

OMNIBUS BUDGET RECONCILIATION ACT OF 1981,
PUBLIC LAW 97-35
(Selected Provisions Affecting the Elderly)

AN INFORMATION PAPER

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SPECIAL COMMITTEE ON AGING
UNITED STATES SENATE

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PREFACE

The Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) was approved by Congress on July 31, 1981 and signed by the President on August 13, 1981.

The result of diligent work in both the House and Senate, the bill is a major step toward restricting the growth in the size of the Federal budget.

In the case of entitlement programs, the Reconciliation Act makes changes in current law that determine eligibility and benefit levels and will thus affect Government spending without further action by the Congress.

In the case of nonentitlement programs, the act reduces authorization levels for appropriations below the spending path implied by policies that have been in effect. Final decisions on the nonentitlement programs, however, will depend upon actions on 13 appropriations measures pending before the Congress.

The following information paper was prepared by the staff of the Special Committee on Aging with assistance from the Congressional Research Service of the Library of Congress. It includes a summary of the most relevant provisions affecting older Americans, as well as some background information and the budget proposals set forth by the administration.

We believe this will be a valuable resource for the elderly, practitioners in the field of aging, policymakers, and others concerned with the quality of life for older Americans.

JOHN HEINZ,
Chairman.

LAWTON CHILES,
Ranking Minority Member.

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**OMNIBUS BUDGET RECONCILIATION ACT OF 1981,
PUBLIC LAW 97-35**

(Selected Provisions Affecting the Elderly)

INTRODUCTION

The Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) was approved by Congress on July 31, 1981, and signed by the President on August 13, 1981. Following is a summary of selected provisions affecting programs which assist the elderly.

SOCIAL SECURITY

In fiscal year 1982, more than 95 percent of the Nation's citizens aged 65 or older, and their dependents, will be eligible for social security benefits. Under current law, fiscal year 1982 expenditures for benefits for this group are projected to exceed \$159 billion. The Reagan budget proposed no structural revisions to the social security system. The Reagan administration estimates that social security benefits will rise 9.3 percent in July 1982, when the next adjustment for price inflation is scheduled.

The Reagan budget included two proposals with significant potential impact on older Americans and their families.

First, the administration's budget submission assumed elimination of the minimum benefit to present and future social security recipients for fiscal year 1982, with savings of \$1.3 billion. Prior law assured that beneficiaries whose average lifetime earnings in covered employment are low, received a minimum benefit higher than the benefit they would otherwise receive. This provision of the statute was originally intended to help the poor but also benefits those with other sources of retirement income. The administration's budget also assumed that retirees who could meet income eligibility requirements would have the minimum benefit replaced by payments from the supplemental security income (SSI) program, resulting in a \$300 million increase in Federal spending for that program. The Omnibus Budget Reconciliation Act of 1981 eliminated the minimum benefit for all present and future beneficiaries. In the final Reconciliation Act provision as with the Reagan budget proposal, those individuals over 65, or blind, or disabled, who meet SSI eligibility requirements, will have their social security benefits replaced with SSI payments. In addition, under the bill as enacted, persons aged 60 to 64 who were entitled to a minimum benefit for the month of July 1981 will become eligible for a special SSI benefit, if they qualify under all SSI rules except that pertaining to age. Net savings for fiscal year 1982 are estimated to be \$459 million.

Second, the administration's budget submission assumed elimination of the lump-sum death benefit in instances in which there is neither

a widow nor a dependent child to receive the survivor's benefits. Fiscal year 1982 savings were estimated to be \$200 million. Current law provides a lump-sum death payment of \$255 when a worker who is fully or currently insured dies. If there is no spouse to receive the payments under prior law, the money could be paid to a relative or other person who assumed responsibility for the funeral expenses. A funeral home itself could also apply to receive the payment directly for these expenses. This proposal, restricting the payment of lump-sum death benefits, is included in the final reconciliation legislation.

In addition to the minimum benefit and lump-sum death benefit provisions, the following other social security provisions were included in the Omnibus Budget Reconciliation Act.

A provision was enacted, although not proposed by the Reagan administration, which will delay eligibility for social security benefits for a worker retiring at age 62, and his dependents, until the first full month during which all factors of eligibility are met. Under prior law, social security benefits were always payable for the entire month during which the beneficiary first met all requirements for eligibility, regardless of when during the month all requirements were met. This provision is estimated to save \$190 million in fiscal year 1982.

Another provision of the Omnibus Budget Reconciliation Act not proposed by the administration will affect older workers by delaying the time when the retirement test exempt age is lowered from 72 to 70. Under prior law, all workers 70 and older would have become exempt from the retirement earnings test in 1982; under the new law, the exempt age will remain 72 until January 1983, when it will drop to 70. Estimated fiscal year 1982 savings from this change are \$380 million.

Further, in passing the Omnibus Budget Reconciliation Act, Congress voted to restrict Federal funding for reimbursement of rehabilitative services furnished by State vocational rehabilitation agencies to beneficiaries of disability insurance (DI) under the social security program. The new rule permits Federal reimbursement only for "rehabilitated" DI beneficiaries who succeed in performing substantial gainful activity (now defined as earning \$300 a month) for a continuous period of 9 months. The Congressional Budget Office estimates that the new rule will cut Federal outlays by \$87 million in fiscal year 1982, \$86 million in fiscal year 1983, and \$73 million in fiscal year 1984. The Reagan administration had recommended outright repeal of reimbursement at an estimated annual savings of \$87 million.

[In billions of dollars]

	Fiscal year outlays	
	1981	1982
Prior law.....	\$139.5	\$159.3
Savings:		
Minimum benefit:		
Reagan proposal.....		-1.0
Omnibus Budget Reconciliation Act.....		-459
Lump-sum death benefit:		
Reagan proposal.....		-200
Omnibus Budget Reconciliation Act.....		-200
Month of entitlement: Omnibus Budget Reconciliation Act.....		-190
Retirement test exempt age: Omnibus Budget Reconciliation Act.....		-380
Rehabilitation services: Omnibus Budget Reconciliation Act.....		-87

SUPPLEMENTAL SECURITY INCOME

In May 1981, supplemental security income (SSI) served some 4.1 million persons, of whom 2.2 million were at least 65 years old. The aged SSI population included 0.4 million persons who enrolled at a younger age on grounds of disability.

