

Federal Welfare Reform

Hearing by the
Senate Health and Human Services Committee

March 8, 1995

Hon. Diane Watson, Chair



Personal Responsibility Act

Title I

Temporary Family Assistance Block Grant

House Ways and Means Committee



Programs in the Block Grant:

- Aid to Families with Dependent Children (AFDC) cash grants
- AFDC administration
- Greater Avenues for Independence (GAIN) Program (JOBS Program)
- Emergency Assistance



Eligibility

- Block grant is entitlement to each state
- Individuals are no longer entitled to benefits



Use of Funds

- States may use funds in any manner to aid families with needy children
- States must provide a plan outlining how the state intends to:
 - provide cash assistance
 - provide adults with work experience and assistance in finding employment
 - reduce out-of-wedlock births
 - provide support services to assist families to become self-sufficient
- Except as expressly provided, the federal government may not regulate the states



Restrictions on Block Grant Funds

- No cash benefits to:
 - non-citizens (except refugees)
 - children born out-of-wedlock to a minor parent, until parent is 18
 - children born on welfare
 - families who have received block grant funds for 60 months
- States may limit benefits for interstate immigrants (to grant of former state)



Work Requirement

- Parents on aid for more than 24 months must participate in work activities, as defined by the state
- Adults in work activities must increase from 2 percent of all adults in 1996 to 20 percent by 2003 and thereafter

Funding

- Annual block grant of \$15.355 billion nationwide in federal fiscal years 1996-2000
- California's annual share is \$3.506 billion (based on state's share of FFY 94 outlays)
- States may save block grant funds in a "rainy day account" for emergencies
- Portion of savings from "rainy day account" can be transferred to the state's General Fund under certain conditions
- \$1 billion Federal Rainy Day Loan Fund
 - Established for borrowing by states under conditions of high unemployment
 - States must repay loans, with interest, within 3 years
- States may transfer up to 30 percent of block grant to (if passed by Congress):
 - Child protection block grant
 - Social services block grant
 - Food and nutrition block grant
 - Child care and development block grant

Penalties

- Up to 25 percent of quarterly block grant payment for misuse of funds
- 3 percent of annual block grant for failure to submit annual report
- 1 percent of block grant if state does not participate in certain fraud programs

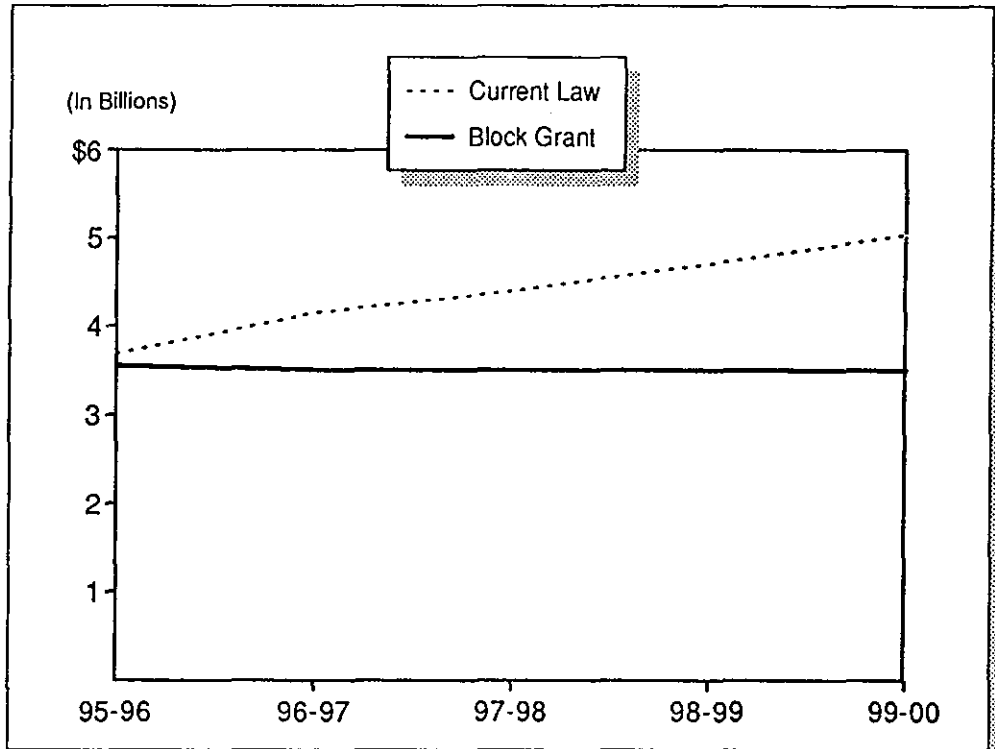


Fiscal Effect on California

- Based on current law: estimated cumulative loss of \$4.4 billion (20 percent) in federal funds over five years
- Based on Governor's Budget proposals: estimated cumulative increase of \$320 million (2 percent) in federal funds over five years

