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New Welfare Law: The Personal Responsibility and Work Opportunity Reconciliation Act of 1996

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This report briefly summarizes provisions of The Personal Responsibility and Work Opportunity Reconciliation Act, signed into law August 22, 1996 (Public Law 104-193). This Act dramatically reshapes cash and food welfare programs, affecting Aid to Families with Dependent Children (AFDC), Food Stamps, Supplemental Security Income (SSI), child support enforcement, child care, child nutrition, and Title XX social services. It also imposes a citizenship requirement for many benefits.

The Act replaces the AFDC program with capped block grants to states for a program called Temporary Assistance to Needy Families (TANF). It imposes a general 5-year time limit on duration of family cash welfare, requires work in order to receive benefits after 2 years, establishes a new work requirement for Food Stamps, cuts food stamp benefits, expands states' authority over food stamp operations, restricts SSI eligibility for disabled children, ends benefits for most aliens, expands child care funding, strengthens child support enforcement, and repeals the program of Job Opportunities and Basic Skills Training (JOBS) for AFDC recipients. The Congressional Budget Office (CBO) has estimated that the Act will reduce federal spending by *net* totals of \$3 billion in FY1997 and by \$54.1 billion over the FY1997-FY2002 period. Restrictions on benefits for noncitizens account for 44% of total savings, and revisions in Food Stamp law for 43%. The major increased cost of the Act is for welfare-related child care. CBO projects that replacement of AFDC and JOBS by TANF will increase direct federal outlays for "family support payments" by \$3.7 billion over the first 6 years, largely because of increased child care funding, but that family support outlays will fall below levels of current law in the 6th year.

AFDC Replacement by Block Grant Program. TANF will end the 61-year old AFDC program and its education, work, and training program, known as JOBS, effective July 1, 1997, sooner at state option. (As of November 19, 1996, 35 states had submitted TANF plans, and 11 state plans had been certified by the Department of Health and Human Services (DHHS). States will be allowed to continue waiver-based programs approved before enactment until their scheduled expiration, even if terms are inconsistent with the Act. The legislation requires TANF recipients, after 2 months of benefits, to engage in community service, with hours and tasks set by the state, effective 1 year after enactment (unless the state opts out by notice to DHHS). After 2 years of benefits

(sooner, if the state judges them work ready) recipients must engage in “work,” as defined by the state. The legislation forbids states to pay benefits from TANF funds to any member of a family that includes a person who, as an adult, received TANF aid for 60 months, but permits exemptions for 20% of the caseload. TANF requires participation in specified “work activities” by 25% of *all* families and 75% of *two-parent* families in FY1997. The minimums (which are to be decreased if caseloads decline below FY1975 levels) increase to 50% of all families by FY2002 and to 90% of two-parent families in FY1999. Under TANF, work activities that count toward a state’s participation requirement exclude education, except for high school dropouts; (vocational education training is countable for a limited proportion of the caseload and for 1 year only). In contrast, 19% of JOBS participants in FY1994 were engaged in higher education, not countable under TANF. States that fail participation standards are subject to loss of funds.

Under TANF, required work hours generally will rise from an average of 20 hours weekly (the JOBS standard) in 1997 to 25 hours in 1999 and ultimately increase to 30 (in 2000). Exceptions: required hours for parents with a child under 6 will remain at 20; and two-parent families must work at least 35 hours. TANF exempts no one from work requirements, but permits states to exempt single parents caring for a child under 12 months old. JOBS exempts parents with a child under 3, those who are aged, ill, caring for a disabled person, and others. TANF forbids a state from penalizing for work refusal a single parent unable to obtain needed care for a child under 6, but JOBS requires states to guarantee child care for all AFDC parents who need it to work or study.

Ineligible for TANF are: unwed mothers under 18 unless they live in the home of an adult relative or in another adult-supervised arrangement (AFDC law *permits* states to require these mothers to live with an adult); unwed mothers under 18 without a high school diploma whose youngest child is 12 weeks old unless they attend school; persons convicted after enactment of a drug-related felony (states may opt out or limit the duration of ineligibility). Under TANF, states will decide what categories of children to aid. Under AFDC, states must aid all families with children that are in a class eligible under federal rules unless their income is above state-set limits. TANF explicitly disallows any claim of entitlement to cash aid.

