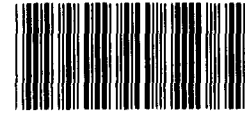


GAO

Testimony



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Federal Appropriations for State
Legalization Impact Assistance
Grants

Statement of
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Before the
Subcommittee on Labor,
Health and Human Services,
and Education
Committee on Appropriations
United States Senate



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SUMMARY OF GAO TESTIMONY BY SARAH F. JAGGAR
ON FEDERAL APPROPRIATIONS FOR STATE LEGALIZATION
IMPACT ASSISTANCE GRANTS

The Congress appropriated \$4 billion to be spent over a 7-year period to assist states in meeting the costs of services provided to aliens granted legal status under the Immigration Reform and Control Act of 1986. Federal program and administrative costs are estimated to be about \$500 million, leaving approximately \$3.5 billion for state reimbursement. The administration proposes to reduce this amount by \$1.1 billion, which will leave about \$2.4 billion to reimburse states.

Almost 90 percent of the federal funding will go to five states, with California receiving the largest share. Based on estimates obtained from these five states, it appears that costs may exceed \$2.4 billion. However, that amount should be sufficient to cover anticipated drawdowns for all states through 1991. Drawdowns, which are the final step in the process of transferring funds to the states, typically lag behind expenditures. While drawdowns have increased in the past 5 months from about \$436 million to \$700 million, they would have to increase at a much faster rate to exceed \$2.4 billion by the end of 1991. Officials from the five states GAO visited said they do not expect to draw down funds by the end of 1991 exceeding the amount which would be allocated to them under the administration's proposal.

GAO believes that given the expected level of drawdown activity, the Congress could take action on the 1991 budget similar to that taken last year. That is, it could move \$537 million of spending authority to 1992. In the 1990 Appropriations Act, the Congress moved \$555 million of 1990 funds to 1992, and allowed states to use those funds to pay for costs incurred in 1990 and future years.

GAO believes that decisions about rescinding the \$537 million and the \$555 million should be delayed until next year's appropriation process, when better state cost data are available.

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to testify on State Legalization Impact Assistance Grants (SLIAG) authorized by the Immigration Reform and Control Act (IRCA) of 1986. This act, as amended, appropriated a total of \$4 billion for fiscal years 1988-92 to be spent over a 7-year period through 1994. These funds can be used to help states meet the costs of services provided to aliens granted legal status by IRCA and to cover federal program and administrative costs. Federal costs are estimated to be about \$500 million for the duration of the program, leaving approximately \$3.5 billion for state reimbursement.

In its 1991 budget request, the administration proposes to rescind \$537 million of 1991 funds and all of the \$555 million of 1992 funds for a total of \$1.1 billion (see att. I). This proposal, if adopted, would leave about \$2.4 billion for state reimbursement.

In April 1990, you asked us if the Congress accepts the administration's proposal (1) can expected state SLIAG program demands through 1991 be met and (2) will all allowable expenses be covered through 1994. In addition, Senator Graham recently asked us to (1) identify factors that prevented states from drawing down SLIAG funds, and their impact; and (2) determine whether states will use all the funds that were appropriated.

As requested, my remarks today will focus primarily on whether \$2.4 billion will adequately meet expected state program demands through 1991. Also, I will briefly address the other questions that have been posed.

RESULTS IN BRIEF

The five states we visited, comprising 84 percent of the population applying for eligible legalized alien (ELA) status and 88 percent of SLIAG allocations, estimate they will incur costs of about \$2.7 billion through 1991 (see att. II). Thus, costs through 1991 in these five states alone could exceed the \$2.4 billion funding level proposed by the administration for the duration of the program.

However, our analysis shows that states have been slow in using available SLIAG funds and will probably not draw down more than \$2.4 billion to cover expenses before the end of 1991. States gave two primary reasons for drawdown¹ delays: (1) as is common in new programs, regulations and guidelines for program administration were not provided to them until well after the program began; and (2) states encountered difficulties in developing and obtaining approval for methodologies to document and claim costs. As a result, some prior year program costs are

¹Drawdowns occur after a grant award has been made and the recipient requests the transfer of funds to a state account for its immediate cash program needs.

still being identified and will be claimed in later years.

