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THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

August 22, 1996

REMARKS BY THE PRESIDENT
AT THE SIGNING OF THE
PERSONAL RESPONSIBILITY AND
WORK OPPORTUNITY RECONCILIATION ACT

The Rose Garden

11:15 A.M. EDT

THE PRESIDENT: Thank you very much. Thank you very much. Lillie, thank you. Thank you, Mr. Vice President, to the members of the Cabinet. All of the members of Congress who are here, thank you very much.

I'd like to say to Congressman Castle, I'm especially glad to see you here, because eight years ago about this time when you were the Governor of Delaware and Governor Carper was the Congressman from Delaware, you and I were together at a signing like this.

Thank you, Senator Long, for coming here. Thank you, Governors Romer, Carper, Miller and Caperton.

I'd also like to thank Penelope Howard and Janet Ferrel for coming here. They, too, have worked their way from welfare to independence and we're honored to have them here. I'd like to thank all of the people who worked on this bill who have been introduced from our staff and Cabinet, but I'd also like to especially thank Bruce Reed, who did a lot to do with working on the final compromises of this bill; I thank him.

Lillie Harden was up there talking, and I want to tell you how she happens to be here today. Ten years ago, Governor Castle and I were asked to cochair a Governors Task Force on Welfare Reform, and we were asked together on it, and when we met at Hilton Head in South Carolina, we had a little panel. And 41 governors showed up to listen to people who were on welfare from several states.

So I asked Carol Rasco to find me somebody from our state who had been in one of our

welfare reform programs and had gone to work. She found Lillie Harden and Lillie showed up at the program. And I was conducting this meeting and I committed a mistake that they always tell lawyers never to do: never ask a question you do not know the answer to. (Laughter.)

But she was doing so well talking about it, as you saw how well-spoken she was today -- and I said, "Lillie, what's the best thing about being off welfare?" And she looked me straight in the eye and said, "When my boy goes to school and they say what does your mama do for a living, he can give an answer." I have never forgotten that. (Applause.) And when I saw the success of all of her children and the success that she's had in the past 10 years, I can tell you, you've had a bigger impact on me than I've had on you. And I thank you for the power of your example, for your family's. And for all of America, thank you very much. (Applause.)

What we are trying to do today is to overcome the flaws of the welfare system for the people who are trapped on it. We all know that the typical family on welfare today is very different from the one that welfare was designed to deal with 60 years ago. We all know that there are a lot of good people on welfare who just get off of it in the ordinary course of business, but that a significant number of people are trapped on welfare for a very long time, exiling them from the entire community of work that gives structure to our lives.

Nearly 30 years ago, Robert Kennedy said, "Work is the meaning of what this country is all about. We need it as individuals, we need to sense it in our fellow citizens, and we need it as a society and as a people." He was right then, and it's right now.

From now on, our nation's answer to this great social challenge will no longer be a never-ending cycle of welfare, it will be the dignity, the power and the ethic of work. Today, we are taking an historic chance to make welfare what it was meant to be: a second chance, not a way of life.

The bill I'm about to sign, as I have said many times, is far from perfect, but it has come a very long way. Congress sent me two previous bills that I strongly believe failed to protect our children and did too little to move people from welfare to work. I vetoed both of them. This bill had broad bipartisan support and is much, much better on both counts.

The new bill restores America's basic bargain of providing opportunity and demanding in return responsibility. It provides \$14 billion for child care, \$4 billion more than the present law does. It is good because without the assurance of child care it's all but impossible for a mother with young children to go to work. It requires states to maintain their own spending on welfare reform and gives them powerful performance incentives to place more people on welfare in jobs. It gives states the capacity to create jobs by taking money now used for welfare checks and giving it to employers as subsidies as incentives to hire people. This bill will help people to go to work so they can stop drawing a welfare check and start drawing a paycheck.

It's also better for children. It preserves the national safety net of food stamps and

school lunches. It drops the deep cuts and the devastating changes in child protection, adoption, and help for disabled children. It preserves the national guarantee of health care for poor children, the disabled, the elderly, and people on welfare -- the most important preservation of all.

It includes the tough child support enforcement measures that, as far as I know, every member of Congress and everybody in the administration and every thinking person in the country has supported for more than two years.

It's the most sweeping crackdown on deadbeat parents in history. We have succeeded in increasing child support collection 40 percent, but over a third of the cases where there's delinquencies, involve who cross state lines. For a lot of women and children, the only reason they're on welfare today -- the only reason -- is that the father up and walked away when he could have made a contribution to the welfare of the children. That is wrong. If every parent paid the child support that he or she owes legally today, we could move 800,000 women and children off welfare immediately.

With this bill we say, if you don't pay the child support you owe we'll garnish your wages, take away your driver's license, track you across state lines; if necessary, make you work off what you pay -- what you owe. It is a good thing and it will help dramatically to reduce welfare, increase independence, and reenforce parental responsibility. (Applause.)

As the Vice President said, we strongly disagree with a couple of provisions of this bill. We believe that the nutritional cuts are too deep, especially as they affect low-income working people and children. We should not be punishing people who are working for a living already; we should do everything we can to lift them up and keep them at work and help them to support their children. We also believe that the congressional leadership insisted in cuts in programs for legal immigrants that are far too deep.

These cuts, however, have nothing to do with the fundamental purpose of welfare reform. I signed this bill because this is an historic chance -- where Republicans and Democrats got together and said, we're going to take this historic chance to try to recreate the nation's social bargain with the poor. We're going to try to change the parameters of the debate. We're going to make it all new again and see if we can't create a system of incentives which reenforce work and family and independence.

We can change what is wrong. We should not have passed this historic opportunity to do what is right. And so I want to ask all of you, without regard to party, to think through the implications of these other non-welfare issues on the American people and let's work together in good spirits and good faith to remedy what is wrong. We can balance the budget without these cuts, but let's not obscure the fundamental purpose of the welfare provisions of this legislation which are good and solid, and which can give us at least the chance to end the terrible, almost physical isolation of huge numbers of poor people and their children from the rest of mainstream America. We have to do that. (Applause.)

Let me also say that there's something really good about this legislation. When I sign it we all have to start again. And this becomes everybody's responsibility. After I sign my name to this bill, welfare will no longer be a political issue. The two parties cannot attack each other over it. Politicians cannot attack poor people over it. There are no encrusted habits, systems and failures that can be laid at the foot of someone else. We have to begin again. This is not the end of welfare reform, this is the beginning. And we have to all assume responsibility. (Applause.)

Now that we are saying with this bill we expect work, we have to make sure the people have a chance to go to work. If we really value work, everybody in this society -- businesses, non-profits, religious institutions, individuals, those in government -- all have a responsibility to make sure the jobs are there.

These three women have great stories. Almost everybody on welfare would like to have a story like that. And the rest of us now have a responsibility to give them that story. We cannot blame the system for the jobs they don't have anymore. If it doesn't work now, it's everybody's fault -- mine, yours, and everybody else. There is no longer a system in the way. (Applause.)

I've worked hard over the past four years to create jobs and to steer investment into places where there are large numbers of people on welfare because there's been no economic recovery. That's what the empowerment zone program was all about. That's what the community development bank initiative was all about. That's what our urban Brownfield cleanup initiative was all about -- trying to give people the means to make a living in areas that had been left behind.

I think we have to do more here in Washington to do that, and I'll have more to say about that later. But let me say again, we have to build a new work and family system. And this is everybody's responsibility now. The people on welfare are people just like these three people we honor here today and their families. They are human beings. And we owe it to all of them to give them a chance to come back.

I talked the other day when the Vice President and I went down to Tennessee and we were working with Congressman Tanner's district, we were working on a church that had burned. And there was a pastor there from a church in North Carolina that brought a group of his people in to work. And he started asking me about welfare reform, and I started telling him about it. And I said, "You know what you ought to do? You ought to go tell Governor Hunt that you would hire somebody on welfare to work in your church if he would give you the welfare check as a wage supplement, you'd double their pay and you'd keep them employed for a year or so and see if you couldn't train them and help their families and see if their kids were all right." I said, "Would you do that?" He said, "In a heartbeat."

I think there are people all over America like that. (Applause.) I think there are people

all over America like that. That's what I want all of you to be thinking about today -- what are we going to do now? This is not over, this is just beginning. The Congress deserves our thanks for creating a new reality, but we have to fill in the blanks. The governors asked for this responsibility; now they've got to live up to it. There are mayors that have responsibilities, county officials that have responsibilities. Every employer in this country that ever made a disparaging remark about the welfare system needs to think about whether he or she should now hire somebody from welfare and go to work. Go to the state and say, okay, you give me the check, I'll use it as an income supplement, I'll train these people, I'll help them to start their lives and we'll go forward from here.

Every single person needs to be thinking -- every person in America tonight who sees a report of this who has ever said a disparaging word about the welfare system should now say, "Okay, that's gone. What is my responsibility to make it better?" (Applause.)

Two days ago we signed a bill increasing the minimum wage here and making it easier for people in small businesses to get and keep pensions. Yesterday we signed the Kassebaum-Kennedy bill which makes health care more available to up to 25 million Americans, many of them in lower-income jobs where they're more vulnerable.

The bill I'm signing today preserves the increases in the earned income tax credit for working families. It is now clearly better to go to work than to stay on welfare -- clearly better. Because of actions taken by the Congress in this session, it is clearly better. And what we have to do now is to make that work a reality.

I've said this many times, but, you know, most American families find that the greatest challenge of their lives is how to do a good job raising their kids and do a good job at work. Trying to balance work and family is the challenge that most Americans in the workplace face. Thankfully, that's the challenge Lillie Harden's had to face for the last 10 years. That's just what we want for everybody. We want at least the chance to strike the right balance for everybody.

Today, we are ending welfare as we know it. But I hope this day will be remembered not for what it ended, but for what it began -- a new day that offers hope, honors responsibility, rewards work, and changes the terms of the debate so that no one in America ever feels again the need to criticize people who are poor on welfare, but instead feels the responsibility to reach out to men and women and children who are isolated, who need opportunity, and who are willing to assume responsibility, and give them to opportunity and the terms of responsibility. (Applause.)

Now, I'd like to ask Penelope Howard, Janet Ferrel, Lillie Harden, the governors and the members of Congress from both parties who are here to come up and join me as I sign the welfare reform bill.

Q Mr. President, before you sign the bill, can you tell us whether you think it's right

to regulate tobacco or nicotine as a drug?

THE PRESIDENT: You know, Wolf, under the law, I have to wait until the OMB makes a recommendation to me. I think we have to anticipate things. I can't say more than that right now.

(The bill is signed.)

Q Mr. President, some of your core constituencies are furious with you for signing this bill. What do you say to them?

THE PRESIDENT: Just what I said up there. We saved medical care. We saved food stamps. We saved child care. We saved the aid to disabled children. We saved the school lunch program. We saved the framework of support. What we did was to tell the state, now you have to create a system to give everyone a chance to go to work who is able-bodied, give everyone a chance to be independent. And we did -- that is the right thing to do.

And now, welfare is no longer a political football to be kicked around. It's a personal responsibility of every American who ever criticized the welfare system to help the poor people now to move from welfare to work. That's what I say.

This is going to be a good thing for the country. We're going to monitor it and we're going to fix whatever is wrong with it.

Q What guarantees are there that these things will be fixed, Mr. President, especially if Republicans remain in control of Congress?

THE PRESIDENT: That's what we have elections for.

END

11:33 A.M. EDT

DRAFT

**PRESIDENT WILLIAM J. CLINTON
WELFARE REFORM BILL SIGNING
THE WHITE HOUSE
AUGUST 22, 1996**

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Thank you Lillie. We met 10 years ago when Lillie came to a meeting of the nation's governors. She said something back then that I will never forget. She told us that the best thing about being off welfare is that when her son goes to school and they ask what does your momma do for a living, he can give an answer. Look at her now. She is doing what we want all Americans to do -- she is succeeding at work and at home. And her children are following her lead. She has these two wonderful daughters, another son who is working, and the son she was talking about 10 years ago is now a pre-med student on a football scholarship at the University of Arkansas. Lillie Harden has been a powerful role model for her children. And we are here today because we want to see work transform the lives of more families the way it has changed this one.

For too long, our broken welfare system has undermined the basic values of work and responsibility and family. It has done the most harm to the people it was meant to help. Above all, it has exiled entire generations and communities from the world of work that gives structure and purpose to our lives. Almost 30 years ago, Robert Kennedy said, "Work is...the meaning of what the country is all about...We need it as individuals, we need to sense it in our fellow citizens, and we need it as a society and as a people." From now on, our nation's answer to the greatest social challenge of our time will no longer be a never-ending cycle of welfare -- it will be the dignity, the power, and the ethic of work.

Today, we are taking an historic step to make welfare what it was meant to be -- a second chance, not a way of life. The bill I am about to sign is far from perfect, but it has come a very long way. Congress sent me two previous bills that failed to protect children and did too little to move people from welfare to work. I vetoed them both. This bipartisan bill is much, much better on both counts.

The new bill restores America's basic bargain of providing opportunity and demanding responsibility in return. It provides \$14 billion for child care -- \$4 billion more than current law -- so that mothers can move from welfare to work and know that their children will be cared for. It requires states to maintain their own spending on welfare reform, and gives them powerful performance incentives to place people in jobs. And it gives states the capacity to create jobs by taking money now used for welfare checks and giving it to employers as subsidies as an incentive to hire people. This bill will help people go to work so they can stop drawing a welfare check and start earning a paycheck.

This new bill is also better for children. It preserves the national safety net of food stamps and school lunch. It drops the deep cuts and devastating changes in child protection, adoption, and help for disabled children. And most important, it preserves the national guarantee of health care for poor children, the disabled, the elderly and people on welfare --

once and for all.

This bill also includes the tough child support enforcement measures I proposed two years ago, the most sweeping crackdown on deadbeat parents in history. For a lot of women and children, the only reason they are on welfare is that the father just up and walked away. That is wrong. If every parent paid the child support they should, we could move 800,000 women and children off welfare immediately. With this bill we say to parents, if you don't pay the child support you owe, we will garnish your wages, take away your drivers license, track you across state lines and, if necessary, make you work off what you owe.

Now, let me be clear: Some parts of this bill go too far and I am determined to correct them. First, the bill cuts deeper than it should in food stamps for working families with children. Second, I am deeply disappointed that the Congressional leadership insisted on deep cuts in help for legal immigrants. These cuts have nothing to do with welfare reform. It is wrong to say to people who work hard and pay taxes -- if you become disabled or your children need help, we are not going to give you assistance anymore. I am confident that in the months ahead, a strong bipartisan consensus will emerge to come back and fix these misguided provisions. In the meantime, I will direct the INS to keep working to remove the bureaucratic roadblocks to citizenship for all legal immigrants who are eligible. 

I will do everything in my power to make sure that this bill lifts people up, protects children, and does not become an excuse for anyone to turn their backs on this problem. We all have a responsibility to make this bill work. States must shoulder the responsibility they asked for, and with responsibility comes accountability. We will insist that every state moves people from welfare to work and does right by children. Nobody wants to get off welfare more than the women and children who are trapped on it, and we need to give them the opportunity to build a better life.

we will encourage states to use

The business community has a responsibility to provide jobs so that people on welfare can build good lives and strong families. This bill gives states and businesses a powerful incentive to take the money that used to be spent on welfare checks and use it as wage subsidies to hire people off welfare. That's a good deal for business; a good deal for the tax payer; and a good deal for people on welfare.

their option under this bill

And we here in Washington have a responsibility to keep doing all we can to reward work and to expand opportunity for all people. Two days ago, I took a big step in that direction when I signed the bill increasing the minimum wage, and giving more than 10 million Americans a chance to raise stronger families and build better futures. Yesterday, I signed the Kennedy-Kassebaum bill, making health care portable and available to millions of our people. And I am pleased that the bill I am signing today preserves the Earned Income Tax Credit for working families. Our expansion of the EITC in 1993 is now rewarding the work of 15 million working families. And I will continue to propose bold steps to expand opportunity through measures like our empowerment zones, community development banks

to protect battered women

retirement security

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and brownfields clean-up, which bring jobs to places that desperately need them. This has been an historic week for America -- welfare reform, a minimum wage increase, portable health care. We are putting America on the right track.

Let me say one more thing to all our citizens. ~~Let us pledge today~~ that never again will the welfare issue be used to divide America. ~~Never again will welfare be a code for blame, instead of action.~~ ~~Never again will we turn our backs on this problem.~~ From this day forward we must call upon our values, our hearts and our common will to put every citizen on the road to independence.

Let's
pledge
today

In closing, let me say that I have personally looked forward to this day for a long time. I have worked on the issue of welfare reform for 15 years now -- first as a governor and then as your President. I have seen the hopelessness and despair that were too often spawned by the old way. And I have seen the hope and promise in the lives of people like Lillie Harden and her children who traded in the yoke of welfare for the liberating joy of work.

Our job is not done here. Today is just the beginning. But it is a good beginning. Today, with this pen, we are ending welfare as we know it and making work and responsibility the law of the land. I want to thank everyone here who worked to make this day a reality. America will be stronger for it.

at the beginning of real welfare reform
On the path to

Thank you.
Linda Moore
312-425-7260
425-1268

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+ Jimmy

Overall message - Kids must learn -
way to do it is unprecedented challenge to
American (Parents read to kids - Tutors -
National Service in a new mission -

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

July 27, 1996

STATEMENT BY THE PRESIDENT
ON WELFARE

The Oval Office

THE PRESIDENT: Good morning. Today I want to talk with you about welfare reform, but first I want to ask you to join with me in celebrating the sixth anniversary of a landmark civil rights law that is breaking down barriers for millions of our fellow Americans, the Americans with Disabilities Act.

I'm joined today by many of the advocates for people with disabilities who made this the law of the land. Because we have enforced this law vigorously and with common sense, people with disabilities now have access to places they never did before, from classrooms to restaurants.

Since 1991, 800,000 people with severe disabilities have joined the work force. Because of federal education efforts, tens of thousands of children with disabilities have better educational opportunities. Because of Medicaid, health care for Americans with disabilities can be provided without bankrupting their families, and in a way that promotes their independence.