Basic Federal SSI benefits rose 11.2 percent on July 1, 1981, reflecting the rise in the Consumer Price Index (CPI) from the first quarter of 1980 to the same quarter of 1981. The boost lifted the Federal cash income floor from \$238 per individual to \$264.70 (and from \$357 per couple to \$397). These benefit levels apply to persons with no other counted income (and without State SSI supplements). In May 1981, SSI payments averaged \$166 per person. The Reagan administration estimates that Federal SSI benefit levels will rise 9.3 percent on July 1, 1982, when the next adjustment for price inflation is scheduled.

In passing the Omnibus Budget Reconciliation Act of 1981, Congress accepted a budget-cutting recommendation of the Reagan administration to change the accounting period used for calculating SSI benefits. The change is to base SSI benefits, in general, on actual income and other relevant circumstances of the previous month (retrospective accounting) rather than on anticipated income of the future quarter (prospective accounting). An exception was made for the month of application, when both eligibility and benefit amounts would continue to be determined on a prospective basis. The Congressional Budget Office estimates that the new rule will reduce Federal SSI benefit outlays by \$30 million in fiscal year 1982, and by \$60 million annually in fiscal year 1983 through fiscal year 1986.

In drafting its budget-cutting bill, Congress rejected a recommendation of the Reagan administration that might have reduced SSI benefits in the 31 jurisdictions (30 States plus the District of Columbia) that now supplement the basic Federal SSI benefit with their own funds. The proposal, which was included in the administration's Social Welfare Amendments of 1981 (H.R. 3468 and S. 1293) was to repeal the law requiring States to maintain their aggregate spending on SSI supplements in order to be eligible for medicaid matching funds. This rule has the effect of requiring States to pass through to beneficiaries any cost-of-living increases in basic Federal benefits.

Congress voted in passing the Omnibus Budget Reconciliation Act to restrict Federal funding for reimbursement of rehabilitative services furnished by State vocational rehabilitation agencies to SSI recipients. The new rule permits Federal reimbursement only for "rehabilitated" SSI recipients who succeed in performing substantial gainful activity (now defined as earning \$300 a month) for a continuous period of 9 months. The Congressional Budget Office estimates that the new rule will cut Federal outlays by \$20 million in fiscal year 1982, \$18 million in fiscal year 1983, and \$15 million in fiscal year 1984. The Reagan administration had recommended outright repeal of reimbursement at an estimated annual saving of \$20 million.

	Fiscal year—		
	1980	1981	1982
Beneficiaries (in millions).....	4.2	4.2	4.2
Aged at least 65 yr old.....	¹ (2.3)	² (2.2)	³ (2.2)
Federal expenditures (in billions).....	\$6.4	\$7.3	\$7.9

¹ May 1980, estimated.

² May 1981, estimated.

³ Estimate. Actual number not available.

CIVIL SERVICE AND MILITARY RETIREMENT

More than 3.2 million Americans receive benefits under the civil service and military retirement systems. Retirement payments for these persons are estimated to total \$35.5 billion in fiscal year 1983. The Reagan budget proposed legislation to provide cost-of-living adjustments (indexing) to annuity payments on an annual rather than semiannual basis. This proposal was adopted by Congress in the Omnibus Budget Reconciliation Act of 1981. The Congressional Budget Office estimates that adoption of the proposal will reduce fiscal year 1982 expenditures by \$907 million, giving civil service and military retirees one 10.2 percent inflation adjustment for that year.

[In billions of dollars]

	Fiscal year outlays		
	1980	1981	1982
Civil service retirement:			
Prior law.....			
Indexing proposal.....	\$14.7	\$17.5	\$20.1
Military retirement:			
Prior law.....	11.9	13.8	15.5
Indexing proposal.....			-.4

RAILROAD RETIREMENT

More than 1 million Americans receive benefits from the railroad retirement system. Payments to these beneficiaries are estimated to reach \$5.9 billion in fiscal year 1982. The Reagan budget assumed savings of \$40 million in fiscal year 1982 by proposing to defer a cost-of-living adjustment for a portion of the railroad retirement benefit. Because payments have exceeded revenues over the last few years, Congress has adopted a package of changes to the system to assure its continued solvency. Modifications to the benefit structure are contained in the Omnibus Budget Reconciliation Act of 1981; additional revenue is provided for in the Economic Recovery Tax Act of 1981. Benefit changes include modifications to cost-of-living adjustments for survivors, and changes to the so-called "windfall" benefit rights of a closed class of employees and retirees who had been "grandfathered" for these rights when the system was reorganized in 1974. Generally, those windfall rights are held by individuals who had qualified for both social security and railroad retirement benefits prior to 1974. Congress voted to make benefits available for the first time to divorced spouses,

remarried widows, and surviving divorced mothers, modified the benefit formula for new retirees, and installed permanent annual cost-of-living adjustments (32.5 percent of Consumer Price Index (CPI) changes) for a portion of the benefit paid to survivors. The major portion continues to be annually adjusted 100 percent of CPI changes. The new CPI formula for survivor benefits is that already used for benefits to retirees. Congress also increased the payroll tax on employers 2.25 percent (to 11.75 percent) and added a 2-percent tax on employee pay for the first time.

	Fiscal year—		
	1980	1981	1982
Estimated income (in millions).....	\$4.8	\$4.8	\$5.2
Estimated outlays (in billions).....	5.2	5.5	5.9
Estimated cash-flow changes from reconciliation (in billions).....			.8

FOOD STAMPS

Prior to enactment of the Omnibus Reconciliation Act of 1981, the food stamp program was expected to cost the Federal Government \$12.3 billion, 8 percent more than the \$11.4 billion appropriated for fiscal year 1981. It was estimated that over 23 million low-income Americans (2.5 million elderly) would participate in the program.

