

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 Mariana Islands, and American Samoa.¹ Social welfare programs discussed in this chapter provide retirement and disability benefits, financing of health care, 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 Bruno & 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 U.S. Census Bureau publication *Consolidated*

Continued

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	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 1999.

Federal Funds Report. 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.

TABLE 12-2.—FEDERAL-STATE SOCIAL WELFARE PROGRAMS IN THE TERRITORIES, FISCAL YEAR 1999

Program	Puerto Rico		Virgin Islands		Guam		Northern Mari- anas		American Samoa		
	Eligi- ble	Partici- pating	Eligi- ble	Partici- pating	Eligi- ble	Partici- pating	Eligi- ble	Partici- pating	Eligi- ble	Partici- pating	
Unemployment compensation:											
Unemployment Compensation	Yes	Yes	Yes	Yes	No	NA	No	NA	No	NA	
Public assistance and related programs:											
Temporary Assistance for Needy Families	Yes	Yes	Yes	Yes	Yes	Yes	No	NA	Yes	No	
Aid to the Aged, Blind, or Disabled	Yes	Yes	Yes	Yes	Yes	Yes	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	No	NA	Yes	No	
Medical assistance:											
Medicaid	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
State Children's Health Insurance Program	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Maternal and Child Health Block Grant	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Social and support services:											
Child Care and Development Block Grant	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Social Services Block Grant (title XX)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Older Americans Act	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Food and nutrition assistance:											
Food Stamp Program	No	NA	Yes	Yes	Yes	Yes	No	NA	No	NA	
Nutrition Assistance Block Grant (Puerto Rico) and special 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	
Special Supplemental Nutrition Program for Women, Infants, and Children (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	

TABLE 12-2.—FEDERAL-STATE SOCIAL WELFARE PROGRAMS IN THE TERRITORIES, FISCAL YEAR 1999—Continued

Program	Puerto Rico		Virgin Islands		Guam		Northern Mari- anas		American Samoa	
	Eligi- ble	Partici- pating	Eligi- ble	Partici- pating	Eligi- ble	Partici- pating	Eligi- ble	Partici- pating	Eligi- ble	Partici- pating
Job Training Partnership Act	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Child protection:										
Child welfare services (title IV-B part 1)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Promoting Safe and Stable Families	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Child Abuse Prevention and Treatment Act	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

NA—Not applicable.

Source: Congressional Research Service.

**EXPENDITURES FOR SELECTED SOCIAL WELFARE
PROGRAMS IN THE TERRITORIES**

Table 12-3 shows Federal expenditures for selected social welfare programs in the territories. For some Federal-State programs, such as Medicaid, State Children's Health Insurance Program (SCHIP), child support, and the programs for the aged, blind, and disabled, the table shows the Federal share of expenditures. The territories are required to match Federal expenditures with their own funds. (The territory's match is not shown.) For programs that make direct payments to individuals such as Social Security and Medicare, Federal outlays represent the total amount spent by the program in the territories.

TABLE 12-3.—FEDERAL FUNDING FOR SOCIAL WELFARE PROGRAMS IN THE
TERRITORIES, FISCAL YEAR 1998

[In thousands of dollars]

	Puerto Rico	Guam	Virgin Islands	Northern Marianas	American Samoa
Social insurance:					
Social Security	\$3,439,770	\$69,121	\$86,978	\$6,989	\$21,003
Medicare	1,111,074	1,088	19,273	(1)	(1)
Unemployment Compensation	281,781	NA	4,653	NA	NA
Public assistance:					
Supplemental Security Income	NA	NA	NA	2,979	NA
Aid to the Aged, Blind, or Disabled	12,940	1,300	532	NA	NA
Temporary Assistance for Needy Families	UA	UA	UA	NA	NA
Child Support Enforcement	18,170	3,021	1,608	NA	NA
Foster Care and Adoption Assistance	² NA	NA	NA	NA	NA
Health care for low-income persons and families:					
Medicaid	167,000	5,090	5,260	1,810	1,810
SCHIP	9,836	376	279	118	129
Social and support services:					
Social Services Block Grants	³ 12,310	³ 410	³ 410	³ 83	³ 89
Child Care and Development Block Grants	³ 23,355	³ 2,136	³ 1,306	³ 586	³ 984
Older Americans Act Programs	³ 7,944	³ 2,051	³ 2,051	³ 518	³ 1,202