That's a big reason why I oppose repealing Medicaid's guarantee of health care to Americans with disabilities. All these efforts are good for them, but they're good for all the rest of us, too. So today let us all rededicate ourselves to the fight against disability discrimination.

This morning I want to focus on the great welfare debate now unfolding in Washington and all across our country. This debate is really about our fundamental American values, about expanding opportunity, demanding responsibility, and coming together as a community. For decades our welfare system has undermined the basic values of work and responsibility and family, trapping generation after generation of people in poverty and dependency, exiling millions of our fellow citizens from the world of work that gives structure, meaning, and dignity to our lives. It instills the wrong values, sends the wrong signals, giving children who have children a check to set up house on their own, letting millions of fathers walk away from their responsibility while taxpayers pick up the tab.

This system does the most harm to the people it was meant to help. Children who are born to a life on welfare are more likely to drop out of school, fall afoul of the law, become

teen mothers or teen fathers, and raise their own children on welfare themselves.

I just don't believe that a nation as rich in opportunity as ours is willing to leave millions of people trapped in a permanent under class. We can't leave anyone behind. In fact, what I want for poor families on welfare is what I want for middle class families and upper-income families as well. I want people to be able to succeed at home and at work. That will make America stronger and their lives richer.

When I ran for President four years ago, I was very clear, we must end welfare as we know it. And during my time as President, I have used all the powers at my disposal to achieve that goal. We have worked with 41 states to launch 69 welfare-to-work experiments. For fully 75 percent of people on welfare, the rules already have changed. The New York Times called it a quiet revolution in welfare.

I have taken executive action to require teen mothers on welfare to stay in school, requiring mothers to identify the fathers of their children so we can hold every man accountable for the support he owes his family, ordering federal employees to pay child support, putting wanted posters of deadbeat parents in post offices and on the Internet. I directed the Attorney General to crack down on people who owe child support who cross state lines.

All these efforts are paying off at the national and local level. Today there are 1.3 million fewer people on welfare than on the day I took office. Child support collections are up 40 percent, to \$11 billion. Paternity identification is up 40 percent, too. We're mending our social fabric and moving in the right direction.

Now we have an opportunity to finish the job and pass national welfare reform legislation. Real welfare reform should impose time limits and require work and provide child care, too, so that people can go to work without hurting their children. It should strengthen our child support enforcement laws even more and do more to protect children.

I have challenged Congress to send me bipartisan legislation that reflects these principles. For example, if everyone in America who owes child support legally and can pay it did so, 800,000 women and children would leave the welfare roles tomorrow.

Now, six months ago the Republican majority in Congress sent me welfare legislation it had backwards. It was soft on work and tough on children, failing to provide child care and health care so that people can move from welfare to work without hurting their children, imposing deep and unacceptable cuts in school lunch, child welfare, and help for disabled children. That bill came to me twice and I vetoed it twice.

Since then, I'm pleased to report, there has been considerable bipartisan progress toward real welfare reform. Many of the worst proposals I objected to have been taken out. Many of the improvements I asked for have been put in. The legislation has steadily improved as it has moved through Congress.

Earlier this week, by an overwhelming bipartisan majority, the Senate passed a welfare reform bill that does provide health care and child care, and took some important strides to protect our children. But we still have more work to do to promote work and protect children, though we have come a long way in this debate and we mustn't go back.

To those who have doubts about any welfare reform, I say, we will never lift children out of poverty and dependency by preserving a failed system that keeps them there. And to those who would undo the progress of recent weeks by sending me another extremist bill like the ones I vetoed, I would say, we can only transform this broken system if we do right by our children and put people to work so they can earn a paycheck, not draw a welfare check. That's the only kind of welfare reform I can sign.

We have a chance to make history. Our welfare system has nagged at our national conscience for far too long. And if we'll put politics aside and work together, we can once again make welfare what it was meant to be: a second chance, not a way of life.

Thanks for listening.

END

**PRESIDENT WILLIAM J. CLINTON
WELFARE REFORM BILL SIGNING
THE WHITE HOUSE
AUGUST 22, 1996**

Thank you Lillie. We met 10 years ago when Lillie came to a meeting of the nation's governors. As I mentioned a couple of years ago in my State of the Union, she said something back then that I will never forget. She told us that the best thing about being off welfare is that when her son goes to school and they ask what does your momma do for a living, he can give an answer. Look at her now. She is doing what we want all Americans to do -- she is succeeding at work and at home. And her children are following her lead. Lillie Harden has been a powerful role model for her children. And we are here today because we want to see work transform the lives of more families the way it has changed this one.

For too long, our broken welfare system has undermined the basic values of work and responsibility and family. It has done the most harm to the people it was meant to help. Above all, it has exiled entire generations and communities from the world of work that gives structure and purpose to our lives. Almost 30 years ago, Robert Kennedy said, "Work is...the meaning of what the country is all about...We need it as individuals, we need to sense it in our fellow citizens, and we need it as a society and as a people." He was right. From now on, our nation's answer to the greatest social challenge of our time will no longer be a never-ending cycle of welfare -- it will be the dignity, the power, and the ethic of work.

Today, we are taking an historic step to make welfare what it was meant to be -- a second chance, not a way of life. The bill I am about to sign is far from perfect, but it has come a very long way. Congress sent me two previous bills that failed to protect children and did too little to move people from welfare to work. I vetoed them both. This bipartisan bill is much, much better on both counts.

The new bill restores America's basic bargain of providing opportunity and demanding responsibility in return. It provides \$14 billion for child care -- \$4 billion more than current law. Without the assurance of good child care, it is all but impossible for a mother to go to work. It requires states to maintain their own spending on welfare reform, and gives them powerful performance incentives to place people in jobs. And it gives states the capacity to create jobs by taking money now used for welfare checks and giving it to employers as subsidies as an incentive to hire people. This bill will help people go to work so they can stop drawing a welfare check and start earning a paycheck.

This new bill is also better for children. It preserves the national safety net of food stamps and school lunch. It drops the deep cuts and devastating changes in child protection, adoption, and help for disabled children. And most important, it preserves the national guarantee of health care for poor children, the disabled, the elderly and people on welfare -- once and for all.

This bill also includes the tough child support enforcement measures I proposed two years ago, the most sweeping crackdown on deadbeat parents in history. For a lot of women and children, the only reason they are on welfare is that the father just up and walked away. That is wrong. If every parent paid the child support they should, we could move 800,000 women and children off welfare immediately. With this bill we say to parents, if you don't pay the child support you owe, we will garnish your wages, take away your drivers license, track you across state lines and, if necessary, make you work off what you owe.

Now, let me be clear: Some parts of this bill go too far and I am determined to correct them. First, the bill cuts deeper than it should in food stamps, especially for working families with children. We reached agreement on a smaller food stamp number in the budget talks and we should go back to it. Second, I am deeply disappointed that the Congressional leadership insisted on deep cuts in help for legal immigrants. These cuts have nothing to do with welfare reform. It is wrong to say to people who work hard and pay taxes -- if you become disabled or your children need help, we are not going to give you assistance anymore. I am confident that in the months ahead, a strong bipartisan consensus will emerge to come back and fix these misguided provisions. In the meantime, I will direct the INS to keep working to remove the bureaucratic roadblocks to citizenship for all legal immigrants who are eligible. And I will seek other remedies to mitigate the impact of these cuts.

I will do everything in my power to make sure that this bill lifts people up and does not become an excuse for anyone to turn their backs on this problem. Never again will we let the welfare issue be used to divide America. Never again will we let welfare be a code for blame or an excuse to do nothing. From this day forward, let us pledge our values and our hearts to a common effort to put every citizen on the road to independence.

The historic step we take today is only the beginning. Now that we have finally begun to expect work, we must make sure that people have the chance to go to work. If we truly value work, all sectors of our society -- businesses, non-profits, individuals and those of us in government -- have a responsibility to see to it that the jobs are there and that people make it in the workplace. That is our challenge. I have worked hard over the last four years to steer jobs and capital to the places that need them most through our empowerment zones, community development banks and urban brownfields clean-up. In the days and weeks to come, I will have more to say about our plans. But I know this -- nobody wants to get off welfare more than the women and children who are trapped on it, and we owe them the chance to build a better life.

That means states must shoulder the responsibility they asked for. We will hold them accountable, and insist that every state uphold its duty to move people from welfare to work and do right by our most vulnerable citizens, including children and battered women.

That means the business community has a responsibility to provide jobs so that people on welfare can build good lives and strong families. This bill gives states and businesses a powerful incentive to take the money that used to be spent on welfare checks and use it as

wage subsidies to hire people off welfare. That's a good deal for business; a good deal for the tax payer; and a good deal for people on welfare.

And we here in Washington have a responsibility to keep doing all we can to reward work and to expand opportunity for all people. Two days ago, I took a big step in that direction when I signed the bill increasing the minimum wage, and giving more than 10 million Americans a chance to raise stronger families and build better futures. Yesterday, I signed the Kennedy-Kassebaum bill, making health care portable and available to millions of our people. And I am pleased that the bill I am signing today preserves the Earned Income Tax Credit for working families. Thanks to the increases we have won in the minimum wage and EITC, the average person on welfare will now be better off working than she was on welfare. We have made work a better deal than welfare.

This has been an historic week for America -- welfare reform, a minimum wage increase, portable health care. We are putting America on the right track.

In closing, let me say that I have personally looked forward to this day for a long time. I have worked on the issue of welfare reform for 15 years now -- first as a governor and then as your President. I have seen the hopelessness and despair that were too often spawned by the old way. And I have seen the hope and promise in the lives of people like Lillie Harden and her children who traded in the yoke of welfare for the liberating joy of work.

Today, we are ending welfare as we know it. Let this be remembered not just for what we ended, but what we began -- a new day that offers hope, honors responsibility and rewards work.

I want to thank everyone here who worked to make this day a reality. America will be stronger for it.

Thank you.

Now, I want to invite Penelope Howard, Janet Ferrel, Lillie Harden, governors and members of Congress from both parties to join me as I sign this bill.

DRAFT

**PRESIDENT WILLIAM J. CLINTON
WELFARE REFORM BILL SIGNING
THE WHITE HOUSE
AUGUST 22, 1996**

Thank you Lillie. We met 10 years ago when Lillie came to a meeting of the nation's governors. She said something back then that I will never forget. She told us that the best thing about being off welfare is that when her son goes to school and they ask what does your momma do for a living, he can give an answer. Look at her now. She is doing what we want all Americans to do -- she is succeeding at work and at home. And her children are following her lead. She has these two wonderful daughters, another son who is working, and the son she was talking about 10 years ago is now a pre-med student on a football scholarship at the University of Arkansas. Lillie Harden has been a powerful role model for her children. And we are here today because we want to see work transform the lives of more families the way it has changed this one.

For too long, our broken welfare system has undermined the basic values of work and responsibility and family. It has done the most harm to the people it was meant to help. Above all, it has exiled entire generations and communities from the world of work that gives structure and purpose to our lives. Almost 30 years ago, Robert Kennedy said, "Work is...the meaning of what the country is all about...We need it as individuals, we need to sense it in our fellow citizens, and we need it as a society and as a people." From now on, our nation's answer to the greatest social challenge of our time will no longer be a never-ending cycle of welfare -- it will be the dignity, the power, and the ethic of work.

Today, we are taking an historic step to make welfare what it was meant to be -- a second chance, not a way of life. The bill I am about to sign is far from perfect, but it has come a very long way. Congress sent me two previous bills that failed to protect children and did too little to move people from welfare to work. I vetoed them both. This bipartisan bill is much, much better on both counts.

The new bill restores America's basic bargain of providing opportunity and demanding responsibility in return. It provides \$14 billion for child care -- \$4 billion more than current law -- so that mothers can move from welfare to work and know that their children will be cared for. It requires states to maintain their own spending on welfare reform, and gives them powerful performance incentives to place people in jobs. And it gives states the capacity to create jobs by taking money now used for welfare checks and giving it to employers as subsidies as an incentive to hire people. This bill will help people go to work so they can stop drawing a welfare check and start earning a paycheck.

This new bill is also better for children. It preserves the national safety net of food stamps and school lunch. It drops the deep cuts and devastating changes in child protection, adoption, and help for disabled children. And most important, it preserves the national guarantee of health care for poor children, the disabled, the elderly and people on welfare --

once and for all.

This bill also includes the tough child support enforcement measures I proposed two years ago, the most sweeping crackdown on deadbeat parents in history. For a lot of women and children, the only reason they are on welfare is that the father just up and walked away. That is wrong. If every parent paid the child support they should, we could move 800,000 women and children off welfare immediately. With this bill we say to parents, if you don't pay the child support you owe, we will garnish your wages, take away your drivers license, track you across state lines and, if necessary, make you work off what you owe.

Now, let me be clear: Some parts of this bill go too far and I am determined to correct them. First, the bill cuts deeper than it should in food stamps for working families with children. Second, I am deeply disappointed that the Congressional leadership insisted on deep cuts in help for legal immigrants. These cuts have nothing to do with welfare reform. It is wrong to say to people who work hard and pay taxes -- if you become disabled or your children need help, we are not going to give you assistance anymore. I am confident that in the months ahead, a strong bipartisan consensus will emerge to come back and fix these misguided provisions. In the meantime, I will direct the INS to keep working to remove the bureaucratic roadblocks to citizenship for all legal immigrants who are eligible.

I will do everything in my power to make sure that this bill lifts people up, protects children, and does not become an excuse for anyone to turn their backs on this problem. We all have a responsibility to make this bill work. States must shoulder the responsibility they asked for, and with responsibility comes accountability. We will insist that every state moves people from welfare to work and does right by children. Nobody wants to get off welfare more than the women and children who are trapped on it, and we need to give them the opportunity to build a better life.

The business community has a responsibility to provide jobs so that people on welfare can build good lives and strong families. This bill gives states and businesses a powerful incentive to take the money that used to be spent on welfare checks and use it as wage subsidies to hire people off welfare. That's a good deal for business; a good deal for the tax payer; and a good deal for people on welfare.

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and brownfields clean-up, which bring jobs to places that desperately need them. This has been an historic week for America -- welfare reform, a minimum wage increase, portable health care. We are putting America on the right track.

Let me say one more thing to all our citizens -- let us pledge today that never again will the welfare issue be used to divide America. Never again will welfare be a code for blame, instead of action. Never again will we turn our backs on this problem. From this day forward we must call upon our values, our hearts and our common will to put every citizen on the road to independence.

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Our job is not done here. Today is just the beginning. But it is a good beginning. Today, with this pen, we are ending welfare as we know it and making work and responsibility the law of the land. I want to thank everyone here who worked to make this day a reality. America will be stronger for it.

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Thank you.



CENTER ON BUDGET AND POLICY PRIORITIES

MEMORANDUM

August 14, 1996

TO: Interested Parties

FROM: Center on Budget and Policy Priorities

RE: New Analyses of Recently Approved Welfare Bill

Put in
a welfare
file

The welfare conference bill (H.R. 3734) has passed both houses of Congress and the President has indicated that he plans to sign the measure. It will be the most far-reaching piece of social legislation enacted into law in more than two decades. Enclosed are three pieces that describe various aspects of the bill as it heads to the President's desk. (These reports are also available on the Center's web site, <http://www.cbpp.org>.)

The New Welfare Law provides a comprehensive description and analysis of the new welfare law, except for the child support enforcement provisions.

The Timeline for Implementing the New Welfare Law describes when states will be required to implement various provisions of the welfare bill.

The Depth of the Food Stamp Cuts updates our previous analyses that illustrate how households will be affected by the food stamp cuts in the bill. Our previous analysis examined the effects of the House and Senate bills. This analysis examines the final bill.

Several other organizations have completed materials on the new welfare law that you may also find useful.

The Center for Law and Social Policy (CLASP) has completed a detailed description of the Temporary Assistance for Needy Families (TANF) block grant that will replace the AFDC program. This 60-page report provides a section-by-section description of this part of the legislation. A 20-page summary of this document is also available. CLASP has also completed separate reports that describe the child support enforcement and the child care provisions in the bill. To order these materials, please contact CLASP at (202) 328-5140.

The National Immigration Law Center (NILC) has prepared a detailed report on the changes the bill makes in legal immigrants' eligibility for public assistance. To order these materials, please contact NILC at (213) 938-6452.

The Department of Health and Human Services has an eight-page summary of the bill's provisions available on their web site (<http://aspe.os.dhhs.gov>).

The Children's Defense Fund (CDF) has completed a five page description of the child care provisions in the bill, as well as a seven-page general summary of the bill as a whole.

CDF can be reached at (202) 628-8787.

The Food Research and Action Center (FRAC) has completed a section-by-section description of the food stamp provisions in the bill. This document is available from FRAC at (202) 986-2200.

The Bazelon Center for Mental Health Law has available a four-page discussion of the changes in the bill in the SSI program for low-income disabled children. The Bazelon Center can be reached at (202) 467-5730.

If you have further questions after reading the enclosed analyses, please contact Sharon Parrott (parrott@center.cbpp.org) or Cindy Mann (mann@center.cbpp.org) at the Center on Budget and Policy Priorities (202-408-1080). Press inquiries should be directed to Herb Schaffner or Michelle Bazie.

Revised August 12, 1996

THE DEPTH OF THE FOOD STAMP CUTS IN THE FINAL WELFARE BILL

The conference agreement includes \$27.7 billion in food stamp cuts.¹ More than half of the non-Medicaid savings in bill stems from cuts in the food stamp program. When the Administration last year released its highly publicized analysis estimating that the welfare bill which President Clinton later vetoed would add more than one million children to the ranks of the poor, it found the food stamp reductions to be one of the principal factors responsible for this large projected increase in child poverty. The recent Urban Institute report on the effect of this year's legislation on poverty also noted that the food stamp cuts were a main factor behind its estimate that the bill would push 1.1 million children, and 2.6 million people overall, into poverty.

Under the bill, food stamp benefits would be cut almost 20 percent in 2002, with average food stamp benefits falling from about 80 cents per person per meal to 66 cents per person per meal. A substantial portion of the food stamp benefit reductions in both bills would come in the form of across-the-board benefit reductions that would affect nearly all recipient households, including families with children, the working poor, the elderly, and the disabled. Only about two percent of the savings in the bill would come from provisions to reduce fraud and abuse, impose tougher penalties on recipients who violate program requirements, or reduce administrative costs.

