100th Congress
2d Session

COMMITTEE PRINT

S. PRT.
100-96

THE PRESIDENT'S FISCAL YEAR 1989 BUDGET PROPOSAL: HOW IT WOULD AFFECT PROGRAMS FOR OLDER AMERICANS

AN INFORMATION PAPER

PREPARED BY THE STAFF OF THE

SPECIAL COMMITTEE ON AGING
UNITED STATES SENATE

APRIL 1988

Serial No. 100-G

This document has been printed for information purposes. It does not offer findings or recommendations by this committee.

U.S. GOVERNMENT PRINTING OFFICE

83-349 WASHINGTON : 1988

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

83-349 O - 88 - 1

SPECIAL COMMITTEE ON AGING

JOHN MELCHER, Montana, *Chairman*

JOHN GLENN, Ohio	JOHN HEINZ, Pennsylvania
LAWTON CHILES, Florida	WILLIAM S. COHEN, Maine
DAVID PRYOR, Arkansas	LARRY PRESSLER, South Dakota
BILL BRADLEY, New Jersey	CHARLES E. GRASSLEY, Iowa
QUENTIN N. BURDICK, North Dakota	PETE WILSON, California
J. BENNETT JOHNSTON, Louisiana	PETE V. DOMENICI, New Mexico
JOHN B. BREAUX, Louisiana	JOHN H. CHAFEE, Rhode Island
RICHARD SHELBY, Alabama	DAVE DURENBERGER, Minnesota
HARRY REID, Nevada	ALAN K. SIMPSON, Wyoming

MAX I. RICHTMAN, *Staff Director*
G. LAWRENCE ATKINS, *Minority Staff Director*
CHRISTINE DRAYTON, *Chief Clerk*

CONTENTS

FOREWORD

For the first time in recent memory, the President has submitted a budget that has not been characterized as dead on arrival. This is an encouraging development as it should enable the Congress to work much more cooperatively with the Administration in crafting a budget compromise that reflects the need to reduce the Federal deficit, while providing for the basic human needs of our population.

Although the Administration's fiscal year 1989 budget proposal represents a much more realistic budget approach than previous year's submissions, it still has some noticeable and unacceptable blemishes that must be addressed before a final budget emerges from the Congress. Particularly ill-advised proposals include those that would decimate Federal housing programs, breach the 1987 Budget Summit agreement by calling for additional Medicare and Medicaid cuts, and cut needed Federal support of the Low Income Home Energy Assistance Program. As the Congress crafts its budget alternative, it must not turn its back on these and other important programs that provide essential services for the elderly.

This report summarizes the Administration's proposed fiscal year 1989 budget and its impact on older Americans. It was prepared by the staff of the U.S. Senate Special Committee on Aging. Figures used in this report are based predominantly on current budget projections by the Congressional Budget Office.

Chapter 1—Health

MEDICARE

The Program

Established in 1965, the Medicare Program is designed to provide insurance protection against short-term illness. Part A of Medicare, the Hospital Insurance component, pays for inpatient hospital and hospice care, short-term stays in skilled nursing facilities, and a limited amount of home health services. It is financed primarily through a special payroll deduction included as part of the Social Security tax. Part B of the program, the Supplemental Medical Insurance component, pays for physician, hospital outpatient and laboratory services, and treatment of end-stage renal disease. Financing for Part B is through general revenues and premium payments from beneficiaries who elect to buy the coverage. Approximately 95 percent of Medicare beneficiaries choose to buy Part B coverage.

In 1989, an estimated 30 million elderly and 3 million disabled persons will be eligible for Medicare. Despite the important protection that Medicare provides, it covers less than half of all personal health care expenditures for the elderly. Fiscal year 1988 Medicare outlays are estimated to total $88.9 billion.

MEDICARE

[Outlays in billions]

	Fiscal year 1988	Fiscal year 1989	
		Current services	Proposed
Administration	$78.9	$85.3	$84
CBO	80.1	87	86

ADMINISTRATION'S PROPOSED FISCAL YEAR 1989 BUDGET

The President's fiscal year 1989 proposed budget provides $86 billion in outlays for the Medicare Program, approximately $1 billion below the amount needed to maintain the fiscal year 1988 level of services. Over a 5-year period, these proposed cuts would total an estimated $14.6 billion. As a rationale, the Administration contends that the savings enacted in the program in accordance with the 1987 bipartisan budget summit with the Congress were not sufficient to meet the terms of that agreement. (The agreement provided that Medicare expenditures were to be reduced by a total of $5.5 billion in fiscal years 1988 and 1989. As estimated by CBO, these targets were subsequently exceeded by $400 million in legislation enacted in the Omnibus Budget Reconciliation Act of 1987, Public

Law 100-203.) Disputing the extent of these savings, the Administration has proposed additional reductions of $980 million in Part A and nearly $240 million in Part B, a total of $1.2 billion.

Beneficiary impact

The Administration's fiscal year 1989 budget would permanently fix Medicare Part B premiums at 25 percent of the program's costs. Under the current law, premiums are required to fund 25 percent of Part B costs only through 1989, after which, premiums amounts will be tied to the Social Security cost-of-living adjustment [COLA]. As program costs are projected to rise at a significantly faster rate than the COLA, this proposal would cost Part B beneficiaries an additional total of $6.9 billion through 1993.

Provider impact

A number of proposals to reduce reimbursements to providers by $1.4 billion in fiscal year 1989 are included in the Administration's budget. Over a 5-year period, these proposals would amount to $9.6 billion in cuts. Key provisions include:

Physician Services.—Payments to physicians would be reduced by $53 million in fiscal year 1989 by placing cost controls beyond those recently enacted by Public Law 100-203 for surgical procedures considered to be overpriced. (Under Public Law 100-203, payments for overpriced procedures generally were reduced by 2 percent.) The Administration proposes to cut payments by an additional 5 percent. Five-year savings are estimated at $505 million. In addition, payments to cover radiologist and anesthesiologist fees would be reduced by 10 percent in fiscal year 1989, resulting in 1-year savings of $156 million and 5-year savings of $1.5 billion.

Medical Equipment.—Payments for durable medical equipment (i.e., wheelchairs, hospital beds, etc.), oxygen supplies, and renal dialysis services would be reduced by $95 million in fiscal year 1989 and by $855 million over the next 5 years. In addition, proposed changes to the way in which suppliers of home dialysis products are paid would save an estimated $55 million in fiscal year 1989 and $585 million through fiscal year 1993. Similarly, payments to suppliers of enteral products and equipment (i.e., nutritional products and medical equipment designed for those who are unable to ingest food) would be cut by an estimated $20 million and $120 million in fiscal year 1989 and over the next 5 years, respectively.

Medical Education.—Payments to hospitals for the direct costs of medical education—namely, residents and teachers salaries and classrooms expenses—would be reduced by $60 million in fiscal year 1989 and $440 million over a 5-year period. Proposed cuts for payments for the indirect costs of medical education—the costs of additional tests and procedures prescribed for purposes of learning—would be reduced by an estimated $900 million in fiscal year 1989 and $5.3 million over a 5-year period.

Peer review organizations (PRO's)

Funding for PRO's, which monitor utilization and quality of care, would be increased by almost 70 percent, from $131 million to $322 million. The proposed increase would fund implementation of new quality control measures, including substandard care review, preadmission review for certain frequently performed surgical procedures, and review of second surgical opinions.

Other quality control efforts

The 1989 budget submission requests would freeze at $66 million funding for the inspection of skilled nursing facilities and hospices under Medicare and the certification of a number of new facilities.

Coverage of State and local employees

As a revenue raising measure, the President's budget would mandate Medicare coverage of all State and local employees. Under current law, only employees hired after March 31, 1986, are required to pay the Medicare payroll tax and thus are assured Medicare coverage. By extending the Medicare payroll tax of 1.45 percent to noncovered workers, an additional $1.5 billion in fiscal year 1989 and $9.2 billion over the next 5 years in revenues would flow to the Medicare trust funds. As a result of the increased number of beneficiaries, outlays would rise by an estimated $55 million over this same period.

Fiscal intermediaries

Under the President's budget, Medicare's fiscal intermediaries would receive $100 million above the fiscal year 1988 level. This increase would fund intensified medical reviews, prepayment screens, prepayment quality reviews, and other measures aimed at reducing the volume of services provided by certain physicians.

Catastrophic care

In anticipation of enactment in 1988 of the Medicare catastrophic care legislation, the budget would establish a contingency fund of $112.4 million for implementation of the measure.

Administrative expenditures

The President's 1989 budget would provide an increase of $250 million per year for Medicare contractors to process claims.

MEDICAID

The Program

In 1965, the Medicaid Program was established to help States finance health care for needy individuals, including supplemental care for needy elderly persons who qualify for Medicare. The Health Care Financing Administration [HCFA] administers the program (in addition to the Medicare Program). Based on the number of Medicaid beneficiaries and the relative per capita income in each State, Federal matching funds provide 50 to 83 percent of the State's health care costs and between 50 to 90 percent of the administrative costs of the program.