The Reagan budget assumed adoption of several legislative changes in the program to reduce food stamp expenditures by \$1.5 billion in fiscal year 1982 and larger amounts in later years. Three of these proposals, totaling over \$400 million in savings, would have had significant effects on the elderly.

First, the Reagan proposals would have established an absolute 130 percent of poverty gross income eligibility limit, with no allowance for special expenses such as medical costs; this new, lower income eligibility limit would be \$467 and \$616 per month, for singles and couples, respectively, until the next inflation update in July 1982. Under present rules, income eligibility limits for food stamps vary according to the type of household income (earned versus unearned) and whether a household has special expenses for shelter, dependent care, or medical care. As a result, the existing income eligibility limits applied to most households range from 125 to 200 percent of the official Federal "poverty levels."

Second, the Reagan proposals would have permanently frozen the \$85-per-month "standard deduction"; this deduction determines the basic amount of income that is disregarded in calculating food stamp benefits and is now indexed annually for inflation.

Finally, the Reagan proposals would have repealed a provision of law, scheduled to take effect in fiscal year 1982, that would have increased benefits to elderly recipients with medical expenses by allowing these recipients to have an additional \$10 per month in medical expenses disregarded when benefits are calculated. Other major savings proposed by the Reagan administration would have been achieved by converting the food stamp program in Puerto Rico to a food assistance block grant, reducing benefits to households with children in schools offering free lunches, and reducing first-month benefits to reflect the date of application.

The Omnibus Budget Reconciliation Act of 1981 adopted the three Reagan administration proposals affecting the elderly, with some significant changes. Households containing elderly (age 60 or over) or disabled members are exempted from the new, lower income eligibility limits and will continue to have their eligibility judged, as provided for by existing rules, taking into account the type of income and special expenses. The \$85-per-month "standard deduction" is frozen only through June 1983. However, inflation adjustments after June 1983 are staggered: July 1983, October 1984, and October for each year thereafter. The Reagan proposal to repeal increased benefits to elderly recipients with medical expenses was adopted without change.

The Omnibus Budget Reconciliation Act also added one important new cost-saving revision that would affect the elderly along with other recipients. Benefit levels, now adjusted annually each January to reflect food-price inflation, are to be adjusted on a *delayed schedule*: April in 1982; July in 1983, October in 1984, and October each year thereafter. Reagan administration proposals to convert the food stamp program in Puerto Rico to a block grant and to reduce first-month benefits were also included in the Reconciliation Act; the proposal to reduce benefits to households with children in school was not included.

In all, the food stamp savings to be achieved by the provisions of the Omnibus Budget Reconciliation Act total \$1.7 billion in fiscal year 1982 (larger amounts in later years), some \$200 million more than suggested by the Reagan administration. Approximately \$600 million of the fiscal year 1982 savings will have a significant effect on elderly recipients, primarily by delaying benefit increases that would have occurred through inflation indexing of benefit levels and the "standard deduction."

	<i>Outlays in billions</i>
Fiscal year 1981 expenditures.....	\$11.4
Fiscal year 1982:	
Present rules.....	12.3
Reagan proposals.....	-1.5
Omnibus Budget Reconciliation Act.....	-1.7

LOW-INCOME ENERGY ASSISTANCE

The present energy assistance program for low-income households was authorized by the Home Energy Assistance Act of 1980. Under the legislation, the Secretary of the Department of Health and Human Services (DHHS) provides grants to the States for the purpose of financial assistance available to low-income households with home energy costs that are excessive in relation to household income. Eligibility for benefits is limited to households where one or more individuals qualify for cash payments from aid to families with dependent children, supplemental security income, food stamps, or veterans' pensions. Households with income levels at or below the Bureau of Labor Statistics (BLS) lower living standard set by the Department of Labor also qualify for assistance. Single person households may have the higher of the BLS lower living standard or 125 percent of the Community Services Administration's poverty guidelines. The law specifically requires that priority be given to households with a member who is aged or handicapped.

For fiscal year 1982, the Reagan administration proposed consolidation of the expiring home energy assistance authority with the emergency assistance authority under title IV of the Social Security Act. The proposed block grant would have granted States complete flexibility to develop and administer fuel assistance and other crisis or emergency needs activities for their low-income households. The total budget request of \$1.4 billion was \$500 million below the combined fiscal year 1981 current services level of \$1.85 billion for low-income energy assistance and an estimated \$55 million for title IV emergency assistance.

As passed by Congress, the Low-Income Home Energy Act of 1981 (title XXVI of H.R. 3982, the Omnibus Budget Reconciliation Act of 1981) authorizes \$1.875 billion in grants to States for low-income energy assistance for fiscal years 1982, 1983, and 1984.

The program is 100 percent federally financed in each year of its authorization. One hundred percent of the funds will be distributed as grants to States. States will receive the same proportion of \$1.875 billion as the proportion of funds they were eligible to receive under the allotment formula of the fiscal year 1981 program.

In order to receive an energy assistance grant, States are required to submit a two-part application. The first part of the application consists of a series of assurances made by the chief executive officer (CEO) of the State, that the State will operate its energy assistance program in accordance with stated congressional intent. The second part of the application consists of a plan detailing the manner in which the State intends to carry out the assurances made by the CEO. An important corollary to the State application process is that the Secretary of the DHHS may not specify the manner in which the States carry out the CEO's assurances or disapprove a State's application.

In the application, the CEO must make assurances that: Federal funds will not be used to assist a household unless the household has at least one member receiving public assistance or the household has an income below either 150 percent of poverty or 60 percent of a State's median income (adjusted for family size); appropriate outreach activities, directed especially toward the elderly and the handicapped, will be conducted; no more than 10 percent of a State's allotment will be spent on State administration; there will be public participation in the development of the State plan; and owners and renters will be treated equitably.

