

**PERSONAL RESPONSIBILITY AND WORK OPPORTUNITY
RECONCILIATION ACT OF 1996**

(Public Law 104-193)

**SUMMARY OF PROVISIONS
August 1996**

OVERVIEW

The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) replaces the Aid to Families with Dependent Children (AFDC) program with the Temporary Assistance for Needy Families (TANF) block grant and makes deep funding cuts in basic programs for low-income children, families, the elderly, people with disabilities, and immigrants. According to the Congressional Budget Office (CBO), the law cuts funding for low-income programs by approximately \$55 billion over the next six years. Nearly all of the savings come from reductions in the Food Stamp program, the Supplemental Security Income (SSI) program for the elderly and disabled poor, and assistance to legal immigrants.

A summary of provisions follows.

TANF

- *Block Grant/Entitlement.* Replaces AFDC, emergency assistance, and the JOBS (Job Opportunities and Basic Skills) program with the Temporary Assistance for Needy Families (TANF) Block Grant.

Funding: \$16.4 billion each year from FY 1997-2002. States will receive the greatest of: (1) the average of their federal payment from FY 1992-1994; their federal payment in FY 1994; or (3) their federal payment in FY 1995. Effective date: July 1, 1997, but states may implement earlier. The entitlement ends September 30, 1996; the new funding system begins October 1, 1996.

The block grant provides essentially fixed federal funding, which CBO estimates will fall \$1.2 billion short of expenditures under previous law over the next six years.

Under the block grant, there is no assurance that children or their parents will receive cash assistance even if they are poor and meet all state eligibility requirements. States have broad discretion to maintain, broaden or substantially curtail eligibility for income assistance for any poor family or category of poor families. For example, states can deny aid to families with teen parents or to two-parent families. In addition, if a state runs out of block grant funds for the year, they can place new applicants on a waiting list.

- *Contingency Fund.* Creates a contingency fund of \$2 billion over five years for states which experience recessions.

...the Power of Social Work...

During the last, relatively mild recession between 1990 and 1992, federal AFDC funding increased \$6 billion over just three years--triple the amount of the contingency fund for five years. In order to qualify for contingency funds, state Food Stamp caseloads must increase by at least 10 percent over their 1994 or 1995 level or their state unemployment rate must reach at least 6.5 percent and be at least one-tenth higher than the rate in the same months of either of the two prior years. In past recessions, many states experienced substantial increases in unemployment without reaching the 6.5 percent unemployment rate or experiencing a 10 percent increase in their Food Stamp caseloads.

- *Population Fund.* Creates a population adjustment fund of \$800 million over four years, an amount equal to an increase in block grant funds of just one percent.

National population is projected to grow at a rate of 4.6 percent--more than four times greater than the funding allocated for population growth.

- *Program Administration.* Requires states to operate a welfare program in all political subdivisions, but the programs need not be uniform across the state. States have the option to contract with private charities, religious organizations, or other private entities to administer and provide services.
- *State Plan.* Requires states to make summaries of the state plan available to the public and the plan itself must include assurances that local governments and private sector organizations have been consulted so that services are "provided in a manner appropriate to local populations," and that those entities have had at least 45 days to submit comments on the plan.
- *Time Limits.* Institutes a five year lifetime time limit on cash assistance; and requires recipients to work after two years. In addition, unless states opt out, they must require parents receiving assistance to participate in community service after just two months. States may set shorter time limits and exempt 20 percent of their caseload from the five year limit.

CBO estimates that between 2.5 million and 3.5 million children could be affected by the law's five year time limit when it is fully implemented, even after the 20 percent hardship exemption is taken into account. If states adopt shorter time limits, as some already have done, the number of affected children will be substantially greater. The U.S. Department of Health and Human Services (HHS) estimates that if all states were to adopt a two year time limit, 5.5 million children would be denied aid by 2006.

Prohibits use of TANF block grant funds to provide vouchers for goods and services to children whose parents reach the time limit, but permits use of Social Services Block Grant (Title XX) funds for vouchers. Cuts Title XX funding by 15 percent.

- *State Maintenance of Effort.* Requires states to maintain funding at 75 percent of FY 1994 state expenditures for AFDC, Emergency Assistance, the JOBS Program, AFDC Child Care and At-Risk Child Care. Requires an 80 percent maintenance of effort for states who fail to meet work participation requirements and 100 percent to be eligible for contingency funds.

