the household.²⁵ We applied sample weights to develop our estimate for the nation or a specific state. For those states that had a large enough number of households headed by illegal aliens in the sample, we were able to develop an estimate for that state. For AFDC, we were able to estimate the number of such households and benefits received in Arizona, California, New York, and Texas. Under the Food Stamp program, these states were Arizona, California, and Texas. Although other states, such as Florida and Illinois, also have large illegal alien populations, not enough households with an illegal alien parent or spouse were identified in these states' samples to allow us to develop estimates. This also occurred for New York in the case of the Food Stamp program.

Because our estimates are based on samples, they are subject to sampling error. Table I.1 shows each of our estimates and indicates the extent of each estimate's sampling error by showing the 95-percent confidence interval around that estimate. There is a 95-percent chance that the actual total falls within that interval.

Table I.1: Estimated AFDC and Food Stamp Households Headed by an Illegal Alien and Benefits Received (With Confidence Intervals), Fiscal Year 1995

	Households headed by illegal alien		Benefits received (thousands)	
	AFDC	Food Stamp	AFDC	Food Stamp
Arizona	4,700 (+/-1,000)	9,200 (+/-2,300)	\$12,340 (+/- \$2,700)	\$16,000 (+/- \$4,700)
California	93,700 (+/-15,500)	120,700 (+/-23,000)	\$512,000 (+/- \$93,100)	\$208,000 (+/- \$44,600)
New York	17,500 (+/-5,000)	NA ^a	\$82,000 (+/- \$24,700)	NA ^a
Texas	14,500 (+/-3,500)	52,600 (+/-12,200)	\$16,000 (+/- \$4,100)	\$122,500 (+/- \$36,200)
National	153,000 (+/-17,000)	224,000 (+/-27,000)	\$700,000 (+/- \$100,000)	\$430,000 (+/- \$60,000)

^aNew York did not have a large enough number of Food Stamp households headed by an illegal alien to provide an estimate.

Source: GAO estimate based on data obtained from the National Integrated Quality Control System.

We discussed and obtained concurrence from personnel of the Administration for Children and Families for AFDC and the contractor for

²⁵The head of household was identified as the parent of a citizen child; data on the parental status of the spouse were not available.

the Food and Consumer Service for Food Stamps regarding our estimating procedures.

Because of variances in how SSI cases composed of disabled children with illegal alien payees are identified in SSA's automated systems, we could not develop an accurate estimate of the number of these cases. However, we statistically sampled available recipient caseload data to estimate a minimum number of disabled child cases in which one or both parents were illegal aliens as of December 1996. Our sample included a sufficient number of cases from California and Texas to allow us to provide estimates for those states. Based on the benefits being provided to the children in our sample, we also estimated the dollar amount of benefits paid to the children in December 1996.

Because our figures are based on samples, they are subject to sampling error. Table I.2 shows each of our estimates and indicates the extent of each estimate's sampling error by showing the 95-percent confidence interval around that estimate. There is a 95-percent chance that the actual total falls within that interval.

Table I.2: Estimated SSI Cases With an Illegal Alien Payee and Benefits Received (With Confidence Intervals), December 1996

	Cases with an illegal alien payee	Benefits received
California	2,178 (+/-63)	\$947,759 (+/- \$54,536)
Texas	755 (+/-57)	\$314,482 (+/- \$35,207)
National	3,450 (+/-101)	\$1,466,601 ^a (+/- \$74,392)

^aEstimated to be an annualized federal benefit cost of about \$17.6 million.

Source: GAO estimate based on administrative data obtained from SSA.

Since AFDC and Food Stamp quality control data are reviewed by the Administration for Children and Families, the Food and Consumer Service, and the states, and SSI data are reviewed by SSA, we did not independently examine the computer controls or verify the accuracy of these data. Except for this limitation, we conducted our review in accordance with generally accepted government auditing standards between December 1996 and July 1997.

Comments From the Department of Health and Human Services



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

SEP 19 1997

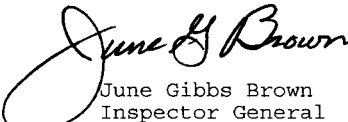
Mr. Mark V. Nadel
Associate Director,
Income Security Issues
United States General
Accounting Office
Washington, D.C. 20548

Dear Mr. Nadel:

Enclosed are the Department's comments on your draft report, "Illegal Aliens: Extent of Welfare Benefits Received on Behalf of U.S.-Citizen Children." The comments represent the tentative position of the Department and are subject to reevaluation when the final version of this report is received.

