



Personal Responsibility Act of 1995: Fiscal Effect on California

SUMMARY

In March 1995, the House of Representatives passed H.R. 4—the Personal Responsibility Act (PRA) of 1995. If enacted, it would repeal or amend the provisions of several major public assistance programs and replace them with several block grants. The act consists of the following titles:

- *Title I: Block Grants for Temporary Assistance for Needy Families*
- *Title II: Child Protection Block Grant Program*
- *Title III: Block Grants for Child Care and for Nutrition Assistance*
- *Title IV: Restricting Welfare and Public Benefits for Aliens*
- *Title V: Food Stamp Reform and Commodity Distribution*
- *Title VI: Supplemental Security Income*
- *Title VII: Child Support*
- *Title VIII: Miscellaneous Provisions*

In this policy brief, we summarize the key features of the Personal Responsibility Act and its potential fiscal effects on California. We conclude that:

- ❖ *The act would result in an estimated loss of \$13 billion in federal funds for California over the first five years of implementation.*
- ❖ *The fiscal effect on state funds could range from a cost of about \$13 billion over five years, if the state chooses to backfill for the loss of federal funds in order to maintain current service levels, to a net state savings of roughly \$4 billion over five years if the state does not backfill and conforms its policy to the restrictions on the eligibility of legal aliens for federally funded programs.*
- ❖ *By eliminating Aid to Families with Dependent Children (AFDC) as an entitlement, the act would give the state flexibility to achieve additional major savings.*

Summary of Fiscal Effects on California

Figure 1 summarizes the effect of the PRA on federal funds allocated to California. It shows that the net fiscal effect is estimated to be a loss of \$580 million in federal funds in 1995-96 (state fiscal year) and \$13 billion over the first five years. It should be noted that in one program—child protection—the state is projected to receive more federal funds under the PRA than under current law.

Figure 2 summarizes the major fiscal effects of the act on state funds. As shown, the net effect varies considerably among the different titles of the act and depends on several variables, including the following:

- Whether the state chooses to backfill for lost federal funds in order to maintain current service levels.
- Whether the state conforms to the act's restrictions on the eligibility of immigrants (aliens) for various federally funded public assistance programs.
- The impact on county costs, primarily for general assistance and indigent health services, if the state aid for immigrants is eliminated.
- The number of immigrants who become citizens in response to the act's restrictions.

Thus, the fiscal effect on state funds could range from a *cost* of about \$13 billion over five years, if the state chooses to backfill for the loss of federal funds in order to maintain current service levels, to a *savings* of roughly \$4 billion (net of potential county costs) if the state does not backfill and conforms its policy to the restrictions on the eligibility of immigrants for federally funded programs.

We note that while not included in our estimate of fiscal effects, the act would effectively eliminate federal requirements that states provide matching funds for certain programs—notably AFDC—and would thereby permit the state to operate such programs only with federal block grant funds. Viewed in this perspective, the act would have a potential additional state savings of about \$4 billion annually, provided the state chose to reduce service levels accordingly. Much of these savings, however, could be offset by costs at both the state and local levels for general assistance and services such as emergency health care.

Finally, we also note that this analysis includes only the major direct fiscal effects of the act. Thus, some fiscal effects—such as potential state administrative savings (which would not be major in the context of other fiscal effects identified) and the indirect revenue losses that the state would experience as a result of the economic impact of the loss of federal funds—are not included.

Figure 1

**Personal Responsibility Act—House Version
Summary of Fiscal Effects on California
Federal Funds**

(Dollars in Millions)

Program	1995-96	Five-Year Impact
Title I: Temporary Family Assistance	-\$230	-\$3,900
Title II: Child Protection	35	329
Title III: Child Care and Nutrition Assistance	-165	-1,985
Title IV: Restricting Welfare for Aliens	—	-5,600
Title V: Food Stamps	-105	-1,605
Title VI: Supplemental Security Income	-115	-108
Title VII: Child Support	—	-85
Title VIII: Miscellaneous Provisions	—	—
Total Net Effect	-\$580	-\$12,954

Figure 2

**Personal Responsibility Act—House Version
Summary of Fiscal Effects on California
State Funds**

Summary: State fiscal effect ranges from (1) costs of \$13 billion if state backfills for loss of federal funds to (2) savings of \$4 billion if state does not backfill lost federal funds and conforms its policy to federal restrictions on aid to immigrants.

Program	Five-Year Fiscal Effects
Title I: Temporary Family Assistance	<ul style="list-style-type: none"> • Potential costs of up to \$3.9 billion if the state backfills for reduced federal funds. • Unknown, potentially significant savings due to paternity establishment provisions and the effect of the work requirement.
Title II: Child Protection	<ul style="list-style-type: none"> • Potential savings of \$250 million to the extent increased federal funds offset state spending.
Title III: Child Care and Nutrition Assistance	<ul style="list-style-type: none"> • Child Care: Potential cost of \$200 million if the state backfills for reduced federal funds. • School Nutrition: Potential \$578 million cost if the state backfills for reduced federal funds. • WIC Program: Potential \$1.2 billion cost if the state backfills for reduced federal funds.
Title IV: Restricting Welfare for Aliens	<ul style="list-style-type: none"> • Potential costs of up to \$5.6 billion if the state backfills for loss of federal funds in order to maintain current eligibility and service levels. • Potential savings of up to \$7.2 billion in SSP, Food Stamps administration, Medi-Cal, and AFDC programs if state conforms to federal eligibility restrictions regarding aliens; partially offset by unknown costs, potentially several billion dollars, due to health and cash assistance cost shifts to counties. • Savings and costs would be less to the extent aliens become citizens.
Title V: Food Stamps and Commodities	<ul style="list-style-type: none"> • Unknown state administrative costs, probably in the tens of millions of dollars annually. • Potential cost of \$1.6 billion if state backfills for federal funds loss.
Title VI: Supplemental Security Income	<ul style="list-style-type: none"> • Savings of about \$250 million due to substance abuse provisions. • Potential cost of \$108 million if state backfills for federal funds loss.
Title VII: Child Support	<ul style="list-style-type: none"> • Costs of about \$5 million.
Title VIII: Miscellaneous Provisions	<ul style="list-style-type: none"> • No fiscal effect.