TABLE 12-3.—FEDERAL FUNDING FOR SOCIAL WELFARE PROGRAMS IN THE TERRITORIES, FISCAL YEAR 1998—Continued

[In thousands of dollars]

	Puerto Rico	Guam	Virgin Islands	Northern Marianas	American Samoa
Older Americans Act Programs (Department of Agriculture nutrition programs)	³ 6,609	³ 1,412	³ 1,215	³ 369	³ 721
Nutrition assistance:					
Food stamps	NA	35,952	24,595	NA	NA
Nutrition Assistance Block Grant (Puerto Rico) and grants for food-stamp-like programs	³ 1,204,000	NA	NA	³ 5,100	³ 5,300
Child nutrition	157,617	5,101	6,873	³ 3,550	³ 7,945
WIC	³ 145,908	³ 5,902	³ 6,043	NA	³ 4,785

¹ Less than \$500 in reported expenditures.² Puerto Rico began participating in the Foster Care Program in fiscal year 1999.³ Grant award or obligations rather than expenditures.

Note.—UA denotes unavailable data. NA denotes not applicable to the territory either because it is ineligible or eligible but not participating in the program (see table 12-2).

Source: For programs providing direct payments for individuals (Social Security, Medicare, and Supplemental Security Income) and Unemployment Compensation, U.S. Bureau of the Census, Consolidated Federal Funds Report: 1998 (April 1999). Aid to the Aged, Blind, or Disabled, Child Support Enforcement, Social Services Block Grant, Child Care and Development Block Grant, Medicaid, SCHIP, and Older Americans Act data are from the U.S. Department of Health and Human Services. Nutrition assistance (and Older Americans Act Department of Agriculture nutrition programs) are from the U.S. 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.

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 Aid to the Aged, Blind, or Disabled.

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 limits on food stamp eligibility for 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 many noncitizens are 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.

PUBLIC ASSISTANCE PROGRAMS

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).

Table 12-4 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 State family assistance grant 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.

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 the Welfare-to-Work Grant Pro-

gram, bonuses for high performance and reductions in out-of-wedlock births, and evaluations.

TANF operates in three territories: Puerto Rico, Guam, and the Virgin Islands. American Samoa is eligible to operate TANF but has declined to participate. All three territories failed to meet fiscal year 1998 TANF work participation standards for all families (the only jurisdictions to do so). Guam, the only territory of the three that assists two-parent families, also failed to meet fiscal year 1998 TANF work participation standards for two-parent families. All three territories have adopted the Federal 60-month time limit. They have retained many features of their former Aid to Families with Dependent Children (AFDC) Programs, including the former Federal AFDC earnings disregards. Puerto Rico, Guam, and the Virgin Islands operate adult assistance programs for the aged, blind, and disabled (the Northern Marianas are in the Supplemental Security Income Program). Only Puerto Rico claimed Federal funding under title IV-E for foster care.

TABLE 12-4.—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	0	1,000	1,000

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

Source: Congressional Research Service.

Puerto Rico

Puerto Rico's TANF Program requires work within 24 months, lowered to 6 months for those judged work-ready. Exempt from work requirements are single parents caring for children under the age of 1; adults age 60 or older; pregnant women in their last quarter of pregnancy; and disabled persons. As of January 1, 2000, the TANF resource limit for eligibility is \$2,000 with the first \$4,000 of the equity value of a vehicle excluded. The maximum monthly benefit for a family of three (including the maximum shelter allowance) is \$180.

Puerto Rico's programs of assistance to needy aged, blind, and disabled adults (that operate there instead of SSI) also have a resource limit of \$2,000. The income eligibility limit for assistance for this program is \$64 monthly, with a maximum benefit of \$32 per person per month.

Guam

The TANF Program in Guam requires community service after 2 months for those not exempt from work activities. Exempt from work requirements are single parents caring for a child under the

age of 1; adults age 60 or older; or those ill or disabled. As of January 1, 2000, the TANF resource limit for eligibility is \$2,000. The entire value of one licensed vehicle is excluded for one-parent households. The entire value of two licensed vehicles is excluded for two-parent households. The maximum monthly benefit is \$240. Guam's program of aid to needy persons who are aged, blind, or disabled (that operates there instead of SSI) has an asset eligibility limit of \$2,000. Income eligibility limits and maximum monthly benefits for a single aged person is \$420 and for a couple is \$537.