Despite the size of the food stamp reductions, little attention has been paid to their effect on the ability of poor households to purchase food. This analysis uses food stamp survey data to assess the magnitude of the food stamp benefit reductions that various types of low-income households would encounter, including families with children, the working poor, and the elderly. It finds the bill would result in substantial reductions in average benefits and food purchasing power for all of these groups.

¹ This total includes \$3.8 billion in cuts in food stamp benefits for legal immigrants and their families, \$3.7 billion of which are in the immigrant title of the bill. This total also includes \$345 million in reductions from freezing the food stamp standard deduction for fiscal year 1997. This standard deduction cut appears both in the welfare legislation and in the agricultural appropriations bill for fiscal year 1997. Because Congress gave final passage to the agricultural appropriations bill shortly before the welfare bill, CBO has attributed the \$345 million in savings from this cut to the appropriations bill and has not included it in the CBO tables showing the savings in the welfare bill. Either way, however, food stamp households will feel the effect of this cut.

WHOM DO THE FOOD STAMP REDUCTIONS AFFECT?

Families With Children²

Under the conference agreement, families with children would absorb \$18.4 billion — or about two-thirds — of the food stamp cuts over six years. In 1998, families with children would lose an average of \$435 in food stamp benefits. Approximately 6.7 million families with children are projected to receive food stamp benefits in 1998.

Working Poor Households

The food stamp program provides important assistance to working poor families. In 1994, some 2.3 million food stamp households included at least one worker. Working poor households, including both working poor households with children and those without children, would absorb \$5.4 billion of the food stamp cuts — or about one out of every five benefit dollars cut — over the next six years. Stated another way, working poor families would see their food stamps cut an average of \$356 in 1998. By 2002, these families would lose an average of \$466 per year in food stamps.

Elderly Food Stamp Recipients

Over six years, the bill would cut food stamp benefits for households that include elderly members by \$2 billion. On average, the 1.75 million households with elderly members would lose \$167 per year in food stamp benefits in 1998. Elderly households would lose \$243 per year in 2002. In dollar terms, the average food stamp cut for elderly households is lower than for other families because elderly households typically include fewer people and, therefore, receive smaller average benefits. (Food stamp benefits vary with household size.) The bill would reduce food stamp benefits for elderly households by *one-fifth*.

The Poorest of the Poor: Families Below Half the Poverty Line

Half of the food stamp cuts in bill would be absorbed by the more than three million food stamp households with incomes below *half* of the federal poverty line. Half the poverty line for a family of three now is \$6,250.

In 1998, food stamp households with incomes below half the poverty line would lose an average of \$656 per year in food stamp benefits. By 2002, these households would face food stamp cuts averaging \$790 per year.

² Households may be classified in more than one category. For example, a household may be defined as both a working poor household and a household that includes an elderly member.

Non-Elderly Adults Without Children

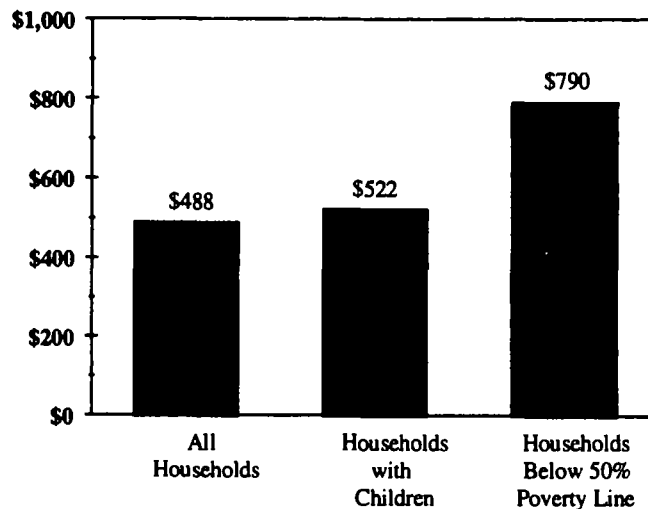
The conference agreement is particularly harsh on non-elderly adults that are not raising children. Under the bill, households without elderly members or children would face \$8.4 billion in food stamp cuts over six years. Beginning in 1999, these households would see their food stamp benefits cut an average of 40 percent.

Immigrants

Under the conference agreement, most legal immigrants would be made wholly ineligible for food stamps. (Illegal immigrants are already ineligible for food stamps. A study conducted for the Reagan Administration found that less than 1/100 of one percent of the people getting food stamps might be illegal aliens improperly on the program.) This provision is more severe than the immigrant provisions in last year's House welfare bill, which would have permitted food stamp benefits to continue for those legal immigrants who have been in the United States more than five years and are at least 75 years of age or who are too disabled to naturalize. The new bill includes no such exemptions and would make poor legal immigrants who are over 75 or permanently disabled ineligible for food stamp assistance.

Average Annual Food Stamp Cuts Per Household Under Welfare Conference Agreement

FY 2002



Food Stamp Cuts in the Final Welfare Bill (H.R. 3734)					
State	Average Cut Per Food Stamp Household	Average Cut Per Food Stamp Household	State	Average Cut Per Food Stamp Household	Average Cut Per Food Stamp Household
	FY 1998	FY 2002		FY 1998	FY 2002
Alabama	\$253	\$356	Montana	\$290	\$387
Alaska	\$342	\$459	Nebraska	\$258	\$353
Arizona	\$402	\$495	Nevada	\$346	\$446
Arkansas	\$236	\$338	New Hampshire	\$360	\$466
California	\$537	\$603	New Jersey	\$418	\$506
Colorado	\$344	\$443	New Mexico	\$350	\$433
Connecticut	\$440	\$532	New York	\$629	\$704
Delaware	\$360	\$459	North Carolina	\$242	\$342
Dist. of Col.	\$300	\$409	North Dakota	\$270	\$370
Florida	\$408	\$487	Ohio	\$342	\$456
Georgia	\$262	\$366	Oklahoma	\$274	\$378
Guam	\$384	\$518	Oregon	\$423	\$522
Hawaii	\$327	\$422	Pennsylvania	\$351	\$465
Idaho	\$303	\$398	Rhode Island	\$668	\$755
Illinois	\$346	\$452	South Carolina	\$235	\$337
Indiana	\$295	\$402	South Dakota	\$259	\$360
Iowa	\$293	\$396	Tennessee	\$299	\$413
Kansas	\$346	\$448	Texas	\$433	\$514
Kentucky	\$272	\$382	Utah	\$348	\$446
Louisiana	\$274	\$377	Vermont	\$375	\$468
Maine	\$384	\$484	Virgin Islands	\$312	\$423
Maryland	\$395	\$501	Virginia	\$298	\$399
Massachusetts	\$523	\$599	Washington	\$559	\$654
Michigan	\$373	\$477	West Virginia	\$216	\$314
Minnesota	\$386	\$479	Wisconsin	\$348	\$438
Mississippi	\$247	\$350	Wyoming	\$282	\$387
Missouri	\$290	\$398			
			U.S. Average	\$394	\$488

Total Food Stamp Cuts in the Final Welfare Bill (in millions)

State	Total Food Stamp Cuts FY 2002	Total Food Stamp Cuts FY 1997-2002	State	Total Food Stamp Cuts FY 2002	Total Food Stamp Cuts FY 1997-2002
Alabama	\$79	\$363	Montana	\$12	\$58
Alaska	\$8	\$36	Nebraska	\$16	\$76
Arizona	\$84	\$410	Nevada	\$23	\$108
Arkansas	\$40	\$183	New Hampshire	\$12	\$57
California	\$781	\$3,987	New Jersey	\$132	\$650
Colorado	\$49	\$235	New Mexico	\$41	\$203
Connecticut	\$59	\$286	New York	\$762	\$3,885
Delaware	\$10	\$50	North Carolina	\$96	\$442
Dist. of Col.	\$19	\$89	North Dakota	\$7	\$31
Florida	\$317	\$1,572	Ohio	\$231	\$1,084
Georgia	\$130	\$601	Oklahoma	\$62	\$287
Guam	\$3	\$14	Oregon	\$78	\$381
Hawaii	\$28	\$133	Pennsylvania	\$254	\$1,188
Idaho	\$13	\$64	Rhode Island	\$32	\$164
Illinois	\$232	\$1,101	South Carolina	\$50	\$231
Indiana	\$67	\$312	South Dakota	\$7	\$33
Iowa	\$32	\$148	Tennessee	\$123	\$565
Kansas	\$36	\$170	Texas	\$501	\$2,505
Kentucky	\$78	\$357	Utah	\$20	\$97
Louisiana	\$106	\$492	Vermont	\$13	\$64
Maine	\$32	\$152	Virgin Islands	\$6	\$28
Maryland	\$91	\$442	Virginia	\$105	\$491
Massachusetts	\$105	\$528	Washington	\$147	\$735
Michigan	\$217	\$1,035	West Virginia	\$42	\$190
Minnesota	\$66	\$318	Wisconsin	\$52	\$249
Mississippi	\$69	\$317	Wyoming	\$5	\$25
Missouri	\$103	\$478			
			U.S. Average	\$5,680	\$27,707



CENTER ON BUDGET AND POLICY PRIORITIES

August 15, 1996

THE TIMELINE FOR IMPLEMENTING THE NEW WELFARE LAW

by Jocelyn Guyer, Cindy Mann and David A. Super

Introduction

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 includes nine titles, affecting most major low-income programs, including AFDC, food stamps, Medicaid, Supplemental Security Income (SSI), child welfare and child support. The scope and potential impact of the changes in low-income programs in this bill are unprecedented. Some of the changes are effective upon or soon after enactment of the bill. Other changes will be implemented over the course of the next fiscal year or later, and still other changes are subject to state discretion — when and how these changes are made are matters left largely to the states.

This paper reviews the dates by which the major changes in welfare, Medicaid and the food stamp program must be implemented, or could be implemented at state option. While many of the changes required by this bill must be put into effect quickly, states have time for a thoughtful implementation process in some key areas, including most of the basic decisions about the design and direction of their welfare programs. Given the scope and potential consequences of the changes that are about to occur, it is imperative that states take full advantage of every opportunity for careful consideration of the policy choices and implementation issues presented by this historic legislation.

Overview of the Effective Dates for the Key Welfare, Medicaid and Food Stamp Provisions

Welfare and Medicaid Provisions

- States have until July 1, 1997 to submit a new state plan to the Secretary of Health and Human Services outlining how they intend to run the programs funded under the Temporary Assistance to Needy Families block grant ("TANF"). Submission of a new state plan signals a state's entrance into the new block grant system. States have the option of entering the new system early by submitting their state plans prior to July 1, 1997. *The date of plan submission is the effective date for most of the welfare-related provisions in the new law, including the 60-month lifetime limit on receipt of federally funded assistance.*
- The TANF block grant will begin to affect all states during federal fiscal year 1997, which runs from October 1, 1996 through September 30, 1997. During

federal fiscal year 1997, states cannot receive more assistance than they are due under the bill's block grant funding formula, but they also are not guaranteed their full block grant allocations unless they spend the entire federal fiscal year under the new system.

- Because of caseload declines, the block grant allocations for most states, which are based on historic spending levels, will be *higher* than the federal payments the state would receive in federal fiscal year 1997 under the AFDC program. Most states, therefore, will not experience fiscal pressure in fiscal year 1997 to make changes to keep spending below their block grant allocations; they can take time to consider how they want to structure their new programs and implement program changes. (For example, the states must be ready when they enter the new system to track the months of receipt of aid under the new time limit.) On the other hand, these same states have a financial incentive to enter the new system at the earliest possible date in order to capture "surplus" block grant allocation dollars for as much of federal fiscal year 1997 as possible. States may be able to resolve the tension between needing time to plan and implement major changes and wanting to maximize federal funding in fiscal year 1997 by submitting state plans that largely keep their current systems intact and perhaps amending their state plans at a later date.
- There are caveats to the rule that most of the welfare-related provisions in the bill go into effect when a state submits a new state plan. States have at least an additional six-month grace period after the date of submission of their plans to comply with selected provisions of the law, including the work requirements. Additionally, the Secretary of Health and Human Services has limited or no explicit authority to enforce many provisions in the law. Consequently, states may not face adverse consequences for not having their programs conform to all of the new requirements by the operative effective date.
- States that currently have an AFDC waiver — and states that secure approval from the Secretary of Health and Human Services for a pending or new waiver submitted prior to the date of enactment of the law — may follow the terms of their waivers even if they are inconsistent with provisions in the law. States whose waivers are submitted prior to the date of enactment but approved after that date must, however, follow the work requirements established by the new law.
- States must have new Medicaid procedures in place when they enter the new system to ensure that any changes made in their welfare programs will not affect children and parents' eligibility for Medicaid.
- The entitlement of any person to AFDC under Parts A and F of Title IV of the Social Security Act is terminated on October 1, 1996 or earlier in any state that

enters the new system before this date. Individuals may continue to be entitled to AFDC under the existing state plan or pursuant to state law.

- Effective immediately upon enactment, states are prohibited from using federal block grant funds to provide aid — and they also are prohibited from providing Medicaid — to most legal immigrants who enter the country on or after the date on which the bill becomes law. The ban extends five years after an immigrant's date of entry. States have the option to grant or to deny assistance under TANF or Medicaid to legal immigrants *already residing* in the United States, although the earliest date on which they can terminate aid to legal immigrants currently receiving benefits is January 1, 1997. States are required to indicate in their state plans whether or not they intend to continue to provide benefits under TANF to legal immigrants already residing in the United States.

Food Stamp Provisions

- Most legal immigrants not currently receiving food stamp benefits are ineligible for food stamps as of the date the bill becomes law. For legal immigrants currently receiving food stamps, states must terminate their benefits at the time of their next scheduled recertifications, but not later than a year after the date of enactment. (Similar rules apply to the SSI program.)
- Several other changes in the food stamp program are effective upon enactment, including changes in income exclusions and pro-rating rules. The quality control system, however, will not count errors states make under these provisions until 60 days after they receive an implementation memo from the USDA.
- States have up to three months after the date of enactment to notify those unemployed food stamp recipients between the ages of 18 and 50 who are subject to a new three-month time limit on the receipt of benefits during any 36-month period. The clock on the three-month limit on benefits does not begin to run until notice has been provided. States can immediately request waivers for areas with unemployment rates over 10 percent or for other areas in which insufficient jobs exist for people affected by this provision.
- Many of the major provisions in the law that reduce food stamp benefits are effective when states would otherwise be adjusting food stamp benefit calculations in October, 1996 or January, 1997. Thus, the inflation adjustments scheduled for October 1, 1996 will be modified according to provisions in the law, the adjustments in the standard deduction will be canceled, while the adjustments in the basic benefit level (the "thrifty food plan") and the limit on the value of vehicles that households may own will both be curtailed. On January 1, 1997, instead of removing the cap on the shelter deduction, states will raise the cap by \$3 to \$250.

- At any time after enactment, states can exercise numerous new state options created by the law, including the option to adopt "simplified" food stamp program rules that are consistent with TANF program rules.

The remainder of this paper provides more detail on when states must implement the changes described above. In addition, a chart is attached at the end of the paper summarizing the implementation dates and enforcement mechanisms of the major TANF, Medicaid and food stamp provisions in the new law.

Implementation Dates for the Welfare and Welfare-related Medicaid Provisions, in General

The date on which a state first submits its state plan is the date on which it enters the new system and on which most of the TANF provisions and the related Medicaid changes in the law go into effect for that state. States must submit a plan *by* July 1, 1997. They have the option, however, to enter the new system earlier, at any time after the date of enactment.

Most of the TANF provisions go into effect on the date that a state submits its plan. Beginning on that date, for example, a state must track the number of months that families with an adult receive assistance funded under the block grant in order to apply the bill's 60-month lifetime limit on receipt of federally funded welfare assistance.

There are caveats to the general rule that the TANF provisions in the new law go into effect on the date that a state submits its plan. First, the new law terminates individuals' entitlement to AFDC under Part A and F of Title IV of the Social Security Act on October 1, 1996, although nothing in the law precludes a state from guaranteeing assistance to all individuals eligible for aid under its TANF program.¹ Second, as described in the next section, states have a grace period of at least six months after they enter the new system during which they cannot be financially penalized for non-compliance with selected welfare provisions. Most significantly, states will be given at least six months after they submit their state plans to come into compliance with the work participation requirements. And finally, as described in the financing section, block grant financing limits begin to take effect on October 1, 1996 regardless of when the state files its state plan.

Submitting a State Plan

To enter the new welfare system, a state must submit a new state plan to the Secretary of Health and Human Services. The Secretary must determine that a plan is complete before the state can receive TANF funds, but she has no authority to disapprove a state's plan as long as the plan contains the required elements. The plan must include a set

¹ The entitlement may extend beyond October 1, 1996 based on state plan provisions or state law. The entitlement to AFDC under the Social Security Act may be terminated before October 1, 1996 in states that enter the new system prior to that date.

of certifications and provide an outline of how the state intends to run its TANF program(s). For example, plans must describe how the state intends to meet the work requirements, and it must set forth the objective criteria the state will use to determine eligibility and deliver benefits. States also must certify in their plans that they have consulted local governments and "private sector organizations" about the plan and allowed them at least 45 days to submit comments.²

The Role of State Legislatures

Federal TANF funds received by a state must be subject to appropriation by the state's legislature. States, therefore, cannot spend their block grant dollars without allowing the legislature a role in determining how those dollars will be spent. It is unclear, however, whether further legislative action is required during the first year (federal fiscal year 1997) in states where legislatures have already passed their budgets appropriating funds under the AFDC system. The extent to which legislative involvement is required with respect to the fiscal year 1997 appropriation and the development of the TANF state plan may depend on the laws in an individual state.

Effective Dates for Specific Welfare and Related Medicaid Provisions

The new law contains a number of restrictions on states' use of federal block grant dollars.³ While the federal government has no clearly defined authority to enforce many of the new restrictions, the Secretary of Health and Human Services is directed to reduce the block grant allocations of states that fail to comply with specific provisions of the new law.⁴ This section briefly describes the various requirements and restrictions imposed on states, beyond the general requirement that they submit a state plan by July 1, 1997, organized with reference to the date on which the provision becomes effective and whether the provision is clearly enforceable by the Secretary.⁵

² There is no definition of private sector organizations in the bill.

