

## Welfare Reform: An Overview of Key Provisions

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Few federal legislative actions have received as much attention as has the Personal Responsibility and Work Opportunity Reconciliation Act (PL104-193), signed by President Clinton in August of 1996. One of the important features of this legislation is that states and local governments are now being provided significant flexibility in the way in which public assistance programs are managed and implemented within their states. Given the expanded role played by state and local governments, it is essential for the public to be kept informed of changes now taking place in public assistance programs in this country. This article is intended to serve as one resource for doing so.

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*Welfare reform poses a number of challenges and opportunities for people, families, and communities of the South. This special series is designed to serve as a vehicle for informing Southerners about the key welfare reform issues facing our area.*

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The major focus of attention in the new federal legislation is the Temporary Assistance to Needy Families (TANF), commonly referred to as "welfare reform." This measure consolidates funding for Aid to Families with Dependent Children (AFDC), state and local AFDC administration, Emergency Assistance (EA), and the Job Opportunity and Basic Skills program (JOBS) into a block grant. Aside from TANF, however, the Personal Responsibility and Work Opportunity Reconciliation Act introduces changes in several other federal activities, including Food Stamps and Supplemental Security Income programs, funds for subsidized child care, assistance for legal immigrants, and access to Medicaid benefits.

This article offers a brief overview of the key provisions associated with this landmark legislation. Also included are modifications to the 1996 legislation approved as part of the Balanced Budget Act of 1997. It is hoped this overview will prove useful in informing not only local citizens, but also land grant university faculty in the South, community and business lead-

ers, civic/service organizations, and the faith community, of the various components associated with this historic legislation.

### Work Provisions of TANF

- TANF recipients must secure a job after two continuous years on assistance. At least 25 percent of single-parent headed households and 75 percent of two-parent households must be engaged in work activities (or be off assistance rolls) in FY 97. This figure increases to 50 percent for the former and 90 percent for the latter by the year 2002. In this first year, single parents must be working a minimum of 20 hours per week, with this increasing to 30 hours per week by the year 2002. As for two-parent families, at least one of the parents must have been employed for 35 hours per week by this past July 1997.
- States have the discretion to exempt from the work requirement those single parents with children under age one. Such persons do not have to be included in the state's calculation of participation rates for up to one year. If single parents with children under six are unable to find child care, they cannot be penalized for failing to meet the work requirements of TANF.
- A variety of activities can be counted toward meeting work requirements. These include participation in unsubsidized or subsidized employment, on-the-job training, work experience, community service, 12 months of vocational training, or child care services to persons who are taking part in community service activities.
- In order to improve the chances that states and local communities will successfully move welfare recipients into lasting, economically viable unsubsidized jobs, a **Welfare to Work Challenge Fund** in the amount of \$3 billion (\$1.5 billion for fiscal year 1998 and \$1.5 in 1999) has been established. The program, to be administered by the federal Department of Labor, provides grants to states and local

communities for employment assistance to hard-to-employ TANF recipients. The hard-to-employ recipients include individuals who have been receiving welfare for 30 or more months and who are likely to face termination of TANF benefits within 12 months, and who face two or more labor market deficiencies (such as no high school diploma or GED, low reading or math skills, need substance abuse treatment in order to be employed, have poor work history). Among the services provided are job placement support, transitional employment, and job retention assistance. Two types of grants will be available as part of this program: (1) formula grants to states, with 85 percent of these funds to be passed through Private Industry Councils (PICs); and (2) competitive grants to local communities.

#### **Cap on TANF Participation**

- Families who have received assistance for five cumulative years will no longer be eligible for cash assistance. Up to 20 percent of the caseloads can be exempt from this requirement due to hardship factors. States have the discretion to restrict the lifetime cap on benefits to a shorter period of time. All members of the family who are connected to the adult recipient are subject to this time limit. However, the five-year limit does not apply to child-only cases (those cases where the child is living with no eligible adult).

#### **Food Stamp Eligibility**

- Able-bodied adults 18-50 years of age without dependents must work 20 hours a week to receive food stamps. If the person is not working, only three months of benefits can be provided over a three-year period.
- Benefit levels are reduced by 3 percent across the board.
- Access to food stamps by immigrants is significantly altered. These changes are described below under the heading "Impact on Immigrants."

#### **Medicaid Program**

- Medicaid is a joint federal-state program that attends to the health needs of low-income families, senior citizens, and individuals with disabilities. Prior to the implementation of TANF, persons receiving AFDC payments were automatically eligible for Medicaid. However, with the passage of TANF, Medicaid and TANF eligibility were no longer linked. Individuals can continue qualifying for Medicaid benefits indefinitely as long as they meet all necessary conditions, even if they no longer qualify for TANF. Medicaid eligibility is being determined through the use of the AFDC eligibility criteria that was in use July 1996. States do have the option, however, to employ a more stringent AFDC eligibility requirement as long as these were in place on May 1, 1988.

