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# THE WHY AND HOW OF WELFARE REFORM

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## Introduction

The welfare of over 30 million people across the nation has been dramatically influenced over the last year by implementation of the welfare reform bill signed at the end of the summer of 1996. What drove this remarkable legislative effort, and how did we reach the requisite critical mass to enact such a grand experiment? Where do we go from here?

Scholars will debate the answers to these questions for some time. Let me share with you the perspective of a Capitol Hill staffer with one of the committees of jurisdiction.

## Public Demand

In the 1992 presidential campaign, candidate Bill Clinton vowed to “change welfare as we know it.” The Republican Contract With America, given much credit for the Republican takeover of the Congress in 1994, promised massive reform of the welfare system. The welfare rolls had grown dramatically between 1989 and 1994. The average monthly enrollment of families in the Aid to Families with Dependent Children (AFDC) program had gone from 3.8 million to 5.1 million. The average monthly participation of individuals in the Food Stamp Program had gone from 18.8 million to 27.5 million. Public confidence in our public assistance programs waned and the American public rallied behind the proposition of welfare reform. At a time of huge federal budget deficits, high unemployment and salaries not keeping pace with inflation, the specter of people getting something for nothing—that is, receiving welfare benefits but not working, resonated very unfavorably with much of the American electorate.

But, what did “welfare reform” mean? What did the American public really want? The devil being in the details, it took a number of attempts and a change in congressional leadership to finally reach consensus; a process that took over three years. The president sent his first welfare reform proposal, the “Work and Responsibility Act of 1994,” to the Congress on June 21, 1994, a year and a half into his first term. He signed the “Personal Responsibility and Work Opportunity Reconciliation Act of 1996” on August 22, 1996.

The president’s 1994 bill focused on the AFDC program and it would have required cash welfare recipients to enter into a contract designed to reinforce and

reward work, while the program provided support, job training and child care. It would have imposed a 5-year maximum time limit on benefits for many families, and reduced AFDC payments to legal immigrants. The bill would have made no changes to the Food Stamp Program, retaining it as the ultimate safety net for poor families. The president's bill was intended to reform the cash welfare program alone. The estimated cost was \$4.8 billion over 5 years. Interestingly, Republican bills introduced during the 103<sup>rd</sup> Congress were in many respects similar to the president's, and also resulted in cost increases—not decreases. The president's bill was greeted by the Democratically-controlled Congress with little fanfare, as the public interest groups representing needy families expressed grave concerns over the implications of welfare reform. It was given a couple of committee hearings during the months remaining in the 103<sup>rd</sup> Congress, but the Democrats lost their last opportunity to control the welfare reform debate as the Congress was taken over by the Republicans in the election of November 1994.

At that point, the terms of the welfare reform debate changed. Budgetary savings became an element of the debate, and the Republican majority expanded the concept of welfare reform to include the federal nutrition programs and denial of eligibility for all public assistance programs to legal immigrants.

The original Contract With America proposal for welfare reform would have turned the AFDC program into a block grant program, capping spending and establishing a 5-year time limit on benefits. Stringent work requirements would have been imposed on welfare recipients. Ten nutrition programs, including the National School Lunch Program and the Food Stamp Program, would have been consolidated into one block grant, with a cap on funding. Legal immigrants would have been denied eligibility for welfare benefits. Estimates of budgetary savings that could be realized from this initial Republican offering ranged from \$40 billion to \$57 billion over 5 years.

Significant changes to this bill were made by several of the committees of jurisdiction as it worked its way through the legislative process. The proposed reforms to the cash welfare program, AFDC, were largely unchanged, and legal immigrants saw no improvement in the provisions denying them program eligibility. The reforms of the nutrition programs, however, were scaled back, and the underlying structures of those programs retained; they were not block granted. Widespread public support of the National School Lunch Program, tapped by the Democratic minority, eroded Republican support for block granting and capping that program. The Republican leadership of the House Committee on Agriculture persuaded the House leadership to back away from the concept of turning the Food Stamp Program over to the states in block grant form, arguing that as welfare programs were returned to the states, it was important for the Food Stamp Program to provide a federal social safety net.