³ For a detailed description of the legislative provisions relating to TANF, see Greenberg and Savner, *A Detailed Summary of Key Provisions of the TANF Block Grant of H.R. 3734, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996*, Center for Law and Social Policy, August 13, 1996.

⁴ The new law also includes a general penalty clause allowing the Secretary to reduce a state's block grant allocation if an audit reveals it has used federal funds in violation of the purposes of the TANF program. It is possible that this general penalty could be used to enforce provisions of the bill not associated with a specific financial penalty.

⁵ One provision that does not fit into this framework is a requirement that not later than one year after the date of enactment states must require selected adults — those who have received assistance for two months and who are subject to work requirements, but not yet engaged in work — to participate in community service employment. States may opt out of this provision by notifying the Secretary of Health and Human Services. They also have the authority to define the tasks that constitute community service employment

(continued...)

Provisions Enforceable Beginning on the Date a State Submits Its New Plan

The following provisions go into effect on the date a state submits its new state plan. For states that wait until the deadline to enter the new system, that date will be July 1, 1997. These provisions are clearly enforceable in the sense that the Secretary of Health and Human Services is specifically directed to reduce the block grant allocations of states that fail to comply with them.⁶ The related Medicaid provision is enforceable by the Secretary under the current rules governing the Medicaid program.

Time limit. The bill prohibits states from providing any aid using *federal* block grant dollars to a family that includes an adult who has received assistance for 60 months (not necessarily consecutive) except for families granted a hardship exemption.⁷ A state must start the 60-month clock for recipients on the date that the state enters the new system. The federal time limit is prospective — a state may not count toward the time limit any months that a family spent on welfare prior to the date on which the state filed its initial state plan.⁸

States that fail to comply with the 60-month limit will have their basic block grant allocations reduced by five percent. One implication of the 60-month time limit and the penalty that attaches to a state's failure to comply with this provision is that states are at risk if they enter the new system before having the capacity to track the number of months spent on welfare, including the cumulative receipt of aid by families who move on and off of programs funded under TANF.

Prohibition on sanctioning parents who cannot obtain care for a child under age six. In applying the work requirements (discussed below), states cannot reduce or deny assistance under the block grant to a single-parent with a child under age six who is unable to comply with these requirements because she cannot find child care. The Secretary is directed to reduce the federal block grant allocations of states that violate this provision by up to five percent. Note that the lack of child care does not stop the time-limit clock from running, although states may decide to treat lack of child care as a basis for granting a hardship exemption from the time limit.

⁵ (...continued)

and to establish the number of hours per week affected individuals must participate in those tasks.

⁶ States that face a reduction in their block grant allocations due to non-compliance with provisions of the bill must replace their lost federal dollars with state spending on TANF. The state spending must be in addition to any spending a state does to satisfy the maintenance-of-effort requirement included in the bill. States that fail to replace lost federal dollars will have their federal block grant allocations further reduced in the following fiscal year.

⁷ A state may offer hardship exemptions from the time limit to up to 20 percent of its caseload.

⁸ States have the option of imposing a shorter time limit and may be allowed to impose a retrospective time limit. States also are allowed to use their own money to provide assistance to families beyond the 60-month federal time limit. Any money a state spends for this purpose can be counted by a state to meet the maintenance-of-effort requirements.

Medicaid for children and parents who qualify based on current AFDC rules. Current state AFDC income and asset rules as well as the standards that largely limit AFDC to single-parent families with children (i.e., the "deprivation rules") are carried over to the Medicaid program to assure that welfare changes do not affect Medicaid eligibility for children and parents who currently receive Medicaid as well as for those who apply in the future.⁹ As of the date a state submits its state plan under the block grant, a state must cover under Medicaid families who meet the deprivation rules and whose income and assets are below the state's AFDC standards as of July 16, 1996.¹⁰ Eligibility for Medicaid will not be linked to receipt of aid under the block grant.¹¹ States must also assure that transitional Medicaid assistance is provided to families who would otherwise become ineligible for Medicaid due to earnings or child support.

*Provisions Enforceable No Earlier Than Six Months
After a State Submits Its Plan*

The following provisions also are technically effective on the date that a state enters the new system and can be enforced by the Secretary with financial penalties. They will, however, be enforced with respect to conduct that occurs no earlier than six months after a state submits its plan. Specifically, they will be enforced beginning six months after the date on which a plan is submitted *unless* a state enters the new system early. States that enter early will have six months or until July 1, 1997, whichever is later, before they will face financial penalties for failing to comply with these provisions.

Thus, states that enter the new system between the date the bill is enacted and January 1, 1997 will have until July 1, 1997 to comply with these provisions; states that enter the system between January 1, 1997 and June 30, 1997 will have six months from the date the plan is submitted to comply with these provisions; and states that enter the new system on the latest allowable date, July 1, 1997, will have until January 1, 1998 to comply.

Work program participation rates. States are required to have a growing portion of their caseloads in work activities over the next several years, according to the schedule provided below.¹² States must meet two separate work participation requirements — one

⁹ These deprivation rules will not require a change in Medicaid application procedures since states already determine family composition for purposes of Medicaid eligibility and to identify child support obligations.

¹⁰ States can lower their income standards but not below May, 1988 levels, and they can raise their standards but not by an amount greater than the increase in the Consumer Price Index.

¹¹ States may, however, terminate Medicaid coverage for adults and minor parents heading households whose cash assistance under the TANF block grant is terminated due to a refusal to work. States cannot deny Medicaid to pregnant women on these grounds.

¹² The work participation requirements are a particularly complex and detailed section of the bill. They are covered here in only a general fashion.

for all families and one for two-parent families.¹³ The new law defines what constitutes a countable work activity and prescribes the number of hours a week an individual must be engaged in such an activity to be counted as a work "participant." For example, during fiscal year 1998, a single-parent will qualify as "participating" only if she is engaged in a countable work activity for at least 20 hours per week, while the worker in a two-parent family must be engaged in a work activity for at least 35 hours per week.¹⁴

Work Participation Rate Requirements

Fiscal Year	All Families		Two-Parent Families	
	Participation Rate	Hours of Work Required	Participation Rate	Hours of Work Required
1997 (not enforced unless state enters early)	25%	20	75%	35
1998 (enforced beginning 1/1/98 or earlier if state enters the new system early)	30%	20	75%	35
1999 (enforced)	35%	25	90%	35
2000 (enforced)	40%	30	90%	35
2001 (enforced)	45%	30	90%	35
2002 (enforced)	50%	30	90%	35

In practice, lower participation rate requirements than those listed in the table above may apply in individual states in light of a provision known as the "caseload reduction credit." The credit reduces a state's required work participation rates by the extent to which a state's caseload has declined relative to federal fiscal year 1995 levels. Specifically, a state's participation rates are reduced by the number of percentage points by which the number of families receiving assistance under TANF fell below the number that received assistance under the AFDC program in fiscal year 1995. For example, if a state's caseload fell by eight percent between fiscal year 1995 and fiscal year 1996, in fiscal year 1997, the state would be required to meet a work participation rate for all families of 17 percent (25 percent - eight percentage points), instead of the standard 25 percent. Caseload declines attributable to federal restrictions and changes in state eligibility criteria, however, are *not* allowed to be counted toward this caseload reduction credit.

¹³ The bill directs the Secretary of Health and Human Services to reduce the block grant allocations of states that fail to meet the work participation requirements by up to five percent in the next fiscal year. If non-compliance continues, the penalty increases by up to two percentage points a year but cannot exceed 21 percent of a state's block grant allocation.

¹⁴ The bill does not address how the work participation requirements are to be calculated for states where the requirements are not in effect for the full fiscal year.

Sanctions for failure to cooperate in collecting child support. Under the new system, states are required to impose harsher sanctions than allowed under current law on families where the parent does not cooperate fully in establishing paternity and collecting child support. States must reduce by at least 25 percent the payments made to any family not cooperating fully, as well as eliminate assistance for an entire family if the head of the family declines to assign support rights to the state.

Additional Provisions. States also may face financial penalties, subject to the grace period, if they do not comply with new data reporting requirements; if they do not operate a system to verify the accuracy of information they receive from applicants about their income, citizenship status and other issues affecting their eligibility for TANF assistance; and if they do not satisfy child support enforcement standards.

Major Requirements for Which There is No Specified Federal Penalty

The effective date of the provisions listed below is the date on which a state enters the new system. The Secretary of Health and Human Services has not been given any *specific* authority to impose penalties to enforce these requirements, although there is a general penalty clause in the bill that allows the Secretary to reduce a state's block grant allocation if an audit establishes that it has used federal funds "in violation" of the requirements in the new law. The Secretary's enforcement authority is particularly unclear with respect to the first requirement regarding work that is listed below. States must indicate in their state plans how they *intend* to comply with this requirement, but the law does not directly impose this requirement on states.

- States must include in their state plans a description of how they *intend* to require adults to engage in work after receiving TANF assistance for 24 months (not necessarily consecutive).
- States may not use federal block grant funds to aid unmarried minor parents who are not living at home or under the supervision of another adult relative or legal guardian or who are not attending high school or an alternative education program.
- States must make an initial assessment of the skills, work experience, and employability of most TANF recipients.

The Effect of Waivers on Implementation Requirements

States that have AFDC waivers, and states that secure approval from the Secretary of Health and Human Services for a pending or new waiver request prior to the date of enactment of the bill, can operate their programs under the terms of these waivers until their waivers expire. States that have applied for a waiver prior to enactment of the bill whose waivers are approved after enactment — but before July 1, 1997 — also may follow the terms of those waivers, except that these states must comply with the work requirements in the new law.

Within these parameters, the law specifically provides that amendments to the title of the law pertaining to TANF shall not apply to the extent such amendments are inconsistent with a state's waiver.¹⁵ Thus, although the language is somewhat vague, it appears that states with waivers do not need to change their systems to conform with specific features of the law to the extent that the state's waiver already addresses the issue. For example, if a state has already imposed a time limit on the receipt of aid and has adopted exemptions and extensions applicable to its time limit, it would appear that the 20 percent cap on exemptions to the 60-month time limit would not apply to that state. Instead, the state's exemptions would be based on the exemption criteria included in its waiver.¹⁶

Financing Provisions

In general, states will receive block grant allocations from the federal government that are based on historical spending and are frozen over the next six years, regardless of the actual cost of serving needy families. The financing provisions may bear significantly on the decisions a state makes about how quickly to enter the new system.

Block Grant Allocations - General Rules

Under the new system, states will receive a fixed block grant allocation from the federal government to help finance their programs for low-income families with children. Unlike under the AFDC matching system, the federal government's contribution to a state will not rise when a state's spending rises, nor fall when a state's spending declines as long as a state meets its maintenance-of-effort requirement (see below).

Each state will receive an amount equal to the highest of its federal payments for AFDC, JOBS, and Emergency Assistance during (1) fiscal year 1995, (2) fiscal year 1994, or (3) the average of federal payments for these programs during federal fiscal years 1992 through 1994. Each state's basic block grant allocation will remain unchanged beginning in federal fiscal year 1997 and continuing through federal fiscal year 2002.

¹⁵ The bill does not elaborate on how to evaluate whether a waiver is inconsistent with a provision in the bill, nor does it specify who has the authority to make this judgement.

¹⁶ States' exemption policies under waivers are likely to be more generous than the 20 percent cap created by the new law. According to an analysis of state waivers conducted by the Center for Law and Social Policy (CLASP), the portion of the caseload exempt from time limits in states terminating all cash aid to families after a specified period of welfare receipt range from an estimated 19 percent of all welfare families in the state with the narrowest exemption policy to 91 percent in the state with the broadest exemption policy. These estimates do not take into account state policies granting extensions of a time limit to selected individuals, nor do they reflect the exemption policies of states that continue to provide some cash aid or to require work after a family has received welfare for a specified period. For details, see *Limits on Limits: State and Federal Policies on Welfare Time Limits* by Greenberg, Savner, and Swartz, CLASP, June, 1996.

Block Grant Allocations - Federal Fiscal Year 1997

The amount of federal assistance that states can receive during federal fiscal year 1997 will be capped at the level of their block grant allocations.¹⁷ States, however, are not guaranteed their full block grant allocations in fiscal year 1997. The actual amount of federal funds a state receives in fiscal year 1997 will depend on when the state enters the new system.

So long as states operate their welfare systems under the old AFDC rules, their federal payments will be based on the AFDC matching formula. Once a state enters the new system by submitting a state plan, it will receive its block grant allocation prorated according to the number of days left in the fiscal year. Thus, a state that enters the new system on March 1, 1997 will receive federal AFDC matching payments from October 1, 1996 through April 30, 1997 plus half of its federal fiscal year 1997 block grant allocation. Under no circumstances, however, can the combination of payments under the old and new system exceed a state's block grant allocation for federal fiscal year 1997 as a whole.

For the majority of states, the full federal block grant allocation for fiscal year 1997 may be greater than the amount of federal funds they would have received under the AFDC matching rate system. This is because AFDC caseloads, and, to a lesser extent, AFDC-related expenditures, have been declining since the base year(s) used to determine the states' block grant allocations.

As Table 1 (attached at the end of this paper) indicates, AFDC caseloads in the most recent period for which preliminary data for all states are available — the first eight months of federal fiscal year 1996 — are lower than they were during the base year(s) used to determine all but two states' block grant allocations. Although national expenditure data are not yet available on a state-by-state basis for recent years, expenditures in most states appear to have declined along with caseloads although not always as steeply.¹⁸

The implications of states' declining caseloads and expenditures relative to the block grant base year(s) are two-fold. On one hand, many states will not *need* to reduce benefits or restrict eligibility to keep spending within the confines of their block grant allocations in the near future. Thus, most states do not have to rush to submit a state plan and enter into the new system in order to make major changes that would keep spending below federal

¹⁷ A state could submit a state plan before October 1, 1996 and receive part of its funding for federal fiscal year 1996 under the block grant system.

¹⁸ Thus, the Congressional Budget Office has estimated that block grant allocations in fiscal years 1997 and 1998 will be higher than expenditures projected for states under the AFDC system. Over time, however, block grant allocations will be increasingly inadequate as inflation erodes their value and as caseloads expand in response to natural population growth or to economic conditions. CBO projects that by 1999, federal funding will fall short of what would be provided under the AFDC program, and by 2002, the funding shortfall is projected to reach more than \$1 billion per year. Moreover, the bill provides states with no new funds with which to implement the increasingly stringent work requirements.

block grant levels. States have time to consider the implications of making any changes, assure broad input in the decision-making process, and make all necessary system adjustments. This is particularly important given the many questions that will need to be resolved about the meaning of various provisions in the legislation, the interrelationship between the welfare changes and the changes in food stamps, Medicaid, SSI and other programs, and the profound consequences for needy families and low-income communities of the changes that might be made.

At the same time, the phenomena of declining caseloads and expenditures may create incentives for states to enter the new system at the earliest possible date. As noted above, the length of time during federal fiscal year 1997 that states are operating their programs under the new system will determine how much of their 1997 block grant allocations they will receive in addition to any matching payments they get while operating under the old system. Some states where block grant allocations are expected to bring in more federal funds in federal fiscal year 1997 than the state would receive under the AFDC matching system may want to spend as much of the year under the new system as possible.¹⁹

States may be able to resolve the tension between the need to proceed thoughtfully and the desire to maximize federal payments in federal fiscal year 1997 by submitting a state plan that initiates the block grant payment but that does not make significant changes in the current system. Then, after the state has considered alternatives and solicited input from affected parties, the state plan could be amended if necessary to reflect additional program changes. There are no specific limitations or requirements imposed on states with respect to the state plan amendment process.

In addition, as noted above, a state may be able to continue to operate its current system based on waivers submitted prior to the enactment of the new law, even if those waivers are inconsistent with provisions of the law. In such cases, a state may be able to submit a state plan based on the waivers and receive all or most of its federal fiscal year 1997 block grant allocation.

Maintenance-of-Effort Requirement

Beginning in federal fiscal year 1997, states must maintain spending at no less than 80 percent of 1994 levels on AFDC benefits and administration, Emergency Assistance, JOBS, and selected child care programs. The Secretary of Health and Human Services is directed to reduce a state's block grant allocation during the following federal fiscal year by

¹⁹ Another consideration with respect to the fiscal consequences of entering the new system on a particular date is that the new law allows states to receive additional federal dollars for costs attributable to making Medicaid eligibility determinations that would not have been incurred but for the Medicaid changes in the new law. A state can receive these funds for expenses incurred in the first 12 calendar quarters in which it operates a program under TANF. A state that enters the new system after the quarter begins may be foregoing some of the funds it would otherwise receive under this provision.

the amount a state comes up short.²⁰ States that comply with the work participation rates will be subject to a lower, 75 percent, maintenance-of-effort requirement.

Contingency Fund

Beginning in federal fiscal year 1997, states may be eligible to receive additional federal payments worth up to 20 percent of their block grant allocations if they experience particularly severe economic conditions (as evidenced by high unemployment rates or large increases in food stamp caseloads²¹). The fund contains \$2 billion for federal fiscal year 1997 through federal fiscal year 2001. States cannot access the contingency fund unless they maintain state spending on welfare at 100 percent of base year levels.

Additional Sources of Funds for States

The bill contains four other sources of funds for states that may provide them with very modest amounts of additional federal assistance. They are: (1) supplemental grants for states with relatively rapid population growth and/or a history of low spending on their AFDC programs, available to states beginning in federal fiscal year 1998; (2) grants to states deemed by the Secretary of Health and Human Services to qualify as "high performing" states based on the quality of their TANF programs, available to states beginning in fiscal year 1999; 3) grants to the five states that experience the largest decline in their out-of-wedlock birth ratios, available beginning in federal fiscal year 1999; and 4) a loan fund from which states that have never been penalized for failing an audit of their TANF programs may borrow money beginning in fiscal year 1997.

Limits on Eligibility for Aid under TANF and Medicaid for Legal Immigrants

Effective immediately upon enactment of the bill, states are prohibited from providing aid under the AFDC program and from using TANF block grant funds to aid most legal immigrants who enter the country *on or after* the date the bill is enacted. The prohibition remains in effect for the immigrants' first five years in the country.²² These same rules apply to the Medicaid program. States can, but are not required to, use state funds to aid these immigrants.