Given the expected drawdown activity, the Congress could take action on the 1991 budget similar to the adjustment it made last year. In the 1990 Appropriations Act, the Congress moved \$555 million of 1990 funds forward to 1992, allowing these funds to be used to pay for program costs for 1990 and future years. We believe that the 1991 budget could be reduced by \$537 million as proposed by the administration. The Congress could take the same action it took last year. It could move forward the \$537 million of 1991 funds to 1992 for states to use for program costs in 1991 and future years. Further, the \$555 million already appropriated for 1992 should not be rescinded at this time. Decisions about rescinding the \$537 million and the \$555 million should be made during next year's appropriation process, when we expect better state cost data to be available.

Before discussing the specific results of our work, I would like to provide a brief overview of the SLIAG program.

BACKGROUND

In 1986, the Congress passed IRCA (P.L. 99-603), instituting a major reform of our national immigration policy. The purposes of this legislation are to (1) reduce illegal immigration, (2) allow aliens who meet certain conditions to apply for lawful

residency in the United States, and (3) reimburse state and local costs--up to the federal appropriations--for health, education, and public assistance services provided to ELAs. States can be reimbursed for allowable services for 5 years from the date aliens applied for residency.

SLIAG funds help support services for ELAs in three major categories:

- Public assistance - provides cash, treatment services, or other assistance to meet the basic subsistence or health needs of individuals.

- Public health assistance - provides preventive services, such as immunizations and testing for tuberculosis and sexually transmitted diseases, that protect the health of the general population.

- Educational assistance - provides elementary, secondary, and adult educational services, including English language and civics instruction, to help eligible aliens function in society.

SLIAG funds available for state reimbursement may also be used to cover program administration, conduct outreach activities, and help prevent employer discrimination against ELAs.

The target population eligible for benefits and services includes aliens who entered the United States prior to 1982 (pre-82s). It also includes special agricultural workers (SAWs) and replenishment agricultural workers, commonly referred to as migrant or seasonal farm workers.

To be eligible for services, aliens were required to apply to the Immigration and Naturalization Service (INS) for residency. About 3 million aliens applied for residency (see att. III). Of this total, about 1.6 million pre-82s and 607,000 SAWs have been granted residency and nearly 55,000 pre-82 and 620,000 SAW applications are pending final action by INS. INS rejected the other applications.

The Department of Health and Human Services' (HHS's) Division of State Legalization Assistance reviews state SLIAG applications, interprets program regulations, develops policy guidance, and allocates grant funds among the states. It allocates funds based on the number of ELAs residing in each state and on the estimated costs for providing services.

SCOPE OF OUR WORK

We conducted work in California, Florida, Illinois, New York, and Texas, to (1) obtain estimated and actual SLIAG-related costs by program category, (2) determine methodologies used by states to

estimate costs, and (3) identify other factors that could significantly raise or lower cost estimates. Because of time constraints and the fact that the states were continuously updating their cost estimates, we were unable to verify the state figures. However, we reviewed the bases state officials used to prepare these estimates and HHS officials' rationale for reviewing and approving 1988 through 1990 state costs. The processes followed by state and HHS officials appear to be reasonable.

We have some concerns about state cost projections, but we do not believe they have a material impact on our conclusions. State estimates are based on (1) data derived from cost systems that are evolving, (2) limited empirical data, and (3) assumptions concerning utilization rates and INS adjudication decisions. As a result, these estimates may change and should not be considered precise forecasts of future costs.

ADEQUACY OF PROPOSED FUNDING THROUGH 1991

As mentioned earlier, the administration proposes to rescind about \$1.1 billion of the \$3.5 billion appropriation available to states to help defray their costs. As a result, about \$2.4 billion would be available to reimburse states for SLIAG costs through 1991. Based on estimates obtained from the five states in our review, it appears that costs may exceed this

amount (see att. II). However, it should be sufficient to cover anticipated drawdowns for all states through 1991. Drawdowns, which are the final step in the process of transferring federal grant funds to the states, typically lag behind expenditures. While drawdowns have increased in the past 5 months from about \$436 million to \$700 million (see att. IV), they would have to increase at a much faster rate to exceed \$2.4 billion by the end of 1991. Officials from the five states we visited told us they do not expect to draw down funds exceeding the amount which would be allocated to them under the administration's proposal through 1991.

Two factors help explain why states have drawn down only about a third of their 1988 and 1989 allocations to date (see att. V). First, HHS did not issue final regulations until March 1988 and guidelines for claiming costs until October 1988. States believe that many 1988 costs will never be documented because systems were not in place to gather much of the data needed to make claims. They plan to use any funds remaining from their 1988 allocations to pay for expenses expected later in the program.