It has been suggested that the leadership of the House and Senate agriculture committees also realized that the upcoming farm bill legislation to reauthorize most of USDA's programs, including the Food Stamp Program, would need the traditional support of members from urban districts. Because the Food Stamp Program plays a critical role in the support of the many poor families living in these urban districts, such urban support would be eroded if the Food Stamp Program had been block granted. Instead, the program was reformed to discontinue most of the automatic benefit increases that resulted from adjustments for inflation, to impose limited eligibility on able-bodied individuals between the ages of 18 and 50 who have no dependents, and to enhance USDA's ability to curtail program fraud and abuse.

The bill vetoed by the president in December 1995 would have block granted and capped cash welfare, provided a \$1 billion contingency fund, imposed a 5-year lifetime limit on cash benefits, provided \$9.9 billion for child care for welfare families, imposed a family cap, and restricted eligibility for Medicaid. It would have denied legal immigrants eligibility for all public assistance programs. It would have reduced food stamp benefits by eliminating cost of living adjusters and denying eligibility to unemployed able-bodied individuals between the ages of 18 and 50 who are without dependents. The bill signed by the president in August 1996 increased the contingency fund to \$2 billion and child care funding to \$13.9 billion. It greatly expanded Medicaid coverage beyond what would have been permitted under the vetoed bill.

## **Balancing the Budget**

For many years, federal policy has often been driven by budget considerations. Nowhere has this been more obvious than in the debate over welfare reform.

Both the president and the Republican leadership had committed to balancing the federal budget in seven years. The Republicans decided that welfare reform should be made a part of the budget process. Over time, this decision drove up the welfare savings, and insulated these program funding reductions from some opposition. Controversial legislation is more likely to pass if it is included in an omnibus budget bill that members are likely to support.

Indicative of the determination to use welfare reform as a means to help balance the budget was the fact that the decisions on the legal immigrant provisions were made at the House Ways and Means Committee and the Senate Finance Committee—committees with jurisdiction over revenue and public money matters—rather than at the committees with jurisdiction over the various public assistance programs. The denial of public benefits to legal immigrants provided a significant percentage of the overall savings of welfare reform.

Once the commitment was made to pursue welfare reform in the budget, savings targets were imposed. These targets became more difficult to achieve with the subsequent decision that the nutrition programs would not be sent to the states as block grants with funding caps. The governors urged the Congress to maintain the then current funding levels for cash welfare, and President Clinton eventually succeeded in getting additional funding for child care for the children of parents who would be moved to the workforce under welfare reform. These concessions required that additional savings be found in the food stamp provisions and the provisions denying eligibility to legal immigrants, but they also made it virtually impossible for opponents of the food stamp and legal immigrant provisions to prevail. Those opponents could not overcome the impact of the savings targets.

The original welfare reform bills of 1994, designed to help people on welfare achieve economic self-sufficiency, would have actually cost taxpayers money. The final welfare reform bill signed in August of 1996 saved over \$54 billion.

## **Different Players**

For the first time in decades, liberal Democrats and advocates for the poor had only a marginal impact on welfare program changes. State governors wielded unprecedented power over welfare reform deliberations.

Traditionally, the three entities that have most influenced welfare policy have been advocates for the poor, state program administrators, and federal program administrators. During the welfare reform debate, governors or their representatives were frequently consulted by the congressional majority, while discussions with anti-poverty groups and Democratic members and staff were very infrequent.

After the president vetoed the first welfare reform bill, officials of the administration negotiated legislation acceptable to the Republican leadership of the Congress and the president. A channel to the administration gave congressional Democrats somewhat more input than they had enjoyed in the earlier debate.