AFDC law entitles states to unlimited federal matching funds for state-set benefits and administration, Emergency Assistance, and child care for AFDC recipients and for others who have worked their way off AFDC. It provides capped entitlement funds for JOBS and “at-risk” child care, which subsidizes care for families needing it to avert AFDC eligibility. In contrast, TANF will provide a fixed block grant based on recent federal funding (\$16.4 billion annually through FY2002) plus expanded child care funding in a new block grant. To receive the basic block grant each year, a state must have spent in the previous year on behalf of TANF-eligible families a sum of its own funds equal to what it spent in FY1994 on AFDC and related programs—its “historic” level. The required spending level is 75%, but 80% if a state fails to meet work participation minimums. (At the 75% level, states would have to spend about \$10.4 billion annually of their own funds.) In making this “maintenance-of-effort” calculation, states may count their spending on families no longer eligible for TANF because of the 5-year time limit.

The legislation also provides four kinds of extra TANF funds: (1) supplemental grants—grants for above-average population growth and below-average federal welfare funding per poor person; (2) contingency funds—matching grants of up to 20% of a

state's basic TANF grant for periods of high and rising unemployment or increasing Food Stamp caseloads; to qualify a state would have to first spend 100% of its historic level; (3) out-of-wedlock bonus—for states that reduce the number of babies born outside marriage and decrease the rate of abortions; and (4) performance bonus—for states that receive a score for achieving “the goals” of TANF equal to a threshold to be set by the DHHS Secretary. States may transfer up to 30% of TANF funds to the child care and development block care (CCDBC) and Title XX social services (see *Social Services* below) and may reserve TANF funds for use in a later year. The Act also offers Indian tribes and native Alaska organizations their own tribal assistance grants, from amounts set aside from the regular state TANF grant. The Act requires states to give Medicaid to families who meet the July 16, 1996 income standards for AFDC and to provide medical assistance for 1 year to families who lose eligibility for cash aid because of earnings. Finally, it authorizes states to administer TANF through contracts with charitable, religious, or private organizations. *For estimated state allocations of the block grant, see CRS Report 95-377. For a comparison of AFDC and TANF, see CRS Report 96-720.*

Alien Eligibility for Welfare. The Act bars legal immigrants from Food Stamps and SSI (unless they have worked 10 years, are veterans, certain active duty personnel and their families, or—for 5 years—are refugees and asylees). Current recipients will be screened during a 1-year period after enactment. The Act permits states to exclude legal aliens who entered the United States before enactment from TANF, Medicaid, and Title XX social services, beginning January 1, 1997. It bars legal immigrants who enter the United States after enactment for 5 years from the three latter programs and most other federal means-tested programs (except for emergency medical services, disaster relief, public health assistance, community level services, school lunch, child nutrition, foster care and adoption assistance, Head Start, certain job training, and certain education assistance). After 5 years, the bar to TANF, Title XX, and Medicaid becomes a state option. Also after the 5-year bar, under most needs-based programs, the sponsor's income will be deemed to be available to immigrants entering after enactment until they naturalize or become eligible for Social Security after working for 10 years without public assistance. Assistance exempted from both the 5-year bar and the subsequent deeming requirement for sponsored immigrants includes emergency medicaid, school lunch and child nutrition programs, and higher education benefits. The Act bars *illegal* aliens, currently ineligible for major income-tested benefits, from most other federal benefits and forbids states and localities to enroll illegal aliens in their own nonfederally funded programs unless the state legislature expressly endorses the aid. It ties eligibility of illegal aliens for subsidized school meals to states' decisions as to whether to offer them free public education and makes their eligibility for other child nutrition programs subject to state decisions. CBO has estimated that the alien provisions will reduce direct federal outlays over 7 years by \$23.7 billion: SSI, \$13.3 billion; Medicaid, \$5.3 billion; Food Stamps, \$3.7 billion; and Earned Income Tax Credit (EITC), \$1.4 billion. *For details, see CRS Report 96-617.*

Food Stamp Revisions. The Act increases states' role in the Food Stamp program, adds new work and other non-financial eligibility requirements, significantly restricts future benefits and eligibility, expands penalties for violations of rules, increases oversight of unlawful trafficking in Food Stamps, and encourages electronic delivery of benefits. Compared to current law, *net* federal Food Stamp outlay savings (including savings derived from the new ban on aliens and both savings and *costs* imposed by provisions that alter other welfare programs) are estimated at \$23.3 billion through FY2002. Direct food

stamp outlay reductions (including savings from the ban on aliens, but not including the cost effects of other provisions in the Act) are put at \$27.4 billion through 2002.