²⁰ There are complicated and important rules governing what spending qualifies as "maintenance-of-effort" spending. These rules are not discussed in detail here.

²¹ To qualify for contingency funds, a state's food stamp caseload would have to increase at least 10 percent over the lower of its 1994 or 1995 level, or its unemployment rate would have to rise to at least 6.5 percent and be at least one-tenth higher than the state's unemployment rate in the same months of either of the two prior years.

²² States may determine how legal immigrants are treated after the five year bar.

Limitations on providing aid under AFDC, TANF or Medicaid to most legal immigrants who entered the country *before* the date of enactment are left to the states to decide. States have the *option* to grant or deny welfare or Medicaid to legal immigrants *already* residing in the United States on the date the bill is enacted into law. They must indicate whether they will provide aid in their state plans under TANF. If states opt to terminate aid to immigrants now in the country, they must wait at least until January 1, 1997 before eliminating assistance for those legal immigrants receiving welfare or Medicaid on the date of enactment. However, states may deny AFDC, aid under TANF, or Medicaid at any time after the date of enactment to those already in the United States who are not receiving aid on that date.²³

Food Stamp Program Changes

This section briefly describes the major changes in the food stamp program included in the new law. It is organized generally around the dates on which states must implement these changes, beginning with provisions that states must start to implement on the date of enactment. The section then describes changes to the arithmetic formula for computing benefits and eligibility that will affect the adjustments that states already are scheduled to make on October 1, 1996 and January 1, 1997. It concludes with the timeline for implementing the new limit on benefits for certain unemployed recipients and with a section on the new option to adopt simplified food stamp program rules.

Required Food Stamp Provisions Effective Upon Enactment

States are required to begin implementing the following changes upon enactment of the bill. Although they are required to implement these changes immediately, the food stamp quality control (QC) system does not penalize states for mistakes made in the first 60 days following USDA's issuance of an implementing memorandum. This effectively gives states 60 days after issuance of the implementing memorandum to bring local offices into full compliance.

Among the mandatory changes that will require specific action from states to implement are the following:

- Ending the income exclusions for state energy assistance, certain vendor payments for homeless households, and the earnings of high school students between the ages of 18 and 22.
- Increasing the penalties on people violating various food stamp work rules as well as rules in other programs.

²³ The bill exempts selected groups of immigrants from these provisions, including (1) refugees, asylees, and immigrants granted withholding of deportation during their first five years in the country; (2) legal immigrants who are veterans and service members, as well as their spouses and unmarried dependent children; and (3) certain legal immigrants who have worked for at least 40 quarters (10 years).

- Pro-rating the food stamps of households (other than migrant farm workers) who reapply after having been off of the program for periods of less than one month.

The food stamp rules for new legal immigrants also begin to apply on the date the bill is enacted.²⁴ New legal immigrants who enter the country *on or after* the day of enactment, and any legal immigrants *already* residing in the country who are *not* on that day receiving food stamps, will not be eligible for food stamps upon enactment. The remaining group of legal immigrants — those who are *already* residing in the United States on the date of enactment *and* who are receiving food stamps on that date — will lose their food stamps at the time they are scheduled for their regular food stamp eligibility recertification but no later than a year after the bill's enactment.²⁵

Required Food Stamp Changes Effective October 1, 1996 and January 1, 1997

Many of the major food stamp changes made by the bill involve changes to the arithmetic formula for computing benefits that will affect the adjustments that states are scheduled to make under current law on October 1, 1996 and January 1, 1997. As a result of these changes, on October 1, 1996 states will not make scheduled adjustments in the standard deduction and the homeless shelter deduction. These adjustments are canceled permanently by the bill. Also, the adjustments in the basic benefit level (the "thrifty food plan") and the limit on the value of vehicles that households may own will both be curtailed. States will not remove the cap on the excess shelter deduction on January 1, 1997 as previously scheduled. Instead, they will increase the cap from \$247 to \$250 on that date; then it will remain frozen at \$250 for 21 months.

Time Limit on Benefits for Unemployed Recipients

The bill imposes a new three-month time limit within any 36-month period on certain unemployed food stamp recipients between the ages of 18 and 50 who are not caring for a dependent child. (Under some circumstances a recipient could qualify for one additional three-month spell of benefits). The time limit goes into effect once a recipient has received notice of it, but no later than three months after the date of enactment. Therefore, states in effect have three months from the date of enactment to provide notice. Thus, if the bill is signed on September 1, 1996, states could notify food stamp recipients affected by this provision at any time between September 1 and December 1, 1996 that they

²⁴ See footnote 22 for a description of the groups of legal immigrants exempt from these limits on food stamp eligibility.

²⁵ Note that similar immigrant eligibility rules also apply to the SSI program. And, many of the people who lose SSI as a result of these rules also may lose their Medicaid coverage as well. Current SSI recipients must be sent notice of the new law by March 31, 1997. The Social Security Administration then must hold individual redetermination interviews with each affected recipient. Those found ineligible must be terminated the month following the finding.

are subject to the new time limit. Once notification is provided, the clock starts to run and aid is limited to three months in any 36-month period.²⁶

At any time after the date of enactment, states can request waivers from this provision for areas in which unemployment rates are over 10 percent or other areas in which there are insufficient jobs available for this population. The lack of sufficient jobs can be measured in numerous ways from a range of available data or from the experience of a state agency in assessing conditions in local communities.

State Option to "Simplify" Rules

The bill gives the states an option to implement a "simplified food stamp program" under which similar rules on matters such as calculating income are used for both welfare and food stamps. The simplified food stamp program can be applied to households "in which all members receive assistance under a State program funded under part A of title IV of the Social Security Act," and, if USDA approves, to households in which some but not all members receive such aid. Since both AFDC and TANF exist under subtitle IV-A of the Social Security Act, the simplified food stamp program can be applied to both; a state need not have implemented TANF before opting into the simplified food stamp program.

On the other hand, since the simplified food stamp program allows states to conform food stamp rules with welfare rules, states planning significant changes in those rules when they move from AFDC to TANF will probably prefer to wait to implement the simplified food stamp program until they have made the transition to TANF. There is no limit on when a state can opt to apply simplified rules from AFDC or TANF.

²⁶ If a person subject to this provision has returned to work for at least a month during which he or she averaged 20 hours per week, after using up the three months of benefits and then loses the work, the person may return to the program for an additional three months out of the 36-month period. This exception, however, may be used only once by an individual during any 36-month period.

**Table 1: Recent Trends in States' Caseloads and Changes in Caseload Since the Year(s)
That Will be Used to Determine Block Grant Allocations**

	Average AFDC Caseload in Recent Years (in thousands)				Base year(s) used to determine a state's block grant allocation	Average AFDC caseload during the first 8 months of FY96	Change between base year(s) and the first 8 months of FY96
	FY92	FY93	FY94	FY95			
Alabama	50,631	51,559	50,340	46,030	1994	43,003	-14.58%
Alaska	10,808	12,129	12,759	12,426	1994	12,192	-4.44%
Arizona	63,598	69,997	71,984	69,609	1995	64,140	-7.86%
Arkansas	26,769	26,565	26,014	24,296	92-94 avg.	22,966	-13.17%
California	806,086	859,284	908,999	919,471	1995	902,500	-1.85%
Colorado	42,081	42,543	41,614	38,557	1995	36,047	-6.51%
Connecticut	55,500	57,315	59,201	60,985	1994	58,535	-1.13%
Delaware	10,661	11,395	11,460	10,775	1995	10,360	-3.86%
Dist. of Col.	22,566	24,784	27,117	26,789	1994	25,907	-4.46%
Florida	221,205	254,006	247,087	230,807	1994	217,302	-12.05%
Georgia	135,972	141,279	141,451	139,135	1995	133,183	-4.28%
Hawaii	16,530	18,339	20,420	21,674	1995	21,983	1.43%
Idaho	7,335	7,938	8,676	9,071	1995	9,236	1.82%
Illinois	228,625	231,262	240,319	236,205	1995	226,376	-4.16%
Indiana	69,134	73,013	73,803	65,618	1994	53,592	-27.39%
Iowa	37,086	36,672	39,555	36,483	1994	33,378	-15.62%
Kansas	28,741	30,179	30,102	28,232	1994	25,789	-14.33%
Kentucky	83,133	82,799	79,840	75,384	92-94 avg.	71,463	-12.77%
Louisiana	92,200	90,019	86,915	79,825	1994	71,960	-17.21%
Maine	23,920	23,854	22,934	21,694	92-94 avg.	20,588	-12.65%
Maryland	78,807	80,189	80,123	80,383	1995	65,247	-18.83%
Massachusetts	111,448	114,441	111,783	100,852	1994	87,988	-21.29%
Michigan	225,609	229,585	223,950	201,696	92-94 avg.	181,190	-19.96%
Minnesota	63,656	64,145	62,979	57,061	1994	55,731	-11.51%
Mississippi	60,810	60,079	56,785	52,528	92-94 avg.	48,497	-18.11%
Missouri	85,176	89,906	92,110	89,299	1994	83,915	-8.90%
Montana	10,909	11,738	11,908	11,508	1995	11,111	-3.45%
Nebraska	16,551	16,746	15,934	14,828	1995	14,208	-4.18%
Nevada	11,867	13,006	14,166	15,708	1995	15,259	-2.86%
New Hampshire	10,500	11,021	11,475	10,800	1994	9,725	-15.25%
New Jersey	125,847	125,930	122,427	118,883	1994	113,613	-7.20%
New Mexico	28,764	31,279	33,633	34,444	1995	34,102	-0.99%
New York	397,172	432,788	454,952	456,929	1995	437,645	-4.22%
North Carolina	121,427	130,736	131,220	125,503	1995	115,186	-8.22%
North Dakota	6,394	6,494	5,877	5,215	1994	4,942	-15.90%
Ohio	264,271	257,903	250,208	228,171	1994	209,066	-16.44%
Oklahoma	46,837	48,483	46,971	44,790	92-94 avg.	40,110	-15.44%
Oregon	41,460	42,591	42,135	39,264	1995	35,005	-10.85%
Pennsylvania	200,699	205,435	210,155	204,771	1994	192,743	-8.29%
Rhode Island	21,289	22,191	22,654	22,194	1995	21,226	-4.36%
South Carolina	49,710	53,314	51,925	48,981	92-94 avg.	46,429	-10.11%
South Dakota	7,223	7,203	6,926	6,286	1994	6,071	-12.34%
Tennessee	95,179	107,865	110,766	104,009	1994	93,099	-15.95%
Texas	265,819	278,657	283,744	274,505	1995	260,548	-5.08%
Utah	17,882	18,443	17,801	16,648	1995	15,015	-9.81%
Vermont	10,047	10,009	9,883	9,648	1995	9,158	-5.07%
Virginia	70,677	73,650	74,818	72,147	1994	66,331	-11.34%
Washington	96,407	101,310	102,952	101,949	1994	99,418	-3.43%
West Virginia	40,469	41,383	40,729	38,404	1994	36,448	-10.51%
Wisconsin	81,680	79,989	77,207	72,366	92-94 avg.	63,798	-19.88%
Wyoming	6,625	6,509	5,740	5,200	92-94 avg.	4,892	-22.23%
TOTAL	4,576,015	4,790,078	4,860,846	4,702,065		4,433,073	-10.96%

Note: CBPP estimated the year(s) on which block grant allocations will be based using data from the Department of Health and Human Services and block grant allocation figures prepared by the Congressional Research Service. See Falk, "Welfare Reform: Estimated State Allocations Under the Proposed Block Grant for Temporary Assistance for Needy Families," Congressional Research Service, July 30, 1996. Caseload data are from the Department of Health and Human Services; figures for FY96 are preliminary.

Key Implementation and Enforcement Dates in the New Welfare Law

Provision	Effective Date	Enforcement Mechanism	Comments
Temporary Assistance to Needy Families ("TANF") Provisions — Financing			
Block Grant Allocations	Fiscal Year 1997 (begins October 1, 1996)	N/A	Based on federal welfare spending in the state in FY94, FY95 or the average of FY92 - FY94. States can receive no more than their block grant allocations during FY97, but they may receive less depending on when they file their new state plans.
Contingency Fund	Fiscal Year 1997	N/A	Limited supplemental funds for states experiencing higher costs due to caseload increases or rises in unemployment. States can access only if they maintain state spending at 100% of historical levels.
Supplemental Grants	Fiscal Year 1998	N/A	Limited supplemental funds for states that experience rapid population growth and/or have historically spent relatively little on AFDC.
Grants to High Performance States	Fiscal Year 1999	N/A	Limited supplemental funds for states deemed by the Secretary of HHS to run high quality programs. FY99 grant based on performance during FY98.
Out-of-Wedlock Birth Reduction Grants	Fiscal Year 1999	N/A	Limited supplemental funds for the five states with the largest reductions in their "illegitimacy ratios".

Provision	Effective Date	Enforcement Mechanism	Comments
TANF and Related Medicaid Provisions — Major New Program Requirements**			
State must file new state plan	No later than July 1, 1997	No federal block grant funds will be paid to a state in the absence of a state plan	Must include a description of the state program(s) funded with TANF block grant funds and other certifications. Local governments and "private sector" organizations must be allowed 45 days for comment.
60-month time limit	Months begin to count toward the federal time limit on the date on which a state submits its new plan July 1, 1997 at the latest	Enforced with a specific financial penalty	States cannot use federal TANF funds to provide assistance to families with an adult who has received assistance for 60 months over their lifetime. Up to 20 percent of a state's caseload may be exempt, and state funds can be used to provide aid beyond the 60-month limit.
Work participation requirements	Date on which a state submits its new plan July 1, 1997 at the latest	Enforced with a specific financial penalty Enforcement delayed at least six months*	States must meet specific targets for the portion of their caseloads that must be in work activities. Participation rates increase over time.
Work rule exemption for single-parents who cannot find child care	Date on which a state submits its new plan July 1, 1997 at the latest	Enforced with a specific financial penalty	When applying work requirements, states cannot reduce or deny benefits to single-parents who cannot find child care if they have a child under age six.
Child support sanctions	Date on which a state submits its new plan July 1, 1997 at the latest	Enforced with a specific financial penalty Enforcement delayed at least six months*	States must impose harsher sanctions than allowed under current law for failure to cooperate fully with child support requirements.

Provision	Effective Date	Enforcement Mechanism	Comments
Living arrangement requirements for minor parents	Date on which a state submits its new plan July 1, 1997 at the latest	No specific penalty for non-compliance	States cannot use federal block grant funds to aid unmarried teen parents who are not living at home or under approved adult supervision.
School requirements for minor parents	Date on which a state submits its new plan July 1, 1997 at the latest	No specific penalty for non-compliance	States cannot use federal block grant funds to aid unmarried teen parents who are not attending high school or an alternative educational program.
Assessments	Date on which a state submits its new plan July 1, 1997 at the latest	No specific penalty for non-compliance	States must make an initial assessment of the skills, work experience, and employability of most TANF recipients.
Current standards continue for purposes of determining Medicaid eligibility	Date on which a state submits its new plan July 1, 1997 at the latest	Enforced under Medicaid rules	Current AFDC income and asset standards and "deprivation" rules are carried over to the Medicaid program to assure that children and parents may qualify for Medicaid coverage without regard to welfare changes. The link between welfare and Medicaid eligibility is largely severed.
Limits on providing Medicaid and aid under TANF to legal immigrants	Date of enactment	Specific financial penalty for states that fail to participate in an income and eligibility verification system which gathers data on citizenship under AFDC or TANF Medicaid limits enforced under Medicaid rules	Most legal immigrants who enter the country after the date of enactment are ineligible for aid under the block grant and for Medicaid for five years from date of entry. States have the option of granting or denying aid under TANF and Medicaid to most legal immigrants who are already in the country.

Provision	Effective Date	Enforcement Mechanism	Comments
Elimination of federal entitlement under the Social Security Act	October 1, 1996 or earlier in a state that enters the new system before this date	States may continue to treat their program(s) funded under TANF as entitlements, but their federal block grant allocations remain capped	Entitlement to AFDC under the Parts A and F of Title IV-A of the Social Security Act is terminated. Entitlement may continue under the state plan or state law. States have the option to guarantee coverage to all individuals meeting their TANF eligibility criteria.
Major Food Stamp Provisions			
Elimination of eligibility for legal immigrants not currently receiving food stamps	Date of enactment	Enforced under current food stamp rules***	Most legal immigrants who are not receiving food stamps on the date of enactment are ineligible for benefits. See text for a list of exempt groups of legal immigrants.
Termination of food stamps for legal immigrants currently receiving benefits	At next scheduled recertification, but in no event later than one year after enactment	Enforced under current food stamp rules***	Most legal immigrants who are currently receiving food stamps must be terminated from the program. See text for a list of exempt groups of legal immigrants
Ending selected income exclusions	Date of enactment	Enforced under current food stamp rules***	State energy assistance, vendor payments for homeless households, and the earnings of older high school students are no longer excluded from the definition of income.
Increasing penalties for violating work rules in food stamps and other programs	Date of enactment	Enforced under current food stamp rules***	States must impose harsher penalties than allowed under current law on people who violate various food stamp work rules as well as rules in other programs.
Pro-rating food stamp benefits for most households after brief gaps in participation	Date of enactment	Enforced under current food stamp rules***	States must implement pro-rating of food stamp benefits for households reapplying after having been off of the program for periods of less than one month.

Provision	Effective Date	Enforcement Mechanism	Comments
Reducing benefits through formula changes at the time of October 1, 1996 adjustments	October 1, 1996	Enforced under current food stamp rules***	Previously scheduled increases in the standard deduction and the homeless shelter allowance will not be made. Adjustments to the maximum benefit level and the vehicle resource limit will be curtailed.
Continuing the cap on the excess shelter deduction	January 1, 1997	Enforced under current food stamp rules***	Instead of ending the cap on excess shelter deductions (as would have occurred in the absence of the new law), states must increase the cap by \$3, to \$250.
Three-month time limit for childless, unemployed adults ages 18 - 50	The time limit clock begins to run as soon as recipients are notified; notification must be provided within three months of the date of enactment.	Enforced under current food stamp rules***	Unemployed adults between the ages of 18 and 50 who are not caring for children in most cases can receive food stamps for no more than three months during any 36-month period unless the state requests that this limit be waived. Waivers can be requested immediately.