Title I—Temporary Family Assistance Block Grant

Title I of the Personal Responsibility Act (PRA) eliminates all existing federal requirements in the Aid to Families with Dependent Children (AFDC) Program, the Job Opportunities and Basic Skills Program (GAIN Program), and the Emergency Assistance Program, and consolidates federal funding into a Temporary Family Assistance Block Grant.

Figure 3 summarizes the major program changes and Figure 4 summarizes the work participation requirements under the block grant. Figure 5 describes the principal fiscal provisions of Title I. Finally, Figure 6 summarizes Title I's fiscal effects on California.

Figure 3		
Personal Responsibility Act—House Version		
Title I: Temporary Family Assistance Block Grant		
Major Program Changes		
Provisions	HR 4	Current Law
Entitlement to Grant	Removes the entitlement to AFDC.	AFDC funds are an entitlement.
Cash Grant to Noncitizens	Prohibits use of block grant funds for benefits to noncitizens (except refugees, legal immigrants over 75 years old, certain disabled immigrants, and veterans).	Legal immigrants are eligible for cash assistance and support services. Illegal immigrants are prohibited from receiving cash assistance and support services.
Cash Grant to Minor Parent	Prohibits the use of block grant funds for cash aid to minor parents with children born out-of-wedlock, until parent is 18. Funds can be used for vouchers for certain goods and services.	No age or marital status restrictions.
Work Requirements	Requires a specified percentage of families to participate in work activities. (See Figure 4.)	No such requirement.
Time Limits	Five-year lifetime limit on family use of block grant funds. States may exempt up to 10 percent of families for hardship.	No time limit.
Paternity Establishment	Beginning in FFY 1998, states must withhold partial assistance (\$50 or 15 percent of the amount for the child) from a family with a child whose paternity is not established. Funds are repaid once paternity is established, if family is still on aid.	Child without established paternity receives grant if family is cooperating with child support agency.

Continued

Provisions	HR 4	Current Law
Additional Child Born While on Aid	Prohibits additional cash benefits for child born while parent is on aid except in cases of rape or incest. Allows for vouchers in lieu of cash.	Similar provisions, with exception for failure of certain contraceptive devices. State law does not provide for vouchers.
Interstate Migration	Authorizes states to limit benefits for persons from another state to the grant level of the former state.	Court has declared a similar provision in existing state law as unconstitutional.

Figure 4

**Personal Responsibility Act—House Version
Title I: Temporary Family Assistance Block Grant
Work Requirements**

Provisions	HR 4	Current Law
Work Requirements on Total AFDC Caseload	Total number of families participating in work activities must increase from 10 percent in FFY 1996 to 27 percent by FFY 2000, and 50 percent in FFY 2003 and thereafter. Also, requires that at least one adult in a family that has been receiving aid for more than 24 months participate in work activities.	No such requirements. (However, adult recipients who have been on AFDC for two years from the date of their GAIN appraisal must participate in a work preparation assignment, if made available by the county, or grant is reduced.)
AFDC-U Work Requirements	Requires 50 percent of AFDC-U families to participate in work activities in FFY 1996, and 90 percent in FFY 1998 and thereafter.	AFDC-U work requirement applies only to those AFDC-U recipients participating in the GAIN program.
Work Hours	Work participation is defined as 20 hours per week in FFY 1996 rising to 35 hours per week in FFY 2002 and thereafter, in certain work related activities (including job training and job search).	Work participation is defined as 100 hours per month for persons subject to the work preparation assignment requirement. AFDC-U work participation in the GAIN Program is defined as at least 16 hours per week for enhanced federal funding.
Sanctions on States	States could lose up to 5 percent of block grant for failure to meet work participation requirements.	Sanction applies only to GAIN participation and is limited to loss of enhanced federal funding for GAIN.
Sanctions on Individuals	Requires states to sanction recipients (grant reduction) who refuse to engage in work activities as required by the act.	Sanction applies to GAIN participants.

Figure 5

Personal Responsibility Act—House Version
Title I: Temporary Family Assistance Block Grant
Major Fiscal Provisions