The Low-Income Home Energy Assistance Act permits assistance for home heating and cooling costs, weatherization up to 15 percent of a State's allotment, and energy-related crisis intervention activities (temporary shelter, space heaters, blankets, etc.).

Up to 10 percent of the State's allotment under this program can be transferred into other block grant programs. Up to 25 percent of a State's allotment can be held over by a State for the next fiscal year. Funds not spent, held over, or transferred in a fiscal year can be reallocated by the Secretary.

Indian tribal organizations are eligible for direct payments of energy assistance funds if they request such payments and the Secretary determines that direct payments would best serve the tribe. At the option of the State, the Federal Government can make direct payments to recipients of supplemental security income.

(In billions of dollars)

	Fiscal year budget authority		
	1981	1982	1983
Prior law.....	\$1.85		
Reagan proposal.....		\$1.4	\$1.4
Omnibus Budget Reconciliation Act.....		1.9	1.9

VETERANS' PENSIONS

No legislative provisions changing the veterans' pension program were included in President Reagan's budget submission to the Congress or the Omnibus Budget Reconciliation Act of 1981. Federal expenditures for veterans' pensions will exceed \$4 billion in fiscal year 1982 with 1.9 million veterans and their survivors receiving payments. Approximately 30 to 50 percent of the beneficiaries are age 65 and older. Recipients received an 11.2 percent cost-of-living increase in payment levels in July 1981. Pensions are automatically increased by the same amount and at the same time as social security benefits.

	Fiscal year—		
	1980	1981	1982
Beneficiaries (in millions).....	2.1	2.0	1.9
Expenditures (in billions).....	\$3.6	\$3.8	\$4.0

VETERANS' BURIAL BENEFITS

Families of deceased veterans who are buried in private cemeteries may receive allowances to apply toward the purchase of a burial plot. They may also receive benefits to assist in defraying funeral expenses. Federal outlays for this program in fiscal year 1982 are expected to total \$203 million.

The Reagan budget contained no proposals to revise the veterans' burial benefits program. Under the provisions of the Omnibus Budget Reconciliation Act of 1981, eligibility for the \$300 burial and funeral expense benefit would be restricted to cases of veterans who were eligible to receive compensation for a service-connected disability and a Veterans Administration pension. It is estimated by the Congressional Budget Office that savings would be \$75.2 million in budget authority and outlays in fiscal year 1982.

	Fiscal year—		
	1980	1981	1982
Beneficiaries.....	334,116	350,500	355,500
Expenditures (in millions).....	\$183	\$198	\$203

MEDICARE

Under current law, fiscal year 1982 expenditures for the medicare program will total \$48.3 billion. The Reagan budget assumed savings of \$1.9 billion from implementation of several legislative and regulatory initiatives. Most of these savings were assumed to result from changes in reimbursement methods and management practices. In

addition, the administration proposed repeal of several benefit provisions in the Omnibus Reconciliation Act of 1980 that will expand medicare coverage beginning in fiscal year 1982.

The Omnibus Budget Reconciliation Act of 1981 makes a variety of changes in the medicare program, some administrative and others that will impact beneficiaries directly. Beginning in 1982, for example, enrollees in the supplemental medical insurance (SMI), or part B, portion of medicare will have to pay the first \$75 (instead of the current \$60) of covered expenses before program benefits will be paid. The inpatient hospital deductible and coinsurance amounts required under the hospital insurance (HI), or part A, portion of medicare will also be increased in 1982 by somewhat more than such amounts were expected to rise as a result of the reconciliation action. Congress rejected provisions that would have imposed new beneficiary copayment charges on stays in a hospital, turned down increases in the part B premium, and retained the pneumococcal vaccination benefit under medicare.

MEDICAID

The medicaid program was established to provide Federal aid to States for medical assistance to low-income persons who are aged, blind, disabled, or members of families with dependent children. Each State designs its own medicaid program consistent with specific Federal guidelines and requirements. Thus, there are differences among the States in eligibility requirements, the range of services offered, limitations imposed on such services, and reimbursement policies. The Federal Government helps States share in the cost of medicaid services through a variable matching formula that is periodically adjusted. The matching rate, which is inversely related to a State's per capita income, ranges from 50 to 83 percent.

Medicaid expenditures have increased at an average rate of more than 15 percent per year over the last 5 years. A large part of the increase is due to a relatively stable percentage of elderly beneficiaries that has consumed an increasingly larger share of medicaid expenditures each year. Much of that increased share has been for long-term care services. At present, 15 percent of the medicaid program's 18.8 million recipients are elderly. They account for over 30 percent of program expenditures. The Congressional Budget Office estimates that, under current law, medicaid outlays would total \$18 billion in fiscal year 1982.

The Reagan administration proposed enactment of legislation to limit, or cap, Federal medicaid expenditures for fiscal year 1982, for a savings of \$1 billion. Offered as an interim measure prior to the adoption of comprehensive Federal health financing initiatives, the administration assumed immediate enactment of the proposal. The cap was structured to reduce Federal expenditures for fiscal year 1981 by \$100 million below the current estimates for program costs. Expenditures would then be allowed to increase by 5 percent in fiscal year 1982, and with the rate of inflation in future years. The proposal also provided the States with more flexibility in structuring their individual medicaid programs. It was anticipated that by limiting Federal spending, States would have additional incentives to provide cost-effective services and to reduce fraud, abuse, and waste.