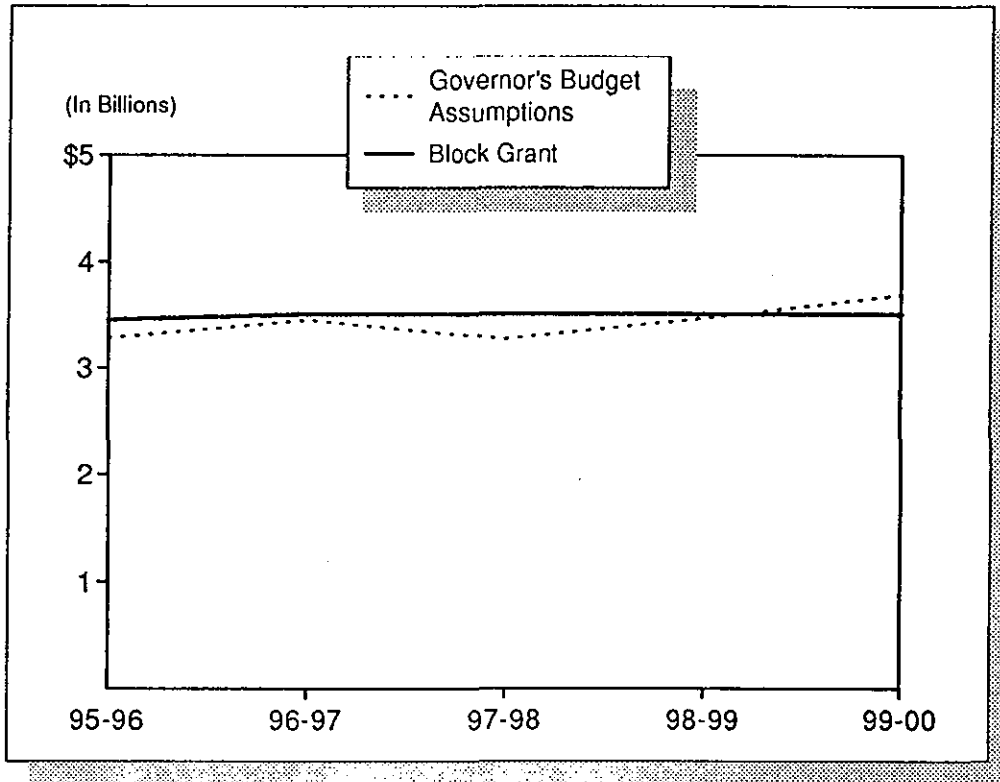


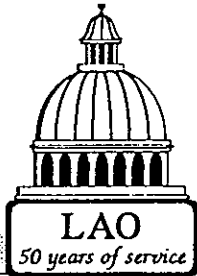
House Ways and Means Committee Block Grant Proposal AFDC, JOBS/GAIN, Emergency Assistance Federal Funds Allocated to California





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Personal Responsibility Act

Title II

Child Protection Block Grant Program

House Ways and Means Committee

Replaces existing categorical programs by establishing a block grant for child welfare services, foster care, and adoptions assistance.

Program Provisions:

- Requires that states submit a plan which includes specific requirements regarding program procedures (such as timelines for case plan reviews)
- Establishes minimum child protection standards
- Establishes a citizen review panel to review and oversee the state program
- Includes data collection and reporting requirements

Funding Provisions:

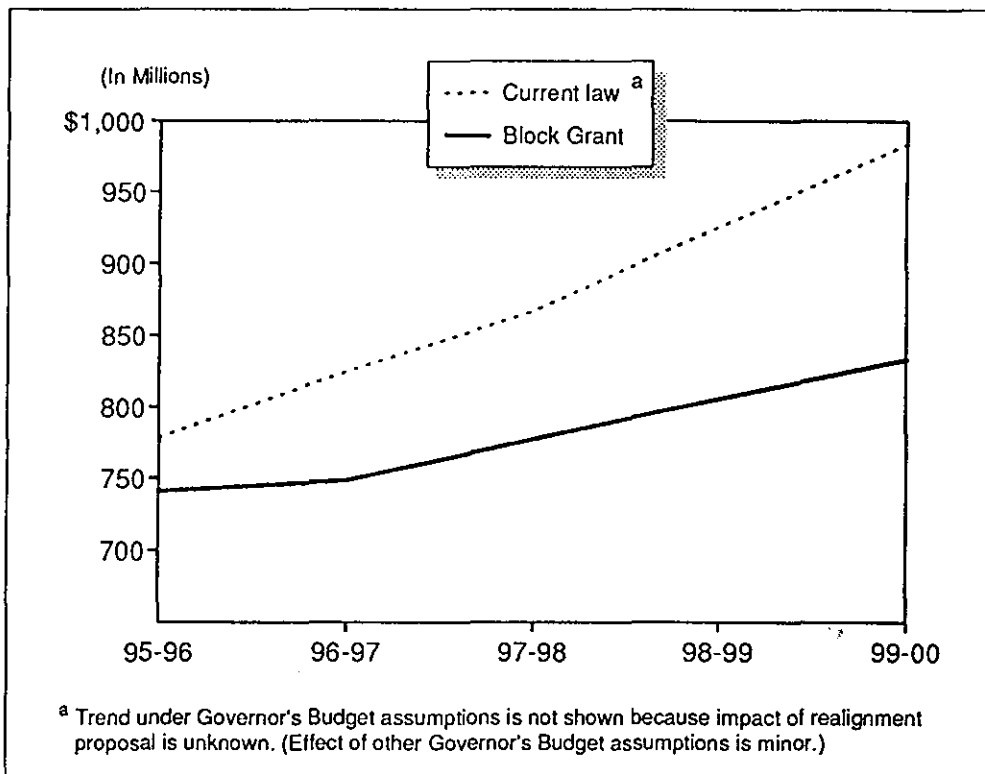
- Allows states to use block grant funds in any manner that the state deems appropriate to accomplish the purpose of the program
- Specifies block grant amounts for federal fiscal years 1996 to 2000. Amount increases annually by the following percentages:
 - 1997: 3.9%
 - 1998: 3.8%
 - 1999: 3.6%
 - 2000: 3.4%
- Defines the state share of the block grant as the proportion of federal funds received for the proposed block grant programs in federal fiscal year 1993
- Allows states to transfer up to 30 percent of the funds to other block grant programs, except under certain situations
- Requires states to maintain nonfederal spending at no less than the amount spent in federal fiscal year 1994, during the first three years of the block grant
- Includes penalty provisions (reduced funding) for misuse of funds or failure to submit a specific report