Provisions	Amounts
Federal Funds	<ul style="list-style-type: none"> • \$15.39 billion available nationwide in federal fiscal year (FFY) 1996 and \$15.49 billion in FFY 1997 through 2000 for block grants to the states. The block grants would replace federal financial participation for AFDC benefit payments, AFDC administrative costs, AFDC emergency assistance benefits, and the Job Opportunities and Basic Skills program (GAIN).
State's Share of Federal Funds	<ul style="list-style-type: none"> • Beginning in FFY 1996, based on state's share of FFY 1994 outlays.
Potential Adjustments to State Share of Federal Funds	<ul style="list-style-type: none"> • Beginning in FFY 1997, state eligible for a share of an additional \$100 million annually nationwide for states experiencing population increases. • Beginning in FFY 1998, additional funds available to states as an incentive/reward for reducing the rate of out-of-wedlock births and abortions (illegitimacy ratio). State's block grant could increase by 5 percent (about \$170 million annually in California) for a 1 percent reduction in the illegitimacy ratio and 10 percent for a 2 percent reduction (or more) in the illegitimacy ratio.
Federal Loans	<ul style="list-style-type: none"> • Establishes a \$1 billion Federal Rainy Day Fund for borrowing by states under conditions of high unemployment. States must repay the loans with interest within three years.
Federal Fund Transfers	<ul style="list-style-type: none"> • Permits states to transfer up to 30 percent of the block grant to other specified block grants.
State Penalties	<ul style="list-style-type: none"> • Up to 25 percent of the quarterly block grant payment for misuse of funds. • Up to 5 percent of block grant for failure to meet work participation rates. • 3 percent of block grant for failure to submit an annual report. • 1 percent of block grant if state does not participate in certain automated fraud detection programs.

Figure 6

**Personal Responsibility Act—House Version
Title I: Temporary Family Assistance Block Grant
Major Fiscal Effects on California**

Effect on Federal Funds to California

Based on Current Law	<ul style="list-style-type: none"> • Estimated cumulative loss of \$3.9 billion (19 percent) in federal funds over five years (1995-96 through 1999-2000—see Figure 7).
Based on the Governor's Budget Proposal	<ul style="list-style-type: none"> • Estimated cumulative increase of \$260 million (1.5 percent) in federal funds over five years. (See Figure 8.)
Illegitimacy Ratio	<ul style="list-style-type: none"> • Potentially up to \$1 billion in additional federal funds (first five years) if California reduces illegitimacy ratio.
Sanctions	<ul style="list-style-type: none"> • Potential loss of federal funds due to sanctions (including up to \$680 million in the first five years for failure to meet work participation requirements).

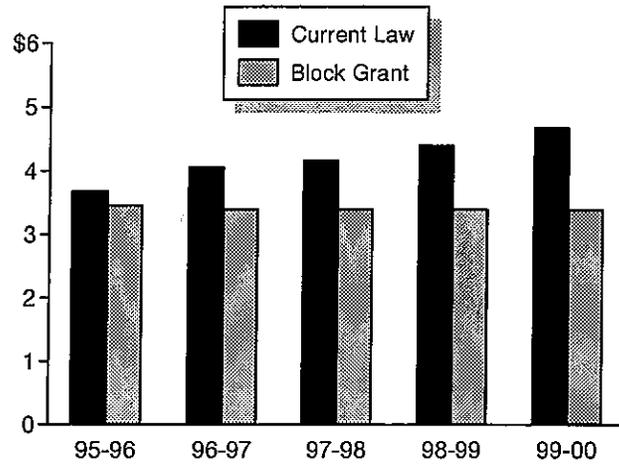
Effect on State Funds

Replacing Lost Federal Funds	<ul style="list-style-type: none"> • Potential state costs of up to \$3.9 billion over five years if state backfills for reduced federal funds. (Potential state savings of \$260 million over five years in relation to the Governor's Budget proposal.)
Paternity Establishment	<ul style="list-style-type: none"> • Unknown potentially significant savings, beginning in 1997-98, from the required grant reductions to families with children unable to establish paternity.
Work Requirements	<ul style="list-style-type: none"> • Potential unknown grant savings, increased General Fund tax revenues, and administrative costs due to the effect of the work requirements.

Figure 7

**Personal Responsibility Act—House Version
Federal Funds Allocated to California
Title I: Temporary Assistance Block Grant^a**

(In Billions)

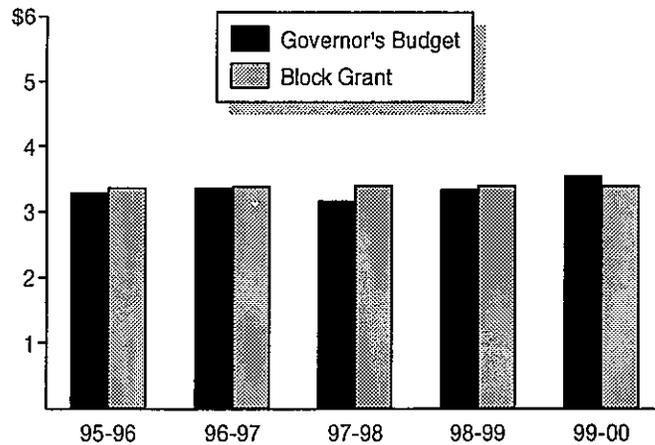


^aIncludes AFDC, JOBS/GAIN, Emergency Assistance

Figure 8

**Personal Responsibility Act—House Version
Federal Funds Allocated to California
Title I: Temporary Assistance Block Grant^a**

(In Billions)



^aIncludes AFDC, JOBS/GAIN, Emergency Assistance

Title II—Child Protection Block Grant Program

Title II of the act would replace existing categorical programs by establishing a block grant for various child protection programs, including child welfare services, foster care, adoptions assistance, and child abuse prevention. Figure 9 summarizes the major provisions. Figure 10 shows the major fiscal effects.