Second, states are experiencing difficulties in developing methodologies to identify ELA participation in state and local programs and associated costs. In June 1989, HHS implemented a computer matching system that uses either Social Security numbers or alien registration numbers to document costs

associated with serving ELAs. HHS is working with the states to develop other acceptable methodologies, such as statistical sampling, for use in claiming costs. As a result, states are still identifying allowable costs that were incurred in 1988 and 1989.

FACTORS THAT COULD AFFECT STATE COST ESTIMATES

The actual costs incurred by the five states through 1991 could be different than estimated. Several factors could cause the estimates to increase or decrease. For example:

- The Immigration Nursing Relief Act of 1989 (P.L. 101-238) authorizes states to use SLIAG funds to conduct outreach efforts to inform the ELA population about health, education, and social services they are entitled to receive and the importance of identifying themselves as ELAs to enable states to seek reimbursement. It is difficult to determine whether these efforts will increase the number of ELAs seeking services.

- INS had not adjudicated about 620,000 SAW applications as of May 1990. These applicants must provide proof of agricultural employment. Providing such proof has been difficult for many SAWs. Depending on the

decisions rendered and assumptions used by the states in making their estimates, actual costs could increase or decrease.

-- About 35 court cases have been filed by social service agencies on behalf of approximately 75,000 to 100,000 aliens seeking ELA status. These aliens contend that they were unjustly denied lawful status for a variety of reasons and are seeking a remedy through court action. If these aliens obtain ELA status, states could obtain reimbursement under SLIAG for services provided to them.

-- Congressman Bruce A. Morrison introduced legislation (H.R. 4300) that would extend eligibility for medical care to as many as 1.5 million dependents of ELAs. Allowable medical costs will increase if this bill becomes law.

-- Under IRCA, to obtain permanent residence status, pre-82 ELAs must (1) demonstrate a basic understanding of English and civics or (2) show evidence they are making satisfactory progress towards attaining such an understanding by attending class. Although there is no similar requirement for SAWs to obtain permanent residency status, states estimate that some of them

are taking English and civics classes and that many in both groups will enroll in additional educational classes. States included the costs of these classes in their estimates. The states are encouraging continuing education through outreach programs and other means. If ELAs do not enroll in classes as projected, costs will be lower than estimated.

ADEQUACY OF FUNDING FOR 1992-94

States believe that their costs will eventually exceed the total SLIAG funds appropriated. However, it is difficult at this time to accurately estimate funding needs for 1992-94. States have only recently begun to project costs for this period.

Nevertheless, the \$2.4 billion proposed by the administration for the duration of the program does not appear to be sufficient to cover costs anticipated by the states. We expect better state cost data to be available by next year. Therefore, we believe any decision to rescind the \$537 million of 1991 funds and the \$555 million of 1992 funds should be delayed until next year's appropriation process.

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Mr. Chairman, this concludes my statement. I will be happy to answer any questions that you may have. Thank you.

SLIAG APPROPRIATIONS AND ADMINISTRATION
PROPOSALS--FISCAL YEARS 1988-92
(Dollars in thousands)

	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>Total</u>
Original appropriations	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000		\$4,000,000
Shift in funds			<555,244> ^a		\$555,244 ^a	0
Proposed reductions in funds				<537,403> ^b	<555,244> ^b	<1,092,647>
Sequester			<12,180>			<12,180>
Available	1,000,000	1,000,000	432,576	462,597	0	2,895,173
Federal costs	<71,500>	<101,500>	<131,479> ^c	<161,500> ^c	0	<465,979>
Total grants to states	<u>\$ 928,500</u>	<u>\$ 898,500</u>	<u>\$ 301,097</u>	<u>\$ 301,097</u>	<u>\$ 0</u>	<u>\$2,429,194</u>

Source: HHS's Division of State Legalization Assistance, and 1990 and 1991 budget requests.

^aThe 1990 Labor, HHS, and Education Appropriations Act reduced the 1990 appropriation by \$555,244,000 and appropriated this amount for 1992.

^bThe administration's 1991 budget proposes to rescind this amount.

^cHHS estimate based on fourth quarter 1989 allocations.