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

- *Funding Transfers.* Permits states to transfer up to 30 percent of TANF block grant funds into the reconstituted Child Care and Development Block Grant (CCDBG) or Social Services Block Grant (Title XX). No more than 10 percent can be transferred into Title XX.

Services funded under Title XX include an array of politically popular services, many of which go to the elderly and to families with incomes well above the poverty line. Therefore, transfer of funds is likely in a number of states. Such a transfer would almost inevitably lead to fewer work slots being provided for very poor families, cuts in cash benefit levels for these families, still-shorter time limits, or some combination of such steps.

Funds transferred from the TANF block grant to Title XX may be used only for services to children whose family incomes fall below 200 percent of the poverty line, but this provision is cosmetic. States can simply shift a portion of their existing Title XX funds from poor children to other populations at the same time they transfer funds from the TANF block grant and not violate the statute.

- *Work Requirements.* Requires states to have 50 percent of single-parents receiving cash assistance in work programs by FY 2002. The rate for two-parent families reaches 90 percent by 1999. Single-parent recipients will be required to work at least 30 hours per week by 2000 (20 hours per week for single parents with a child under age six). Two-parent families must work 35 hours per week.

CBO estimates that funding falls \$12 billion short of what will be needed over the next six years to meet the work requirements. In order to avoid some of the costs of meeting the requirements, states can reduce the number of people required to work simply by reducing the number of families eligible for assistance. States also may decide to accept the penalty for noncompliance: five percent reduction in TANF funding for first year, increasing by two percentage points a year, with a cap of 21 percent.

- *Work Activities.* Narrows the definition of work. Countable activities are limited to: unsubsidized or subsidized employment; on-the-job training; work experience; community service; 12 months of vocational training; or providing child care services to individuals participating in community service. Up to six weeks of job search (no more than four consecutive weeks) also count, as do teens attending secondary school. However, only 20 percent of those counting toward the work requirement can be participating in vocational training or be teens attending school.

By narrowing the activities that count toward satisfying work participation rates, the law reduces state flexibility to permit or require parents to participate in education or training programs. In FY 1994, over half of the participants in the JOBS program were involved in some form of education or training activity--from remedial education to higher education.

Since the overall single-parent work participation rate for states in FY 1997 is 25 percent and states cannot count more than 20 percent of adults participating in vocational training (including teens in school), the effective countable rate of adults in vocational training for FY 1997 is only five percent.

- *Individual Development Accounts*. Permits states to establish Individual Development Accounts (IDA) for recipients. IDA funds may be used for postsecondary education, purchase of a first home, or start-up of a business. Recipients may contribute "earned income" only, which may be matched by a not-for-profit organization or a state or local government.
- *Family Cap*. Permits, but does not require, states to impose a family cap--to deny cash benefits to children born into families already receiving assistance.
- *Teen Parents*. Requires unmarried parents under age 18 to live with an adult and stay in school in order to receive benefits.

States are responsible for locating or assisting in locating an adult-supervised setting for teens, but there is no additional funding for establishing "second chance homes."

- *Teen Pregnancy*. Requires HHS to implement a strategy to prevent non-marital teen pregnancy and assure that at least 25 percent of communities have teen pregnancy prevention programs. Also requires the Justice Department to implement a program that provides research, education and training on the prevention and prosecution of statutory rape.
- *Out-of-Wedlock Births*. Establishes a bonus program for up to five states who demonstrate that the number of out-of-wedlock births that occurred in the state in the most recent two-year period decreased compared to the number of such births in the previous period without an increase in abortions. Funding: Approximately \$1 billion in each year (1999-2002).
- *Domestic Violence*. Permits states to develop procedures to screen and identify recipients with a history of domestic violence, refer them to counseling and other support services, and waive program requirements, such as time limits, residency, family cap, and child support cooperation.
- *Drug Convictions*. Prohibits parents who have been convicted of felony drug offenses from receiving benefits under the TANF block grant or Food Stamp program for life. Pregnant women and individuals participating satisfactorily in drug treatment programs are exempted. States must pass a law if they wish to opt out of this requirement.
- *Research/Evaluations*. Requires HHS to conduct research on the benefits, effects, and costs of operating different state programs, including tracking child poverty rates. Beginning 90 days after enactment and yearly thereafter states must submit information on child poverty rates, and if the rate increases by five percent or more, must submit a plan for corrective action. Funding: \$15 million for each year (1997-2002).