Virgin Islands

The Virgin Island's TANF Program requires work within 24 months (as required by Federal law). Exempt from work are single mothers caring for a child under 6 months of age. As of January 1, 2000, the asset eligibility limit is \$1,000 with \$1,500 of the equity value of a vehicle excluded. The maximum monthly benefit for a family of three is \$240. The Virgin Island's programs of aid to needy aged, blind, and disabled persons also have an asset eligibility limit of \$1,000. Monthly income eligibility limits and benefits for these programs is \$120 per month per person.

HEALTH PROGRAMS

MEDICAID

Financing

In the 50 States and the District of Columbia, Medicaid is an individual entitlement. There are no limits on the Federal payments for Medicaid as long as the State is able to contribute its share of the matching funds. In contrast, Medicaid Programs in the territories are subject to spending caps. Table 12-5 shows Medicaid caps for fiscal years 1983-2000 for each of the territories. For fiscal year 1999 and subsequent fiscal years, these caps are increased by the percentage change in the medical care component of the Consumer Price Index (CPI-U) for All Urban Consumers (as published by the Bureau of Labor Statistics). The Federal 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.

Administration of Medicaid Programs in the territories

The territories operate their Medicaid Programs under rules different from those that apply to the 50 States and the District of Columbia. The territories are not required to cover the same eligibility groups and they use different financial standards (income and assets tests) in determining eligibility. For example, Medicaid requires States to cover certain mandatory eligibility groups such as poverty-related pregnant women and children, qualified Medicare beneficiaries, and specified low-income Medicare beneficiaries. For the territories, on the other hand, coverage of these groups is optional. Furthermore, because the territories must operate their programs under funding caps, the Health Care Financing Administration is more flexible in its oversight of Medicaid Program rules and regulations with regard to services required to be covered by

the plan. Finally, the territories are exempt from the requirement to offer program beneficiaries freedom of choice of providers. However, the territories are required to meet certain rules that apply to the States. For example, with regard to rules about amount, duration, and scope of covered services, the territories must meet the same standards that apply to the States and the District of Columbia so long as they are using Federal matching payments for their services.

TABLE 12-5.—MEDICAID FEDERAL SHARE LIMITS, FISCAL YEARS 1983-2000

Fiscal year	Puerto Rico	Guam	Virgin Islands	Northern Marianas	American Samoa
1983	\$45,000,000	\$1,400,000	\$1,500,000	\$350,000	\$750,000
1984-1987	63,400,000	2,000,000	2,100,000	550,000	1,150,000
1988	73,400,000	2,320,000	2,430,000	636,700	1,330,000
1989	76,200,000	2,410,000	2,515,000	693,350	1,390,000
1990-1992	79,000,000	2,500,000	2,600,000	750,000	1,450,000
1994	116,500,000	3,685,000	3,837,500	1,110,000	2,140,000
1995	122,200,000	3,870,000	4,030,000	1,160,000	2,240,000
1996	128,100,000	4,060,000	4,220,000	1,220,000	2,350,000
1997	133,000,000	4,210,000	4,380,000	1,270,000	2,440,000
1998	167,000,000	5,090,000	5,260,000	1,810,000	3,010,000
1999	171,500,000	5,230,000	5,400,000	1,860,000	3,090,000
2000	177,500,000	5,410,000	5,590,000	1,930,000	3,200,000

Source: Table prepared by the Congressional Research Service based on data from the Health Care Financing Administration.

*Puerto Rico.*⁴—Puerto Rico uses its own poverty level (the Commonwealth poverty level) to determine eligibility for the program. The Commonwealth poverty level of \$8,220 per year for a family of four in 1998, is substantially lower than the mainland level. The Medicaid Program extends coverage to both the categorically needy (AFDC and TANF-related groups) and the medically needy. Puerto Rico does not have an SSI Program, but SSI-related eligibility groups such as Old-Age Assistance, Aid to the Blind, Aid to the Permanently and Totally Disabled, and so forth, do exist. The medically needy income level for a family of four is \$8,220 with a resource level of \$900. The yearly categorically needy income standard for a family of four is \$1,536. Mandatory and many optional services are covered.