In fiscal year 1988, Federal expenditures of $30.5 billion are estimated for Medicaid. A total of 24.2 million needy individuals, of which 3.5 million are elderly, are expected to be provided health care under this program in the fiscal year.

MEDICAID

[Outlays in billions]

	Fiscal year 1988	Fiscal year 1989	
		Current services	Proposed
Administration	$30.7	$33.7	$32.7
CBO	30.5	33.8	33.4

Administration's Proposed Fiscal Year 1989 Budget

The President's fiscal year 1989 budget includes $33.8 billion in Federal outlays for the Medicaid Program. Proposed regulatory changes would reduce program expenditures by a total of $413 million in fiscal year 1989 and by $2.5 billion over the next 5 years. (In accordance with the 1987 bipartisan budget summit, the President has not proposed legislation to reduce program spending.)

Proposed regulatory changes:

Lien and Estate Recovery.—HCFA would issue regulatory guidelines to encourage States to recover Medicaid payments from the estate and remaining assets of individuals who transfer their assets to others in order to meet the low-income eligibility criterion under Medicaid. Estimated savings in fiscal year 1989: $5 million.

Medically Needy Income Level.—The medically needed income level, which is used to determine eligibility for the class of Medicaid beneficiaries covered at State option, would be held to 133⅓ percent of the amount ordinarily paid under the Aid for Families with Dependent Children to an individual. This change would eliminate coverage of some beneficiaries, resulting in an estimated reduction in fiscal year 1989 Medicaid expenditures of $45 million.

Ambulatory Surgery.—HCFA would propose new rules to promote States to adopt use of ambulatory surgery and same-day surgery, and preadmission testing. Athough the Administration estimates savings of $31 million in fiscal year 1989, CBO projects that this proposed rule would have no impact on expenditures.

Nonmedical Care of Retarded Individuals.—Coverage of mentally retarded individuals in intermediate care facilities would no longer include nonmedical care. Savings of $95 million would result in fiscal year 1989.

Computerized Information Systems.—Eligibility for Federal matching funds for computerized Medicaid management systems would be narrowed. Estimated savings in fiscal year 1989 are $80 million.

Donations.—New HCFA regulations would limit Federal matching of Medicaid funds to States whose share is provided by private donations. (The potential impact of the proposed change appears to be limited to West Virginia.) Savings of $176 million are estimated in fiscal year 1989.

NATIONAL INSTITUTES OF HEALTH

The Program

Established more than a century ago, the National Institutes of Health [NIH] conducts and supports research aimed at improving the health of all Americans. It is the principal biomedical research agency of the Federal Government and encompasses 10 member institutions which focus on areas of special concern to the Nation's older population. In fiscal year 1988, approximately $6.199 billion (excluding funding specifically for AIDS) was appropriated to NIH.

ADMINISTRATION'S PROPOSED FISCAL YEAR 1989 BUDGET

For fiscal year 1989, the President's budget includes $6.535 billion in budget authority for NIH, an increase of $336 million or 5.4 percent over the comparable previous year's level. (Unlike preceding years, the fiscal year 1989 budget no longer includes NIH funds for AIDS research in the NIH account. Any comparisons with fiscal year 1988 funding levels have been adjusted accordingly.) This funding would support 20,600 research project grants, 837 more than the fiscal year 1988 level. The number of noncompetitive or continuing grants would rise from 13,898 to 14,989. However, the number of competitive grants would decrease in fiscal year 1989, from 5,865 to 5,611. The number of research centers funded in fiscal year 1989 would decline slightly, from 559 in fiscal year 1988 to 555. Proposed funding for a number of other areas would remain at the fiscal year 1988 level, requiring recipients to absorb a CBO-estimated inflation rate of 4.1 percent (for NIH programs only).

With respect to the 10 member research institutes of concern to older Americans, the following briefly describes their functions and outlines the funding level proposed by the President.

A. NATIONAL INSTITUTE ON AGING

The National Institute on Aging [NIA] conducts and supports biomedical research aimed at easing or eliminating the physical, psychological, and social problems which affect older Amercans. Areas of biomedical and clinical research include studies on the genetic determinants of aging, the diagnosis and treatment of Alzheimer's disease and osteoporosis, the impact of nutrition on aging, drug use by the elderly, sleep disorders, and depression.

Under the President's budget, NIA would receive $205 million in budget authority in fiscal year 1989, a $10.4 million increase over fiscal year 1988. The number of competitive research grants would fall by 32, from 209 in fiscal year 1988 to 177 in fiscal 1989. The number of research centers and training awards would remain at their fiscal year 1989 levels.

B. NATIONAL CANCER INSTITUTE

The National Cancer Institute [NCI] conducts and sponsors research relating to the cause, prevention, detection and treatment of cancer. Of all new cancer cases reported, over half involve elderly persons, and over 60 percent of those who die annually of cancer are older Americans.

The total budget request for NCI research in fiscal year 1989 is $1.47 billion, approximately $89 million over the previous year's budget authority. Funding for competitive research grants would decline by $9.3 million, resulting in 73 fewer grants. The number of research centers and training awards would remain at their fiscal year 1988 levels.

C. NATIONAL HEART, LUNG AND BLOOD INSTITUTE

The National Heart, Lung and Blood Institute [NHL&BI] focuses on diseases of the heart, blood vessels, blood, lungs and on the management of blood resources. NHL&BI studies 3 of the top 10 chronic conditions afflicting the elderly—hypertension, heart conditions, and arteriosclerosis. Approximately 25 percent of all senior citizens suffer from a chronic heart condition, nearly 40 percent suffer from hypertension, and 8 percent from arteriosclerosis.

The President's budget includes $1.02 billion in budget authority for the NHL&B in fiscal year 1989, an increase of $7 million over the fiscal year 1988 level. At that funding level, the number of competitive grants would decline by 10, from 833 in fiscal year 1988 to 823 in fiscal year 1989. The number of research centers and training awards would hold steady at 1,649.

D. NATIONAL INSTITUTE OF DENTAL RESEARCH

The National Institute of Dental Research [NIDR] is the leading Federal agency supporting research and research training on oral health and disease. The major aims of the institute's research program are the preservation of the oral tissues and the prevention of tooth loss from the chief dental diseases—dental caries and periodontal diseases—so that human teeth and gums can last a lifetime. Improving the oral health of older people is the focus of a collaborative project between the NIA, the NIDR and the Veterans Administration. The research agenda has identified critical areas such as the relationships between oral health and nutritional status and chronic pain in older Americans.

In fiscal year 1989, the NIDR would receive a total of $127 million in budget authority, an increase of $4 million from fiscal year 1988. The number of competitive research grants would rise from 104 to 125, while the number of research centers and training awards remain unchanged.

E. NATIONAL INSTITUTE OF DIABETES AND DIGESTIVE AND KIDNEY DISEASE

The National Institute of Diabetes and Digestive and Kidney Disease [NIDDK] conducts and supports research in areas of particular concern to the elderly. For example, its research on diabetes is a source of hope for the nearly 10 percent of senior citizens who are suffering from this disease.

In fiscal year 1989, the NIDDK would have a total budget authority of $562 million, about $31 million more than in fiscal year 1988. This would enable NIDDK to increase the number of research grants by 19, from 556 in fiscal year 1988 to 575 in fiscal year 1989. The level of research centers and training awards would not change.

F. NATIONAL INSTITUTE OF NEUROLOGICAL AND COMMUNICATIVE DISORDERS AND STROKE

The National Institute of Neurological and Communicative Disorders and Stroke [NINCDS] supports and conducts research and research training to further the understanding of the normal and disordered function of the nervous system (including the brain, spinal cord, and peripheral nerves), muscles, hearing and human communication. The majority of the disorders studied are characterized by long-term disabilities which markedly impair the quality of life. Research on disorders of particular interest to the elderly include stroke, Huntington's disease, Parkinson's disease, amyotrophic lateral sclerosis, and the dementias, including Alzheimer's disease.

In fiscal year 1989, total budget authority requested for the NINCDS is $558 million, a $35 million increase over the preceding fiscal year. The number of research grants projected at this funding level is 588, 39 more than in fiscal year 1988. The number of research centers and training awards would remain at their fiscal year 1988 levels.

G. NATIONAL EYE INSTITUTE

The National Eye Institute [NEI] conducts and supports research to develop new diagnostic measures, treatments and cures for blinding eye diseases and visual disorders. Eye disorders that are common in older adults and are actively being studied by the NEI include aging-related maculopathy, cataract, and glaucoma.

In fiscal year 1989, the budget includes $229 million for the NEI, approximately $8 million above fiscal year 1988 budget authority level. Although the number of research centers and training awards would not change, the number of competitive research grants would increase from 279 in fiscal year 1988 to 303 in fiscal year 1989.

H. NATIONAL INSTITUTE OF ARTHRITIS, MUSCULOSKELETAL AND SKIN DISEASES

Similar to the NIDDK, the National Institute of Arthritis, Musculoskeletal and Skin Diseases [NIAMSD] conducts and supports research on diseases which, although not often fatal, can cause great hardships for many elderly in the form of increased medical bills and loss of mobility and productivity. Research on varying arthritic conditions and osteoporosis—diseases which commonly afflict persons over 65—are top priorities of the institute.