*States will be given until July 1, 1997 or until six months after they submit their new state plans, whichever occurs later, before they will be subject to financial penalties for non-compliance with these provisions.

** States that choose to follow an AFDC waiver that was submitted and approved prior to the enactment date do not have to comply with provisions in the law that are inconsistent with their waiver(s). States whose waivers are submitted prior to the enactment date and approved after that date but before July 1, 1997, must, however, comply with the work requirements in the new law.

***The food stamp quality control (QC) system does not penalize mistakes made in the first 60 days following USDA's issuance of an implementing memorandum.

The New Welfare Law

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The Center on Budget and Policy Priorities, located in Washington, D.C., is a non-profit, tax-exempt organization that studies government spending and the programs and public policy issues that have an impact on low-income Americans. The Center is supported by foundations, individual contributors, and publications sales.

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I. Overview

The welfare conference agreement features deep cuts in basic programs for low-income children, families, and elderly and disabled people as well as fundamental structural changes in the AFDC program, the basic income support program for poor families with children. According to the Congressional Budget Office, the bill includes nearly \$55 billion in cuts in low-income programs over the next six years.

Nearly all of the \$55 billion in savings come from reductions in programs other than AFDC, with especially large reductions being made in the food stamp program, the Supplemental Security Income program for the elderly and disabled poor, and assistance to legal immigrants. Low-income disabled children, working poor families, and the elderly poor are among those whom the legislation will adversely affect. While the cuts come primarily from areas other than AFDC, many AFDC families also will be sharply affected in the years ahead as a result of the bill's sweeping changes in the structure of the AFDC program.

The bill converts AFDC to a block grant — called the Temporary Assistance to Needy Families (TANF) block grant — with essentially fixed funding. States will receive a fixed level of resources for income support and work programs based on what they spent on these programs in 1994, without regard to subsequent changes in the level of need in a state.¹ The bill provides some additional “contingency funds” if need increases in states, but the contingency funds are likely to prove inadequate if a recession occurs. Between 1990 and 1992 when unemployment climbed, federal AFDC expenditures rose \$6 billion above the amount expended in 1989. The bill's

¹ To be precise, a state's block grant allocation would be based on the highest of its FY 1994 spending, its FY 1995 spending, or the average of its spending for the three years from FY 1992 to FY 1994.

"contingency fund," however, includes only \$2 billion — or one-third as much. The contingency funds are likely to run out part way into the next recession.

Adding to the fiscal pressures likely to result from frozen federal funding are provisions in the bill that make it possible for states to withdraw substantial amounts of *state* resources from basic income support and work programs for poor families with children and to divert federal TANF block grant funds to other uses. The bill allows states to withdraw or divert approximately \$40 billion between 1997 and 2002 without such action affecting the level of federal block grant funds they receive. If state funding is reduced and federal funds are diverted to other purposes to the extent the bill permits, basic benefits for needy families and resources for work programs will fall far short of need.

The new welfare legislation allows states to deny aid to any poor family or category of poor families. In addition, with some exceptions, the legislation prohibits states from using block grant funding to provide aid to families that have received assistance for at least five years. CBO estimates indicate that between 2.5 million and 3.5 million children could be affected by the bill's five-year time limit when it is fully implemented, even after the 20 percent hardship exemption is taken into account. Moreover, states can set time limits shorter than five years; the time limits — which apply to cash aid and work slots both — can be of as short a duration as a state wishes. If states adopt shorter time limits, as some are likely to do, the number of affected children will be substantially greater.

The bill also includes \$28 billion in food stamp reductions. When fully implemented, these reductions will cut food stamp benefits almost 20 percent, the equivalent of reducing the average food stamp benefit from its current level of 80 cents per person per meal to 66 cents per person per meal. These reductions will affect all food stamp recipients, including the working poor, the elderly and the disabled.

Included in the legislation is a particularly harsh food stamp provision that affects poor unemployed individuals between the ages of 18 and 50 who are not raising children. Under the bill, these individuals will generally be limited to just *three months* of food stamp receipt while unemployed in any *three-year* period. (Some of these individuals will be able to receive food stamps for six months while unemployed in a three-year period.) CBO estimates this provision will deny food stamp benefits to an average of one million people a month who are willing to work but cannot find a job and are not offered a workfare or training slot.

Many of these individuals qualify for no other government benefit except food stamps. Denying them food stamps will leave them with no safety net at all.

The bill also eliminates most or all of the safety net for one other group — legal immigrants. The legislation makes most poor legal immigrants ineligible for most forms of assistance. In fact, 40 percent of the net savings in the bill are achieved by denying a wide range of benefits to immigrants, including poor immigrant children and poor immigrants who are very old or who have become disabled after entering the United States and can no longer work. All of the savings in the immigrant area come from denying benefits to legal — not illegal — immigrants. Illegal immigrants already are ineligible for most major means-tested entitlement benefits.

The overall size of the food stamp cuts, the structural changes in AFDC, and the reductions in benefits to legal immigrants remain largely unchanged from the provisions of the welfare bill that President Clinton vetoed in January. In several areas, the new bill represents a step backward from the vetoed welfare bill — for example, the reduction in food stamp benefits for unemployed adults not raising minor children is far more severe in the final bill than in the vetoed bill. The legal immigrant cuts also are slightly deeper in the final bill than in the vetoed version. Furthermore, the vetoed bill would have allowed states to use TANF block grant funds to provide noncash assistance such as vouchers to impoverished families with children that hit the federally imposed five-year time limit but are unable to find unsubsidized employment. The new bill, by contrast, *prohibits* states from using block grant funds to provide vouchers or other non-cash assistance to these families.

The bill does include some notable improvements over the vetoed version. It includes substantially increased resources for child care compared to the vetoed bill and a larger contingency fund. In addition, the reductions in SSI benefits for low-income disabled children, while still substantial, are considerably less sweeping than in the vetoed bill. In the food stamp area, the bill no longer gives states the option of “opting out” of the food stamp program and receiving a block grant in its place. The vetoed bill also would have placed a cap on food stamp expenditures, which would have forced additional, across-the-board food stamp benefit cuts if the expenditure cap otherwise would be breached. That cap has been dropped. Finally, the bill assures that children and parents who currently qualify for Medicaid based on their eligibility for AFDC will continue to be eligible for Medicaid, regardless of the changes states make in their welfare programs.

Overall, the bill is expected to have a similar effect on child poverty as the vetoed bill would have had. In July 1996, the Urban Institute released a study, based on conservative assumptions, showing that the welfare bill the House of Representatives approved that month would push 1.1 million children — and 2.6 million people overall — into poverty. Because the final bill is largely similar to the House bill, these estimates would change little if recalculated on the final legislation.

The Urban Institute study also found that the bill would make large numbers of families that already are poor still poorer. They would fall deeper into poverty. Specifically, the report found that the House bill would increase the overall depth and severity of child poverty by 20 percent. (Technically, the bill would increase the "poverty gap" for families with children by more than \$4 billion, or 20 percent. The poverty gap is the measure of the total amount of income needed to lift all poor families just to the poverty line.) Finally, the Urban Institute researchers found that one in every five U.S. families with children — or 8.2 million families — would see their incomes fall an average of \$1,300 a year as a result of the bill.

Most of the children who would be pushed below the poverty line live in families with a working parent. Families in which the parents are unemployed throughout the year and receive only AFDC and food stamps typically have incomes that already are well below the poverty line. Most of those families would be made still poorer by the bill.

The assumptions the Urban Institute employed are conservative. As a result, the study is more likely to underestimate than overestimate the extent to which the bill increases the number of children living in poverty and makes already-poor children still poorer. The analysis is based on current economic conditions; if the country or a region were to suffer a recession, the impact of the bill on poverty would be larger. In addition, the Urban Institute assumed *all* states would adopt a five-year time limit on assistance, the maximum duration the bill allows. A number of states are planning to institute shorter time limits. The Urban Institute researchers also assumed that no state would withdraw state resources from welfare programs in response to the provisions allowing them to do so. This also is likely to prove too sanguine a forecast. The researchers noted, in releasing their study, that their assumptions were optimistic.

These and other aspects of the new legislation are discussed in more detail in Chapter II.

This report does not discuss the changes made in the child support enforcement area. The Center for Law and Social Policy (CLASP) has prepared an analysis of the changes in this area. To receive a copy of this report, contact CLASP at (202) 328-5140.

II. Cash Assistance, Work, and Child Care Provisions

The welfare bill converts the AFDC program, emergency assistance, and work programs into a single block grant with essentially fixed funding. Under the Temporary Assistance for Needy Families (TANF) block grant, children no longer will have an assurance of receiving basic cash assistance if they are very poor, their family meets all of their state's eligibility requirements, and their parents are prepared to participate in a work program and to meet all work requirements. A state could run out of block grant funds for the year and place new applicants on waiting lists. Unless states commit state funds to assure that all eligible families receive aid, substantial numbers of poor children whose parents are unable to find a job could be denied assistance, especially during economic downturns.

Many children whose parents are poor and willing to meet work requirements may be denied assistance for other reasons as well. The bill bars states from using federal block grant funds to provide cash aid, work slots, or noncash aid such as vouchers to most families that have received any form of assistance under the block grant for a total of five years over their lifetime. If a family receives cash aid or any service funded under the block grant or works in

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a workfare slot, subsequently leaves the rolls for employment, and then is laid off years later, the family will generally be denied all forms of block grant assistance after the lay-off — even a new work slot or vouchers to help pay the rent or meet other basic needs — if the cash assistance and workfare slot it received years earlier totaled five years in duration.

States will be permitted to exempt 20 percent of their caseload from the time limit provision — that is, 20 percent of a state's caseload may consist of families receiving aid beyond the time limit. But about *half* of the AFDC population currently consists of recipients who have passed the five-year mark. CBO estimates indicate that by 2004, between 2.5 and 3.5 million children could be affected by the time limit, even after the 20 percent hardship exemption is taken into account.

Moreover, states will be allowed to make the time limit shorter than five years. Families complying with their state's work requirements can be cut off when they reach the time limit their state has established. Such cut-offs can be applied without regard to whether the parents in the family can find unsubsidized employment. According to HHS, if all states were to adopt a *two*-year time limit, 5.5 million children would be denied aid by 2006, even assuming that states exempted 20 percent of their caseloads from these state time limits.

Fiscal Pressures Resulting from Federal Block Grant Funding Levels

Among the most profound changes the legislation makes in the welfare area are its changes in the financing structure of cash assistance and work programs. Largely as a result of these changes in the programs' financing structures, the types of welfare policy choices that states make in the future may be quite different from those they have made or considered in the past.

- The TANF block grant provides essentially fixed federal funding for income support and work programs, based on a state's past spending levels on these programs. Over time, these federal funding levels are likely to prove inadequate.

The Congressional Budget Office projects that the federal funding allocated under the block grant will fall \$1.2 billion short over the next six years of what states would have received from the federal government for cash assistance and work programs under those provisions of law that the new welfare bill is replacing. (This estimate includes the funds that CBO projects states will receive under the block grant contingency fund.)

This funding shortfall will widen over time. In 1997 and 1998, states are projected to receive *more* federal money through the block grant than they would have gotten under the prior law. But by 1999, federal funding is projected to fall short of what would have been provided under the prior law. And by 2002, the funding shortfall is projected to reach more than \$1 billion a year. Moreover, at the same time that federal resources for cash and work programs will essentially be frozen, the new legislation requires states to expand greatly their work programs for recipients, thereby adding substantial new costs. This will exacerbate the funding crunches that states will face. As explained below, the Congressional Budget Office projects that the funding in the bill falls far below what is needed to meet the bill's expansive work requirements without cutting sharply into cash assistance benefit levels.

- These problems will intensify during economic downturns when poverty rises and the number of families applying for aid increases. Under prior law, federal funding rose automatically to help meet increased needs during recessions. That feature of federal law is eliminated under the new bill. While the new legislation establishes a contingency fund to help address increased needs during recessions, the level of resources placed in the contingency fund is small.

The contingency fund contains \$2 billion over five years. This represents an increase over the welfare bill vetoed in January, which provided just \$1 billion for the fund. But during the 1990-to-1992 recessionary period, federal AFDC funding increased \$6 billion over the 1989 level. In other words, the additional amount expended in these *three* years of the early 1990s was triple the amount the bill allocates for the contingency fund over the next *five* years. The \$2 billion for the contingency fund is equivalent to an increase over five years of just two percent above the basic block grant funding levels. The contingency fund is almost certain to run out part way through the next recession.

- The bill also includes a small population adjustment fund, which would provide additional resources to some states with growing populations. The fund would provide \$800 million over four years, an amount equal to an increase in block grant funds of just one percent over the four-year period. (No population adjustment funds would be available in 1997 or in years after 2001.) National population growth is projected to be 4.6 percent between 1997 and 2002, however, or more than four times greater than the growth in block grant funding allocated for population growth over this period.

Bill Would Permit States To Withdraw Up to \$40 Billion From Income Support and Work Programs

The foregoing discussion addresses the inadequacy of the *federal* funding levels in the bill. These problems are likely to be exacerbated by a withdrawal of *state* funds. Like the vetoed welfare bill, the new legislation permits states to withdraw substantial state resources and divert federal block grant funds from income support and work programs without losing any basic federal TANF block grant funds. States will be able to withdraw from these programs — or to divert to other uses — up to \$40 billion between 1997 and 2002.

Under the prior law, the federal and state governments shared in the cost of providing AFDC benefits and financing welfare-to-work programs. States contributed between 20 percent and 50 percent of these costs, with wealthier states contributing a higher proportion of the cost than poorer states. This financing structure provided states with an important incentive *not* to reduce state resources for these programs; if a state withdrew \$1 of state resources from AFDC or work programs, it lost between \$1 and \$4 of federal funds.

Under the block grant structure in the new bill, however, this matching structure is radically altered. To receive its full block grant allocation, a state will simply be required to contribute overall state funding for work, income support, and child care programs equal to 75 percent of what it spent on these programs in 1994. This 75 percent requirement is known as a “maintenance-of-effort” requirement. The maintenance-of effort requirement is raised to 80 percent for states failing to meet the work requirements in the bill.²

If every state were to spend only what is required to receive its full block grant allocation, state funding over the next six years would fall *nearly \$32 billion* below the level that CBO projects states would have spent under the prior law. This would represent a 33 percent reduction in state resources devoted to these programs over six years, compared to what would have been expended under the prior law.

The new legislation also permits states to transfer up to 30 percent of their federal TANF block grant funds to the Child Care and Development Block Grant and the Social Services Block Grant. Transfers to Social Services Block Grant alone may not exceed 10 percent of a state’s federal TANF block grant allocation.³

² To draw down funds from the contingency fund, a state would have to maintain state funding at 100 percent of its 1994 expenditure level.

³ The \$40 billion estimate of the amount that states could withdraw in state funds or divert to other uses
(continued...)

The provision of the new legislation allowing TANF block grant funds to be transferred to the Social Services Block Grant is particularly problematic. The services funded under the Social Services Block Grant include an array of politically popular services, many of which go to the elderly and to families well above the poverty line. This may make such a transfer of funds likely in a number of states. But a seepage of funds from the TANF block grant to the Social Services Block Grant would almost inevitably lead to fewer work slots being provided for very poor families, cuts in cash benefit levels for these families even though current benefit levels are already well below the poverty line in most states, still-shorter time limits, or some combination of such steps.

(The bill provides that funds transferred from the TANF block grant to the Social Services Block Grant may be used only for services to children whose family incomes fall below 200 percent of the poverty line, but this provision is cosmetic. States could simply shift a portion of their *existing* Social Services Block Grant funds from poor children to other populations at the same time they transferred funds from the TANF block grant to the Social Services Block Grant. The actual effect could be to transfer resources from the TANF block grant to serve elderly individuals without children or families with higher incomes without the state having violated the statute.)

Contingency Fund Remains Inadequate

As noted, the legislation includes \$2 billion for a contingency fund to provide additional resources to states facing growth in the size of their low-income populations, an amount that could be exhausted quickly after just a few large states experience recessionary conditions. Once the fund is exhausted, states must bear themselves 100 percent of the additional costs of providing assistance to needy families during a downturn. Families in states that are unable or unwilling to bear these costs may be left without much of a safety net.

- As noted, AFDC costs increased \$6 billion in three years during the downturn of the early 1990s, while the contingency fund contains \$2 billion for use over five years. The fact that the recession of the early 1990s was less severe than earlier downturns such as the recessions of the early 1980s and mid-1970s adds to the concern the fund will prove inadequate.

³ (...continued)

is based only on states' ability to reduce state spending due to the maintenance-of-effort provision as well as the provision permitting states to transfer funds from the TANF block grant to the Social Services Block Grant. Resources transferred to the Social Services Block Grant can easily be used to supplant state social services spending. The resources that states would be permitted to transfer to the child care block grant are *not* considered in this analysis since these resources can not as easily be used to supplant state spending.

- To qualify for contingency funds, a state must meet certain “trigger” criteria. States will qualify if their food stamp caseloads increase at least 10 percent over their 1994 or 1995 level or if their unemployment rate is at least 6.5 percent *and* also is at least one-tenth higher than the state’s unemployment rate in the same months of either of the two prior years.⁴ These “trigger” criteria could pose a problem for some states. A state whose food stamp caseload climbs less than 10 percent could experience significant increases in need without being able to access any contingency funding. Moreover, in past recessions, many states experienced substantial increases in unemployment without reaching the 6.5 percent unemployment rate.
- The contingency fund also will place states that qualify for contingency funds for only part of the year at a major disadvantage. The bill limits the level of resources these states can draw down by severely reducing the federal matching rate for these states. A state that received \$1 in federal funds for every \$1 in state funds spent on AFDC under prior law will be required to spend *\$5 in state funds for every \$1 in federal contingency funds it can receive* if the state qualifies for contingency funds for four months during the year. Under the welfare bill vetoed in January, such a state would have continued to receive \$1 in federal contingency funds for each \$1 in state funds it contributed. The extremely high state matching rates that these states will face may cause some states to fail to access contingency funds during economic downturns.