Figure 9	
Personal Responsibility Act—House Version	
Title II: Child Protection Block Grant Program	
Major Provisions	
Program Provisions	
Federal Requirements	• Repeals current federal requirements for various child protection programs, including eligibility and use of funds, and provides new requirements.
State Plan	• State plan must outline the child protection program and certify that specific components are in place. For example, the state must describe procedures for reviewing and maintaining case plans for children removed from their homes.
Standards	• Establishes minimum standards, including timelines for case reviews.
Citizen Review Panels	• States must establish at least three citizen review panels for program oversight.
Reporting Requirements	• Includes various data collection and reporting requirements.
Fiscal Provisions	
Block Grant	• Consolidates funding for various programs into a block grant, which would eliminate current entitlement funding for the foster care and adoptions assistance programs. The block grant for states consists of two components: (1) a capped entitlement and (2) an "additional grant" subject to annual appropriation.
Block Grant Amount	• Provides that the entitlement portion of the block grant shall be \$3.93 billion nationwide in FFY 1996 and includes annual increases through FFY 2000. Also provides that the "additional grant" shall not exceed \$486 million each year (nationwide) in FFY 1996 through 2000.
State's Share	• Defines the state share of the block grant as the greater of (1) the proportion of federal funds received for the block grant programs in FFY 1994 or (2) one-third of the proportion of funds received for the programs for fiscal years 1992-1994.
Transfer of Funds	• States may transfer up to 30 percent of the funds to other specified block grant programs beginning in FFY 1998.
Maintenance of Effort	• States must maintain nonfederal spending at no less than the amount spent in FFY 1995, during the first two years of the block grant.
Penalties	• Penalties for misuse of funds, failure to submit a specific report, failure to meet the maintenance of effort, or violation of interethnic adoption provisions.

Figure 10

**Personal Responsibility Act—House Version
Title II: Child Protection Block Grant Program
Major Fiscal Effects on California**

Effect on Federal Funds to California

Increase in Federal Funds

- California will receive approximately \$329 million more in federal funds over the next five years than under current law (see Figure 11).
- The increase occurs primarily because (1) the state's initial allocation is based on the state's share of FFY 1994 expenditures and caseload growth since that time has been low relative to other states and (2) projected caseload growth is relatively low under current law.

Effect on State Funds

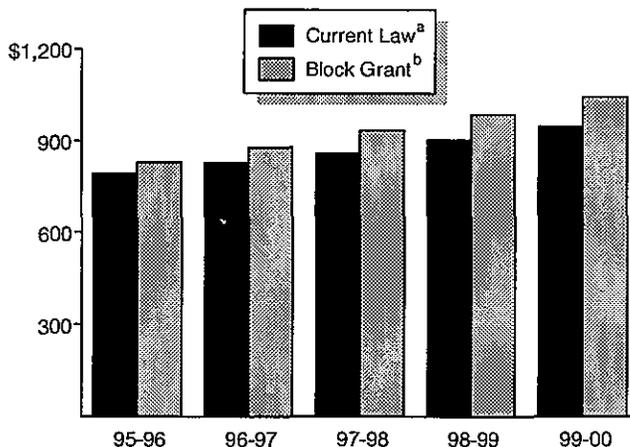
Offset to State Spending

- Potential state savings of up to \$250 million over five years, to the extent that the increase in federal funds offsets state spending in the program, after accounting for the maintenance of effort provision for the first two years.

Figure 11

**Personal Responsibility Act—House Version
Federal Funds Allocated to California
Title II: Child Protection Block Grant**

(In Millions)



^a Trend under Governor's Budget assumptions is not shown because impact of realignment proposal is unknown. (Effect of other Governor's Budget assumptions is minor.)

^b Includes both components of the block grant.

Title III—Child Care Programs

Title III consolidates funding of child care and nutrition programs into three block grants—a Child Care and Development Block Grant, a School-Based Nutrition Block Grant and a Family Nutrition Block Grant. First, we discuss the child care block grant.

Child Care. The act would redirect funding from seven federal child care programs into the existing Child Care and Development Block Grant (CCDBG). California receives funding through five of these programs, as follows: the existing CCDBG, the AFDC/JOBS child care program, the AFDC Transitional Child Care program, the AFDC At-Risk Child Care program, and the Dependent Care Grant program. The act also would modify the program provisions of the CCDBG. Figures 12 and 13 summarize the major provisions and their fiscal effects. Figure 14 describes the existing federal child care programs operating in California.

Figure 12

**Personal Responsibility Act—House Version
Title III: Federal Child Care Programs
Major Provisions**

Program Provisions

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|----------------------------|---|
| Existing Set-Asides | <ul style="list-style-type: none"> • Eliminates existing set-asides for program improvement (5 percent of the state grant) and for specific center-based care (20 percent). The bill also would eliminate detailed health and safety requirements that apply to the existing block grant programs. |
| Administrative Cap | <ul style="list-style-type: none"> • Sets an administrative cap of 5 percent. Under current law, most services are afforded 15 percent for state and local administration. |
| Other Changes | <ul style="list-style-type: none"> • Increases state reporting requirements and reduces the time the state may take to obligate and expend funds. Illegal aliens would not be eligible for subsidized child care services under this bill. |

Fiscal Provisions

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| Funding Cap | <ul style="list-style-type: none"> • Eliminates the existing entitlement to child care for families receiving AFDC who are working or are in an approved training or education program. The bill also would eliminate the required state match for these services. |
|--------------------|---|

Continued

Spending Authorization	<ul style="list-style-type: none"> • Authorizes funding for the new block grant at \$2.1 billion annually through 2000, which is about 5 percent below what is currently spent by the federal government through the existing programs. The program authorization would not increase over the five-year period.
Transfer of Funds	<ul style="list-style-type: none"> • Permits states to use up to 20 percent of the new block grant for the support of five block grants created in the act, including the income support, child protection, and nutrition block grants.