State control over Food Stamps is increased by allowing a “simplified” program (under which states can use TANF rules in determining food stamp benefits for their TANF recipients), removing a number of federal directives about state operations, allowing states to levy food stamp penalties on recipients who violate TANF rules, and easing limits on the extent to which waivers from federal rules can be granted (however, no block grant authority is included). In addition, states may opt to disqualify individuals for failure to comply with child support obligations or cooperate with child support enforcement agencies. A new work requirement applies to persons who are aged 18-50 and without dependents. They are ineligible if, during the previous 36 months, they received food stamps for 3 months while not working or participating in a work/training program (not counted are months before recipients are notified of the new rule, or the first 3 months after enactment). By working or engaging in work/training for at least a month, they could regain eligibility, and be eligible for another 3 months without work/training once during any 36-month period. Major benefit restrictions include (1) an across-the-board reduction in basic food stamp benefits (a 3% cut in maximum benefits based on the Agriculture Department’s “Thrifty Food Plan”), (2) limiting the degree to which households with very high shelter expenses are given extra food stamp benefits, and (3) freezing indexation of the amount of income (the “standard deduction”) that is disregarded when calculating benefits. As a result, benefits normally scheduled for a significant increase in October 1996 will increase only slightly, and future benefit increases will be significantly smaller than under current law. The Act increases penalties for and control over trafficking in Food Stamps, adds new disqualification penalties (e.g., for those convicted of a drug-related felony, for those who reduce work effort), and increases incentives for states to implement “electronic benefit transfer” (EBT) systems. Provisions generally take effect October 1, 1996. *For details, see CRS Report 95-366.*

Child Nutrition Programs. The Act significantly reduces federal subsidies for meals and snacks served by (1) family/group day care homes that are not operated by low-income providers or are in middle- or upper-income areas and (2) summer food service program sponsors. It also removes a number of “overly prescriptive” federal requirements on state and local operations, ends special funding for expansion of the school breakfast and summer food service programs, and requires that subsidies for “full-price” school meals (served to non-poor children) be rounded down to the nearest cent when indexed for inflation (rather than rounded to the nearest quarter cent). Compared to current law, estimated savings through FY2002 are \$2.9 billion, some 85% of which is derived from reductions in subsidies to day care homes. Provisions generally take effect with the next scheduled change in federal subsidies. *For details, see CRS Issue Brief 95047.*

Child Care. The Act combines four major child care programs for low-income families into a single block grant to states. An expanded Child Care and Development Block Grant (CCDBG) will become the primary federal child care subsidy program and will replace child care activities previously authorized under Title IV-A of the Social Security Act (AFDC child care, transitional child care for former AFDC recipients, and at-risk child care for very low-income working families). The new law authorizes a total of \$20 billion in both entitlement and discretionary funding for child care during FY1997-FY2002 (\$14 billion in entitlement funds in a new child care block grant and \$6 billion in discretionary funding). CBO estimates that the Act will increase federal outlays for child

care by \$3.5 billion in outlays over 6 years, compared to projections with no change in law. The first \$1.2 billion of annual entitlement funds will be allocated according to amounts states received in earlier years under the three AFDC-related child care programs, and will require no state match. Remaining entitlement funds will be allocated according to each state's population of children under age 13, subject to maintenance-of-effort and state matching requirements. States must spend at least 70% of entitlement funds for services for TANF recipients who are trying to achieve self-sufficiency through work activities and very low-income working families at risk of welfare dependence. Substantial portions of the remaining funds, including discretionary amounts, must be used for other low-income working families with incomes up to 85% of state median.

As under current law, discretionary CCDBG funds, which require no state matching funds, will be allocated to states according to a formula based on children in low-income families and state per capita income. Indian tribes and tribal organizations will receive between 1% and 2% of all child care funds appropriated. The Act imposes a new requirement (replacing a different setaside of funds) that at least 4% of all funds must be used for activities to improve the quality and availability of child care. The Act continues requirements that states have child care licensing standards and health and safety requirements. It also requires states to submit periodic data reports to HAS. Provisions take effect on October 1, 1996. *For details, see CRS Report 96-780.*

Child Welfare. The Act contains four amendments to existing child welfare laws under the Social Security Act. However, unlike the House-passed version and earlier legislation, it contains no child protection block grants and makes no significant changes in current programs. Grants to states for child welfare services, and capped entitlement grants for family preservation and family support, will continue unchanged, and open-ended entitlements for foster care and adoption assistance and capped entitlement grants for independent living services will remain intact. Likewise, the Act makes no amendments to the Child Abuse Prevention and Treatment Act or related programs.