In fiscal year 1989, total budget authority requested for the NIAMSD is $158 million, $11 million over the fiscal year 1988 level. The number of competitive research grants would decline by 9, from 178 in fiscal year 1988 to 169 in fiscal year 1989. Research centers and training awards would remain at their fiscal year 1988 levels.

I. NATIONAL CENTER FOR NURSING RESEARCH

The National Center for Nursing Research [NCNR] supports research and training programs and provides information relating to basic and clinical nursing. NCNR research includes strategies to combat depression among patients in nursing homes, physiological and behavioral approaches to reduce incontinence, initiatives with respect to Alzheimer's disease, osteoporosis, pain research, and the ethics of therapeutic decisionmaking.

A total of $24.4 million is included in the President's fiscal year 1989 budget for the NCNR, $1.5 million more than in fiscal year 1988. The level of competitive research grants would fall from 48 in fiscal year 1988 to 45 in fiscal year 1989. Training awards would not change.

J. NATIONAL INSTITUTE OF ALLERGY AND INFECTIOUS DISEASES

The National Institute of Allergy and Infectious Diseases [NIAID] focuses on infectious diseases and diseases related to the immune system. Vaccines against influenza and hospital-associated infections, two research goals of NIAID, hold promise for elderly persons, who are disproportionately threatened by these infections.

Under the President's budget, NIAID would receive an additional $20.2 million in budget authority in fiscal year 1989, providing a total budget of $435 million. Nevertheless the number of research grants would fall from 525 to 475, while research centers and training awards would remain at their fiscal year 1988 levels.

VETERANS HEALTH CARE

The Program

The Veterans Administration [VA] provides a wide range of services to men and women who have served in the Armed Forces. The VA furnishes health care services in 172 VA medical centers, 127 nursing homes, 236 outpatient facilities, 188 veterans centers, and 27 domiciliaries. In addition, the VA finances the provision of these services to veterans in private and State facilities.

Under Public Law 99-272, the Veterans Health Care Amendments Act of 1986, a priority system in the order of the following three categories of veterans was established:

Category A.—Includes service-disabled veterans, former prisoners of war and veterans exposed to certain toxic substances and radiation, veterans of wars prior to World War II and those receiving VA pensions, as well as those nonservice-disabled veterans with annual earnings of less than $18,000 (with one dependent; $15,000 for a single veteran). The VA is obligated to provide hospital care for veterans in this category. The VA may also provide them with outpatient and nursing care.

Category B.—Includes nonservice-disabled veterans earning between $18,000 and $25,000 per year (with one dependent; between $15,000 and $20,000 for a single veteran).

Category C.—Includes nonservice-disabled veterans with earnings above Category B levels. Within existing resources and a copayment, the VA may provide these veterans with hospital, outpatient, and nursing care.

The aging in the elderly population is especially apparent in the veteran population. In 1985, there were 4.6 million veterans over the age of 65. By 1991, the number will grow to an estimated 7.2 million, representing 60 percent of the over-65 male population. By 1999, the projected number of veterans will peak at 8.9 million, of which 3.8 million will be 75 or older.

ADMINISTRATION'S PROPOSED FISCAL YEAR 1989 BUDGET

In fiscal year 1989, the President requests $10.3 billion in budget authority for VA hospital and medical care, approximately $330 million below the CBO-estimated current services level. Over a 5-year period, this would amount to an estimated reduction in spending of $1.7 billion. According to the Administration, this funding level would enable the VA to furnish health care to an estimated 1.23 million inpatients and 23.1 million veterans on an outpatient basis—increases of 7,055 and 211,000, respectively, over the previous fiscal year levels. However, in light of CBO's estimates and two other proposals (descriptions follow), achievement of these new service levels appear doubtful.

Cut in health care personnel

In a period when demographic changes are generating ever-increasing numbers of aging veterans, the Administration is proposing to reduce the number of VA health care staff by nearly 2,000 Full Time Employment Equivalents [FTEE]. This proposal would lower expenditures for health care personnel by $141 million in fiscal year 1989. Although the Administration contends that improved productivity will make up for the proposed staff cut, no specific plans to improve efficiency have been developed by the VA. The Administration arrived at the proposed staff level by lowering the medical staff to workload ratio in the formula used to determine staffing needs. Significantly, the VA's existing ratio is well below comparable ratios used in community facilities.

Shortfall in pay raises

The Administration's funding request for the January 1989 civilian pay-raise for VA health care personnel is only half the amount required under law. The full cost of the scheduled 4 percent pay raise is $85 million—twice the amount included in the budget for this purpose. Thus, it appears that if this proposal was implemented the VA would be forced to cut health care services by more than $40 million to make up this funding shortfall.

The President's budget would increase spending in the VA medical and health care account in certain areas including the following:

Extended Care Funding.—Funding for the VA's extended care program would be increased by $35.2 million and 588 FTEE. According to the Administration, these additional resources would enable the VA to treat an additional 933 veterans in VA nursing homes, 264 in community nursing homes, and 959 in State Veterans' homes.

Education and Training.—For geriatric education and training, an increase of $6.3 million and 18 FTEE is included.

FOOD AND DRUG ADMINISTRATION

The Program

The Food and Drug Administration [FDA] administers and enforces laws concerning dangerous, misbranded, and adulterated foods, drugs, medical devices, cosmetics, and man-made sources of radiation. In fiscal year 1988, program outlays are estimated at $452.8 million (excluding funding for AIDS research).

Older Americans represent 12 percent of the Nation's population, yet they consume 32 percent of all prescription drugs. This population's use of multiple prescription drugs, combined with the elderly's physiological responses to these medications, makes them particularly vulnerable to adverse drug reactions. As a consequence, the FDA's regulatory and enforcement efforts have a vital role in helping to safeguard their health. Although the FDA recently has given increased attention to programs developed with the needs of the elderly in mind, the adequacy of its commitment has been questioned by aging advocates.

Administration's Proposed Fiscal Year 1989 Budget

The President's spending request for the FDA in fiscal 1989 is $468 million, approximately $16 million over the fiscal year 1988 level of funding, according to the Administration. Additional funds would be used to expedite review and testing of new drugs and enhance development and marketing of orphan drugs (i.e., drugs of importance to a small number of persons), among other things.

INDIAN HEALTH SERVICE

The Program

The Indian Health Service [IHS] administers the principal Federal health programs for the approximately 1 million American Indian and Alaska Native people living on or near Federal Indian reservations or in traditional Indian country, such as Alaska and Oklahoma. Under the legislative authority of the Indian Health Care Improvement Act (Public Law 94-437), the IHS is charged with the responsibility of raising the health status of Indian and Alaska Native people to the highest possible level. Despite a fiscal year 1988 budget authority of $1.009 billion for the IHS, Indian people continue to suffer the lowest health status of all American citizens.

ADMINISTRATION'S PROPOSED FISCAL YEAR 1989 BUDGET

The President's budget proposes a fiscal year 1989 authority of $989.8 million, approximately $580 million under the level of funding required to maintain current services. In particular, the proposed cut would eliminate all funding for the construction of Indian health facilities.

83-349 0 - 88 - 2

Chapter 2—Income Security

SOCIAL SECURITY

The Program

Established in 1935, the Social Security program provides income for eligible workers and their families when the worker retires, becomes severely disabled, or dies. The benefits are funded through FICA (Federal Insurance Contributions Act), SECA (Self-Employed Contributions Act) payroll deductions, income taxes on benefit payments, certain transfers from general revenues, and interest on invested balances. The program consists of Old Age and Survivors Insurance [OASI] and Disability Insurance [DI], and eligibility is determined by the number of quarters a worker has contributed to the program.

Social Security is the largest Federal entitlement program, and accounts for approximately 20 percent of annual Federal spending. The program accounts for 55 percent of all Federal spending on the elderly. In October 1987, almost 38.2 million persons received Social Security benefits, and of those, 61 percent, or 23.4 million were retired workers. Disabled workers numbered 2.8 million and accounted for 7 percent of the total. Widows, widowers, surviving children, and other dependents made up the balance of the recipients. The average monthly benefit amount payable in October to retired workers was $491.75.

ADMINISTRATION'S PROPOSED FISCAL YEAR 1989 BUDGET

Benefits

The President's fiscal year 1989 budget calls for no reduction in benefits for those receiving Social Security. The 1988 cost-of-living adjustment (COLA) of 4.2 percent is being paid with checks issued in January 1988 and the 1989 COLA will be given to reflect the 1989 inflation rate. Based on their projected inflation rate for 1988, the Administration assumes a 4.2 percent COLA increase for 1989. CBO believes that the Administration's inflation rate is overly optimistic and believes it will be a slightly larger increase of 4.5 percent.

Administration and staff cuts

The Administration's budget calls for cuts in full-time equivalent and overtime positions from the required floor of 70,000 in 1988 to 66,300 in fiscal year 1989. This is the result of the Administration's announced intention in 1985 to eliminate 17,000 staff positions. These cuts come when there will be greater demands on SSA due to the increasing aging population, the new Immigration and Tax

Reform laws. (SSA has estimated that the two new laws alone will require an additional 2,500 work years.)