In addition to their Medicaid Program, Puerto Rico provides Medicaid services to its medically indigent population with “territory-only” funding. One hundred percent of the Commonwealth’s poverty level is the income standard used to determine Medicaid eligibility for federally supported applicants; 200 percent of that level is the income standard for the “State-only” Medically Indigent Program.

Guam.—Guam’s Medicaid Program claims Federal funds only for covered services to the categorically needy. The medically needy

⁴Medicaid Program descriptions come from the U.S. Department of Health and Human Services, Health Care Financing Administration, *Jurisdictional Summit*, October 27-28, 1999, Bethesda, MD.

were included until October 1984, but now are covered with territorial funds only. Guam has chosen to cover certain optional categorical groups, and does pay Medicare premiums (i.e., buy-in) for individuals entitled to both Medicare and Medicaid. All mandated services, except rural health clinics and nurse-midwife services, are provided, as well as many optional services. When these services are not available on Guam, but are medically necessary, off-island services including transportation are provided. Almost all patients are sent to Hawaii, or occasionally to California. All off-island care, except emergency care, must be preapproved and is based on negotiated rates.

Virgin Islands.—The Virgin Islands' Medicaid Program covers the categorically and medically needy. The Virgin Islands does not have an SSI Program, but the mainland eligibility classifications of Aid to the Blind, Old-Age Assistance, and Aid to the Permanently and Totally Disabled also exist. The Virgin Islands does not cover poverty-level eligibility groups, but their Medicaid does pay Medicare premiums (i.e., buy-in) for those eligible for both programs. The medically needy income level for a family of four is \$8,500 with a resource level of \$1,800; the categorically needy standard for a family of four is \$3,156. Mandatory and many optional services are provided. Medicaid beneficiaries requiring services not available within the islands are sent to Puerto Rico or the mainland for care.

Commonwealth of the Northern Mariana Islands (CNMI).—CNMI is the only U.S. territory which has SSI, and its entire Medicaid Program is based on SSI requirements. All individuals receiving SSI cash payments are eligible for Medicaid simply by filling out an application. In addition, although CNMI does not have a medically needy program as such, anyone can spend down to become eligible for any month in which medical costs reduce income to the appropriate level. CNMI does pay Medicare premiums (i.e., buy-in) for dually entitled individuals. All mandated services, except rural health clinics and nurse-midwife services, are provided, as well as several optional services. Within CNMI almost all health care, inpatient or outpatient, is provided by the Commonwealth Health Center on Saipan. Certain covered services, such as nursing facility and home health services are only available off-island. For medically necessary care which cannot be provided in CNMI, patients are sent to Guam, Hawaii, or occasionally the mainland—generally to California.

American Samoa.—In American Samoa, Medicaid eligibility determinations are based on a system they call “presumptive eligibility.”⁵ Annually, American Samoa estimates the number of individuals who fall below an estimated-needs or poverty level. Individuals whose income falls below this level are determined to be poor and are thus eligible for the territory's Medicaid Program. The poverty level for American Samoa is computed by multiplying the poverty level for the United States, as determined by the Office of Management and Budget, by the lower of (1) the ratio of American

⁵Presumptive eligibility under Medicaid and SCHIP normally means a period of time for which a person is “presumed eligible” for Medicaid or SCHIP benefits. During this time, services may be rendered and billed to the Medicaid or SCHIP Program with the understanding that an official eligibility determination will be made and the beneficiary will be properly enrolled shortly after receiving services. American Samoa uses the term “presumptive eligibility” to refer to its process for setting its income eligibility limit for coverage under its Medicaid Program.

Samoa's median income to the U.S. median income or (2) the ratio of the territory's median income to that of the State receiving the highest Federal match rate, and then adjusting this computation by a deflator factor. The number of "presumed eligibles" are determined by comparing census data, previous year tax returns, or survey data with the estimated poverty levels.

All mandated services except rural health clinics, early and periodic screening, diagnosis, and treatment, and nurse-midwife services are covered; however, nursing facility services and home health are not provided on-island. American Samoa also provides coverage for a number of optional services. Other practitioner services and private duty nursing are provided off-island. Off-island services are generally provided in Hawaii, or occasionally on the mainland.