The legislation makes these changes: allows for-profit child care institutions to participate in federally funded foster care; requires states to consider giving preference to an adult relative over a non-related caregiver, when determining a placement for a child, as long as the relative meets child protection standards; and provides \$6 million a year in entitlement funding (FY1996-FY2002) for DHHS to conduct a national random sample study of child welfare. It also extends through FY1997 an enhanced federal matching rate of 75% for certain child welfare data collection costs. This enhanced matching rate (increased from 50%) has been available since FY1994 to help states automate their information systems, and was due to expire at the end of FY1996. CBO estimates that the child welfare provisions will increase direct federal outlays by \$232 million over 6 years. (However, in subsequently enacted legislation, P.L. 104-208, Congress rescinded the appropriations for national random sample studies in FY1996 and FY1997.) Provisions take effect upon enactment. *For details, see CRS Report for Congress 96-823.*

Social Services Block Grants. Under Title XX of the Social Security Act, the permanent entitlement ceiling for Social Services Block Grants (SSBG) is \$2.8 billion, although appropriations legislation reduced this ceiling by 15% to \$2.38 billion for FY1996. The Act sets the annual SSBG ceiling at \$2.38 billion in FY1997-FY2002 and returns it to \$2.8 billion in FY2003 and later years. The legislation also allows states to use SSBG funds for vouchers for services to families, including those who lose eligibility

for TANF cash benefits because of time limits or state-imposed family caps. Under TANF, states may transfer up to 10% of their allotments to SSBG, but these transferred funds must be used for families with incomes no higher than 200% of federal poverty guidelines. CBO estimates that the SSBG provisions will reduce outlays by \$2.5 billion during FY1997-FY2002. (However, in subsequently enacted appropriations legislation, P.L. 104-208, Congress overrode the welfare reform provisions and appropriated \$2.5 billion for the SSBG in FY1997.) *For details, see CRS Report 94-953.*

Supplemental Security Income (SSI). The Act establishes a separate disability definition for children. It discontinues the “individualized functional assessment” disability determination procedure (under which persons whose impairments are not equivalent to those in the federal “Listing of Impairments” are reviewed under a less stringent process). But it continues cash aid, based on the full SSI benefit standard, to all eligible children meeting the new childhood disability definition. It requires a review of the disability status of certain categories of children and authorizes \$250 million in additional administrative funding for the Social Security Administration (SSA) to conduct SSI continuing disability reviews and redeterminations. It provides that large past-due SSI benefits must be made in installments and that parents must establish a trust/account for children who receive them; the trust is to be disregarded in determining SSI eligibility and be used only for such purposes as education, job skills training, and medical treatment. Further, it applies the personal needs allowance (i.e., monthly SSI benefit of \$30) to hospitalized children whose private medical insurance pays for their care. The Act also requires an annual report on SSI by SSA and an SSI study by the General Accounting Office (GAO). Finally, it attempts to assure that prisoners do not receive SSI by allowing SSA to compensate correctional institutions that provide relevant data. Provisions about children’s eligibility generally take effect on July 1, 1997; most of the others, on the date of enactment. CBO has estimated that revisions in the SSI program itself will reduce direct federal outlays by \$8.6 billion over the 6-year period, FY1997-FY2002, and that the new alien rules will reduce SSI outlays by \$13.3 billion. *For a comparison of new and old SSI law, see CRS Report 96-753.*

Child Support Enforcement (CSE). The Act requires the federal government and the states to establish automated registries of child support orders and a directory of new employees so as to quickly track and locate absent parents. It also requires states to: operate an automated centralized collection and disbursement unit, streamline the paternity determination process, establish paternity for more children, and implement expedited procedures that allow them to secure assets of a debtor parent to satisfy an arrearage in child support payments by intercepting or seizing periodic or lump sum payments (such as unemployment and workers’ compensation, lottery winnings, awards, judgements, or settlements, and assets of the debtor parent held by public or private retirement funds, and financial institutions). It requires states to implement procedures to withhold, suspend, or restrict the use of driver’s licenses, professional and occupational licenses, and recreational licenses of debtor parents, and it authorizes the Secretary of State to deny, revoke, or restrict passports of debtor parents. These provisions generally take effect on October 1, 1996. CBO has estimated that they will *increase* federal outlays over 6 years by \$712 million. *For details, see CRS Report 95-401.*