PROJECTED STATE SLIAG COST ESTIMATES AND
ALLOCATIONS--FISCAL YEARS 1988-91
(Dollars in millions)

<u>State</u>	<u>Estimated costs</u>					<u>GAO projected allocations^a</u>
	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>Total</u>	
California	\$152	\$503	\$689	\$680	\$2,024	\$1,453
Florida	7	18	22	19	66	189
Illinois	6	22	33	34	95	102
New York	64	78	82	78	302	119
Texas	<u>21</u>	<u>67</u>	<u>87</u>	<u>82</u>	<u>257</u>	<u>274</u>
Subtotal	<u>250</u>	<u>688</u>	<u>913</u>	<u>893</u>	<u>2,744</u>	<u>2,137</u>
Remaining States ^b	<u>34</u>	<u>94</u>	<u>125</u>	<u>122</u>	<u>374^c</u>	<u>291</u>
Total	<u>\$284</u>	<u>\$782</u>	<u>\$1,038</u>	<u>\$1,015</u>	<u>\$3,118^c</u>	<u>\$2,428^d</u>

Source: Projected costs provided by state officials.

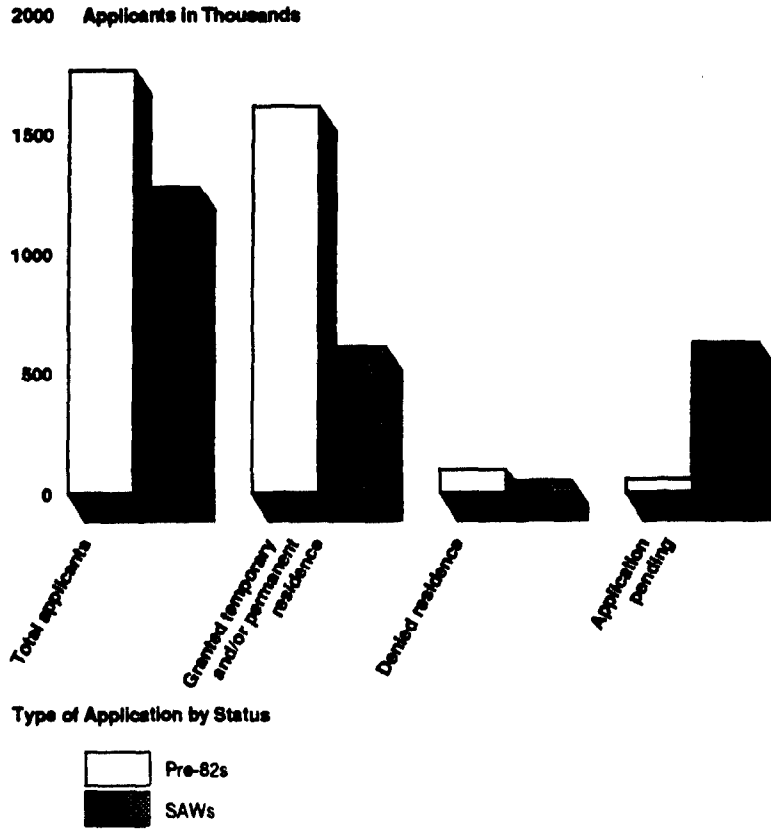
^aAllocations are GAO's projections based on the administration's proposed funding and each states' share of total grant funds they received in 1988 and 1989.

^bThese projected costs and allocations are for the remaining participating 35 states, the District of Columbia, and Puerto Rico. They are based on their share of 1988 and 1989 allocations.

^cTotals do not add due to rounding.