STATE CHILDREN'S HEALTH INSURANCE PROGRAM

Financing

All of the territories have chosen to participate in the State Children's Health Insurance Program (SCHIP) created in the Balanced Budget Act of 1997 (Public Law 105-33). Each has an approved State plan and will match their Federal program dollars with territory funds. Except for a special rule for funding, SCHIP 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 the total available funding. Of this total Puerto Rico receives 91.6 percent of the set-aside, Guam receives 3.5 percent, the Virgin Islands receives 2.6 percent, American Samoa's share is 1.2 percent, and the Northern Mariana Islands receives 1.1 percent (table 12-6).

The fiscal year 1999 Omnibus Appropriations Act provided an additional \$32 million in appropriations for the territories only for that year. These additional funds brought the fiscal year 1999 Federal share available to the territories for SCHIP to \$42.69 million. In fiscal year 2000, the territories will share (as specified above) \$44.89 million, consisting of their original fiscal year 2000 allotment plus an additional sum of \$34.20 million provided by the fiscal year 2000 Omnibus Appropriations Act.

Administration of SCHIP Programs in the territories

All territories have opted to use their SCHIP funds to expand their Medicaid Programs. As noted above, the territories' Medicaid Programs operate under a cap on their regular Medicaid expenditures. Once those caps are reached, the territories provide coverage to eligible children with territory-only funds.⁶ Guam, American Samoa, the Northern Marianas and the Virgin Islands (not Puerto Rico) may use SCHIP funds to cover Medicaid eligible children after their Medicaid Federal caps have been exhausted.⁷ Puerto

⁶Under an interpretation of the law by the U.S. Department of Health and Human Services, funds provided by SCHIP to expand Medicaid Programs do not count against the caps on Medicaid funding.

⁷This is under the Health Care Financing Administration's interpretation of section 2110(b)(3) of the Social Security Act that waives the rule that SCHIP funds can be used only for children ineligible for Medicaid or a group health plan if that coverage was provided by a health insurance program that was in operation before July 1, 1997, and received no Federal funding.

Rico may use SCHIP funds to insure eligible children between 100 and 200 percent of the Commonwealth poverty level. Finally, the territories are different from the 50 States and the District of Columbia in their reporting requirements for their SCHIP Programs. Under rules proposed by the U.S. Department of Health and Human Services (DHHS), the territories are exempt from the definition of a "State" for the purposes of the requirements of quarterly statistical reporting. In each of the territories, the benefit package for the title XXI program is the same as is offered by the Medicaid Program.

TABLE 12-6.—SCHIP FINANCIAL PROGRAM INFORMATION, FISCAL YEARS 1998 AND 1999

Territory	Total Federal allotment in dollars	Enhanced Federal medical assistance percentage	Required State match for maximum Federal dollars	Federal dollars for each territory dollar	Potential total program expenditures (Federal share + territories)
Fiscal year 1998					
Puerto Rico	\$9,835,550	65.00	\$5,296,065	1.86	\$15,131,731
Guam	375,813	65.00	202,361	1.86	578,289
Virgin Islands	279,175	65.00	150,325	1.86	429,615
Northern Marianas	118,113	65.00	63,599	1.86	181,828
American Samoa	128,850	65.00	69,381	1.86	198,346
Fiscal year 1999					
Puerto Rico	39,101,750	65.00	21,054,788	1.86	60,156,538
Guam	1,494,063	65.00	804,495	1.86	2,298,558
Virgin Islands	1,109,875	65.00	597,625	1.86	1,707,500
Northern Marianas	469,563	65.00	252,842	1.86	722,405
American Samoa	512,250	65.00	275,827	1.86	788,077

Source: Table prepared by the Congressional Research Service based on data from the Health Care Financing Administration.

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 U.S. Department of Health and Human Services 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.⁸ DHHS permits these areas to submit a single report in lieu of individual reports required for the individual programs.

CERTAIN TAX PROVISIONS THAT AFFECT LOW-INCOME FAMILIES WITH CHILDREN⁹

Residents of Puerto Rico are 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 credit (EIC) 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 EIC and the DCTC of the Federal Tax Code because their territorial tax systems “mirror” the Federal income tax. Territories generally use the Federal income tax system as their own, though residents 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 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 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 corporations 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.

⁸See 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).

⁹For a general discussion of the application of Federal taxes in the territories see Brumbaugh (1994).

REFERENCES

- Brumbaugh, D.L. (1994, June). *Federal taxes and the territories: An overview* (CRS 94-498E). Washington, DC: Congressional Research Service.
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