The rationale for the staff cuts and accompanying closing of offices is that SSA is modernizing its computers and administrative procedures. However, the adequacy of SSA's computer modernization project has come under fire both from Congress and the General Accounting Office. SSA not only has been criticized for inadequate software development, but also for failing to adequately evaluate the impact of it's modernization project on service to the public.

Congress and aging advocacy organizations have raised many concerns about the effect of a deep staff cut on the quality of service provided to recipients. Indeed, a recent survey of SSA managers and supervisors revealed widespread dissatisfaction with the agency's downsizing process. Despite these concerns, SSA still has not developed and implemented quality standards which measures what constitutes adequate beneficiary service.

SUPPLEMENTAL SECURITY INCOME

The Program

The Supplemental Security Income Program [SSI], enacted in 1972, provides income to the Nation's low-income elderly, blind, and disabled, and is financed through general revenues. The program is administered by the Social Security Administration. Unlike Social Security, SSI recipients need not qualify for benefits with work quarters or payroll deductions. Beneficiaries are subject to a means test, that is, eligibility is based upon income levels and asset availability.

In many cases, SSI benefits supplement income from other sources, including Social Security benefits. The maximum benefit for SSI recipients in 1988 will be $354 per month for individuals and $532 per month for couples. States have the option of supplementing SSI benefits. Slightly more than 46 percent of all SSI recipients are 65 or older. The average monthly SSI check received by elderly beneficiaries in October 1987 was $180, while the averages for the blind ($295) and disabled ($283) were significantly higher. This discrepancy is probably due to the fact that many elderly SSI recipients qualify for some measure of Social Security benefits.

ADMINISTRATION'S PROPOSED FISCAL YEAR 1989 BUDGET

The SSI program is administered by the Social Security Administration [SSA]. The proposed budget would result in staff cuts of 5,000 in fiscal year 1989 in the Administration's continuing effort to cut at least 17,000 positions. These cuts would continue to increase the burden of SSA due to the increasing aging population and the new Immigration and Tax Reform laws. The Administration currently estimates a 4.2 percent cost-of-living increase for 1989, which would increase payments in that year to $369 and $554 for individuals and couples, respectively.

BLACK LUNG

The Programs

Income maintenance for disabled coal miners and their dependents is provided through two separate programs.

Black Lung Part B

Black Lung Part B provides benefits to disabled coal miners and their dependents and survivors who filed claims before July 1973. Funds are appropriated from general revenues and administered by the Social Security Administration [SSA]. Currently nearly 300,000 annuitants and survivors, of whom approximately 188,000 are elderly, benefit from the program.

Black Lung Part C

Black Lung Part C provides income and medical benefits to disabled coal miners and their dependents or survivors who filed claims after June 30, 1973, or who had failed to qualify earlier under Part B. Black Lung Part C is administered by the Department of Labor. It was enacted to shift the burden of compensation from the Federal Government to the coal industry. Under Part C, an effected coal miner leaving work prior to 1970 is eligible for Black Lung Disability Trust Fund benefits. Money for the Fund comes from an excise tax on coal.

Those retiring after 1969 are not eligible for Trust Fund benefits. Instead, the Labor Department attempts to identify the responsible employer. This employer is then liable for damages.

ADMINISTRATION'S PROPOSED FISCAL YEAR 1989 BUDGET

While the President's fiscal year 1988 budget proposed several significant changes in the Black Lung program, the fiscal year 1989 submission calls for no major revisions.

Benefits in the Black Lung and Special Benefits for Disabled Coal Miners programs are indexed to changes in Federal pay. According to the Administration, total black lung outlays for 1989 are expected to be $1.6 billion. Budget authority for the trust fund itself will be approximately $675 million—$619.5 million for disabled coal miners and $55.5 million for administration.

The black lung disability trust fund is projected to have a deficit of $3.1 billion by the end of 1989. According to the Administration, this is because the excise tax paid by coal operators is insufficient to cover the cost of medical and income replacement benefits to the victims of black lung disease for which the operators are legally responsible. However, the current excise taxes, which were scheduled to expire, have been extended in order to slowly restore the health of the trust fund by the year 2014.

VETERANS: COMPENSATION AND PENSIONS

The Programs

Veterans' pensions are awarded on the basis of service, disability, and level of income. Pensioners receive annual cost-of-living adjustments [COLA's] comparable to Social Security COLA's.

Compensation is paid to veterans for disabilities incurred in or aggravated during active military service. Death and Indemnity Compensation [DIC] is paid to survivors of service persons or veterans whose death occurred while on active duty or as a result of service-connected disabilities.

ADMINISTRATION'S PROPOSED FISCAL YEAR 1989 BUDGET

Veteran's Administration

Under the Administration's proposed fiscal year 1989 budget, budget authority for Veterans benefits and services would be moderately increased. While in fiscal year 1988, budget authority and outlays were $29.3 and $28.7, respectively, the President's fiscal year 1989 budget proposes an increase of $30.2 billion in budget authority and $29.6 billion in outlays. This represents a slight increase in real terms.

Cost-of-Living Adjustments

According to CBO, supplemental appropriations of $480 million will be required to cover the 1988 COLA for the compensation program. (This is due to the fact that the Administration decided not to include supplemental appropriations requests in the original budget request.)

Under current law, COLA increases must be legislated annually. Therefore, the Administration has proposed that the veterans compensation COLA be automatically linked to the CPI. They project a 4.2 percent COLA increase for fiscal year 1988; in contrast, CBO projects a 4.5 percent COLA increase.

Home Loan Guarantee Program

Loan recipients currently pay a standard fee of 1 percent of their loans. This law is scheduled to expire after September 30, 1989. CBO estimates that collection of these fees would offset the fund's outlays by $226 million in 1990 and $294 million by 1993.

According to CBO, the Loan Guaranty Revolving Fund will experience higher-than-anticipated costs during 1988. As a result, the mandatory veterans housing loan guarantee revolving fund will be deficient by approximately $877 million. The Administration does not propose any supplemental appropriations to alleviate this deficiency.

CIVIL SERVICE RETIREMENT

The Civil Service Retirement System [CSRS] and the Federal Employees' Retirement System [FERS] are funded through a combination of payroll deductions and general revenues. Under current law, about 2.1 million retirees and survivors may expect to receive an estimated $29.3 billion in outlays under the two systems. Benefits are pegged to earnings history and years of service with the Government. Full CSRS Retirement benefits may begin at age 55 for employees with 30 years of service. Under FERS, however, retirement age is scheduled to increase to 57. Benefits under CSRS are indexed to the Consumer Price Index, while FERS benefit indexation is subject to a modified CPI.

Administration's Proposed Fiscal Year 1989 Budget

The President proposes few changes in these Federal retirement programs. However, the Administration's fiscal year 1989 budget does propose that the U.S. Postal Service pay its full share of costs for cost-of-living adjustments for Postal Service retirees. The Administration intends to propose legislation to require the Postal Service to make an annual COLA payment for all annuitants and survivors beginning in 1990. According to CBO, the Postal Service would increase postal rates to recover these added costs, resulting in net savings to the Federal Government.

RAILROAD RETIREMENT

The Program

Initially established in 1935, the Railroad Retirement System [RRS] is the only federally mandated and managed retirement system for employees of private industry, providing retirement income, disability income, and death benefits for railroad employees and their families. At the end of fiscal year 1987, the monthly benefits in current-payment status consisted of 330,700 age retirements, 83,100 disability retirements, 222,300 spouse and divorced spouse annuities, 266,000 aged widow(er)s, 37,500 other survivors, and 200,300 supplemental annuities. At the start of fiscal year 1988, benefits were being paid at a rate of about $6.6 billion a year.

RRS is integrated with Social Security through a financial interchange system intended to place the Social Security trust funds in the same position as they would have been had railroad employment been covered by SS directly.

RRS benefits consist of: (1) Tier I, which was originally designed to be comparable to Social Security, and is based both on railroad and non-railroad employment; (2) Tier II, which is based on only railroad employment; (3) a "dual" or "windfall" benefit for rail workers with vested rights in both RRS and Social Security before 1975 (this benefit is being phased out under the 1974 RRS restructuring); (4) a supplemental annuity for those meeting certain eligibility and age requirements (currently being phased out); and (5) lump-sum death benefits.

Benefits are financed through a combination of employee and employer payments to a trust fund, with the exception of "dual" benefits, which are paid for a pay-as-you-go basis through general revenues from a special account, and supplemental annuities, which are funded from an employer tax on the railroad industry.

Administration's Proposed Fiscal Year 1989 Budget

The Administration's proposed budget would:

Privatize RRS Benefits.—Those benefits in addition to or in excess of Social Security equivalent benefits for RRS beneficiaries would be privatized in order to fully cover the rail sector under Social Security, free rail labor and management to bargain collectively for new benefit levels and mechanisms for a new funding arrangement, and require sound financing of pensions for new rail workers by placing rail pensions under the Employee Retirement Income Security Act.

Terminate the Railroad Unemployment Insurance System (RUI).—This system would be merged with the Federal/State Unemployment Insurance System as part of the privatization initiative. (As of September 30, 1987, the RUI debt to the RRS Fund, with accrued interest, totaled $806.3 million.)