- In order to ensure that welfare recipients who enter the workforce have access to affordable health insurance, a *Transitional Medicaid Assistance* (TMA) program has been created. This program provides continuation of Medicaid coverage for up to 12 months for families who have moved from welfare to work and whose job does not offer affordable health insurance.
- States are allowed to deny Medicaid benefits to adults and heads of households who lose TANF benefits because of their refusal to work.
- Access to Medicaid by immigrants is significantly reduced. Specific implications are reported more fully in the section "Impact on Immigrants."

#### **Supplemental Security Income (SSI)**

Supplemental Security Income (SSI) is designed to provide cash payments to needy aged, blind, and disabled persons, including children. The new welfare reform program has introduced significant changes, particularly for children and immigrants. While the impact on the latter group is discussed elsewhere, the consequences for children are highlighted in this section.

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- In general, children were able to qualify for SSI if they met one of the medical diagnoses listed by the federal government. However, in the event that a child's disability was not listed, an "individual functional assessment" could be performed to determine disability status. It is estimated that in up to one-third of the cases, children were able to secure eligibility in SSI via this process. Welfare reform has now disallowed the use of "individual functional assessments." Consequently, eligibility is now limited to those children whose conditions are included on the federal list of medical disabilities. This is likely to result in a decline in the number of children covered by SSI. It was feared that since SSI generally qualified one for Medicaid, the more stringent SSI requirements would result in some children losing their access to Medicaid. However, the balanced budget signed by the President on August 5, 1997, now allows continuation of Medicaid coverage for currently disabled children receiving SSI.

#### **Teen Parents**

- An unmarried teenage parent must now live with a responsible adult or in an adult-supervised setting in order to qualify for TANF. It is the responsibility of the states to assist teen parents in securing an adult-supervised facility when necessary.

- Teen parents having no high school diploma must be enrolled in a program designed to lead to a high school diploma or GED, or must take part in an alternative education or training program approved by the state. If they do not, they will lose their TANF benefits.
- In order to help prevent teenage pregnancy, funds in the amount of \$50 million a year are being made available to states to promote abstinence education programs.

### Impact on Immigrants

- Legal immigrants who received SSI and Medicaid benefits on or prior to August 22, 1996, (the date the new welfare reform program was enacted) will remain eligible for these programs. These individuals will also be eligible for SSI and Medicaid should they become disabled in the future.
- SSI and Medicaid benefits are provided to disabled legal immigrants who entered the country before August 22, 1996.
- Refugees, political asylees, and individuals whose deportation has been withheld can be eligible for SSI for up to seven years.
- All nonexempt qualified aliens who were in the U.S. when the new welfare reform bill was signed lost their eligibility for Food Stamps on August 22, 1997. They will become eligible once they become citizens, or have been working for 10 years.
- Legal immigrants entering the U.S. after August 22, 1996, are not eligible for most federal assistance programs during the first five years. After five years, they will continue to be ineligible for food stamps and SSI until they become citizens or have worked in the U.S. for 10 years. Their eligibility for Medicaid is the option of the state. Once the five-year period is reached, legal immigrants will have a more difficult time qualifying for TANF or Medicaid assistance given that the income and assets of the immigrants' sponsors will be included in the determination of eligibility.

### Child Care Funding

- The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 established a new Child Care and Development Fund (CCDF), which consolidates four federal child care subsidy programs: AFDC/JOBS Child Care, Transitional Child Care, At-Risk of Welfare Dependency Child Care, and Child Care and Development Block Grant.
- The bulk of these funds is to be used for addressing the child care needs of low-income working families, or on families who are seeking to become self-sufficient.
- A minimum of 4 percent of federal and state funds must be set-aside to improve the quality and availability of healthy

and safe child care for all families. Included is the provision of referral services for parents who need assistance in the selection of child care providers for their children.

- States may transfer up to 30 percent of their TANF block grant to the child care block grant.

### Concluding Comment

It is clear from the highlights provided in this article that the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 has introduced fundamental changes in public assistance programs in this country. While these modifications are likely to result in federal budgetary savings over the course of the next six years, the ultimate success of these initiatives will be dependent, in no small way, on the active engagement of state and local governments, the business community, civic/service organizations, the faith community, and citizens, in these efforts. The 29 land grant universities in the South, through their applied research programs, can be major partners with states and local government in assessing the impact of these programs on both the people and communities of their states. In addition, the outreach education resources of these land grant universities, through their Cooperative Extension Service programs in community/economic

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development, family and consumer sciences, youth development, and agriculture/natural resources, can be instrumental in helping those individuals, families and communities who are being most significantly impacted by this new legislation.

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