Work Initiatives Placed in Jeopardy

As recently as 1994, there was a general consensus that additional resources were needed if the welfare system was to be converted to a work-based system. The original Contract with America provided \$10 billion over five years in funding for work programs.

Although the new legislation places states under stringent requirements to put an increasing proportion of recipients receiving aid under the TANF block grant in work activities, funding for work programs in the bill falls short of what is needed to meet the bill’s work requirements. CBO projects that the cost of meeting the work requirements, excluding child care costs, will reach \$5.6 billion in 2002. This is \$4.1 billion more than the amount that states spent on their JOBS program in 1994, the

⁴ The bill includes substantial food stamp cuts that would cause some current recipients to become wholly ineligible for food stamps. The contingency fund trigger directs the Secretary of Agriculture to adjust states’ 1994 (or 1995) food stamp caseloads to reflect the size the caseload would have been had these food stamp cuts been in effect at that time.

principal year upon which state block grant funding levels are based. Furthermore, according to CBO, the legislation falls *\$12 billion short* of what will be needed over the next six years to meet the work requirements, excluding child care costs.

Due to the combined effect of expanded work requirements and frozen federal funding, federal block grant funding levels are likely to prove insufficient in many states. In its estimates of the costs and savings associated with the legislation, CBO assumes these funding shortfalls will cause many states to fail to meet the bill's work requirements.

States can avoid some of the costs of meeting the work requirements by reducing their caseloads and serving fewer people. Under a provision in the bill known as the "caseload reduction credit," a state's work participation requirements are reduced if its caseload declines below the 1995 level.

For example, the legislation requires that at least 35 percent of a state's caseload be participating in work activities in 1999. But if a state's caseload falls by 15 percent between 1995 and 1998, then its work requirement for 1999 will be reduced by 15 percentage points — from 35 percent to 20 percent. Consider a state that has a caseload of 50,000 families in 1999. If the state must place 35 percent of its caseload into a work program, it must place 17,500 parents into work activities. If, however, the state's caseload of 50,000 families represents a 15 percent reduction since 1995, the state will only be required to place 20 percent of its caseload — or 10,000 parents — into work programs. In such a case, the number of parents required to participate in work activities would be reduced by *43 percent* as a result of the caseload reduction credit.

This caseload reduction credit offers states a perverse incentive to reduce their caseloads by rendering groups of families ineligible for aid. Because no new resources are provided in the bill to pay for a substantial expansion of work programs, states may find it easier to cut their caseloads by altering eligibility rules (or creating barriers to receiving aid) than by mounting work programs that prove effective in moving families into unsubsidized employment. The legislation provides that states should not get credit for caseload reductions caused by changes in state eligibility rules, but the legislation places the burden of proving that caseload reductions have been caused by eligibility rule changes — rather than by effective state work programs — on the Secretary of Health and Human Services. In a number of cases, HHS may find it difficult to prove that eligibility changes have caused caseload declines.

It should be noted that even states that do not constrict their eligibility criteria may see the requirements to place substantial portions of their caseloads in work programs eased substantially during the next few years. AFDC caseloads have been falling recently; currently, all but two states have smaller AFDC caseloads than in fiscal year 1995. As a result, although the bill says states are supposed to place 25 percent of

their caseloads in work programs in 1997, some 29 states actually will have to place fewer than 20 percent of their caseloads in work programs in the coming year.

Child Care

The legislation eliminates three current child care programs and replaces them with a single child care block grant. The programs that would be replaced are: the program which funds child care assistance for AFDC families that work or are participating in a work or training program; the "at-risk" child care program for working poor families that are at risk of slipping onto the AFDC rolls if they do not receive child care assistance; and the child care program that assists families making the transition from welfare to work.

- Under the prior law, AFDC parents with young children who needed child care assistance in order to work or participate in work or training programs were entitled to such assistance, with the costs states incurred in providing such assistance being supported by the federal government on an open-ended entitlement basis. The federal government provided states with matching funds for these child care costs, with no limit on the federal matching funds a state could receive. The new legislation repeals the entitlement of such families to child care assistance. It also repeals the open-ended federal matching structure and caps the federal child care funding each state can get. To be sure, the legislation prohibits states from imposing a sanction on families with children under the age of 6 if the parent in the family cannot participate in work or training programs because affordable child care is not available. But a parent who cannot participate in a work or training program because of a lack of child care assistance still may reach a time limit and be cut off aid. Thus, such a parent could be cut off without having had access to work preparation assistance.
- Similarly, prior law provided a guarantee — or entitlement — to transitional child care assistance for families in their first year after having left AFDC for employment. Here, too, the federal government provided matching funds to states for this assistance on an open-ended entitlement basis. The new legislation repeals both the entitlement of these families to transitional child care aid and the entitlement of states to these open-ended federal matching funds.
- The legislation replaces these two open-ended funding mechanisms — along with the federal funding provided under the "at risk" child care

The Child Care Funding Structure

There has been much confusion around the issue of child care funding under the welfare bill, with some claiming the bill *increases* child care funding relative to current law. Such claims are a bit misleading.

As noted, the bill would convert two currently open-ended funding streams — child care for AFDC recipients who work or participate in a work or training program and “transitional child care” for those who have just left welfare for work — into a block grant with capped funding. Under the open-ended programs, states have been permitted to draw down as much child care funding as they needed. Under the new child care block grant structure, states will be permitted only to draw down a capped level of funding. The bill thus limits the amount of child care funding states may draw down.

States would have spent less on child care under the old law than they are projected to spend under the new legislation. This is the basis used by those who argue the bill increases child care resources. The “increase,” however, is due to the increased *need* for child care created by the bill’s greatly expanded work requirements. If the bill’s work requirements were put in place and complied with and the child care programs were *allowed to remain open-ended matched programs*, the amounts that states could spend on child care would be higher than the level of funding the bill provides.

In short, transforming open-ended entitlement programs to a block grant that caps the level of resources that states can draw upon for child care assistance does not represent a liberalization of child care funding.

program, which already was capped — with a new child care block grant. The block grant contains more funding than CBO projects states would have received under the three child care programs being replaced; the child care block grant also contains more child care money than would have been provided under the welfare bill President Clinton vetoed in January. But this does not mean the new bill reduces unmet needs for affordable child care. As noted, the legislation requires states to place much larger numbers of recipients in jobs or work programs than states would have placed under prior law. As a result, the legislation greatly increases the need for child care.

Beginning in 1999, the Congressional Budget Office projects that the child care funding in the bill would fall short of what would be needed both to meet the bill’s work requirements and to maintain current levels of child care assistance for low-income working families not receiving assistance funded by the TANF block grant. If states meet the bill’s work requirements by placing parents in work programs rather than by reducing caseloads, child care funding will, by 2002, fall \$1.8 billion short of what would be needed to meet the work requirements while maintaining the current law child care

commitment to the working poor. On the other hand, if states fail to meet the work requirements, meet the requirements in part by cutting caseloads rather than placing parents in work programs, or escape the requirements through the use of waivers, the child care funding shortfall might not materialize. CBO forecasts that states will not draw down all the federal child care funding available to them under the legislation.

The Effect of Waivers on Implementation Requirements

States that are currently operating their AFDC program under a federal waiver, as well as states that secure approval from the Secretary of Health and Human Services for a pending or new waiver request prior to the date of enactment of the welfare bill, can operate their welfare programs under the terms of these waivers until their waivers expire.⁵

The bill specifically provides that the requirements the bill places on the program a state operates with federal block grant funds shall not apply to the extent such amendments are inconsistent with a state's waiver. The bill does not elaborate on how to evaluate whether a waiver is inconsistent with a provision in the bill, nor does it specify who has the authority to make this judgement. It is unclear how this language will be interpreted and whether states that are currently operating their program under a federal waiver will have to meet the work requirements as well as other requirements outlined in the bill. Many states may try to argue that their waivers envision a work program different from the one mandated under the bill.

It does appear, however, that states with waivers will not be required to change their systems to conform with *all* of the features of the bill to the extent that the state's waiver already addresses the issue. For example, if a state has already imposed a time limit on the receipt of aid and has adopted exemptions and extensions applicable to its time limit, it would appear that the 20 percent cap on exemptions to the sixty-month time limit would not have to apply to that state.

Basic Protections for Children

States will, as noted, have broad discretion to maintain, broaden or substantially curtail eligibility for basic income assistance for any category of poor families with children. States can choose to deny aid to families with teen parents, for example.

⁵ States that have applied for a waiver prior to enactment of the bill and whose waivers are approved after enactment of the bill but prior to the bill's implementation also may follow the terms of those waivers, except that these states must comply with the work requirements in the bill.

States also will, once again, be permitted to deny aid to two-parent families. All current federal rules governing AFDC eligibility criteria, application procedures and the appeal process are repealed.

The legislation contains a provision directing states to include objective criteria for determining eligibility and treating families equitably in their "state plans," the documents that states must prepare describing the programs they will fund under the block grant. States also must include a description in their state plan of how recipients adversely affected under the program can appeal such actions. But the legislation prohibits the U.S. Department of Health and Human Services from taking any action if a state either fails to set objective or equitable rules for its program. The legislation even bars HHS from acting if a state fails to follow its own rules for its new program.

Medicaid Rules Affecting AFDC Families

Children and parents who receive AFDC are automatically eligible for Medicaid under current law. Since the block grant eliminates any *guarantee* that these children and parents would be eligible for assistance under the TANF block grant, their Medicaid coverage also could have been placed at risk. Without specific provisions to prevent loss of Medicaid coverage, many children over age 13 and parents who lose assistance due to time limits or other welfare restrictions imposed under the block grant would have lost Medicaid coverage at the same time.⁶

This risk of loss of Medicaid coverage was averted, however, by changes made in the welfare legislation in its final weeks. The legislation was amended to require states to provide Medicaid coverage to all families that meet their state's July 1996 AFDC income and asset standards, as well as those AFDC rules that limited AFDC primarily to single-parent families (i.e., the "deprivation" rules). Under the new bill, eligibility for Medicaid thus is linked to a state's AFDC rules in these areas as of July 1996 and *not* to receipt of aid under the new TANF block grant.⁷ This change assures that several million parents and older children continue to receive Medicaid regardless of the changes a state makes in its welfare programs. The bill also maintains transitional

⁶ Children under 13 would not be affected because under federal Medicaid law, children born after September 30, 1983 whose family income is below the federal poverty line must be covered under Medicaid without regard to their eligibility for welfare.

⁷ States will be permitted, however, to terminate Medicaid for any adult whose cash aid under the TANF block grant is terminated due to a refusal to work. Children and pregnant women are exempt from this provision. It is unclear in this context precisely what "refusal to work" will mean; the Secretary of Health and Human Services may need to issue guidance clarifying this issue.

Medicaid assistance, which provides coverage when families find employment or secure child support.⁸

⁸ Eligibility for transitional Medicaid will be triggered whenever a family's income from earnings or child support places it above the income standards for Medicaid eligibility which will be based on the state's former AFDC income eligibility thresholds. For those families that are placed above the income standards due to increased child support income, eligibility for transitional Medicaid will be limited to four months; those families that surpass the income limits due to increased earnings will be eligible for up to 12 months of transitional Medicaid as under prior law.

Under the new law, eligibility for regular Medicaid coverage will *not* depend on receipt of block grant assistance but will instead be based on the income eligibility standards of states' former AFDC programs. Similarly, when a family becomes ineligible for Medicaid coverage under the new law due to increased earnings or child support income, it becomes eligible for transitional Medicaid, regardless of whether the family received assistance under the block grant.

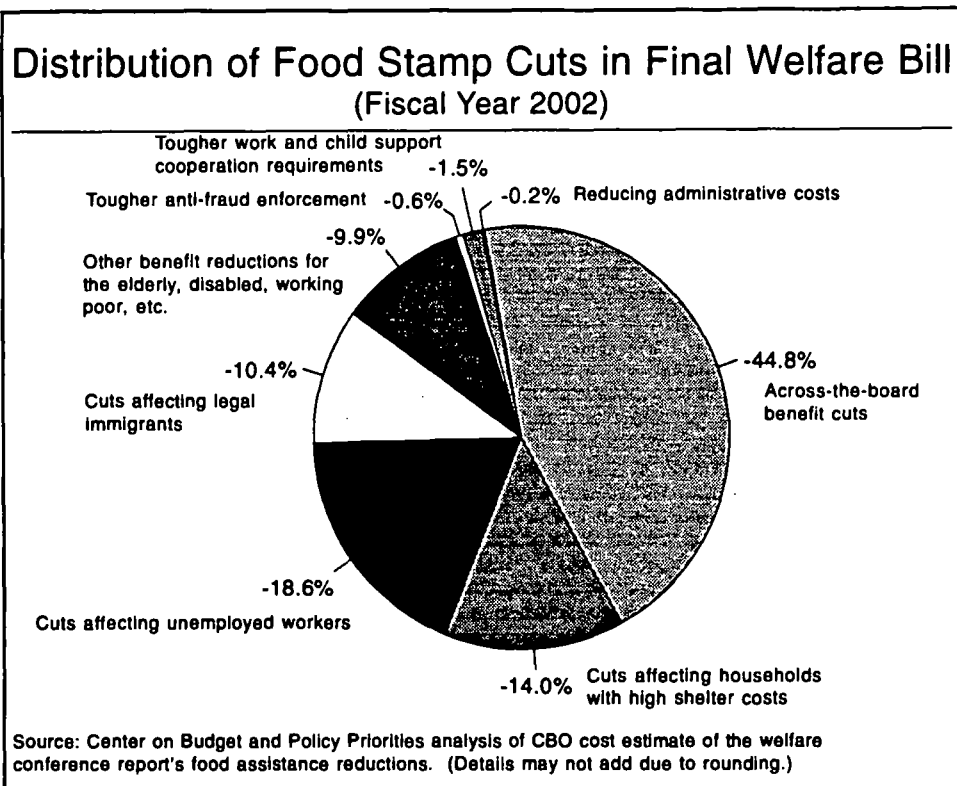
III. Food Assistance

Half of the bill's spending reductions come from the food stamp program. Including reductions in food stamp benefits for legal immigrants, the food stamp cuts total \$27.7 billion over six years.⁹ Although the final bill eliminated the option for states to convert the food stamp program to a block grant, it replaced that option with deeper cuts in the regular food stamp program. The food stamp cuts in the bill are \$9 billion — or 47 percent — deeper than those contained in the Administration's welfare proposal.

When fully implemented, the bill would slice food stamp benefits almost 20 percent, the equivalent of reducing the average food stamp benefit from its current level of 80 cents per person per meal to 66 cents per person per meal (in 1996 dollars). A substantial portion of the food stamp benefit reductions come in the form of across-the-board benefit cuts that will affect all recipients, including families with children, the working poor, the elderly, and the disabled. Only about two percent of the food stamp

⁹ This total includes \$3.8 billion in cuts in food stamp benefits for legal immigrants and their families, \$3.7 billion of which are in the immigrant title of the bill. This total also includes \$345 million in reductions from freezing the food stamp standard deduction for fiscal year 1997. This standard deduction cut appears both in the welfare legislation and in the agricultural appropriations bill for fiscal year 1997. Because Congress gave final passage to the agricultural appropriations bill shortly before the welfare bill, CBO has attributed the \$345 million in savings from this cut to the appropriations bill and has not included it in the CBO tables showing the savings in the welfare bill. Either way, however, food stamp households will feel the effect of this cut. The aggregate figures for the bill's spending reductions used in this analysis include the effect of freezing the standard deduction in fiscal year 1997.

The \$27.7 billion figure excludes the effect of a provision in the bill that increase food purchases for The Emergency Food Assistance Program (TEFAP) by \$600 million over six years. If the TEFAP increase is included, the net reduction in food stamps and TEFAP is \$27.1 billion. The net reduction, excluding the food stamp cuts in the immigrant title of the bill and the increased funding for TEFAP, is a little over \$23 billion, a figure sometimes cited for the food stamp reductions in the bill.



savings in the bill come from provisions to reduce fraud and abuse, impose tougher penalties on recipients who violate program requirements, or reduce administrative costs.

Children and very poor families will be among those significantly affected, since they are the program's primary beneficiaries. About two-thirds of the benefit reductions will be borne by families with children. In 1998, the first full year the cuts will be in effect, the nearly seven million families with children that receive food stamps will lose an average of \$435 in food stamp benefits.

Working poor families also will be affected. The 2.3 million food stamp households with a worker will lose an average of \$355 in 1998, rising to \$465 a year by 2002.

Hardest hit are the poorest of the poor — those with incomes below *half* of the poverty line (below \$6,250 for a family of three). They will absorb 50 percent of the food stamp cuts in the bill. In 1998, they will lose an average of \$655 per year in food stamp benefits. By 2002, these households will lose an average of \$790 per year.

The elderly would be adversely affected as well. The 1.75 million low-income elderly households receiving food stamps would lose about 20 percent of their food stamp benefits.

Food Stamp Cut Affecting the Unemployed

Among the food stamp cuts in the bill is what is probably the single harshest provision written into a major safety net program in at least 30 years. The provision limits food stamps to most unemployed individuals between the ages of 18 and 50 who are not raising minor children to three months while unemployed out of each 36-month period and allows no hardship exemptions to this limit. After three months, these individuals can continue receiving food stamps only if they are working at least half-time or in a workfare or training slot. The bill provides no new money for workfare or training slots, however, which are quite scarce in the food stamp program.

CBO estimates that in an average month, *one million jobless individuals who are willing to work and would take a work slot if one were available would be denied food stamps under this provision* because they cannot find work and no workfare slot is available. This provision marks the first time in the history of the food stamp program that individuals will be terminated from the food stamp program because no work opportunity is made available to them, not because they have refused to work.

USDA data show that more than 40 percent of those who would be affected by this provision are women. Nearly one-third are over the age of 40, an age above which individuals with limited skills often have difficulty finding jobs quickly, especially when unemployment is high. Many of these individuals qualify for no other benefits because they are not raising minor children; food stamps is the only safety net they have. The inclusion of this provision in the bill is one major reason that the poorest of the poor (i.e., those below half of the poverty line) are the group hit hardest by the bill's food stamp cuts.

