

The 1996 Welfare Reform Law

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Summary

The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA, [P.L. 104-193](#)), signed on August 22, 1996, dramatically reshaped cash and food welfare programs and helped reduce federal welfare spending. It replaced the Depression-born program of Aid to Families with Dependent Children (AFDC) with fixed annual grants to states for Temporary Assistance to Needy Families (TANF) for six years, ending on September 30, 2002. It imposed a citizenship requirement for many benefits. It reduced spending on food stamps, Supplemental Security Income (SSI), child nutrition, and the Social Services Block Grant (SSBG). However, it increased funding for child care and created a mandatory block grant for care of children in low-income families.

At the time of passage, the Congressional Budget Office (CBO) estimated that the law would cut mandatory federal spending by a net total of \$54.1 billion over 6 years. Restrictions on benefits for noncitizens accounted for 44% of this total, and food stamp revisions for 43%. The 105th Congress rescinded and modified some 1996 budget cuts, restoring SSI, Medicaid and food stamp benefits to many aliens at an estimated 5-year cost of \$12.3 billion. Further, Congress in 1997 created Welfare-to-Work (WtW) grants (\$2.7 billion in estimated outlays for 2 years) to help states move severely disadvantaged TANF recipients into jobs, and it boosted funding for food stamp employment and training.

Highlights of Program Changes

Family Cash Aid. TANF ended unlimited matching funding for family cash welfare (AFDC) and created fixed block grants for state-designed programs of time-limited and work-conditioned aid to needy families with children. It broadened the goals of welfare to include reducing non-marital pregnancies and promoting two-parent families. It imposed a 5-year limit on basic ongoing aid paid with federal funds. It required states to engage recipients in state-defined "work" after 24 months of aid, achieve minimum participation rates in federally recognized work activities, and spend on needy families from their own funds at least 75% of the sum they spent in FY1994 on programs replaced by TANF -- maintenance-of-effort (MOE) rule.

Current TANF Legislation. Since September 30, 2002, when their original appropriations ended, TANF and related programs of mandatory child care, transitional medicaid, and abstinence education have been operating under quarterly extensions of spending authority, on the same terms as in FY2002. The most recent extension was made June 30, 2003, by [P.L. 108-40](#). In 2002 the House passed a bill ([H.R. 4737](#)) to reauthorize TANF, but the Senate did not. Main issues of contention were work rules and child care spending. On February 13, 2003, the House passed a new TANF reauthorization bill ([H.R. 4](#)), almost identical to the 2002 bill; and on February 14 the Senate received a very similar bill from the Senate Republican leadership ([S. 5](#)). Both [H.R. 4](#)

and [S. 5](#) propose to continue TANF basic grants at \$16.5 billion annually for 5 years, and to increase work requirements -- imposing a 40 hour work week and an eventual work participation standard of 70%. [S. 5](#) includes some additional changes, notably to the food stamp program.

Food Stamps. The 1996 law gave states more control over food stamp operations and coordination with family cash aid, added work rules for adults without dependents and expanded existing work requirements, cut future benefits, placed greater limits on eligibility, and expanded penalties for violating rules. Followup legislation ([P.L. 105-18](#)) allowed states to pay for food stamps for persons made ineligible for federally financed stamps by the 1996 law, and [P.L. 106-387](#) increased benefits for those with high shelter costs. The 2002 farm bill ([P.L. 107-171](#)) increased food stamp spending by \$5.7-\$5.9 billion over 10 years. Changes include granting food stamp eligibility to noncitizens after their first 5 years in this county).

Child Care. The 1996 law created a mandatory block grant for child care to low-income families and gave states more flexibility to design child care policies. The block grant entitled states to the amount of federal funds previously received for AFDC work-related child care, transitional child care, and at-risk child care. It also entitled states that meet an MOE child care spending requirement to extra funds, which they must match with state dollars. Appropriated for the block grant was \$13.9 billion over 6 years, more than \$4 billion above spending levels estimated by CBO for the replaced programs. The law also authorized \$7 billion in funding through FY2002 for the Child Care and Development Block Grant (CCDBG), and it permitted states to transfer up to 30% of their TANF grant to CCDBG. The combined funding streams provided by the 1996 law are referred to as the Child Care and Development Fund (CCDF). [H.R. 4](#) and [S. 5](#) propose to increase mandatory child care spending by \$1 billion over 5 years and permit 50% of TANF funds to be transferred to the CCDBG and the Social Services Block Grant (with a 10% limit on transfers to the latter). The Senate Finance Committee bill last year proposed an increase of \$5.5 billion in mandatory child care funding over 5 years.

Alien Eligibility for Welfare. The 1996 law barred states from giving federally funded TANF to newly arriving aliens (other than refugees/asylees) for the first 5 years of residence unless they have a substantial U.S. work history or military/veteran connection. Without regard to their arrival date, the same aliens were barred from food stamps and SSI, and the law placed similar constraints on Medicaid eligibility. However, 1997 changes restored SSI (and derivative Medicaid) eligibility for those enrolled at enactment of the 1996 law and those here then who later become disabled ([P.L. 105-33](#)). Amendments in 1998 restored food stamp eligibility for children, elderly persons, and disability benefit recipients who were in the United States at enactment. Further, as noted above, the 2002 farm bill restored eligibility for immigrants 5 years after their entry into the country. The Senate Finance Committee version of [H.R. 4737](#) would have permitted states to give federally funded TANF benefits to legal aliens who entered the United States on or after August 22, 1996 (and to give Medicaid and SCHIP to pregnant women and children who are legal immigrants).

Social Services Block Grant (SSBG). The 1996 Act reduced the \$2.8 billion entitlement ceiling for SSBG under Title XX of the Social Security Act by 15% and entitled states to \$2.38 billion annually in FY1997-FY2002. Beginning in FY2001, [P.L. 105-178](#) reduced the ceiling to \$1.7 billion. Actual appropriations have been below the ceiling except in FY1997 and FY2001. TANF law allows

states to transfer up to 10% of their TANF grant to SSBG in FY 2002. [H.R. 4](#) and [S. 5](#) would set this cap permanently at 10%.

Child Support Enforcement. The 1996 law required the federal government and the states to establish automated registries of child support orders and a directory of new employees (New Hires Directory) so as to track and locate absent parents. It also required states to operate an automated centralized collection and disbursement unit, streamline the paternity determination process, implement procedures to withhold, suspend, or restrict the use of drivers' licenses (and some other licenses) of debtor parents, and to adopt various other procedures.

Medicaid. The 1996 law required states to provide Medicaid to families who would be eligible for AFDC if that program still existed (as on July 16, 1996, with some modifications permitted in treatment of income).

Other Programs. Significant budget cuts were made by changes in other welfare programs. The 1996 law established a separate disability definition for children in the SSI program, which narrowed eligibility, and it reduced child nutrition subsidies, notably for meals and snacks in day care homes.

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Page last updated July 1, 2003.