Figure 13	
Personal Responsibility Act—House Version	
Title III: Federal Child Care Block Grant	
Major Fiscal Effects on California	
Effect on Federal Funds to California	
Loss of Federal Funds	<ul style="list-style-type: none"> • Compared to current law, federal funding to California for child care services under the bill would be reduced by about 9 percent, or \$23 million, in 1995-96 and 16 percent or \$200 million over the five-year period 1996-2000.
Effect on State Funds	
Replacing Lost Federal Funds	<ul style="list-style-type: none"> • If the state replaces the lost federal funds with state funds, the costs would be up to \$200 million over the five-year period.

Figure 14	
Personal Responsibility Act—House Version	
Existing Federal Child Care Programs	
Operating in California	
Child Care and Development Block Grant	<ul style="list-style-type: none"> • Subsidizes child care programs for low-income families through SDE-operated programs.
AFDC/JOBS Program	<ul style="list-style-type: none"> • Provides child care for AFDC recipients who are working or attending approved job training or education programs.
Transitional Child Care Program	<ul style="list-style-type: none"> • Provides child care assistance to AFDC families who terminate welfare by getting a job.
At-Risk Child Care Program	<ul style="list-style-type: none"> • Subsidizes child care services for families who are likely to go on welfare.
Dependent Care Grant	<ul style="list-style-type: none"> • Supports the operation and improvement of resource and referral agencies, which provide information and counseling to families in need of child care services.

Title III—Nutrition Programs

The act would replace nine existing nutrition programs (see Figure 17) with two new block grants, a School-Based Nutrition Block Grant and a Family Nutrition Block grant. The **School-Based Nutrition Block Grant** supports school nutrition programs, including breakfast, lunch, and summer meal programs administered through schools and other agencies. The **Family Nutrition Block Grant** provides the funding for the Special Supplemental Food Program for Women, Infants, and Children (WIC) or the Family Nutrition Programs. Figures 15 and 16 summarize the major provisions and fiscal effects of these two block grants. Figure 17 describes existing federal nutrition programs operating in California.

Figure 15

**Personal Responsibility Act—House Version
Title III: Federal Nutrition Programs
Major Provisions**

Program Provisions

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|----------------------------|--|
| Nutrition Standards | <ul style="list-style-type: none"> • Repeals current federal nutrition requirements and authorizes states to use model nutrition standards determined by the National Academy of Sciences or set their own nutrition standards. |
| Other Changes | <ul style="list-style-type: none"> • Mandates collection and reporting of specified program data. In addition, the bill would make illegal aliens ineligible for nutrition program services. |

Fiscal Provisions

- | | |
|-------------------------------|---|
| Funding Cap | <ul style="list-style-type: none"> • Eliminates the funding entitlement of all of the school nutrition programs. There is no funding entitlement for the WIC program. |
| Spending Authorization | <ul style="list-style-type: none"> • Authorizes \$11.3 billion as the total amount for nutrition programs funded from the block grants in 1996, which is about 3.8 percent below what is currently spent by the federal government through the existing programs. The program authorization includes annual increases of about 4 percent through 2000. |
| State Share | <ul style="list-style-type: none"> • Provides states in FFY 96 with the same share of federal funds as the state received in the previous year. Beginning 1997, an increasing amount of state allocations would be based on the state's share of (1) meals served in the previous year under the School-Based Nutrition Block grant or, (2) individuals assisted in the previous year under the Family Nutrition Block grant. By 2000, 15 percent of state allocations from the two nutrition block grants would be based on meals served or individuals assisted. |
| Transfer of Funds | <ul style="list-style-type: none"> • Permits states to transfer up to 20 percent from the nutrition block grants to other block grants or programs. |

Figure 16

Personal Responsibility Act—House Version
Title III: Nutrition Block Grants
Major Fiscal Effects on California

Effect on Federal Funds to California

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|----------------------------------|--|
| Loss of Federal Funds | <ul style="list-style-type: none"> • Compared to current law, California would receive about 12 percent, or \$200 million less in federal funds in 1996. Over the five-year period of 1996–2000, federal funding to the state would be reduced by about \$1.8 billion, or 18 percent. |
| Future Federal Fund Share | <ul style="list-style-type: none"> • Potential gains or losses in federal funding in future years may result if other states increase or decrease their share of the number of meals provided or individuals served relative to California. |

Effect on State Funds

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|-------------------------------------|--|
| Replacing Lost Federal Funds | <ul style="list-style-type: none"> • Depending on state policy choices, the nutrition portions of Title III could result in significant state costs. <p>School Nutrition Programs. Significant General Fund (Proposition 98) costs would result if the state desired to maintain the existing level of support for nutrition programs operated by schools and other agencies. Because existing funding for school nutrition programs is included in <i>both</i> block grants, we assumed that 20 percent of the Family Nutrition Block Grant would be transferred to support school nutrition programs. Under this assumption, replacing the lost federal funds with state funds for school nutrition programs would require up to \$578 million over the five-year period.</p> <p>Special Supplemental Food Program for Women, Infants, and Children (WIC). Significant General Fund (non-Proposition 98) costs would also result if the state desired to maintain the existing level of support to local service providers. Assuming that 20 percent of the Family Nutrition Block Grant would be transferred to support school nutrition programs, state backfill of federal funding losses for the WIC program would cost the General Fund up to \$1.2 billion over the five-year period.</p> |
|-------------------------------------|--|