## **Reform Modifications**

As popular as the concept of welfare reform is, reaching agreement on its specifics was not easy and may not yet be over. Although the second welfare bill sent to the president was acceptable to him, it was not acceptable to several of his welfare advisors; three of them quit the administration over the decision to sign the bill. In fact, when the president signed the measure, he promised that he would seek legislation to ameliorate what he perceived were its harshest provisions.

The administration's budget proposal for fiscal year 1998 would have provided funding for a welfare-to-work program, restored Supplemental Security Income (SSI)

and Medicaid eligibility for specified categories of legal aliens, reduced the adverse impact of a number of food stamp reforms, and restored Medicaid eligibility for certain children who lost SSI eligibility.

A stronger than anticipated economy allowed several of these proposals to be included in the recently enacted Balanced Budget Act (BBA). Signed by the president on August 5, 1997, it will increase direct federal spending over 5 years on welfare programs and the Food Stamp Program by almost \$15 billion.

The BBA establishes a 2-year program of welfare-to-work grants for recipients of the cash welfare program. Grants will be allocated to states to be used for job creation, on the job training, contracts with public or private providers of readiness, placement, and post employment services, job vouchers, and job retention or support services. Eligible entities for these grants are private industry councils, political subdivisions, or private entities. Seventy percent of the funds must be used for the benefit of long-time recipients with specified barriers to employment or who are about to lose their benefits due to the 5-year time limit on program participation. This grant program will cost \$2.7 billion.

Supplemental Security Income (SSI) has been restored by the BBA for elderly and disabled legal aliens. This restored SSI eligibility automatically renews Medicaid eligibility for these aliens. These provisions will restore approximately \$11 billion in benefits over 5 years.

The Food Stamp Act was amended by the BBA to provide additional funding to states to establish employment and training slots for childless able-bodied 18 to 50 year old recipients who are in danger of losing food stamp eligibility because they have been unable to find employment. Those recipients placed in one of the new slots will retain food stamp eligibility. The Congressional Budget Office has estimated that these provisions will cost \$1.5 billion.

A number of proposals to modify welfare reform have not yet found the requisite level of support to be enacted. Perhaps the proposal with the highest profile in this regard is one requested by several states to exempt cash welfare workfare recipients from the protections of the Fair Labor Standards Act (FLSA) and other labor laws. The Clinton administration has determined that the FLSA requires that cash welfare recipients in workfare jobs be compensated, with their cash welfare benefits, at no less than the minimum wage. In other words, these recipients cannot be made to work for their benefits for more hours than their benefits will support relative to the minimum wage, in spite of the fact that welfare reform requires that they work at least 20 hours per week. The Republican Congress tried to include the exemption requested by states in the BBA, but Democratic members and the administration (supported by organized labor) resisted, and the provision was not included in the bill signed by the president. Further attempts to enact this exemption are expected.

Beginning on August 22, 1997, most non-citizens became ineligible for participation in the Food Stamp Program. Advocates for non-citizens continue to work for reinstatement of food stamp eligibility for this group. At a minimum, eligibility is being sought for the children of legal aliens and those who are elderly or disabled. This proposal was included in bipartisan nutrition legislation, which was introduced in the House of Representatives on April 30, 1997. It was intended to restore funding reduced by welfare reform. This bill, the "Hunger Has A Cure Act of 1997," would cost greater than \$7 billion over 5 years.

## **Advocacy Focus**

The failure of another proposed welfare reform modification to be included in the BBA demonstrates the increasing focus of anti-poverty advocates at the state level, given the broad discretion granted to the states by welfare reform. That proposed modification would permit states to administer welfare programs and the Food Stamp Program through contracts with charitable, religious or private organizations. Welfare reform would permit such a contract to administer the cash welfare program, but the statutory authority for the Food Stamp and Medicaid programs requires that eligibility for those programs be determined by a *public official*, a requirement not contemplated by an expansive view of the concept of privatization.