WAIVERS

- *Granted Prior to Enactment.* States which had waivers granted before August 22, 1996 have the option of continuing to operate their cash assistance programs under some or all of their waivers. However, states will still receive funding in a block grant. If the state opts to continue the waivers, provisions of the law which are "inconsistent with the waiver(s)" will not take effect until the waivers expire.
- *Submitted Prior to Enactment and Granted Prior to Implementation.* States which had waivers pending as of August 22, 1996 and that are approved prior to July 1, 1997, still must comply with the law's work participation requirements, even if they are inconsistent with the waivers granted.
- *Submitted Following Implementation.* After July 1, 1997, the effective authority to grant waivers will be substantially curtailed.

The section on waivers is likely to require further guidance by HHS.

CHILD CARE

- *Block Grant/Entitlement.* Replaces the AFDC, Transitional, and At-Risk Child Care programs with a new fixed-sum block grant, which is combined with the existing Child Care and Development Block Grant (CCDBG). The reconstituted CCDBG consists of two funding streams: (1) \$15 billion over seven years in a capped state entitlement (money guaranteed to the states), which requires a state match; and (2) \$7 billion over seven years in discretionary funding for which Congress must appropriate specific amounts each year. Effective date: October 1, 1996.

Eliminates entitlement to child care for parents receiving cash assistance and for those making the transition from welfare to work. Since these open-ended funding streams are capped under the new law, states have a limited amount of child care dollars. Due to the law's greatly expanded work requirements and the subsequent increased need for child care, CBO estimates that child care funding will fall \$1.8 billion short of what is needed, even if Congress appropriates the full discretionary amount authorized.

- *Exemptions.* Prohibits states from sanctioning parents who cannot find child care for a child younger than age six, but requires states to count such parents in calculating work participation rates. States may exempt parents with children under age one from the work requirements and may exclude them in calculating participation.

Parents who cannot participate in work or training because of a lack of child care may still reach a time limit and be cut off. Such a parent could be cut off without having had access to work preparation assistance.

Parents with children under the age of one may use this exemption only once; they cannot use it again for subsequent children. These parents also are still subject to the five year time limit for cash assistance.

- *Market Rates.* Eliminates previous language which required states to pay market rate for child care. States must assure that payment rates will be adequate to provide eligible

children with equal access to child care as compared to those children not eligible for subsidies.

- *Administration.* Limits administrative costs to five percent, but defines a range of services as non-administrative, which means they are not counted in the limitation. They include: eligibility determination; participation in judicial hearings; recruitment; licensing; inspection; reviews and supervision of child care placements; rate setting; resource and referral services; training; and the establishment and maintenance of computerized child care information.
- *Quality Set-Aside.* Sets aside a minimum of four percent of total funding for improving quality, expanding supply and providing consumer education.

This replaces a 25 percent set-aside in the original CCDBG which included approximately 19 percent for early childhood development and before and after school care, five percent for quality activities, and one percent for either.

- *Health and Safety.* Maintains existing state health and safety standards for child care providers in the areas of prevention and control of infectious diseases (including immunizations), building and physical premises, and minimum health and safety training.

CHILD WELFARE

- *Program Integrity.* Maintains current law and funding for all child welfare programs, including Title IV-B and IV-E training programs, by rejecting proposals to block grant any child welfare or protection programs.
- *For-Profit Providers.* Allows states to make Title IV-E foster care maintenance payments to for-profit as well as non-profit private child care institutions. Under current law, IV-E foster care payments only can be made to nonprofit private or public child care institutions.
- *Kinship Care.* Requires states to consider giving preference to an adult relative over a non-related caregiver when determining a foster care placement for a child, provided that the relative caregiver meets all relevant state child protection standards.
- *Research.* Establishes and funds at \$6 million per year (1996-2002) a national random sample study of children who have been abused and neglected or are at risk of abuse or neglect. The study is to be longitudinal and assess the nature of the abuse or neglect, the involvement of the child and family with the public child protection agency, and the experiences with out-of-home care, including the duration of placements.