Congress did not accept the administration's plan for imposing a cap on State medicaid programs. Instead, the Omnibus Budget Reconciliation Act of 1981 provides for a reduction in Federal matching payments to all States by 3 percent in fiscal year 1982, 4 percent in fiscal year 1983, and by 4.5 percent in fiscal year 1984. Any State could lower the amount of such reductions in any year, if it adopts a qualified hospital cost review program; if unemployment in the State is greater than 150 percent of the national average; if it recovers 1 percent of Federal payments by controlling fraud or program abuse; or if it holds down increases in medicaid spending below certain target levels. Congress rejected efforts to reduce the minimum rate of Federal matching for medicaid services, currently set at 50 percent. The final budget measure permits States to exercise greater flexibility in implementing their medicaid programs by encouraging them to enter into new cost-effective arrangements to provide services, and by encouraging more health maintenance organization participation in medicaid. Congress also added a new provision that will permit States to provide a new range of home- and community-based long-term care services that represent alternatives to institutionalization of medicaid recipients.

NATIONAL INSTITUTE ON AGING

Since 1977, Federal funding for the Institute's research programs on aging has more than doubled. The Reagan budget included \$84.2 million for fiscal year 1982 funding for the National Institute on Aging (NIA). This amount is \$8.1 million higher than the amount that would be required to continue the Institute programs at their fiscal year 1981 level of activity. No specific authorization figure for the NIA was included in the Omnibus Budget Reconciliation Act. Therefore, the NIA may continue to carry out its functions under the general authority of section 301 of the Public Health Service Act; appropriation amounts will be determined in the regular appropriations process.

VETERANS' HEALTH

The Reagan budget proposal assumed a reduction in medical care of \$107 million from the adoption of legislation reducing reimbursement to veterans for travel expenses between a veteran's home and Veterans Administration (VA) medical facilities, restricting outpatient dental services, and reducing funds available for physicians bonus pay. The Reagan budget also assumed \$32 million in savings by eliminating the readjustment counseling program for Vietnam veterans. It was assumed that an additional \$433 million could be saved by postponing hospital construction projects, and reducing nondirect care staff and other overhead costs.

The Omnibus Budget Reconciliation Act of 1981 includes language restricting outpatient dental care for noncompensable service conditions to veterans who served at least 180 days and who apply for dental care within 3 months of their discharge date. This provision will save an estimated \$17.7 million in budget authority and outlays in fiscal year 1982.

OTHER HEALTH PROGRAMS

The Department of Health and Human Services (DHHS) administers a wide array of health services and disease control programs that are utilized in part by the elderly. The Reagan administration proposed revising and consolidating these programs into block grants, designed to allow States more flexibility in determining their health services needs and priorities.

In the area of preventive health, the administration proposed the consolidation of 11 categorical programs including health incentive, hypertension, and health education and risk reduction programs. The proposed authorization level of \$260 million represented a 25-percent reduction from the combined fiscal year 1981 current services levels of the preventive health programs which the block grant would replace.

In the area of health services, the administration proposed consolidation of 15 categorical programs including community and migrant health centers, maternal and child health, community mental health, and substance abuse programs. As with the preventive health services block grant, the health services block grant proposed for fiscal year 1982 would have been funded at a level representing 25 percent of fiscal year 1981 current services levels, or \$1.1 billion.

The Omnibus Budget Reconciliation Act of 1981 created four health block grant programs (as opposed to the Reagan administration's proposals for two) and authorized or extended a number of separate categorical health programs, including migrant health programs and a tuberculosis control program.

1. PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT

The preventive health and health services block grant includes eight categorical programs. The preventive health programs included are: Health incentive, hypertension, health education/risk reduction, rodent control, and fluoridation grants; the health services programs included are home health and emergency medical services grants. The eighth program included is the rape crisis centers program originally authorized in the 1980 Mental Health Systems Act.

From funds appropriated under the preventive health and health services block grant, each State will be allocated the same proportion of funds as it received in fiscal year 1981 under the various separate programs included in the block grant. The exception to this is the allocation of funds for rape crisis centers which will be based on population.

The Reconciliation Act requires each State to spend on hypertension activities in fiscal year 1982 at least 75 percent of the amount of Federal funding for such programs in the State in fiscal year 1981. The percentage drops to 70 percent in fiscal year 1983, and 60 percent in fiscal year 1984.

The Reconciliation Act contains language to continue existing grants under the emergency medical services program. In addition it requires that, of the amount appropriated for any fiscal year under this program, at least \$3 million shall be set aside for an allotment to each State on the basis of population for rape crisis centers.

The authorizations for the preventive health and health services block grant are: \$95 million for fiscal year 1982; \$96,500,000 for fiscal year 1983; and \$98,500,000 for fiscal year 1984.

2. PRIMARY CARE BLOCK GRANT

The Reconciliation Act extends the community health centers program for 1 year, through fiscal year 1982, with an authorization of \$284 million. Starting in fiscal year 1983, the bill replaces this authority with a new primary care block grant. From amounts appropriated under this authority in fiscal years 1983 and 1984, States will be allocated the same proportion of funds awarded to community health centers in fiscal year 1982.

Under the new primary care block grant authority, States will be required to match Federal funds in order to be eligible for grants under the block. The matching rate is 20 percent for fiscal year 1983, and 33 $\frac{1}{3}$ percent for fiscal year 1984. In addition, States will be required to award grants in fiscal year 1983 to every community health center funded in fiscal year 1982. These grants will have to be as large as those awarded in fiscal year 1982. During fiscal years 1983 and 1984, the Secretary of DHHS will continue to administer the community health centers program in any State which did not apply for State administration of the program.

The authorizations for the primary care block grant are: \$2,500,000 for fiscal year 1982 to help States to plan to assume responsibility for the program; \$302,500,000 for fiscal year 1983; and \$327 million for fiscal year 1984.

3. ALCOHOL, DRUG ABUSE, AND MENTAL HEALTH BLOCK GRANT PROGRAM

The Reconciliation Act establishes a formula for allocating funds under this program that is intended to provide approximately equal national allocations for mental health and for substance abuse programs. Of the funds available for substance abuse programs, States will be required to spend at least 35 percent for alcohol abuse programs and 35 percent for drug abuse programs, with the remaining 30 percent left to the State's discretion. At least 20 percent of the total funds for alcohol and drug abuse programs must be used for prevention and early intervention activities.