Cut "Dual" Benefit Payments.—Continue through fiscal year 1989 the cut in "dual" benefit payment amounts necessitated by the fiscal year 1988 shortfall in appropriations for benefit payments. The 1988 cut will be 5.3 percent and will start with the April 1988 payment. On a 12-month basis, the cut would be 2.65 percent.

Further Reduce "Dual" Benefit Appropriations.—Appropriations from general revenues for payment of "dual" benefits would be further reduced to $47.2 million from their fiscal year 1987 level of $352.3 million. The estimated $261 million in income taxes to be paid on fiscal year 1989 Tier II benefits and on Tier I benefits in excess of the Social Security benefit equivalent would be diverted from the RRS account to cover the reduction. The Administration also proposes changing the name of the "Dual Benefits Payment Account" to "Federal Windfall Subsidy."

MILITARY RETIREMENT

Approximately 1.6 million military retirees and their beneficiaries will receive an estimated $20.3 billion in annuity pay during 1989. Only about 20 percent of these participants will be elderly because military personnel qualify for retirement after 20 years of service, regardless of age.

Administration's Proposed Fiscal Year 1989 Budget

The Military Retirement program, like the Civil Service Retirement System, can only be subjected to cuts in the COLA. For fiscal year 1989 however, no COLA limitations are proposed for military retirement. Military pensions will continue to be fully indexed, regardless of the rate of inflation, and, again, those 62 or over will receive Social Security for their military service, also fully indexed.

PENSION BENEFITS GUARANTY CORPORATION

The Program

The Pension Benefits Guaranty Corporation [PBGC] is a wholly owned Government corporation. Operating under the Department of Labor, this entity administers programs of mandatory termination insurance to prevent loss of pension benefits under covered private, defined benefit pension plans if plans terminate or if multi-employer plans are unable to pay benefits. Terminated plans are taken over by the Corporation. The Corporation assumes control of their assets, administers them in a trust fund held in a private bank, and takes responsibility for paying benefits. The Corporation also provides repayable assistance to insolvent multi-employer plans when necessary to pay benefits and to forestall termination and subsequent Corporation responsibility to pay benefits. All benefits paid through PBGC's insurance program are funded exclusively through employer-paid premiums.

The PBGC has experienced severe financing troubles in recent years. These problems resulted in two successive increases in the insurance premium charged to employers. The first increase, effective in 1986, raised the premium from $2.60 to $8.50 per plan participant. The second increase, enacted in 1987, provides that beginning in 1988, firms will be required to pay a premium ranging from $16 to $50 per employee. While the vast majority of plan sponsors will pay the minimum $16 fee, companies with unfunded plan liabilities will be required to pay an additional $6 per employee for each $1,000 of underfunding.

Administration's Proposed Fiscal Year 1989 Budget

The Administration proposes no major changes in the PBGC for fiscal year 1989. However, activity is expected that will affect the ability of companies to withdraw excess assets from pension plans.

The Administration has sought to make it easier for companies to withdraw surplus money from pension funds and use it for their own benefit. The Administration argues that this would mitigate or avoid potential losses incurred by plan participants and the PBGC. However, labor unions, consumer groups, and organizations representing older persons strongly believe that pension plans would be weakened by any change permitting employers to withdraw money for their own purposes and actually put new burdens on the PBGC in the future if companies experience economic difficulties.

FOOD STAMPS

The Program

The Food Stamp program was initiated in 1964 to alleviate hunger and malnutrition among low income persons. Eligible households receive monthly allotments of stamps, based on income and household size, to finance food purchases. The level of benefits is based on USDA's Thrifty Food Plan which estimates how much it would cost a household that shops economically to meet its nutritional needs. A household is eligible for food stamps to the extent that 30 percent of household income falls below the applicable Thrifty Food Plan level. In fiscal year 1988 the maximum food stamp benefit to a one person household is $87 and for a two person household the maximum was $159 a month. The plan is adjusted upward annually for changes in the cost-of-living.

The Federal Government bears the cost of all food stamp benefits and shares with the States and localities 50 percent of most administrative costs. The Food and Nutrition Service of the Department of Agriculture is responsible for administering and supervising the Food Stamp Program and for developing program policies and regulations. At the State and local levels the Food Stamp Program is administered by State welfare departments.

Administration's Proposed Fiscal Year 1989 Budget

The Administration's fiscal year 1989 budget for the Food Stamp program and Puerto Rico's nutrition assistance program proposes to hold Federal costs to $12.7 billion, approximately the current law level. The President's budget differs from past submissions in that no major changes in the Food Stamp program have been proposed.

FOOD PROGRAMS

The Program

The Department of Agriculture [USDA] administers two food programs that benefit senior citizens. The Nutrition Program for the Elderly [NPE], a part of USDA's Food Donation's Programs, is authorized under the Older Americans Act to help meet the nutritional needs of the elderly. This program works with the Department of Health and Human Services to provide commodities and cash to senior centers and other locations where congregate meals are served. In 1987, appropriations helped serve over 227 million meals.

A second important feeding program for the elderly is part of the Commodity Supplemental Food Program [CSFP]. When first originated, the Elderly Feeding Pilot Project [EFPP] consisted of centers in three different cities. However, this program now consists of elderly feeding projects in a series of 11 States, each providing direct distribution of USDA surplus commodities to low-income persons 60 years of age and older.

The Congress appropriated $4.9 million for the operation of this program in fiscal year 1987 and more than doubled appropriations to $12.53 million in fiscal year 1988. While the elderly feeding projects are financed through the CSFP, some funds are provided to the local centers through the Temporary Emergency Food Assistance Program [TEFAP]. TEFAP provides funds to States to be used to transport, store, and distribute these Commodity Credit Corporation-donated foods for needy individuals.

Administration's Proposed Fiscal Year 1989 Budget

Nutrition Program for the Elderly

The Administration's proposed fiscal year 1989 budget for the Nutrition Program for the Elderly calls for a slight funding increase. Under the Administration's budget, funding for the NPE would increase by $3.3 million over the fiscal year 1988 level to $141.3 million for fiscal year 1989.

Commodity Supplemental Food Program

The elderly feeding projects under the CSFP have significantly expanded the number of approved individuals since their inception. The Administration is requesting $12.36 million for fiscal year 1989 to cover the current caseload of nearly 80,000 per month. While this represents a slight reduction from the fiscal year 1988 level, according to the Department of Agriculture some carry-over funds will also be available. In any case, the fiscal year 1989 request appears adequate to cover those currently participating in the program.

Temporary Emergency Food Assistance Program

A provision in the Stewart B. McKinney Homeless Assistance Act (Public Law 100–77) continued the authorization of TEFAP through September 30, 1988. The Administration proposes no further funding of TEFAP in fiscal year 1989.

There is no formal connection between TEFAP and CSFP. However, because of the relationship between the two programs in some localities, it is clear that some elderly CSFP program participants could be adversely affected should TEFAP be eliminated.

LOW INCOME HOME ENERGY ASSISTANCE PROGRAM

The Program

Since its inception in 1980, the Low Income Home Energy Assistance Program [LIHEAP] has funded block grants to States to help low-income households pay their heating and cooling bills, weatherize their homes, and assist with energy crisis needs. The program served approximately 6.7 million households in 1987, of which about 40 percent contained an elderly member—who may be highly vulnerable to hypothermia or heat stroke. Less than 39 percent of those who are eligible for benefits actually receive them.

Administration's Proposed Fiscal Year 1989 Budget

LIHEAP funding

The Administration requests $1.2 billion in 1989 outlays for LIHEAP, $345 million below the amount provided for 1988 and in addition to the $600 million in cuts since 1985. For future years, projected appropriation requests would remain at $1.2 billion, which could produce further outlay savings amounting to $2.6 billion for the projection period. The rationale given for the reduced appropriation request is that States have and will continue to receive oil overcharge settlement revenues which can be used for this program. According to CBO, the States have received $3.3 billion in settlements to date, and approximately another $1.3 billion may become available in smaller distributions over the next 5 or 6 years.

While it may appear that the total allocations to the States from these settlements should be sufficient to cover the reductions in Federal funds for home energy assistance, this is misleading. First, although States may use the funds for LIHEAP and other energy related programs, less than 20 percent has been allocated to LIHEAP. Many States have spent a larger amount on weatherization programs than LIHEAP, arguing that it is a more permanent investment. Second, the distribution formula set by the courts favors the southwestern States which have a lesser need for heating assistance than northern tier States. Last, the many aging advocates argue that these funds were intended by the courts to be used in addition to, not instead of, existing Federal funding.

Chapter 3—Housing

HOUSING AND URBAN DEVELOPMENT

The Programs

The Department of Housing and Urban Development [HUD] administers several housing programs that benefit the elderly. One of the most well-known HUD programs, Section 202, provides direct loans to nonprofit organizations for the construction of new housing projects or major rehabilitation of existing housing projects designed specifically for low-income elderly and handicapped persons. Those residing in Section 202 housing are also eligible for Section 8 housing assistance, which pays for the difference between the established rent and the tenant's required contribution toward that rent, which is 30 percent of the tenant's adjusted income. According to HUD, at the beginning of fiscal year 1988, roughly 153,000 Section 202 units had been constructed. Approximately 90 percent of those living in Section 202 housing are elderly.