The Department appreciates the opportunity to comment on this draft report before its publication.

Sincerely,


June Gibbs Brown
Inspector General

Enclosure

The Office of Inspector General (OIG) is transmitting the Department's response to this draft report in our capacity as the Department's designated focal point and coordinator for General Accounting Office reports. The OIG has not conducted an independent assessment of these comments and therefore expresses no opinion on them.

Appendix II
Comments From the Department of Health
and Human Services

Comments of the Department of Health and Human Services on the GAO final report entitled "Illegal Aliens: Extent of Welfare Benefits Received on Behalf of U.S.-Citizen Children"

General Comments

The General Accounting Office (GAO) report identifies a very difficult and complicated policy issue related to the provision of cash and food assistance to families that contain both citizens and illegal immigrants. These "mixed status" families also usually include legal immigrants, and the recent changes in eligibility for legal immigrants is likely to further complicate this issue. What makes it a particularly difficult issue is that it highlights the competing Federal policy goals of deterring illegal immigration and denying benefits to illegal immigrants on the one hand, and providing assistance and opportunity to all citizens--particularly children--on the other hand.

The Department of Health and Human Services (HHS) clearly supports all Federal efforts to deter illegal immigration, and we are vigorous in denying major cash and medical assistance (other than emergency services) to illegal immigrants. However, our mission also requires us to improve the health and economic self-sufficiency of all citizens (and to some degree most qualified aliens), including the citizen children of immigrant parents, both legal and illegal.

With respect to these policy goals, we do not believe the GAO report gives enough weight to the importance of providing assistance and support to the citizen children who are members of these "mixed status" families. The report in several places characterizes Aid to Families with Dependent Children and Food Stamp assistance as supporting the child's *family*, with no mention of how such assistance also supports the *child*. While such assistance undoubtedly benefits other members of the child's family, it is also true that the citizen child is likely to derive benefits, and we do not believe this crucial fact is made clear enough in the report. It is important to note that citizen children are legally eligible for benefits on the same basis as other citizens, even if they have an illegal parent(s). We believe it is important to evaluate the impact on citizen children when addressing these complicated policy issues related to "mixed status" families.

We note that this report defines the term "means-tested public benefit" in its broadest sense. The Department has interpreted the term "Federal means-tested public benefit," as used in sections 403 and 421 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, more narrowly to include only mandatory spending programs of the Federal Government in which eligibility for the programs' benefits, or the amount of

Appendix II
Comments From the Department of Health
and Human Services

such benefits, or both, are determined on the basis of income or resources of the eligibility unit seeking the benefit. See 62 Fed. Reg. 45256 (August 26, 1997). Given the statutory context, it is not clear that the definitions of the two terms should be the same. Nonetheless, although we cannot speak to programs of other departments, all the HHS programs included in the analysis of this report fall within the Department's definition of Federal means-tested public benefits.

Comments From the Department of Agriculture



United States
Department of
Agriculture

Food and
Consumer
Service

3101 Park
Center Drive

Alexandria, VA
22302-1500

Mr. Mark V. Nadel
Associate Director
Income Security Issues
Health, Education, and Human Services Division
United States General Accounting Office
Washington, D.C. 20548

SEP 15 1997

Dear Mr. Nadel:

This letter provides Food and Consumer Service comments on the draft report entitled, Illegal Aliens: Extent of Welfare Benefits Received on Behalf of U.S. - Citizen Children. We appreciate the opportunity to review the draft and for the full discussion of the audit at the exit conference the General Accounting Office (GAO) held with the Agency on August 6, 1997. This report provides valuable information on the extent to which means-tested public benefit programs affect families containing both citizens and illegal aliens. In commenting, we would simply like to offer two observations that may aid the public in interpreting the report.

The first part of the report presents information on the extent to which mixed households containing citizens and illegal aliens receive public benefits. An implied concern is that there is leakage of benefits to the illegal alien members even though benefits are not issued on their behalf. While this may happen, we would like to point out that the flow of income also goes from non-citizens to citizens since the income and resources of an ineligible alien are considered in determining eligibility of any citizen children. Illegal aliens and, since passage of the 1996 welfare reform legislation, most legal aliens, receive no benefits for themselves.