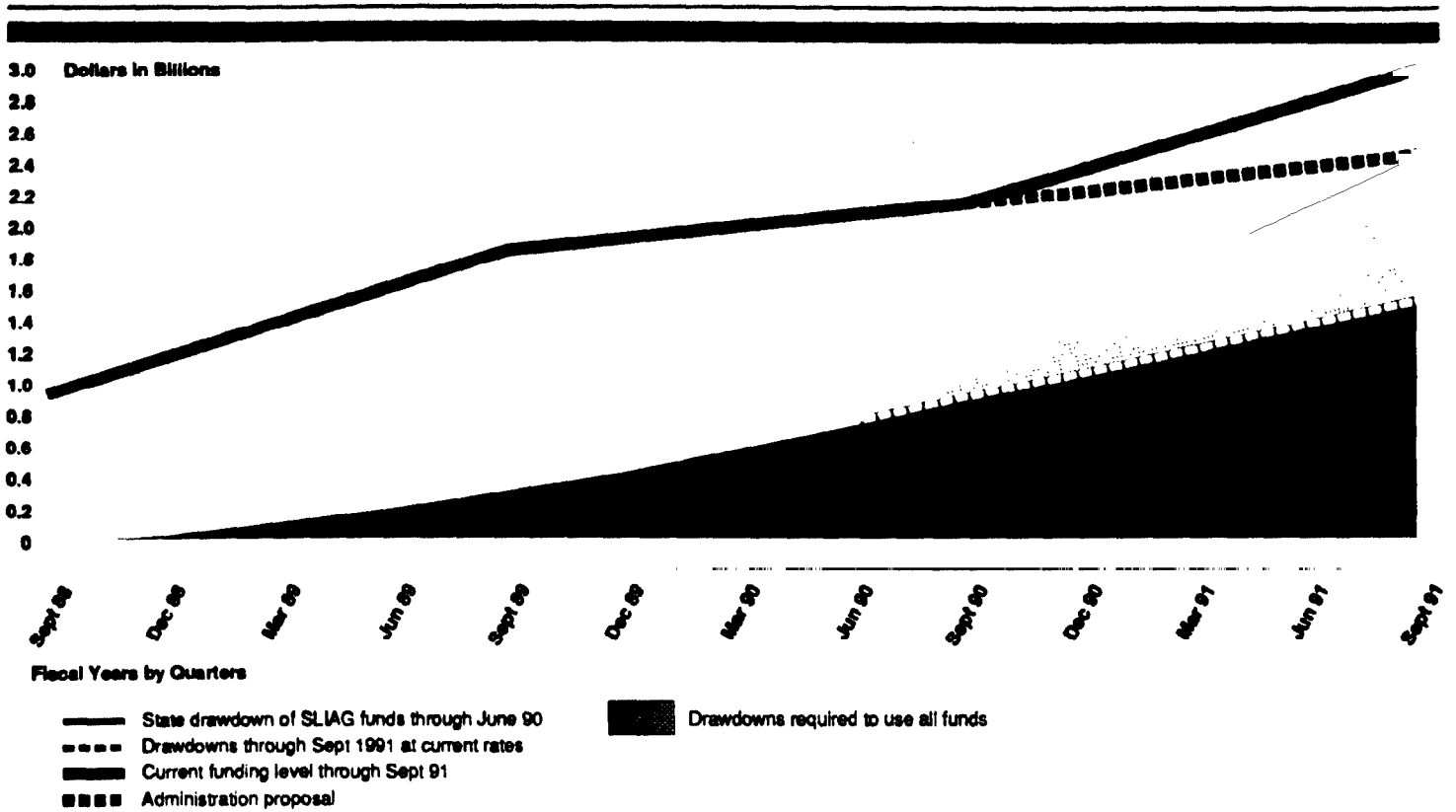
^dTotal does not equal administration's proposed funding level due to rounding.

LEGALIZATION APPLICANTS BY TYPE OF APPLICATION AND STATUS (MAY 1990)



Source: Legalization Application Processing System, Immigration and Naturalization Service.

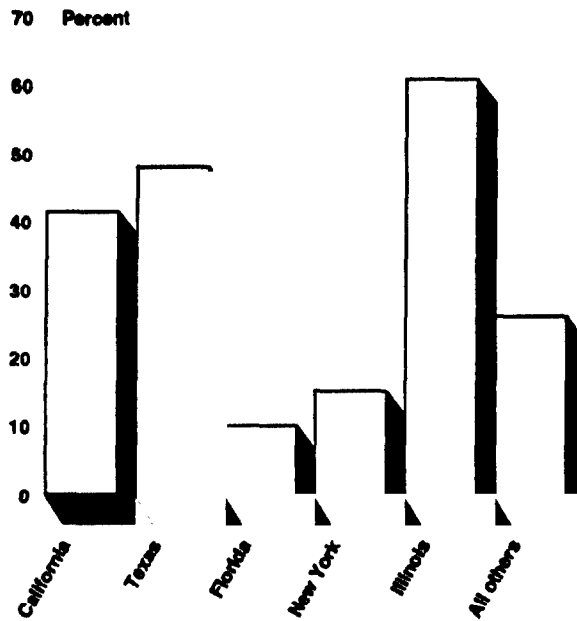
STATE DRAWDOWNS OF SLIAG
FUNDS AND GRANT FUNDING LEVELS



Note: We estimated drawdowns for the quarter ending June 1990 using the monthly drawdown rates during the preceding 5 months.

Source: HHS's Division of State Legalization Assistance.

PERCENTAGE OF 1988-89
ALLOTMENT DRAWDOWNS (MAY 1990)



Source: HHS's Division of State Legalization Assistance.