The Congregate Housing Services Program [CHSP] is a HUD program that provides supportive services such as meals, housekeeping and transportation to eligible elderly residents of Section 202 or public housing projects. Under CHSP, HUD contracts with local public housing authorities or nonprofit organizations to provide these supportive services on the premise that their appropriate use can help frail, elderly and handicapped persons avoid premature institutionalization. Begun in 1979 as a demonstration project, it was given permanent status in the Housing and Community Development Act of 1987 (Public Law 100–242). CHSP now serves over 2,000 elderly persons in 61 projects.

The oldest Federal program providing housing for the elderly is the Low Rent Public Housing program. It provides direct Federal loans to finance the construction, acquisition, and modernization of public and Indian rental housing. Public housing provides more than 550,000 units of housing for older Americans, which represents about 40 percent of all public housing units. The elderly comprise about 6.5 percent of those living in Indian housing.

Under the Community Development Block Grants [CDBG] program, HUD makes grants to local governments and States to fund various local community development projects to help low- and moderate-income households. The elderly receive a wide range of benefits from this program. A 1982 Government Accounting Office survey indicated that a large proportion of the housing rehabilitation financed under CDBG is used to repair and weatherize homes owned by low- and moderate-income elderly. Other CDBG activities that benefit the elderly include social services, improvements in neighborhood facilities, such as senior centers, and removal of architectural barriers.

The Section 8 housing assistance program, created in 1974, is a rent subsidy program to provide that assistance be made available for low- and very low-income families. Originally, there were three parts to the program: Existing housing, new construction, and substantial rehabilitation. In 1978, Section 8 moderate rehabilitation was created to stimulate the upgrading of lower income housing which needs some repair work, but not substantial rehabilitation. Since 1983, however, the only new Section 8 construction or substantial rehabilitation has been in conjunction with the Section 202 program.

Under Section 8, HUD enters into 15–20 year contracts with owners of existing or moderately rehabilitated housing, or new or substantially rehabilitated housing (under Section 202 only) to provide a subsidy equal to the amount between 30 percent of the adjusted income of qualified participants and the fair market rent for the dwelling. Section 8 provides more units of assisted low-income housing than any other Federal program—approximately 2 million units. Nearly 50 percent, or about 950,000 units, are occupied by older persons.

The Section 8 housing voucher program, created in 1983, is the cornerstone of the Reagan administration's housing assistance program. The primary difference between Section 8 vouchers and Section 8 certificates is the absence of absolute limits on rent. Under the voucher program, the voucher holder generally receives an assistance payment equal to the difference between a payment standard (generally equal to the fair market rent) and 30 percent of the tenant's adjusted income, regardless of the unit's actual rent. Therefore, tenants finding a unit exceeding the payment standard must make up the difference out of their own pockets. However, if the rent is less than the payment standard, the tenant keeps the difference. Vouchers also differ from Section 8 certificates in that the contract is 5 years in length, compared to 15–20 years for certificates.

Administration's Proposed Fiscal Year 1989 Budget

The President's proposed fiscal year 1989 HUD budget of $13.6 billion is a decrease of nearly 12 percent over the $15.4 billion fiscal year 1988 budget. Assisted housing would be cut by over 10 percent—from a budget authority of $8.4 billion in fiscal year 1988 to $6.9 billion in fiscal year 1989. Virtually all new construction would be eliminated, and funding for the modernization of existing public housing would be substantially reduced, and Section 8 moderate rehabilitation would be eliminated. The President would replace these programs with rental vouchers, emphasizing the use of privately held existing housing. Specific proposals include:

Section 202.—For fiscal year 1988, Congress set a loan limitation of $565.8 million to finance the construction of 10,990 units, with no less than 25 percent of the loan authority to be set aside for the handicapped. The President's budget sets a loan limitation of $350 million to finance the construction of 7,000 new units—a reduction of 38.1 percent over fiscal year 1988. While the President's budget maintains the 25 percent handicapped set-aside, it targets a portion of that funding

(HUD estimates about $50 million, or roughly 60 percent of the set-aside amount) for housing for the chronically mentally ill, homeless, handicapped.

CHSP.—The fiscal year 1988 appropriation for this program is $4.2 million. The administration requests no additional funding for CHSP, as it has every year since fiscal year 1982. The budget proposal would use the fiscal year 1988 appropriation and $3.2 million in carryover balances to extend existing contracts during 1988 and 1989.

Public Housing.—For fiscal year 1988, available funds for public housing include: $561.7 million for the development/reconstruction of approximately 6,100 public housing units and 2,000 Indian housing units; $1.728 billion for modernization; and $1.515 billion for operating subsidies. The President's fiscal year 1989 budget would eliminate all new construction, except $71.8 million for 1,000 Indian units. The modernization budget would be cut to $1.0 billion, and the amount for operating subsidies would be increased slightly to $1.517 billion.

CDBG.—The fiscal year 1988 appropriation for CDBG is $2.88 billion. The President's budget requests $2.625 billion for this program, a reduction of $23 million, or almost 8 percent.

Section 8.—The estimated total fiscal year 1988 funding level for Section 8 is $6.034 billion, which includes: $854 million for existing units (10,058 units); $532 million for moderate rehabilitation (5,000 units); $1.712 billion for Section 202 (11,373 units); and $1.311 billion for vouchers (53,940 units). The President's fiscal year 1989 budget would reduce funding for Section 8 by $278 million to $5.756 billion. His proposal would eliminate Section 8 existing and moderate rehabilitation, and reduce Section 202/8 to $1.097 billion, or 7,000 units. These programs would be replaced with 100,000 vouchers, at a cost of $3.032 billion.

The first of the 15-year Section 8 contracts that were established in 1974 will begin to expire in 1989. The President's budget proposal would replace these expired contracts, including those previously linked with Section 202 sites, with 5-year vouchers. In fiscal year 1989, only 1,437 units are involved, although this number will increase to 256,133 units in fiscal year 1991.

FARMERS HOME ADMINISTRATION

The Programs

The Housing Act of 1949 authorized the Farmers Home Administration [FmHA], administered by the Department of Agriculture, to make loans and grants to farm owners to construct or repair farm dwellings and other buildings. Amendments to the Act made the programs available to rural residents in general to purchase or repair homes and for other purposes. The rural housing programs of FmHA are generally referred to by the section number under which they were authorized in the Housing Act of 1949 and its subsequent amendments. About one-third of the elderly live in rural areas, where a higher proportion of the population is poor and living in substandard housing. There are several FmHA programs of importance to the rural elderly.

The *Section 502* program provides loans to enable low-income rural residents to purchase or repair new or existing single-family housing. The homes must be modest in cost and design, and borrowers must be unable to obtain credit elsewhere on reasonable terms. The interest rate may be as low as 1 percent, and the loans are repayable over a 33-year period, although the loan term may be 38 years for borrowers with income below 60 percent of the area median.

Section 504 loans, grants, or combinations of loans and grants are made to rural homeowners who cannot afford a Section 502 loan but who need funds to make the dwellings safe and sanitary or to remove health hazards. Loans are made at an interest rate of 1 percent and are repayable in 20 years or less, and are available only to very low-income homeowners. Very low-income elderly homeowners may qualify for grants or some combination of loans and grants.

Under *Section 515,* developers may obtain 50-year, 1 percent loans to build rental housing for rural residents or congregate housing for the elderly and handicapped. Except for public bodies, all borrowers must demonstrate that financial assistance from other sources will not enable the borrower to provide the housing at terms that are affordable to the target population. Originally authorized to serve only elderly tenants, the program has been expanded to provide housing to rural residents of all ages. Approximately 47 percent of the more than 300,000 units are occupied by older persons.

Section 521 provides for rental assistance payments to borrowers, to make up the difference between the tenants' payments and the FmHA-approved rents for the housing (financed under Section 514 or Section 515). Borrowers must agree to operate the property on a limited profit or nonprofit basis. The term of the rental assistance agreement is 20 years for new construction projects and 5 years for existing projects.

Over the past several years, the Administration has tried, with limited success, to dismantle most of the FmHA housing programs. They contend that FmHA plays a minor role in providing housing assistance to rural areas and that the housing needs of rural communities will continue to be served. Opponents argue that the existing FmHA programs were not created in a vacuum but were the result of congressional response to perceived needs and that those needs continue to be unmet for many low-income rural residents. Housing vouchers, for example, will not enable low-income rural homeowners to improve their water and sewer systems.

Administration's Proposed Fiscal Year 1989 Budget

The President's budget proposal would cut FmHA programs from $2.178 billion in fiscal year 1988 to only $382 million in fiscal year 1989, a reduction of 82.5 percent. All forms of FmHA housing assistance would be eliminated and replaced with 21,200 vouchers.

Section 502.—The fiscal year 1988 appropriation is $1.23 billion.

Section 504.—The fiscal year 1988 appropriation is $11.3 million for loans, and $12.5 million for grants to the very low-income elderly for essential repairs.