With its mental health funds under this block grant, each State will be required to provide funding to qualified community mental health centers which received grants in fiscal year 1981 under the Community Mental Health Centers Act and which would be eligible under that legislation, if it were still in effect.

Authorizations under the alcohol, drug abuse, and mental health block grant are: \$491 million for fiscal year 1982; \$511 million for fiscal year 1983; and \$532 million for fiscal year 1984.

4. MATERNAL AND CHILD HEALTH BLOCK GRANT

This block grant includes the following programs: Maternal and child health and crippled children's programs, supplemental security income for disabled children, lead-based paint poisoning prevention,

sudden infant death syndrome, hemophilia treatment centers, genetic diseases, and the adolescent pregnancy program.

The authorization for this program is \$373 million for fiscal year 1982, and each fiscal year thereafter.

In addition to the above provisions, the Reconciliation Act reduces funding for health maintenance organizations, health planning, and health professions education and training. The act also provides for the closing of the Public Health Service hospitals and clinics which cannot be transferred to local control.

ADMINISTRATION ON AGING

The Administration on Aging (AoA) implements most of the programs authorized by the Older Americans Act. Under title III of the act, the Federal Government finances the activities of State agencies on aging in each State, including technical assistance to over 600 area agencies on aging throughout the Nation. State agencies receive Federal funds, on a formula grant basis, which they award to area agencies based on State-approved area plans on aging. Area agencies coordinate and implement the plans and, where needed, purchase social and nutrition services with the formula grant funds.

In addition to funding social and nutrition services and service systems for the elderly, the Older Americans Act authorizes, under title IV, a program of discretionary grants for training, research, discretionary programs, and multidisciplinary centers of gerontology. These efforts help to train personnel in the field of gerontology, increase knowledge about the service needs of the elderly, and demonstrate systems to improve the quality of services. Finally, the law provides a system of direct grants to qualified Indian tribal organizations (title VI) and funding for the National Clearinghouse on Aging and the Federal Council on the Aging (title II).

The Reagan budget proposal included \$744.6 million for programs administered by AoA. It was assumed that legislation would be adopted consolidating into one authorization the funding authority for social and nutrition service. In addition to \$597 million requested for social and nutrition services, the President proposed a transfer to AoA of \$95.5 million from the U.S. Department of Agriculture's (USDA) food commodities program for the elderly, bringing the total request for title III services to \$692.5 million. The Reagan administration also proposed consolidation of all training and other discretionary research activities into a single discretionary program at an authorized level of \$23.2 million in fiscal year 1982. A request of \$6 million was made for title VI; no funds were requested for the National Clearinghouse on Aging.

The Omnibus Budget Reconciliation Act of 1981 includes a budget ceiling of \$715 million for fiscal year 1982, and \$793.3 million for fiscal year 1983 for all titles of the act, except title V, the senior community service employment program for older Americans (see "Employment" section). The House and Senate conferees included language in the report accompanying the Reconciliation Act that the total appropriation for discretionary activities under title IV should not exceed \$23.2 million for fiscal year 1982 and \$24.7 million for fiscal year 1983. The conferees emphasized that the budget reconcil-

iation measure does not amend the existing USDA elderly commodity program as currently authorized. Congress has not yet taken final action on separate legislative proposals to consolidate authorizations for social and nutrition services, and training and other discretionary activities.

[In millions of dollars]

	Fiscal year—			
	1982			Omnibus Budget Reconciliation Act
	1980	1981	Reagan	
State administration.....	\$22.5	\$22.7	\$22.7	\$715 for all titles of the act, except title V employment program. ^{2,3}
Social services and centers.....	247.0	252.0	1692.5	
Nutrition.....	320.0	350.0		
USDA commodities.....	71.9	84.7	23.2	
Training, research, and discretionary projects.....	54.3	40.5		
Grants to Indian tribes.....	6.0	6.0	6.0	
Federal Council on Aging.....	.450	.481	.200	
National Clearinghouse.....	2.0	1.8	-----	

¹ Includes transfer of \$95,500,000 for elderly commodities programs from the USDA to Administration on Aging.

² See "Employment" section.

³ Report of conferees accompanying the bill states that fiscal year 1982 appropriations for title IV should not exceed \$23,200,000.

SENIOR VOLUNTEER PROGRAMS

Authorized under the Domestic Volunteer Service Act of 1973, as amended, the senior companion program (SCP), the retired senior volunteer program (RSVP), and the foster grandparent program (FGP) provide opportunities for persons aged 60 and over to volunteer their services to the community. In fiscal year 1981, \$88.9 million was appropriated for these programs. The Reagan budget proposal requested \$89.5 million in fiscal year 1982 funding. The Omnibus Budget Reconciliation Act of 1981 includes a total of \$95 million for the three volunteer programs as shown in the table below.

[In millions of dollars]

	Fiscal year—		
	1982		Omnibus Budget Reconciliation Act
	1981	Reagan	
SCP.....	\$12.8	\$11.1	\$16.6
FGP.....	48.4	49.7	49.7
RSVP.....	27.7	28.7	28.7
Total.....	88.9	89.5	95.0

SOCIAL SERVICES

The current title XX program assists States in funding a variety of social services for individuals and families. Types of services include homemaker services, family planning, preparation and delivery of meals, transportation, counseling, substitute care and day care for

adults. Title XX also provides funds to States for training social services personnel. In fiscal year 1981, approximately \$3 billion was available to the States for social services and training under title XX.

The Reagan administration proposed consolidation of title XX with a number of child welfare and other social services programs, including most activities of the Community Services Administration (CSA). The Reagan proposal would have consolidated these programs into a block grant to States funded at \$3.8 billion in fiscal year 1982, which represents a 25-percent reduction from the fiscal year 1981 funding levels for all of the consolidated programs (\$5 billion).