Under the bill, unemployed individuals who exhaust their three months of benefits and later find a low-wage job and remain poor will continue to be denied stamps until *after* they have worked one full month. Under some circumstances, an individual who has received food stamps for three months while jobless, subsequently finds employment, and then is laid off can receive a second three months of benefits while unemployed. Receipt of a total of six months of benefits while unemployed during the 36-month period is, however, the maximum allowed. CBO estimates that only about two percent of those affected will receive this second three-months of benefits.

This provision is far harsher than a provision in the welfare bill vetoed in January. The vetoed bill would have limited food stamps for unemployed individuals to four months out of each 12-month period.¹⁰

This provision can be suspended, upon request of a state, if the local unemployment rate surpasses 10 percent. That is a level of unemployment few areas of the country reach even during recessions. Of greater significance, states also may waive the provision, with USDA approval, for individuals who reside in an area that "does not have a sufficient number of jobs to provide employment for such individuals." It is not yet clear how this waiver authority will be applied.

This provision will cause hardship among individuals who have worked and paid their taxes but then lose a job due to a recession, a plant closing, or a company downsizing and cannot find a new job in three months. This provision is likely to hit particularly hard at unemployed workers in small towns or rural areas who lose their jobs when a plant closes, relocates, or downsizes, since there may be only a limited number of new employment opportunities in their area.

The Administration's welfare bill, the House bipartisan welfare bill (known as the Castle-Tanner bill), and the Senate Democratic welfare bill all would have limited food stamp assistance to this group of individuals to six months out of each year while unemployed but would have required that these individuals be offered workfare slots. People who refused to work would be terminated, but people would not be cut off without being given an opportunity to work. The final welfare legislation charts a very different course from that.

In other food stamp areas, the bill reflects a recommendation the governors made to remove a provision of the vetoed welfare bill that would have imposed a cap on federal food stamp expenditures and would have triggered additional across-the-board cuts in food stamp benefits if food stamp expenditures otherwise would have exceeded the cap. But the bill does not include the other principal food stamp recommendation the governors made. The bill vetoed in January would have repealed a provision enacted in 1993 — and scheduled to take effect shortly — under which some families with children that pay more than half of their incomes for housing were to receive a larger food stamp benefit in recognition of the limited funds they have left for purchasing food. The governors recommended retaining rather than repealing this provision, but the new bill largely ignores their recommendation. When announcing he would sign the welfare bill, President Clinton singled out this provision of the legislation as one that ought to be changed; Clinton said the food stamp provision

¹⁰ Under the provision in the vetoed bill, people finding work at low wages would have requalified immediately, and those who requalified but then lost their jobs would have been able to receive a second four-months of benefits while out of work.

enacted in 1993 that would benefit families with high housing costs ought to be retained rather than discarded.

States Permitted to Change Food Stamp Benefit Structure

Although, as noted, the final legislation does not allow states to convert the food stamp program to a block grant, it includes three other features that give states wide and unprecedented discretion to make changes in the food stamp benefit structure. The effect of these features is likely to be the emergence of substantial state-to-state differences in the program's structure.

First, the bill allows a state to make substantial changes in the rules used to determine the level of food stamp benefits provided to families that receive assistance under their state's TANF block grant. States will be allowed to use the same methods of defining income in their food stamp programs as they use in their TANF program. They also will be allowed to redesign the food stamp deduction structure for families receiving aid under the TANF block grant. States must continue to use the same food stamp maximum benefit level (i.e., the benefit level based on the thrifty food plan) and several other basic food stamp rules. USDA is required to approve a state's plan to make such changes, unless the changes are likely to increase federal costs.¹¹

Second, the bill substantially expands food stamp waiver authority. Under the old law, USDA could waive administrative requirements that states found burdensome but generally could *not* grant a waiver that would result in a reduction in food stamp benefits for any group of households. The new waiver authority sweeps away that restriction and allows waivers of most, but not all, provisions of the Food Stamp Act. States will be able to use the waiver authority to make major changes in the food stamp benefit structure. The waiver authority covers *all* food stamp households, including those that do not receive aid under the TANF block grant.

The new provision distinguishes between statewide waivers and waivers that cover only a modest part of the state. No *statewide* waiver may cause more than five percent of a state's food stamp households to lose more than 20 percent of their benefits, excluding benefit losses resulting from noncompliance with a work or other behavioral requirement the state has established. Waivers that alter the benefit structure to such an extent that more than five percent of the households would lose more than 20 percent of

¹¹ USDA may not disapprove a state's plan to make such changes to households in which all members receive assistance under the state's TANF block grant, unless the change is projected to increase federal costs. States must secure USDA approval for changes that affect "mixed households" (i.e., households in which some members receive aid under the block grant and some do not); USDA is not required to approve those changes.

their benefits can be mounted, but they may not cover more than 15 percent of the state's caseload. No waiver — whether statewide or limited to part of the state — may cause categories of households or individuals to be made ineligible for food stamps for reasons other than lack of compliance with a work or other behavioral requirement.

A number of states may use the new flexibility the legislation grants to make innovative changes in their food stamp programs. Nonetheless, the result is likely to be a food assistance safety net whose strength varies substantially from state to state and possibly from one group to another within a state.

Finally, the bill contains a range of new state options. States may terminate benefits for custodial parents who do not cooperate in collecting child support and for non-custodial parents who either do not cooperate with child support agencies or fail to make required child support payments. States will be allowed to impose more severe sanctions on those violating work requirements than the penalties federal law otherwise establishes. Also, a state can elect to *require* use of a "standard utility allowance" that it has established as a proxy for a household utility costs. Under the old law, households whose actual utility costs exceeded the standard utility allowance could have their actual bills used. (Utility costs are used in determining the amount of a household's food stamp shelter deduction.) Under the new legislation, states may decline to allow use of actual utility bills in such circumstances.

Child Nutrition Reductions

The welfare bill includes \$2.9 billion in reductions in child nutrition programs. More than 85 percent of these reductions would come in the Child and Adult Care Food Program, which primarily supports meals provided to children in child care centers and family day care homes. The bulk of these reductions would result from reduced federal support for meals served in family day care homes that are not located in a low-income area or operated by a low-income provider.

The family day care home component of this program is the sole part of any major child nutrition program that is not means-tested. Approximately two-thirds of the expenditures for this component of the program go to support meals served to children with family incomes exceeding 185 percent of the poverty line.

To avoid requiring family day care homes to implement a means test, which could prove administratively burdensome, the bill divides family day care homes into two categories: 1) those either located in low-income areas (defined as areas where at least half of the children have incomes below 185 percent of the poverty line) or operated by low-income providers (providers with incomes below 185 percent of the poverty line); and 2) those neither located in low-income areas nor operated by low-

income providers. Homes in the first category will continue to receive current levels of federal support for the meals they serve. For homes in the second category, the meal reimbursements they receive will be cut approximately in half.

This represents a sharp reduction in support for homes in the second category, although the meal reimbursements they receive still will be substantially higher than the reimbursements the federal government provides for meals served to middle-income children in schools and child care centers. Homes that are in the second category but that serve some low-income children will be allowed, but not required, to administer a means test and to continue receiving the current rates of reimbursement for meals they serve to children with incomes below 185 percent of the poverty line.

All major Democratic and Republican welfare bills contained a similar provision. Most bipartisan and Democratic bills reduced the meal reimbursement rates for family day care homes in the second category by modestly smaller amounts than the final bill does, however.

The welfare bill also shaves reimbursement rates for meals served in the Summer Food Service Program for Children, which provides lunches and some other meals to children in low-income areas during summer months. On the one hand, summer food operators will receive as much as 20 cents less per lunch under the new bill than they currently get. On the other hand, the Summer Food Program has historically provided quite high levels of meal reimbursement; when the cut takes effect, summer food operations still will receive 16 cents to 17 cents more per lunch than schools receive for lunches served under the school lunch program during the regular school year.

The legislation barely touches the school lunch program. Its only change in this area is that federal reimbursement rates for school meals served to middle-income children will be rounded down to the nearest whole cent instead of being rounded to the nearest quarter cent (e.g., a school might receive 17 cents rather than 17.5 cents in federal funding for such a meal). This effectively reduces federal support an average of one-half cent per lunch for children with average incomes of about \$50,000 a year. It should have no noticeable effect on the school lunch program.

The final legislation drops a provision included in the vetoed bill that would have given seven states the option of converting the school lunch and breakfast programs to block grants on a demonstration basis. That provision likely would have had little appeal to states since it would have required any state opting to participate in the block grant demonstration to accept large and growing funding cuts while offering those states less than full flexibility. It is unclear any state would have volunteered. The governors themselves recommended dropping the provision for this block grant demonstration, and the provision was removed from the bill.

IV. Denying Assistance to Legal Immigrants

The new welfare bill cuts benefits for immigrants by more than \$22 billion. All of these savings come from denying benefits to *legal* immigrants. As noted, illegal immigrants already are ineligible for most major entitlement programs.

Most poor legal immigrants will be denied aid provided under basic programs such as the Supplemental Security Income program for the elderly and disabled poor, Medicaid, and food stamps. Language in the conference report accompanying the bill also would deny to legal immigrants the assistance provided under many smaller programs such as meals-on-wheels to the homebound elderly and prenatal care for pregnant women.

Among the most severe provisions are those that will affect the ability of poor elderly and disabled legal immigrants to receive SSI. The legislation makes all legal elderly and disabled immigrants — except for refugees and asylees during their first five years in the country and a few other very small groups of legal immigrants — ineligible for SSI in most cases until they become U.S. citizens.¹² For many poor immigrants who are old or disabled and can neither work nor, given their age or physical or mental condition, learn all that is necessary to obtain citizenship, this is tantamount to a denial of benefits for the rest of their lives. Nearly half a million

¹² Another small category of immigrants similar to refugees and asylees, persons granted “withholding of deportation,” also are exempt during their first five years in the United States. In addition, the bill also exempts legal immigrants who are active duty members of the United States Armed Forces or honorably discharged U.S. veterans and their spouses and unmarried dependent children. Finally, the bill creates a narrow exemption for immigrants who have worked 40 quarters — 10 years — in this country. For any quarter after 1996 to count, an immigrant must not have received any federal means-tested benefits during that quarter.

current elderly and disabled beneficiaries who are legal immigrants will be terminated from the SSI program in the months ahead.

The food stamp restrictions are identical to the SSI provisions. All legal immigrants, except refugees and asylees in their first five years here and a few other small groups of immigrants, are made ineligible for food stamps until they become citizens. The welfare bills that both the House and Senate passed in 1995 would have exempted very old legal immigrants and severely disabled legal immigrants from this ban on food stamp receipt, but the final bill contains no such exemptions. Such immigrants will have both their SSI and their food stamps terminated.

These harsh SSI and food stamp restrictions will affect substantial numbers of legal immigrants with no other sources of support. Most indigent elderly and disabled immigrants who are here legally but have no sponsor will be denied SSI and food stamps. So will poor elderly and disabled immigrants whose sponsor has died or become impoverished. And while the vetoed bill would have given poor legal immigrants currently receiving assistance one year to find other means of subsistence before cutting off their SSI and food stamp benefits, the final legislation cuts these individuals off more rapidly than that.

The new welfare bill also denies Medicaid coverage to many legal immigrants. Except for refugees, asylees, and a few others, immigrants entering the country after the date the bill is signed will be ineligible for Medicaid for five years, with states having the option to extend this Medicaid ban for a longer period. The Congressional Budget Office estimates that by 2002, approximately 260,000 elderly legal immigrants, 65,000 disabled people, 175,000 other adults, and 140,000 children who would be eligible for Medicaid under current law will be denied it under these provisions of the new legislation. Most of these individuals are likely to have no other health insurance. Among those who will be affected by these Medicaid restrictions are poor legal immigrants who become disabled after entering the country, are unable to continue working, and cannot afford what will be prohibitively expensive private insurance policies given their medical conditions.

Many legal immigrants already in the country also will lose Medicaid. Many poor elderly and disabled individuals receive Medicaid as a result of receiving SSI. When these immigrants are cut off SSI, many will lose Medicaid eligibility as a consequence.

In addition, the legislation gives states the option of denying Medicaid to legal immigrants already in the country (except recently arrived refugees and asylees and a few other narrow categories). On January 1, 1997, states may begin terminating coverage to these additional groups of legal immigrants currently receiving Medicaid.

The legislation's rules for legal immigrants under the TANF block grant are identical to its restrictions on their eligibility for Medicaid. Those entering the country after the bill is enacted are ineligible for aid under the TANF block grant for five years, with states having the option of making the period of ineligibility longer. States also have the option of making legal immigrants already in the country ineligible for aid under the TANF block grant and setting the period of ineligibility at whatever duration they choose.

The bill creates state options for the treatment of immigrants in other areas as well. For example, the bill gives states the option of making some categories of legal immigrant pregnant women and children — and all illegal immigrant pregnant women and children — ineligible for WIC. (Currently, this is one of the few programs for which poor illegal immigrants may qualify.) But states that elect this option will have to bear additional state costs.

An extensive body of research demonstrates that the provision of WIC benefits to pregnant women sharply reduces the incidence of low birthweight and, as a result, significantly reduces Medicaid costs after birth.¹³ If immigrant women are denied WIC during pregnancy, Medicaid and other government programs are likely to end up paying substantial sums for Medicaid and related services needed by children who are born at a low birthweight due to denial of WIC assistance. These children will be entitled to Medicaid — they will be U.S. citizens since they will have been born on U.S. soil. As a result, states that elect to deny WIC to these immigrants are likely to lose federal WIC dollars while incurring higher state costs in their Medicaid programs.

Finally, the legislation gives state and local governments broad authority to deny assistance to legal immigrants under state and local programs. State and local governments also would be prohibited from using their own funds to provide many kinds of assistance to *illegal* immigrants and to some small categories of legal immigrants.

¹³ The General Accounting Office estimated in 1992, based on an exhaustive review of the research literature, that each dollar expended on WIC services for pregnant women averts approximately \$3.50 in subsequent costs, primarily because it lessens the need for costly intensive health care after birth by reducing the incidence of low-weight births.

V. Supplemental Security Income for Disabled Children and Other Provisions

The vetoed welfare bill would have made two major changes in the SSI program that would have affected disabled children. First, the bill would have denied SSI benefits completely to a large number of children who qualify as disabled under current guidelines. Second, it would have reduced benefits by 25 percent to most of those disabled children who remained on the program.

The new bill contains the first set of changes but drops the second — it substantially reduces the number of disabled children receiving benefits but does not reduce benefit levels for those remaining on the program.

The Congressional Budget Office estimates that by 2002, some 315,000 low-income children who would qualify under current law will be denied SSI. This represents 22 percent of the children who would qualify under the old law. The bill reduces the total benefits the program provides to disabled children by more than \$7 billion over the next six years.

The bill achieves these results by restricting the types of disabilities that will enable a child to qualify for SSI. In some instances, the same disability that will qualifies an adult for SSI will not be sufficient to qualify a child for benefits. Among the children most likely to lose benefits are those suffering from multiple impairments, no one of which is severe enough to meet the more stringent disability criteria established by the bill, but the combined effect of which is substantial.

There is widespread agreement that the criteria for determining whether children are sufficiently disabled to qualify for SSI should be tightened. The legislation,

however, goes well beyond the steps needed to address the problems that have been demonstrated. A National Academy of Social Insurance panel reported last year, in an exhaustive study it conducted of the children's SSI program, that while "eligibility criteria need to be strengthened, ... allegations of widespread inappropriate allowances are not substantiated and sharp cuts in the current rolls are not warranted."¹⁴

The Academy proposed three specific changes: eliminating "maladaptive behavior" as a separate element in assessment of children's disability, increased use of standardized tests to measure mental disorders, and restructuring individual functional assessments of children's disability under criteria that would better balance mental and physical impairments. The changes the bill makes go far beyond the Academy's measured proposals.

Other Changes

The bill also makes changes in the Social Services Block Grant and the Earned Income Tax Credit. The bill reduces federal funding for the Social Services Block Grant by 15 percent, from \$2.8 billion per year to \$2.38 billion per year. The bill also includes a series of small changes in the Earned Income Tax Credit, largely recommended by the Clinton Administration. These changes are designed to reduce EITC errors and curtail EITC receipt by those whose income is appears low as a result of "paper" losses in income. The EITC changes in the welfare bill do not include any of the controversial EITC cuts from last year's reconciliation bill that would have caused hardship for needy low-income working households.

¹⁴ National Academy of Social Insurance, *Restructuring the SSI Disability Program for Children and Adolescents* (May 1995), pp. 32-33.

VI. Conclusion

The overriding effect of the legislation is likely to be a large increase in poverty, especially among children and legal immigrants. The effect of a block grant structure that only partially responds to increases in need, combined with reductions in federal resources, options for states to reduce benefits and services in various ways, and fiscal incentives for states to withdraw substantial amounts of state funding from income support and work programs, is likely to be that substantial numbers of poor families with children are left with inadequate assistance.

As noted, the Urban Institute projected the House version of the bill would push an additional 1.1 million children — and a total of 2.6 million people, including adults — into poverty.¹⁵ Most children who would be pushed below the poverty line are in families that are already working; in most cases, their families would be pushed into poverty by the food stamp cuts or a loss of benefits because they are legal immigrants. The provisions of the House bill that were central to the Urban Institute's analysis were changed only slightly in the final legislation.

In addition to increasing the number of children who are poor, the bill will make many children who already are poor still poorer. The Urban Institute study estimated the House bill would increase the "poverty gap" — the measure of the amount of income needed to lift all poor families to the poverty line — by *one-fifth* for poor families with children. No piece of legislation in U.S. history has increased the severity of child poverty so sharply.

¹⁵ As noted above, in the Urban Institute's analysis, the income measure used included the value of noncash benefits such as food stamps and the earned income tax credit.

Other groups among the poor — including the working poor, the elderly and disabled, and legal immigrants — stand to lose as well. For some, the safety net will grow weaker. For others, especially poor legal immigrants and poor unemployed adults not raising minor children, much or all of the safety net is eliminated.

A recent international study found that while the average income of affluent U.S. children is higher than that of affluent children in all other western industrialized nations, the average income of poor children in the United States is already lower than that of poor children in 15 of the other 17 western nations studied. It is against this backdrop that the welfare bill — and its expected effects in increasing the extent and depth of child poverty — should be considered. This is one international competition in which the United States can not take pride in its performance.

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