MEDICAID

- *Entitlement.* Maintains entitlement to Medicaid for currently-eligible AFDC recipients (as of July 1996) and those making the transition from welfare to work (for up to one year).
- *Sanctions.* Allows states to deny Medicaid to adults who lose cash assistance for failure to comply with work requirements. Children and pregnant women are exempt from this provision.

- *Relationship to SSI.* Fails to preserve Medicaid coverage for children losing SSI because of new rules (see below).

CBO estimates that 15 percent of those children who lose or are denied access to SSI also will lose eligibility for Medicaid.

SUPPLEMENTAL SECURITY INCOME (SSI)

- *Individual Functional Assessment.* Tightens eligibility, in part, by eliminating the Individual Functional Assessment (IFA) for children. Children only can qualify through the more restrictive medical listings. Effective date: day of enactment for new claims; July 1, 1997 for current recipients.

In some instances, the same disability that qualifies an adult for SSI will not be sufficient to qualify a child. Among the children most likely to lose benefits are those suffering from multiple impairments, none of which is severe enough to meet the more stringent disability criteria established by the law, but the combined effect of which is substantial.

The Social Security Administration (SSA) estimates that the following percentage of children, based on diagnosis, will lose access to SSI through elimination of the IFA: 49 percent of children with mood disorders; 38 percent with pulmonary tuberculosis; 33 percent with mental retardation; 29 percent with burns; 25 percent with intercranial injuries; 22 percent with schizophrenia; and 22 percent with arthritis.

- *Maladaptive Behavior.* Removes references in the medical listing to "maladaptive behavior" in evaluating personal/behavioral functioning for children with mental impairments.

CBO estimates that over the next six years 48,000 children will lose access to benefits as a result of this change.

- *Disability Reviews.* Mandates continuing disability reviews every three years for all children except those whose conditions are not expected to improve. The child's representative payee will have to show evidence at the time of the review that the child is receiving treatment to the extent medically necessary and available for the qualifying condition.
- *Funding.* Reduces total benefits by more than \$7 billion over the next six years.

CBO estimates that by 2002, 315,000 low-income children who would have qualified under previous law will be denied SSI--or 22 percent of previously eligible children.

- *Research.* Requires a study by the General Accounting Office (GAO) on the impact of the new children's SSI provisions and the extra expenses incurred by families of receiving benefits that are not covered by other federal, state or local programs.

FOOD STAMPS

- *Block Grant.* Removes state option to block grant Food Stamps.

- *Funding.* Cuts funding by \$28 billion over six years, including reductions in Food Stamp benefits for legal immigrants (see below).

Half of the law's spending reductions come from the Food Stamp program. When fully implemented, the law will slice benefits almost 20 percent, the equivalent of reducing the average Food Stamp benefit from its current level of 80 cents per person per meal to 66 cents per person per meal.

Two-thirds of the benefit reductions will be borne by families with children. In 1998, nearly seven million families with children will lose an average of \$435 in Food Stamp benefits. Working poor families--2.3 million--will lose an average of \$355; and the poorest of the poor--those with incomes below half of the poverty line (below \$6,250 for a family of three) will absorb 50 percent of the Food Stamp cuts in the law. In 1998, they will lose an average of \$655 per year in benefits. In addition, 1.75 million low-income elderly households will lose about 20 percent of their Food Stamp benefits.

- *Single Adults.* Limits receipt of Food Stamp benefits to three months every three years to able-bodied single adults aged 18-50 who are unemployed. After three months, these individuals can continue receiving Food Stamps only if they are working at least half-time or are in a workfare training slot.

The law provides no new money for workfare training lots, which are quite scarce in the Food Stamp program.

CBO estimates that in a average month, one million jobless individuals who are willing to work and would take a work slot if one was available will be denied Food Stamps under this provision. Data from the U.S. Department of Agriculture (USDA) show that more than 40 percent of those who will be affected by this provision are women. Nearly one-third are over the age of 40, when individuals with limited skills often have great difficulty in finding jobs quickly.