For many months, the state of Texas sought the approval of the Clinton administration for a waiver to permit it to hire a private corporation to administer Temporary Assistance for Needy Families (TANF), the Food Stamp Program and Medicaid. Believing that it did not have the statutory authority to grant such a waiver, the administration rejected Texas' request. The Texas congressional delegation sought to include a provision in the Balanced Budget Act to permit the Texas project to go forward. The administration, strongly backed by the AFL-CIO and government unions, opposed this legislative effort.

Meanwhile, groups representing welfare recipients in the state of Texas had persuaded the Texas legislature that the privatization proposal warranted a second look. Although Texas claimed that such a contract, valued at \$2 billion over 5 years, could save the state \$100 million per year, local opponents cited the cost over-runs of similar government contracts awarded by other states to the two principal competing contractors, Lockheed Martin and Electronic Data Systems. Fearful that up to 15,000 state jobs might be eliminated and that kiosks would be used to serve welfare recipients, state anti-poverty groups opposed the state proposal. The Texas legislature, prior to final congressional passage of the BBA, passed legislation requiring legislative oversight and public input of any privatization plan. Ultimately, the concerns raised by local groups with the Texas legislature, coupled with pressure from the unions and the administration in Washington, caused the proposal to lose momentum in the final stretch and it was not included in the BBA.

Just as the federal welfare reform bill transferred responsibility for the welfare programs to the states, a number of states are now passing the responsibility down to counties and other local governmental entities. The most recent example of this devolution occurred in North Carolina, where the state legislature gave authority to 30 counties to determine the level of cash welfare benefits, the eligibility criteria, and the work requirements for poor families applying for welfare. Advocates for the poor must now marshal their resources to monitor and attempt to influence program development and implementation, not only at the state level but also at the local level.

## **Research is Critical**

Where does the safety net stand today? Let's look at the benefit reductions in the Food Stamp Program, the program retained to provide a federal social safety net. Under welfare reform, 6.7 million families with children will receive \$430 less in food stamp benefits in 1998 than they would have received if welfare reform had not occurred. The 1.76 million families with elderly members will receive \$165 less in food stamp benefits. In 1998, food stamp households with incomes below half the poverty line will lose an average of \$650 per year in food stamp benefits. Most legal immigrants lost eligibility for food stamp benefits on August 22, 1997.

Comprehensive research is vital to learn the full impact of welfare reform on low income families. Research is critical to determine if program improvements are necessary and to decide what those improvements should be. Most of those involved with the effort to develop our new welfare policy would agree that, with time, we will learn which changes have been successful and which will require modification.

To maximize the effort to help move poor individuals and families to positions of self-sufficiency, we must know why some succeed and others fail. If the welfare reform initiative is to be maintained, research studying the impact of welfare reform on recipients, former recipients, and those who would have been eligible had welfare reform not made them ineligible must be conducted so that improvements can be made to maximize the benefits of welfare reform. To effectively monitor the reform effort and respond appropriately to calls for improvements, policy makers must have access to the best possible data and not be forced to rely on anecdotal evidence.

## **What is Next?**

The next challenge for the states, the Congress and the administration is to ensure that welfare reform works, that those not working get jobs that will make them self-sufficient, and that the cycle of poverty is broken for millions of poor households.



Welfare reform may indeed work for those people willing and able to work, given a strong economy. Many argue that such people would have found work even without welfare reform. Indeed, it has been suggested that the twenty-five percent reduction in the welfare rolls since early 1994 is not the result of welfare reform but, rather, is the result of the strengthening economy.

It is unlikely that welfare reform will work for those with no skills, with mental disabilities and health problems, and with poor work habits. It is likely that the welfare rolls will again swell when the economy weakens and jobs become more scarce.

What, if anything, is the responsibility of the various levels of government toward those who fall through the safety net through no fault of their own? Only time can tell how we will answer that question.