Fiscal Effect on California:

- Estimated cumulative loss in federal funds would be approximately \$475 million (11%) over five years.



House Ways and Means Committee Block Grant Proposal: Child Welfare Services, Foster Care, Adoptions Assistance Federal Funds Allocated to California





Personal Responsibility Act

Title III: Restricting Welfare for Aliens

House Ways and Means Committee

- Restricting Eligibility for Aliens**
 - Legal resident aliens would not be eligible for about 35 means-tested programs including the Temporary Family Assistance Block Grant, Medicaid, federally subsidized housing, SSI, Food Stamps, and federally subsidized child care.
 - Non-citizens currently receiving benefits would continue to be eligible for 1 year.
 - State and local governments could adopt federal restrictions on alien eligibility in means-tested public assistance programs.
- Exceptions from Restrictions**
 - Refugees for first 5 years of residency in U.S.
 - Refugees and legal immigrants over age 75 who have lived in U.S. for 5 years.
 - Legal immigrants who are veterans.
- Reporting**
 - Agencies administering AFDC must provide name and address of illegal aliens with citizen children to the Immigration and Naturalization Service.
- Sponsorship**
 - Documents by which alien sponsors' income is verified would be legally binding.
- Fiscal Effect on California**
 - SSI/SSP:
 - \$740 million annual loss of federal funds in SSI Program (\$555 million in 1996-97).
 - Estimated state savings of \$410 million in 1996-97 from the General Fund and \$545 million annually thereafter in SSP grants and unknown additional state savings in the Medi-Cal Program. Potential unknown major costs to the counties to the extent aliens receive General Assistance and county health services.
 - Other Programs:
 - Additional significant loss of federal funds (not estimated at this time) in other programs.
 - Unknown potential state savings due to AFDC caseload reduction resulting from illegal alien reporting requirement.
 - Unknown potential state costs or savings, depending on whether state changes eligibility to conform to federal restrictions.
 - Unknown potential state savings from change in documenting sponsors' income.



Personal Responsibility Act Title IV: Supplemental Security Income House Ways and Means Committee

- Eliminates substance abuse as qualifying disability for SSI and Medicaid benefits**
 - \$100 million of nationwide federal savings will be targeted to drug treatment and research in FFY 1997-2000
- Restricts SSI eligibility for children**
 - Makes eligibility more restrictive
 - Cases would qualify for cash benefits if child is severely disabled and needs institutionalization or full-time attention by parent. Certain other existing cases would remain eligible.
 - Disability review for all children required once every 3 years
- New Block Grant for Medical and Non-Medical Benefits**
 - Establishes a block grant for services to certain children who are determined to be physically or mentally disabled under SSI eligibility criteria
 - List of authorized services to be developed by Commissioner of Social Security
 - Block grant available, beginning in FFY 1997
 - State's share of block grant subject to formula based on number of children eligible for additional services
- Reduction in Federal Funds**
 - Substance abuse: \$100 million in 1995-96 and about \$134 million annually thereafter
 - Restrictions on existing children: \$60 million annually (\$15 million in 1995-96). This amount would be offset by a relatively small amount for the new block grant funds.
- Fiscal Effect on California**
 - Substance abuse: 1995-96 Governor's Budget assumes this policy change, effective October 1995, for a state savings of \$52 million from the General fund in 1995-96 for SSP grants and Medi-Cal services
 - Children's eligibility: Unknown state costs or savings, depending on interaction with AFDC Program