The Omnibus Budget Reconciliation Act of 1981 amended the existing title XX to establish a new social services block grant to States. However, contrary to wishes of the Reagan administration, the act does not consolidate any programs other than title XX social services and training. All remaining programs proposed for consolidation by the administration, except for CSA, were retained as categorical activities. (To replace CSA, a new community services block grant was established that will fund antipoverty activities at the State and local level. See "Community Services Block Grant" section.)

The social services block grant agreed to under the Reconciliation Act will be permanently authorized and funded at \$2.4 billion in fiscal year 1982, \$2.45 billion in fiscal year 1983, \$2.5 billion in fiscal year 1984, \$2.6 billion in fiscal year 1985, and \$2.7 billion in fiscal year 1986 and thereafter. This funding level in fiscal year 1982 represents about a 20-percent cut from the fiscal year 1981 funding level for title XX services and training. Under the new block grant, States will receive allotments based on population. Unlike current law, there will be no income eligibility guidelines or provisions targeting assistance on certain population groups. States will be free to design their own social services programs subject to certain general prohibitions against using funds for capital improvements, most education and medical care, and certain other activities. Prior to spending funds each fiscal year, States will publish a report on their intended use of funds and every 2 years, States will report on their actual use of funds. Audits also will be required every 2 years. State plans and public participation requirements, continued in current title XX law, will be eliminated as will State matching requirements.

	<i>Billions</i>
Fiscal year 1981 appropriation-----	\$3. 0
Fiscal year 1982:	
Reagan proposal-----	¹ 2. 25
Omnibus Budget Reconciliation Act-----	² 2. 4

¹ Would have been consolidated with child welfare programs, child abuse prevention, runaway youth, CSA, and programs for handicapped into larger social services block grant with total 1982 funding of \$3.8 billion.

² Funding levels for title XX social services block grant will increase to \$2.45 billion in fiscal year 1983, \$2.5 billion in fiscal year 1984, \$2.6 billion in fiscal year 1985, and \$2.7 billion in fiscal year 1986 and thereafter.

COMMUNITY SERVICES BLOCK GRANT

The Community Services Administration (CSA) currently is an independent executive branch agency which supports a variety of programs to alleviate poverty. The chief function of CSA is to fund a

nationwide network of local antipoverty programs, known as community action agencies, which exist in more than two-thirds of the Nation's counties. In addition, CSA administers a number of small categorical programs, including senior opportunities and services, which is designed to promote the self-sufficiency of low-income elderly and serves about 1.5 million elderly each year. Total appropriations for CSA in fiscal year 1981 are \$526.4 million.

The Reagan administration proposed to abolish CSA in fiscal year 1982 and consolidate most of its activities and a portion of its budget into a social services block grant to States. CSA would have been combined with 11 other social services programs under the Reagan proposal, which also would have reduced the budgets for each program by approximately 25 percent. In the case of CSA, \$363 million would have been transferred into the block grant.

The Omnibus Budget Reconciliation Act of 1981 abolished CSA, as requested by the Reagan administration, but did not consolidate antipoverty activities into a larger social services block grant. Instead, the CSA programs will be replaced by a community services block grant, to be administered by the Department of Health and Human Services (DHHS) and funded annually at \$389.4 million. States will receive allotments based on the amounts they receive from CSA in fiscal year 1981, and will be required to pass most of their allotments to local governments and private nonprofit agencies to conduct antipoverty activities. Further, the Secretary of DHHS will be authorized to reserve up to 9 percent of total appropriations each year for discretionary use.

	<i>Millions</i>
Fiscal year 1981 appropriations.....	\$526.4
Fiscal year 1982:	
Reagan proposal.....	¹ 363.0
Omnibus Budget Reconciliation Act.....	² 389.4

¹ This amount would have been included in a larger (\$3.8 billion) social services block grant to States. CSA as a national agency would be abolished.

² This amount is authorized for a community services block grant to States. CSA as a national agency will be abolished.

LEGAL SERVICES

Last year, more than 150,000 low-income elderly were served by the locally controlled legal aid offices of the Legal Services Corporation. These older citizens represented more than 12 percent of the program's total clients. In fiscal year 1981, the Corporation is funded at \$321 million. To maintain the existing level of operation in local offices, the Corporation estimates about \$332 million would be needed in fiscal year 1982. The Reagan administration proposed termination of the Corporation but would have allowed States to use social services block grant funds to provide legal services to the low income. House and Senate conferees on the Omnibus Budget Reconciliation Act of 1981 agreed not to include the Legal Services Corporation in the reconciliation bill, but instead to consider the question of reauthorizing the program through separate legislation. The House already has passed a 2-year reauthorization with an annual funding level of \$241 million, while the Senate Labor and Human Resources Committee has reported a 3-year, \$100-million-per-year reauthorization. The reconciliation

bill's silence on the Legal Services Corporation does not preclude Congress from subsequently approving a reauthorization bill.

	<i>Millions</i>
Fiscal year 1981 appropriation-----	\$321.3
Fiscal year 1982:	
Reagan proposal-----	
Omnibus Budget Reconciliation Act-----	(1)

¹ The Budget Reconciliation Act is silent on the Legal Services Corporation. Conferees on the act agreed that a separate reauthorization bill will be considered for the Corporation.

WEATHERIZATION

The present weatherization program is administered by the Department of Energy (DOE). In fiscal year 1981, the program will provide \$182 million to States for weatherizing the homes of people with incomes at or below 125 percent of the poverty line. The Reagan administration requested no funds for this program in fiscal year 1982. Instead, it was proposed by the administration that either community development block grant funds or low-income energy funds could be used for home weatherization.

The Omnibus Budget Reconciliation Act of 1981 includes \$336 million for DOE State and local energy conservation programs. The conference agreement on the legislation provides that as much as \$175 million of this amount may be used for the low-income home weatherization program. (In addition, the Reconciliation Act provisions relating to low-income home energy assistance program provides that up to 15 percent of the total appropriated for that program may be used for weatherization. The total authorized for the low-income home energy assistance program, under the conference agreement, is \$1.875 billion each year for fiscal years 1982, 1983, and 1984. See "Low-Income Energy Assistance" section.)