Figure 17

**Personal Responsibility Act—House Version
Existing Federal Nutrition Programs
Operating in California**

National School Lunch Program	<ul style="list-style-type: none"> • Provides free and reduced price meals to needy children.
School Breakfast Program	<ul style="list-style-type: none"> • Provides morning meals to needy children.
Summer Food Service	<ul style="list-style-type: none"> • Provides meals to needy children when they are not in school.
Child and Adult Care Food Program	<ul style="list-style-type: none"> • Enables child care centers and family day care homes to provide meals and snacks to children 12 years of age and under.
Special Milk Program	<ul style="list-style-type: none"> • Provides milk to children in public and private nonprofit schools and child care institutions that do not participate in another federal meal program.
Special Supplemental Food Program for Women, Infants, and Children (WIC)	<ul style="list-style-type: none"> • Provides food, nutrition education, counseling, and health care referrals to low income women and children up to age 5.
Federal Commodities Aid	<ul style="list-style-type: none"> • Provides additional resources to the federal nutrition programs in the state in the form of goods such as meat, dairy products, and fruits and vegetables.
Nutrition Education and Training	<ul style="list-style-type: none"> • Establishes nutritional and professional standards and provides training for meal service providers in the state.
State Administrative Expense	<ul style="list-style-type: none"> • Provides funds to the state to manage and coordinate the federal nutrition programs.

Title IV—Restricting Welfare for Aliens

Title IV of the act would make all illegal aliens and most immigrants ineligible for federal benefits in five programs: (1) Supplemental Security Income (SSI), (2) the Temporary Family Assistance Block Grant, (3) the Title XX Social Services Block Grant, (4) Medicaid, and (5) Food Stamps. Figure 18 summarizes the major program and fiscal provisions of this title. Figure 19 summarizes the title's fiscal effects on California.

Figure 18

Personal Responsibility Act—House Version
Title IV: Restricting Welfare for Aliens
Major Provisions

Program and Fiscal Provisions

Eligibility Restrictions	<ul style="list-style-type: none"> • Makes immigrants (except as noted below) ineligible for federal benefits in five programs one year after enactment of the act: Supplemental Security Income (SSI), Temporary Assistance for Needy Families, Title XX Social Services Block Grant, Medicaid, and Food Stamps. • Makes illegal aliens ineligible for all federal, state and local means-tested public benefits programs except emergency assistance and certain housing assistance. • Makes nonimmigrant aliens (people admitted for temporary periods and limited purposes such as tourists, diplomats, and temporary workers) ineligible for all federal and state means-tested public benefits programs except for emergency assistance. • Authorizes states to limit eligibility of immigrants for state and local means-tested public benefits programs (for example, General Assistance).
Exceptions	<ul style="list-style-type: none"> • Refugees for the first five years of residency in the U.S. • Refugees and legal immigrants over age 75 who have lived in the U.S. for five years. • Legal immigrants who are veterans. • Legal immigrants unable to comply with naturalization requirements because of a physical, developmental, or mental impairment (including Alzheimer's disease). • Temporary agricultural workers.
Sponsorship	<ul style="list-style-type: none"> • Extends indefinitely the period of time for which a sponsor's income is deemed available to support an immigrant and makes this a legally binding requirement. • Authorizes government agencies to recoup from sponsors federal, state, and local government benefits paid to immigrants (except certain housing assistance).

Figure 19

**Personal Responsibility Act—House Version
Title IV: Restricting Welfare for Aliens
Major Fiscal Effects on California**

Effect on Federal Funds to California

SSI Program	• Reduction of up to \$2.4 billion over the first five years of the act.
Food Stamps	• Reduction of up to \$1.5 billion over the first five years of the act.
Medi-Cal	• Reduction of up to \$1.7 billion over the first five years of the act.
Citizenship Effects	• The actual reduction could be significantly less than indicated, depending on the number of immigrants who become citizens.

Effect on State Funds

Replacing Lost Federal Funds	• Potential costs of up to \$5.6 billion over five years if the state backfills for loss of federal funds in order to maintain current eligibility and service levels.
SSP Program	• Potential savings of up to \$350 million from the General Fund in 1996-97 and \$470 million annually thereafter in SSP grants unless state backfills to maintain current service levels.
Food Stamps	• Potential savings of up to \$15 million annually from the General Fund, beginning in 1997-98, from lower administrative costs due to reduced caseloads unless state backfills to maintain current service levels.
Medi-Cal	• Potential savings of up to \$650 million from the General Fund in 1996-97 and \$900 million annually thereafter unless state backfills to maintain current service levels.
Temporary Family Assistance (AFDC)	• Potential state savings of about \$400 million in 1996-97 and \$550 million annually thereafter to the extent the state chooses to conform to federal eligibility restrictions on block grant funds.
Impact on Counties	• Unknown costs to the counties potentially in the hundreds of millions of dollars annually to the extent additional aliens use general assistance and county health services (if the state does not backfill for federal fund loss).
Citizenship Effects	• Savings and costs indicated above could be significantly less than shown, depending on the number of immigrants who become citizens.
Sponsorship Provisions	• Minor savings from recoupment of benefits from alien's sponsors.

Title V—Food Stamps

Title V of the act would set a cap on annual increases in food stamp expenditures, terminate food stamp benefits after 90 days for certain able-bodied recipients without children, and combine several food distribution programs into one consolidated grant. Figure 20 summarizes the major program and fiscal provisions of this title. Figure 21 summarizes the title's fiscal effects on California.