Section 515.—The fiscal year 1988 appropriation is $554.9 million.

Section 521.—The fiscal year 1988 appropriation is $275 million.

SUMMARY

Some of the Reagan administration's deepest cuts in domestic spending have been directed at housing programs. Budget authorizations for housing accounted for 7 percent of the Federal budget in 1978—they now account for only 0.7 percent. HUD-assisted housing programs, which were appropriated over $30 billion in fiscal year 1981, have a funding level of slightly more than $8.42 billion in fiscal year 1988—a reduction of over 70 percent. FmHA rural housing programs have been cut by over half. For fiscal year 1989, as in the past, the President proposes to eliminate almost all programs that build, rehabilitate, or modernize housing for low- and moderate-income Americans, and replace them with vouchers. Last year, Congress flatly rejected the President's proposals, and formulated a housing program comprised of a mix of vouchers, public and Indian housing, Section 202 housing, Section 8 rent subsidies and FmHA rural housing development.

Overall, the President's budget proposal would reduce funding for HUD by 12 percent—from $15.4 billion in fiscal year 1988 to $13.6 in fiscal year 1989. The fiscal year 1989 budget for HUD-assisted housing would be cut by 18 percent, from $8.39 billion to $6.89 billion. FmHA programs would be cut by over 80 percent, and all programs would be replaced with vouchers. The President requests the construction of only 8,000 new units. The remainder of the HUD-assisted housing budget provides for 100,000 free-standing vouchers, for a total of 108,000 incremental units. The 1987 continuing resolution (Public Law 100-202) provides for 77,905 incremental units, although only about 45,000 are represented by vouchers.

The full impact of the Reagan administration's housing policies will not be felt until several years from now. Because approved funding of these programs is scheduled to be spent over a long period of time—20, 30, or even 40 years—cuts in budget authority are slow to result in reductions in outlays or actual spending. Thus, in spite of substantial reductions in budget authority, outlays on assisted housing programs increased from $5.75 billion in fiscal year 1981 to an estimated $9.5 billion in fiscal year 1987.

Many housing advocates contend a serious housing crisis is on the horizon, and that the time has come for a reassertion of congressional commitment to providing safe and affordable housing to Americans of all ages, including the elderly. They believe it is vital that Congress not only reject the President's proposed cuts in housing programs as it has done in the past, but also work to formulate a Federal housing policy that will ensure that the shelter needs of all Americans are being met.

HOME WEATHERIZATION

The Program

As a result of rising fuel costs in the early 1970's, Congress enacted the Department of Energy Home Weatherization program in 1976. This program is designed to provide persons with incomes 125 percent of the poverty line and below with assistance in improving the energy efficiency of their homes. That figure, however, is a ceiling, and individual States may elect to make the income eligibility requirements more stringent. In fiscal year 1988, as in fiscal year 1987, approximately $161 million will go to State and local governments to provide weatherization assistance. Similar to the Low Income Home Energy Assistance Program discussed earlier, this program gives priority to elderly and handicapped households.

ADMINISTRATION'S PROPOSED FISCAL YEAR 1989 BUDGET

The President repeats last year's request for no new funding for this program. However, as the program has a slow spendout rate, the President's request, if honored by Congress, will not abruptly end the Weatherization program. The administration takes the position that responsibility for providing these services rests with the States, and expects funds made available to States through settlement of petroleum pricing violation cases to pay for State weatherization programs.

Chapter 4—Services

OLDER AMERICANS ACT PROGRAMS

The Programs

Older Americans Act [OAA] programs are funded through the Administration on Aging, which is located within the Office of Human Development Services of the Department of Health and Human Services [DHHS]. OAA programs include, among others, transportation, outreach, congregate and home-delivered meals, adult day care, legal services, telephone reassurance, and long-term care (nursing home) ombudsman programs. Seniors depend on these and other OAA programs for a variety of essential services, many of which help maintain them in their homes and avoid unnecessary institutionalization. An estimated 9 million seniors will participate in OAA programs in 1988, and of those, 4 million will be low-income paricipants. Congress appropriated a total of $1.2 billion for all OAA programs in fiscal 1988.

ADMINISTRATION'S PROPOSED FISCAL YEAR 1989 BUDGET

For fiscal 1989, the President's budget requests an appropriation of $725.4 million for the Older Americans Act Programs administered by the Administration on Aging within DHHS. The remainder of the OAA programs are administered by the Department of Labor and the Department of Agriculture. This is essentially the same funding level as for fiscal year 1988. The total includes Title IV funding for training, research, and demonstration projects. Title IV funding is actually part of a $76.7 million generic request for human services research, training and demonstration programs, but the budget request indicates that about $24 million would be allocated for Title IV.

The budget proposal states that meals are expected to remain a priority for States in 1989. Although the budget request does not increase funding over the fiscal year 1988 level, it asserts that if the States allocate the same proportion for meals as previously, an increase of approximately 4 million meals over the 1988 level is expected. The proposal anticipates that the increase in meals will be due to fiscal and management improvements in the program and expected increases in voluntary contributions from participants.

TRANSPORTATION

The Programs

Under section 16(b)(2) of the Urban Transportation Act, the Urban Mass Transportation Administration [UMTA] provides assistance to States for the transportation of the elderly and handicapped. States apportion the money to a variety of private nonprofit organizations which use it to purchase equipment such as vans and small buses with wheelchair lifts. Approximately 1,000 organizations receive aid from these funds in any 1 year. Roughly 3.8 million elderly and handicapped passengers are served by the program each year.

In addition, two other UMTA programs provide grants for public transportation services highly utilized by senior citizens. The section 18 program provides funds for public transportation services in rural areas. While an average of 12 percent of persons living in these areas are elderly, it is estimated that as much as 50 percent of the ridership in some of the over 1,000 local programs is elderly. As a counterpart to section 18, the section 9 program provides grants for local public transportation systems operating in urban areas. The percentage of elderly riders varies, but is generally much higher than the ratio of elderly to the population as a whole in a given urban area.

The Surface Transportation and Uniform Relocation Assistance Act of 1987 reauthorized UMTA for 5 years. Of the authorizations for discretionary grants programs, $35 million was authorized for each year for the elderly and handicapped and innovative research programs.

Administration's Proposed Fiscal Year 1989 Budget

For 1989, the President once again, as in 1988, requests major reductions in overall Urban Mass Transit Administration programs from $3.3 billion to $1.5 billion. The President's underlying policy in the development of the UMTA budget is that greater funding at the local level and greater participation by the private sector can and will reduce public costs of the mass transportation needs of American citizens.

The major exception in the President's 1989 proposed reductions was in the section 16(b)(2) program. The President proposed essentially the same level of funding for this program as for fiscal year 1988, $35 million, the amount allowed in authorizing legislation.

Although the President proposed funding the section 16(b)(2) program to provide elderly and handicapped transportation at the same levels in fiscal 1988, seniors would be hurt by his plan to reduce overall UMTA funding by more than one-half. Deep proposed cuts to both urban and rural transportation systems will decrease the mobility of elderly and lessen their ability to remain independent.

LEGAL SERVICES

The Program

The Legal Services Corporation [LSC], a nonprofit corporation, funds local legal aid projects. In turn, the local projects provide free legal services in civil matters to persons meeting poverty guidelines. Approximately 12.3 percent of all Legal Services clients are persons age 60 and over, who receive legal assistance in areas such as government benefits, consumer problems, guardianships, involuntary commitments to an institution, and landlord-tenant disputes.

LSC will receive $305.5 million in Federal outlays for fiscal 1988. Local legal aid offices receive approximately 88 percent of their funding from the Federal Government. Although most comes from LSC grants, offices receive some funds from other sources such as Older Americans Act, Community Services Block Grants, and Title XX moneys. The balance of funds come from State and local govenments and private sources.

Administration's Proposed Fiscal Year 1989 Budget

Although the President is requesting a reduction of $50 million from the $305.5 million fiscal year 1988 funding level for LSC, this is the first time since taking office in 1981 that the President has requested any Federal funds for LSC activities.

OLDER AMERICANS VOLUNTEER PROGRAMS

The Programs

ACTION, an independent agency established in 1971, administers and coordinates a variety of volunteer programs designed to reduce poverty, help the physically and mentally disabled, and serve local communities in other ways. The Older Americans Volunteer Programs [OAVP], administered by ACTION, are particularly important to older persons. These three programs, listed below, unite the time and energy of mature, experienced, and skilled volunteers with unmet community and individual needs. Special emphasis is placed on serving the frail and isolated elderly, and young people who are emotionally, mentally or physically disabled. OAVP projects are locally sponsored and administrated. The fiscal year 1988 appropriation for OAVP was $111.1 million.

A. RETIRED SENIOR VOLUNTEER PROGRAM

The Retired Senior Volunteer Program [RSVP] was first authorized in 1969 under the Older American Act. RSVP provides volunteer opportunities for persons age 60 and over in areas such as youth counseling, shelter and food projects for the homeless, literacy enhancement, long-term care, crime prevention, refugee assistance, and housing rehabilitation. Volunteers receive no hourly stipend, but can be reimbursed for out-of-pocket expenses incurred as a result of volunteer activities. In fiscal year 1988, RSVP was appropriated funding to provide for 400,000 volunteers.