This provision can be suspended upon request of a state if the local unemployment rate surpasses 10 percent (a level few areas reach even during recessions) or with USDA approval for individuals who reside in an area that "does not have a sufficient number of jobs to provide employment for such individuals." It is not yet clear how such a determination will be made.

- *Outreach.* Eliminates federal matching funds for outreach.
- *Cash Out.* Allows states to "cash out" benefits to use as wage supplements.
- *Waivers.* Eliminates prior restriction forbidding USDA from granting waivers that would result in a reduction in Food Stamp benefits for any group of households. New waiver authority sweeps away that restriction and allows states to make major changes in their Food Stamp benefit structure.

CHILD NUTRITION

- *Funding.* Cuts \$2.9 billion from child nutrition programs--more than 85 percent of which

come from the Child and Adult Care Food Program (CACFP). The bulk of the reductions will result from reduced federal support for meals served in family day care homes that are not located in a low-income area or operated by a low-income provider.

Child advocates predict that the reductions are likely to force CACFP sponsors serving hundreds of thousand of children to drop out of the program, reducing nutritional aid to poor children in day care.

IMMIGRANTS

- *Funding.* Benefits for legal immigrants are reduced by more than \$22 billion. Undocumented immigrants already are ineligible for most major entitlement programs.
- *SSI and Food Stamps.* Denies benefits for most legal immigrants--both current and future--until they become U.S. citizens. Exceptions: refugees/asylees for first five years in U.S.; members of the Armed Forces; veterans; and individuals who have paid 40 quarters (10 years) of Social Security taxes.

For many poor immigrants who are old or disabled and can neither work nor, given their age or physical or mental condition, learn all that is necessary to obtain citizenship, this is tantamount to a denial of benefits for the rest of their lives. Nearly half a million current elderly and disabled beneficiaries will lose their SSI benefits.

- *Medicaid.* Denies coverage for most legal immigrants entering the country for five years (with same exceptions as Food Stamps and SSI), with states having the option of extending the ban for a longer period and including current recipients. In addition, many current poor elderly and disabled individuals who receive Medicaid as a result of receiving SSI will lose their Medicaid coverage when they are terminated from SSI.

CBO estimates that by 2002, approximately 260,000 elderly legal immigrants, 65,000 people with disabilities, 175,000 other adults, and 140,000 children who would be eligible for Medicaid under current law will be denied it under the new law. Most of these individuals are likely to have no other health insurance.

- *TANF Block Grant.* Provisions are identical to those for Medicaid.
- *State and Local Programs.* Gives state and local governments broad authority to deny assistance to legal immigrants under state and local programs. Prohibits state and local governments from using their own funds to provide many kinds of assistance to undocumented immigrants and to some small categories of legal immigrants.
- *Sponsors.* Bans future immigrants from receiving benefits from most other federal means-tested programs for five years and imposes broad restrictions on the receipt of benefits after five years through new deeming rules and sponsorship requirements.

Programs exempted from five year limit include: emergency medical care; short-term disaster relief; school lunches; WIC/child nutrition; limited public health services for immunizations and communicable diseases; payments for foster care; nonprofit, in-kind community services such as shelters and soup kitchens; student assistance under the Higher Education Act and Public Health Service Act; means-tested elementary and

secondary education programs; Head Start; and the Job Training Partnership Act (JTPA).

CHILD SUPPORT ENFORCEMENT

- *Federal Registry.* Establishes a federal case registry and national directory of new hires to track noncustodial parents across state lines.
- *State Registry.* Requires states to establish central registries of child support orders and centralized collection and disbursement units.
- *Income Withholding.* Expands income withholding by requiring all child support orders issued or modified before October 1, 1996 to become subject to income withholding without a hearing or advance notice if an arrearage occurs.
- *Health Care.* Requires all child support orders to include health care coverage. If the noncustodial parent changes jobs and the new employer provides health insurance, the child support agency must notify the employer and the notice enrolls the children in the new health plan unless the noncustodial parent contests the enrollment.
- *Enforcement.* Requires states to implement numerous new enforcement techniques, including the revocation of drivers, professional, occupational and recreational licenses for delinquent parents.
- *Paternity.* Streamlines the process for establishing paternity and expands the in-hospital voluntary paternity establishment program.
- *Visitation Grants.* Provides grants to states for access and visitation programs for noncustodial parents.

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