Figure 20

**Personal Responsibility Act—House Version
Title V: Food Stamp Reform and Commodity Distribution
Major Provisions**

Program Provisions

Work Requirement

- Requires the termination of benefits after 90 days, for able-bodied adults between the ages of 18-55 with no dependents and not employed at least 20 hours per week.
- Authorizes a waiver of the work requirement if (1) the unemployment rate exceeds 10 percent in all or part of the state, or (2) the state does not have a sufficient number of jobs to provide employment for individuals subject to the requirement. (Waiver determinations would be made by the Secretary of the Department of Agriculture.)
- Eliminates the food stamp employment and training program (currently \$75 million nationally) and instead provides \$75 million nationwide annually for operation of "workfare programs."
- Specifies that the Governor determines standards for employment and training.

Quality Control

- Makes more restrictive the threshold for determining whether states are subject to penalties for errors in calculating food stamp eligibility.

Electronic Benefit Transfer (EBT)

- Authorizes states that have a statewide EBT system to elect to receive food stamp benefits as a block grant. Maryland is the only state that has EBT statewide.

Fiscal Provisions

Inflation Adjustment

- Caps annual increases in the maximum food stamps benefit at 2 percent per year beginning in FFY 1996. (Under current law, increases in the maximum benefits are determined by a specified inflation index.)

Continued

Income Deductions and Resource Limits	<ul style="list-style-type: none"> • Freezes the standard deduction and the excess shelter deduction at \$134 and \$231 respectively (current levels). • Changes the treatment of state energy assistance and payments from the Low Income Home Energy Assistance Program (LIHEAP) for calculating available income in determining benefits.
Commodities	<ul style="list-style-type: none"> • Freezes the vehicle allowance at \$4,550 for purposes of determining eligibility (current level). • Repeals and revises certain commodities programs (for charitable and other institutions) and authorizes \$260 million annually nationwide in FFY 1996 through FFY 2000 for commodities and \$40 million annually for related administration.

Figure 21

**Personal Responsibility Act—House Version
Title V: Food Stamp Reform and Commodity Distribution
Major Fiscal Effects on California**

Effect on Federal Funds to California	
Inflation Adjustment	<ul style="list-style-type: none"> • Reduction of \$25 million in 1995-96 and \$600 million over the first five years.
Deductions	<ul style="list-style-type: none"> • Freeze in deductions and vehicle allowance: Reduction of \$20 million in 1995-96 and \$500 million over the first five years.
Energy Costs	<ul style="list-style-type: none"> • Change in treatment of state energy and LIHEAP payments: Unknown reduction, probably in the range of \$15 million in 1995-96 and \$85 million over the first five years.
Work Requirements	<ul style="list-style-type: none"> • Reduction of up to \$45 million in 1995-96 and \$420 million over the first five years.
Commodities	<ul style="list-style-type: none"> • Unknown effect on federal funds, probably an increase or decrease of less than \$5 million over five years.
Effect on State Funds	
Replacing Lost Federal Funds	<ul style="list-style-type: none"> • Potential cost of \$1.6 billion over five years if the state backfills for loss of federal funds in order to maintain current service levels.
Quality Control	<ul style="list-style-type: none"> • Unknown potential costs associated with more restrictive error rate threshold.
Work Requirements	<ul style="list-style-type: none"> • Unknown costs, probably in the tens of millions of dollars annually for administration of workfare programs and monitoring work effort.

Title VI—Supplemental Security Income (SSI)

Title VI of the act makes major changes in the Supplemental Security Income (SSI) Program. Figure 22 summarizes the major program and fiscal provisions of this title. Figure 23 summarizes the title's fiscal effects on California.

Figure 22

Personal Responsibility Act—House Version Title VI: Supplemental Security Income (SSI) Major Provisions

Program and Fiscal Provisions

Substance Abuse	<ul style="list-style-type: none"> • Eligibility. Eliminates drug addiction and alcoholism (D/A) as a qualifying disabling condition for SSI and Medicaid benefits beginning October 1, 1995. Effectively eliminates D/A as a qualifying criterion for the State Supplementary Program (SSP). (Current law imposes a three-year limit on eligibility.) • Funds for Treatment and Research. Appropriates \$100 million annually nationwide in FFY 1997 through FFY 2000 for drug treatment (\$95 million) and research (\$5 million). Funds would be allocated to the states based on the formula used for the existing alcohol and drug treatment block grant.
Disabled Children	<ul style="list-style-type: none"> • Eligibility. Eliminates benefits to children (existing and new cases) who are relatively less disabled. (Currently, children may be eligible on the basis that an impairment exists that precludes them from performing age-appropriate activities.) • New Cases. Applicants would qualify for cash benefits only if the child is severely disabled and needs institutionalization or full-time attention by parent. Other applicants (not needing institutionalization but who meet specified eligibility criteria) would not receive cash benefits but would be eligible for block grant services. • New Block Grant. Establishes a new block grant, beginning in January 1997, for services to children remaining eligible for cash benefits and applicants not eligible for cash benefits but who qualify for SSI based on disabling medical conditions. • Block Grant Services. Requires the Commissioner of Social Security to develop a list of authorized services that can be provided using new block grant funds. • Block Grant Amount. Specifies that the state's share of the block grant is determined by a formula based on the number of children eligible for block grant services.