Our more serious concern is that the presentation showing that fraud rates are no higher among the mixed households of interest and other assistance households may have the inadvertent effect of suggesting much higher fraud rates than the data actually show. Although the data are for the Aid to Families with Dependent Children (AFDC) Program, casual readers may reach the wrong conclusion not only for AFDC but also for the Food Stamp Program (FSP).

Of necessity, the GAO had to draw on existing studies. The California studies cited define fraud much differently than the common understanding. GAO notes this but is forced to use the only data available as a proxy for fraud to compare the two

AN EQUAL OPPORTUNITY EMPLOYER

**Appendix III
Comments From the Department of
Agriculture**

Mr. Mark V. Nadel

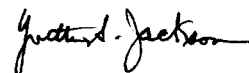
2

types of households. Although the studies established the value of the associated benefit loss among the whole population studied, this much lower figure was apparently not available for each group separately. The casual reader may assume that the much higher figures used to compare groups represent fraud as we generally understand it, i.e., benefit dollars overpaid as the result of intentional misrepresentation.

Agency data from a national sample of cases also support a finding of much lower overpayment and fraud rates. Although the FSP quality control system does not measure fraud per se, we do measure total overpayments of which fraud is a small portion. The FY 1996 error rates published June 30, 1997, indicate the lowest overpayment rate ever. Although overpayments of 6.92 percent are still higher than desirable, they indicate continuing improvement in the careful management of public dollars in the service of nutrition assistance to low income Americans.

We have enclosed additional comments on the report for your consideration. Thank you again for giving us an opportunity to comment on this draft report. If we can assist you further with the final report, please let us know.

Sincerely,



Yvette S. Jackson
Administrator

Enclosure

**Appendix III
Comments From the Department of
Agriculture**

Comments on GAO Draft Report "Illegal Aliens: Extent of Welfare Benefits Received on Behalf of U.S. Citizen Children," GAO/HEHS-97-182

General Comments

Include more information on the methodology for computing the FSP figures. Specifically, include the data source, describe how illegal aliens were identified, present the sample size for the national estimates and the State-specific estimates, and explain the criteria for determining States for which an estimate was made for number of households receiving benefits and the dollar value. This information is essential because a reader who is knowledgeable about immigration issues in general will wonder why statistics are presented for Arizona but not for New York, Florida, and Illinois, all of which have larger immigrant populations than Arizona.

GAO Contacts and Acknowledgments

Contacts

Gale C. Harris, Assistant Director, (202) 512-7235
Mario L. Artesiano, Evaluator-in-Charge, (404) 679-1903

Acknowledgments

In addition to those named above, the following individuals also made important contributions to this report: Carlos J. Evora; Andrea H. Ewertsen; Deborah A. Moberly; and John G. Smale, Jr.

Related GAO Reports

Undocumented Aliens: Medicaid-Funded Births in California and Texas
([GAO/HEHS-97-124R](#), May 30, 1997).

Illegal Aliens: National Net Cost Estimates Vary Widely ([GAO/HEHS-95-133](#),
July 25, 1995).

Illegal Aliens: Perspectives on the Issues Associated With Illegal Aliens
(GAO/T-OGC-94, June 24, 1994).

Illegal Aliens: Assessing Estimates of Financial Burden on California
([GAO/HEHS-95-22](#), Nov. 28, 1994).

Benefits for Illegal Aliens: Some Program Costs Increasing, But Total
Costs Unknown ([GAO/T-HRD-93-33](#), Sept. 29, 1993).

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are \$2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. VISA and MasterCard credit cards are accepted, also. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

**U.S. General Accounting Office
P.O. Box 37050
Washington, DC 20013**

or visit:

**Room 1100
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC**

**Orders may also be placed by calling (202) 512-6000
or by using fax number (202) 512-6061, or TDD (202) 512-2537.**

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (202) 512-6000 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.

For information on how to access GAO reports on the INTERNET, send an e-mail message with "info" in the body to:

info@www.gao.gov

or visit GAO's World Wide Web Home Page at:

<http://www.gao.gov>

**United States
General Accounting Office
Washington, D.C. 20548-0001**

**Bulk Rate
Postage & Fees Paid
GAO
Permit No. G100**

**Official Business
Penalty for Private Use \$300**

Address Correction Requested