B. FOSTER GRANDPARENT PROGRAM

The Foster Grandparent Program [FGP], originating in 1965, provides part-time volunteer opportunities for low-income persons age 60 and over. Foster Grandparents provide supportive, person-to-person services to children with physical, mental, emotional or social disabilities. Participants are placed with nonprofit sponsoring agencies such as schools, hospitals, day care centers, and institutions for handicapped children. Volunteers serve 20 hours per week and provide care on a one-to-one basis to three or four children.

Volunteers receive an hourly stipend, transportation assistance, an annual physical examination, insurance benefits, and meals while serving as volunteers. Volunteers must meet income guidelines to qualify for this program and benefits are not taxed. As a result of amendments to the 1986 ACTION reauthorization bill, older persons who are not income-eligible may now serve without the stipend but still receive the other benefits. In fiscal year 1988, Congress appropriated funds to FGP to support 17,600 Foster Grandparents service years or 21,120 FGP volunteers.

C. THE SENIOR COMPANION PROGRAM

The Senior Companion Program [SCP] was instituted in 1973. Senior Companions are low-income persons age 60 and over who provide personal assistance and companionship primarily to older adults. These older adults have physical, mental, or emotional impairments which put them at risk of institutionalization or who could not be deinstitutionalized without the aid of the Senior Companion. Volunteers must meet the same income qualifications and receive the same benefits as FGP volunteers. Noneligible older persons may serve without the stipend, as a result of amendments to the 1986 ACTION reauthorization bill, but receive the other benefits. In fiscal year 1988, SCP was appropriated funds to support 7,000 Senior Companion years or 8,400 SCP volunteers.

ADMINISTRATION'S PROPOSED FISCAL YEAR 1989 BUDGET

For Older American Volunteer Programs, the President's budget requests budget authority of $113 million, an increase of approximately $2 million from the fiscal year 1988 level.

RSVP.—$31.2 million. The President projects that 425,400 volunteers could be supported at this level.

FGP.—$58.6 million. The President projects 18,000 Foster Grandparents service years could be supported at this level. This would be an increase of approximately 500 volunteers.

SCP.—$23.1 million. The President projects 7,000 Senior Companions service years could be supported at this level, the same level as in fiscal year 1988.

COMMUNITY SERVICES EMPLOYMENT FOR OLDER AMERICANS

The Program

Community Services Employment for Older Americans was established by Title V of the Older Americans Act and is administered by the Department of Labor's Employment and Training Administration. This program provides part-time work experience to unemployed, low-income persons age 55 and over through contracts with seven national service organizations and the U.S. Forest Service, and through grants to the States. Fiscal year 1988 appropriations for this program were $331.3 million. This will support 64,810 positions and a total of 89,000 participants.

Administration's Proposed Fiscal Year 1989 Budget

The President requests funding of $336 million in fiscal year 1989 up more than $4 million from the fiscal year 1988 level.

The President projects that this appropriation would support 65,700 positions and a total of 99,000 participants during fiscal year 1989 because many enrollees are later placed in private sector jobs.

JOB TRAINING PARTNERSHIP ACT

The Programs

The Job Training and Partnership Act [JTPA], a State-administered program, authorizes a wide range of training activities to prepare disadvantaged persons for unsubsidized employment. The total fiscal 1988 appropriation for JTPA programs is $3.8 billion. The largest single program under JTPA is the Title II–A program of training for economically disadvantaged adults and youth, which was funded in fiscal year 1988 at $1.8 billion, serving approximately 1 million participants. Three percent of the Title II–A JTPA funds of each State's allotment are set aside to be made available for the training and placement of older individuals, age 55 and over, in employment opportunities with private business concerns. The set aside for the 1987–88 program year is $54.2 million.

Title III of JTPA authorizes a State-administered dislocated worker program which provides training and related employment assistance. Approximately 8 percent of those individuals who have gone through the program were 55 years of age or older. Title III was funded at $287.2 million in fiscal year 1988.

The Stewart B. McKinney Homeless Assistance Act of 1987 authorized $10 million for fiscal year 1988 for job training demonstration grants for the homeless under the federally administered JPTA programs. Between 15–20 percent of the homeless are 60 years and over.

It is intended that these programs coordinate with the Older Americans Act Community Service Employment Program when necessary.

Administration's Proposed Fiscal Year 1989 Budget

The President's fiscal 1989 budget includes $3.4 billion for programs currently authorized by the JTPA, a decrease of about 9 percent from the fiscal year 1988 level of $3.8 billion. The JTPA Title II–A block grants to States for training for the economically disadvantaged would receive the same funding as in fiscal year 1988—$1.8 billion.

The President's proposal would eliminate the JTPA Title III State grants for dislocated workers with no funding request and replace it with a new consolidated worker readjustment program. This new program, which would allow States and local areas to use a variety of new approaches to encourage workers to move on more quickly to new careers, could assist any dislocated worker, without regard to the reason for the unemployment. Total budget authority of $980 million is requested in fiscal year 1989. Approximately

700,000 workers are expected to enroll in the new program each year when it is fully operational.

The President would eliminate the federally administered JPTA homeless program with no funding. This program was funded for the first time in fiscal year 1988 at $9.6 million.

EQUAL EMPLOYMENT OPPORTUNITY COMMISSION

The Program

The Equal Employment Opportunity Commission [EEOC] enforces various laws which prohibit employment discrimination based on factors such as race, religion, or sex. The EEOC enforces the Age Discrimination in Employment Act [ADEA], an antidiscrimination law of particular importance to older individuals. This act prohibits age-based discrimination against workers age 40 and over. The 1986 amendments to ADEA removed the age 70 cap, which had been in place previously with certain exceptions. In 1987, older Americans filed nearly 17,000 claims involving age and equal pay discrimination charges with the Commission and increases are expected in the future.

ADMINISTRATION'S PROPOSED FISCAL YEAR 1989 BUDGET

The President's budget request increases funding for the EEOC by nearly $15 million. The EEOC budget authority is $179.8 million for fiscal year 1988, the proposed increase would bring the fiscal year 1989 level to $194.6 million.

SOCIAL SERVICES BLOCK GRANTS

The Program

States receive Social Services Block Grants [SSBG] under Title XX of the Social Security Act, to provide services to low-income persons, including recipients of AFDC, SSI, and Medicaid Program funds. Services include programs designed to: Prevent, reduce, or eliminate dependency on Federal assistance; assist low-income persons to achieve or maintain self-sufficiency; prevent neglect and abuse; prevent or reduce inappropriate institutional care; and secure admission or referral to institutional care when other forms of care are not appropriate. Of particular importance to older persons are such SSBG funded services such as adult day care, homemaker and chore services, and adult protective services. States receive grants based on population size. In fiscal 1988, Congress appropriated $2.7 billion to the program plus a one-time $50 million increase for a total of $2.75 billion.

State governments' estimates of the proportion of SSBG funds used to provide services to older persons range from less than 1 percent up to 50 percent, with an average of 18 percent. This percentage has declined from over 21 percent in 1981. A major reason for this decline has been the lack of increased funding to make up for the 20 percent cut in Title XX in 1981. Title XX, which was first authorized at $2.5 billion in 1976, is now funded at $2.7 billion. When inflation is factored in, funding for its key services are almost half of what it was a decade ago. This has unfortunately resulted in reductions in programs benefiting the elderly because of decisions to fund needed services for other populations, for example, day care services and homemaker training.

Administration's Proposed Fiscal Year 1989 Budget

The President's request for fiscal year 1989 would freeze the Social Services Block Grant at $2.7 billion, the same level as fiscal year 1987 and fiscal year 1988 funding levels.

COMMUNITY SERVICES BLOCK GRANTS

The Program

Community Services Block Grants [CSBG] are provided to States for funding services and activities designed to reduce poverty and promote community development. Some CSBG funds are used to provide services to senior citizens such as job training and referral for the elderly, home ownership counseling, low-cost housing construction, transportation, senior center programs, energy and weatherization assistance, and clothing, food and shelter.

For fiscal years 1984–87, the President attempted elimination of the CSBG program, requesting only phase-out appropriations. The Administration considered the program duplicative and would use SSBG funds to address the needs now met with CSBG. The requests assumed that the SSBG program would fill gaps in services caused by the cancellation, even though the budget proposals did not submit requests for increased funds to SSBG's to cover the additional duties.

The President did not propose elimination of CSBG in his fiscal year 1988 budget proposal but requested $310 million, a $62 million cut from the fiscal year 1987 $372 million budget.

Administration's Proposed Fiscal Year 1989 Budget

For fiscal year 1989, the President is again proposing a 4-year phase out of the CSBG, beginning with a $44 million cut in the $326 million basic block grant, a $7 million reduction in the $35 million discretionary activities grants, and elimination of CSBG homeless services and the Community Food and Nutrition programs. The total fiscal year 1989 requested level is $310 million, a $72 million reduction from the fiscal year 1988 $382 million budget. This would clearly reduce the CSBG services upon which many senior citizens depend, especially those low-income elderly.

O

83-349 (44)