Continued

	<ul style="list-style-type: none"> • Maintenance of Effort Requirement. Requires states to maintain previous levels of nonfederal expenditures, adjusted for inflation, for children receiving new block grant services.
State Supplementary Program	<ul style="list-style-type: none"> • SSP Maintenance of Effort Requirement. Eliminates the maintenance of effort requirement.

Figure 23	
Personal Responsibility Act—House Version	
Title VI: Supplemental Security Income	
Major Fiscal Effects on California	
Effect on Federal Funds to California	
Substance Abuse Eligibility	<ul style="list-style-type: none"> • Loss of \$100 million in 1995-96 (state fiscal year), about \$135 million in 1996-97 and 1997-98, and about \$80 million annually thereafter.
Drug Treatment Funds	<ul style="list-style-type: none"> • Gain of about \$9.5 million in 1996-97, and \$12.6 million in each of the next three years (1997-98 through 1999-2000).
Restrictions on Children	<ul style="list-style-type: none"> • Loss of \$60 million annually (\$15 million in 1995-96) for elimination of SSI benefits to children not meeting more restrictive definition of disability.
New Block Grant	<ul style="list-style-type: none"> • Gain of about \$90 million in 1996-97 and \$180 million in each of the next three years (1997-98 through 1999-2000).
Effect on State Funds	
Replacing Lost Federal Funds	<ul style="list-style-type: none"> • Potential cost of \$108 million over five years if the state backfills for loss of federal funds in order to maintain current service levels.
Substance Abuse Eligibility	<ul style="list-style-type: none"> • The Governor's Budget assumes this policy change, effective October 1995, for a state General Fund savings of \$52 million in 1995-96 and \$70 million in 1996-97 and 1997-98. Ongoing savings of roughly \$40 million annually. Unknown, costs (potentially in the tens of millions of dollars annually) to county indigent health and general assistance programs to serve persons no longer eligible for SSI/SSP and Medi-Cal.
Disabled Children	<ul style="list-style-type: none"> • Unknown state costs or savings, depending on potential effect of increase in state costs to the AFDC Program.
Disabled Children's Maintenance of Effort	<ul style="list-style-type: none"> • Minor increased General Fund cost for mandatory inflation adjustments using specified index.
Elimination of SSP Maintenance of Effort	<ul style="list-style-type: none"> • No direct effect, but increases state flexibility to achieve major savings by reducing grants.

Title VII—Child Support Enforcement

Title VII of the Personal Responsibility Act includes numerous provisions related to child support enforcement. Figure 24 summarizes the key provisions and Figure 25 summarizes the fiscal effect on California.

Figure 24

Personal Responsibility Act—House Version Title VII: Child Support Enforcement Major Provisions

Program Provisions

Case Registry and Disbursement System	<ul style="list-style-type: none"> Requires a centralized registry of child support cases and centralized disbursement of collections. California is developing a centralized registry as part of its automation system. Payments are disbursed through the counties.
New Hire Directory	<ul style="list-style-type: none"> Requires implementation of a new hire directory for all occupations, effective October 1997, designed to assist in locating noncustodial parents. California currently requires a directory for some occupations.
Interstate Enforcement	<ul style="list-style-type: none"> Includes provisions to enhance interstate coordination.

Fiscal Provisions

\$50 Pass-Through	<ul style="list-style-type: none"> Eliminates the requirement that the first \$50 of monthly collections for AFDC families be distributed to the custodial parent, effective October 1995. (Instead, the \$50 would offset grant expenditures.)
Arrearage Payments	<ul style="list-style-type: none"> Requires that collections on arrearages in specified cases be paid to the custodial parent rather than used to offset government expenditures for AFDC grants, effective October 1999.
Federal Incentive Payments	<ul style="list-style-type: none"> Replaces the collections-based federal incentive payments with “performance” incentives. The new incentive payments would be a percentage of administrative costs, ranging from 0 to 24 percent, as determined by the Secretary of HHS, based on the state's performance in establishing paternity and other performance measures, effective FFY 1999. <ul style="list-style-type: none"> Requires the Secretary of HHS, in awarding incentive payments, to ensure that the nationwide cost not exceed the corresponding cost as of June 1994 unless aggregate performance improves.
Maintenance of Effort	<ul style="list-style-type: none"> Establishes a maintenance of effort provision for state funding, based on FFY 1996, beginning in FFY 1997.
Automation Funding	<ul style="list-style-type: none"> Establishes a nationwide cap (\$260 million over five years) on enhanced federal funding for automation requirements included in the act.

Figure 25

**Personal Responsibility Act—House Version
Title VII: Child Support Enforcement
Major Fiscal Effects on California**

Effect on Federal Funds to California

Loss of Federal Funds • Reduction of about \$85 million in federal funds during the first five years due to changes in federal incentive payments.

Effect on State Funds

Incentive Payments	• State costs of about \$85 million during the first five years due to the change in federal incentive payments. This assumes that California will receive half of the maximum amount of incentives and will increase state funding to offset the anticipated reduction in federal incentive payments. State costs could be more or less, depending on the state's performance with respect to the incentive payments.
\$50 Pass-Through	• State savings of \$110 million over the first five years due to elimination of the \$50 monthly "pass-through" of collections to the custodial parent.
Arrearages	• Unknown state costs, probably about \$20 million during the first five years, due to the change in the procedures for distributing collections on arrearage obligations.
Ongoing Costs	• After the first five years, estimated state costs of roughly \$45 million annually due to the ongoing net effects of the above provisions.
Other Provisions	• Unknown potential savings annually to the extent the act's other provisions (such as enhanced interstate child support enforcement) result in increased collections, particularly for AFDC families.

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