	<i>Millions</i>
Fiscal year 1981 appropriation-----	\$182
Fiscal year 1982:	
Reagan proposal-----	
Omnibus Budget Reconciliation Act-----	175

¹ The Omnibus Budget Reconciliation Act provides \$336 million for State and local energy conservation projects. The conference report on the act states that as much as \$175 million of this total should be made available for low-income home weatherization.

EMPLOYMENT

The senior community service employment program (SCSEP) is authorized under title V of the Older Americans Act and administered by the Department of Labor. The program provides part-time work opportunities in community services activities for low-income persons aged 55 and over who have been poor employment prospects. The fiscal year 1981 appropriation level is \$277.1 million which supports 54,200 job slots. The Reagan administration requested the same level for fiscal year 1982. The Omnibus Budget Reconciliation Act of 1981 includes a level of \$277.1 million for fiscal year 1982, and \$293.7 million for fiscal year 1983, and such additional sums as may be necessary for each fiscal year to support 54,200 part-time employment positions for eligible individuals.

Title III, section 308 of the Comprehensive Employment and Training Act (CETA), authorizes funding of projects for middle-aged and older workers. In fiscal year 1981, \$2 million was provided for the program. The Reagan budget included \$1 million for fiscal year 1982. The Omnibus Budget Reconciliation Act of 1981 did not provide a specific authorization for section 308 activities. There was a specific authorization included for all title III programs of \$219 million. Up to 5 percent of these amounts could be used for the section 308 program.

Public service employment is funded under two separate CETA programs (structural employment, title II-D, and countercyclical, title VI). It is estimated that in fiscal year 1981 a total of 450,000 to 500,000 persons have been served by these two programs, over 5 percent of whom are age 55 and over. Following the Reagan proposal, the Omnibus Budget Reconciliation Act of 1981 allows no funds for public service employment in fiscal year 1982.

[In millions of dollars]

	Fiscal year—		
	1981	1982	
		Reagan	Omnibus Budget Reconciliation Act
Title V: OAA.....	\$277.1	\$277.1	² \$277.1
Title III: Sec. 308—CETA.....	2.0	1.0	³ 10.95
Title II-D: CETA.....	¹ 2,195.0	0	0
Title VI: CETA.....	495.0	0	0

¹ The amount of \$852,000,000 was reprogrammed to other activities.

² The act also provides authorization for additional amounts to support at least 54,200 part-time job slots.

³ Ceiling for possible funding from total title III authorization.

EDUCATION

The continuing education program provides funds to States and higher education institutions to meet the educational needs of adults inadequately served by instructional programs in their communities (title I-B, educational outreach programs, Higher Education Act). For fiscal year 1981, \$2.2 million was appropriated for these activities. The Reagan administration budget requested no funds for title I-B for fiscal year 1982. The Omnibus Budget Reconciliation Act of 1981 places a ceiling of \$8 million on the authorization for this program for fiscal year 1982. Thus far, there has been no action on fiscal year 1982 appropriations legislation for this program.

TRANSPORTATION

Section 16(b) of the Urban Mass Transportation Act of 1964, as amended, allows 2 percent of urban discretionary grant funding to be set aside for capital assistance grants to States, local agencies, and private nonprofit groups for transit services to the elderly and handicapped. The Reagan budget would have made \$34.4 million available in fiscal year 1982 for capital assistance under this section, a decrease of \$9.4 million from fiscal year 1981 funding levels. The fiscal year 1982 budget as approved in the Omnibus Budget Reconciliation Act of 1981 allows for a slightly greater level of assistance, \$36 million.

HOUSING

The Department of Housing and Urban Development administers three major programs to improve rental housing conditions for low-income individuals and families. The section 202 program provides direct Federal long-term loans for the construction of rental housing for lower income persons who are elderly or handicapped. Section 8 lower income housing assistance payments are used in conjunction with the section 202 program. The section 8 program provides assistance, in the form of rental payments, to encourage the construction of new units, substantial rehabilitation of units, and the use of standard existing units. No household assisted under section 8 may pay more than 25 percent of its income for rent. The rental payment may be as low as 15 percent, depending on family income, size, and medical or other unusual expenses. Last, the public housing program is a locally operated program in which public housing agencies engage and assist in the development of public housing projects which may be newly constructed, existing, rehabilitated, or leased. Tenants in public housing have low incomes and usually must pay up to 25 percent of their incomes for rent.

The Reagan budget requested funds for 175,000 assisted housing units. In addition, the administration proposed to increase gradually, over the next 5 years, the maximum allowable rent contribution paid by tenants living in federally subsidized housing from 25 to 30 percent of their adjusted income.

The Omnibus Budget Reconciliation Act of 1981 limits the number of units to an estimated 152,500. The rent payments of assisted housing tenants would increase from 25 to 30 percent of income, phased in over a 5-year period. No tenant's payment could increase by more than 10 percent in any 12-month period, as a result of the changes in definition of income and required rent payments. Increases because of rising income are exempt from this restriction. This change is expected to produce an estimated savings of \$100 million in fiscal year 1982, rising to an annual savings of more than \$1.3 billion by fiscal year 1986. No authorization is given for funding congregate housing services programs.

ASSISTED HOUSING (UNIT RESERVATIONS)

	Fiscal year—		
	1981	1982	
		Reagan	Omnibus Budget Reconciliation Act ¹
Section 202 ²	(18, 400)	(17, 200)	(17, 200)
Section 8.....	177, 000	151, 000	126, 500
Public housing.....	30, 396	24, 000	24, 000
Total.....	207, 396	175, 000	152, 500

¹ Numbers are derived by Congressional Budget Office from stipulations in the act and assumptions on program mix and dollar amount.

² A nonadd item, units are included in sec. 8 unit reservations.