

Major Welfare Reforms Enacted in 1996*

During the second session of the 104th Congress, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Public Law (P.L.) 104-193) was enacted into law on August 22, 1996. Reversing the policy in effect for over 60 years, the Act repealed the open-ended Federal entitlement program known as Aid to Families with Dependent Children, replacing it with a new program called Temporary Assistance for Needy Families, which will provide block grants to States to be spent on time-limited cash assistance. The comprehensive legislation also made far-reaching changes to child care, the Food Stamp program, Supplemental Security Income (SSI) for children, benefits for legal immigrants, and the Child Support Enforcement Program. Modifications to child nutrition programs and a reduction in the Social Services Block Grant also were included in the new Act. Current law remains in force for other child welfare and child protection programs.

Highlights of changes in Social Security law will be examined along with the major provisions enacted in social welfare programs.

Social Security Provisions

Limited Eligibility of Noncitizens

Social Security benefits.—The payment of Social Security benefits to any noncitizen in the United States who is not lawfully present (as determined by the U.S. Attorney General), is prohibited unless the payment of benefits is made pursuant to a totalization agreement or treaty obligation. This provision is effective for benefits based on applications filed after the month of enactment.

Supplemental Security Income benefits.—SSI eligibility is denied for all noncitizens except the following:

- refugees (in the first 5 years after their arrival in the United States);
- asylees (in the first 5 years after the date they are granted asylum);
- noncitizens who have had deportation withheld under the Immigration and Naturalization Service (INS) section 243(h) (in the first 5 years after the date their deportations are withheld);

- certain active duty Armed Forces personnel, honorably discharged veterans, and their spouses and dependent children; and
- lawful permanent residents who are credited with 40 quarters of coverage for Social Security purposes. An individual will be credited with all quarters of coverage earned by his or her parent during the period the individual was under age 18, and a married individual (including widow(er)s) with all quarters of coverage earned by his or her spouse during the marriage. However, for quarters earned after December 31, 1996, a quarter will not count as one of the required 40 if the noncitizen, or person whose quarters are being credited to the noncitizen, received federally funded public assistance during the quarter the work was done.

The above provisions are effective upon enactment (August 22, 1996). The Commissioner of Social Security is required to notify all potentially affected beneficiaries on the SSI rolls of this provision by March 31, 1997, and to redetermine the eligibility of all noncitizens on the SSI rolls at the time of enactment who do not meet the new eligibility categories by August 1997. If a noncitizen is not in one of the exempt categories previously listed, his or her eligibility will end as of the date of the redetermination decision.

Deeming of sponsors' incomes and resources.—When determining SSI eligibility, the income and resources of the sponsors (and sponsors' spouses) are deemed to the noncitizen until citizenship is attained, with the following exception:

- Deeming will end before citizenship in the case of lawful permanent residents who earn 40 quarters of coverage. Deeming for children and spouses of workers can also end before citizenship if they are credited with 40 quarters; that is, an individual would be credited with all quarters of coverage earned by his or her parent during the period the individual was under age 18, and a married individual (including a widow(er)) would be credited with all quarters of coverage earned by his or her spouse during the marriage. However, for quarters earned after December 31, 1996, a quarter will not count as one of the required 40 if the noncitizen, or person whose quarters are being credited to the noncitizen, received federally funded public assistance during the quarter the work was done.

Unlike the previous deeming provision, no allocation of the sponsor's income and resources is set aside for the sponsor's use, and there is no exception for individuals who become disabled after entry.

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In addition to the "40 quarters" exception from sponsor-to-immigrant deeming provided for under welfare reform, provisions of the recently enacted immigration reform legislation (P.L. 102-208) exempt noncitizens whose income from all sources (including the sponsor) is not sufficient, in the absence of a cash assistance payment, to meet their need for food and shelter, and noncitizens who are battered spouses or battered children.

Requirements for affidavits of support for sponsorship.—The new law requires the following in sponsoring a non-citizen:

- In consultation with the Secretary of State and the Secretary of Health and Human Services, the Attorney General is required to develop a standard affidavit of support within 90 days after date of enactment. Effective with a date specified by the Attorney General, which will be no earlier than 60 and no later than 90 days after development of the standard affidavit, the new law requires that all newly signed affidavits be legally enforceable.
- Affidavits of support are legally enforceable against the sponsor until the noncitizen becomes naturalized. The affidavit will be enforceable for a period of 10 years after the noncitizen last received public assistance benefits, including SSI.
- The agency that provides assistance to a noncitizen is required to request reimbursement from the sponsor. If the sponsor does not respond or is unwilling to make reimbursement within 45 days after the agency's request, the agency may take legal action against the sponsor, and can hire individuals to collect reimbursement.

Reports to the Immigration and Naturalization Service.—Effective upon enactment, the Commissioner of the Social Security Administration (SSA) is required to furnish the name, address, and other identifying information to the INS of any individual that SSA knows is unlawfully in the United States. Such reports will be required at least four times a year. The Commissioner is also required to ensure that supplementary program agreements made with States also include provisions that they also furnish such information.

Childhood Disability Provisions

SSI Eligibility Based on Childhood Disability

A new disability standard for new and pending applications is established for children for whom an application is made for SSI disability benefits, or whose claim is finally adjudicated, on or after the date of enactment, regardless of whether implementing regulations have been issued.

- The comparable severity standard is eliminated. Instead, a child under age 18 will be considered disabled if he/she has a medically determinable impairment, which results in marked and severe functional limitations, and which can

be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.

- SSA is directed to eliminate references to maladaptive behavior in the domain of personal/behavioral function in the Listing of Impairments for children, and to discontinue the use of an individualized functional assessment in evaluating a child's disability.

Current recipients.—Benefits for recipients who do not meet the new childhood disability criteria terminate for the month beginning on or after July 1, 1997, or the date of the redetermination, whichever is later.

- No later than January 1, 1997, SSA is required to notify SSI recipients whose eligibility may be affected by the new eligibility criteria.
- Using the new criteria, SSA is required to redetermine the eligibility of these recipients no later than 1 year after the date of enactment.

Eligibility redeterminations and continuing disability reviews (CDRs).—The following requirements apply to benefits for months beginning on or after the date of enactment, regardless of whether implementing regulations have been issued:

- CDRs are required once every 3 years for recipients under age 18 with nonpermanent impairments; and not later than 12 months after birth for low-birth weight babies.
- The representative payee of a child recipient whose continuing eligibility is being reviewed is required to present evidence that the recipient is receiving treatment that is considered medically necessary and available, unless SSA determines that such treatment would be inappropriate or unnecessary. If the representative payee refuses to cooperate without good cause, SSA may change the payee.
- Eligibility redeterminations, using the adult initial eligibility criteria, must be conducted on all recipients upon attainment of age 18.
- The following present law requirements in the Social Security Independence and Program Improvements Act of 1994 (P.L. 103-296) are repealed: (1) that SSA redetermine, using the adult eligibility criteria, the eligibility of one-third of the recipients who attain age 18 in or after May 1995 in each of fiscal years 1996 through 1998; and (2) submitting a report regarding these reviews to the House Committee on Ways and Means and the Senate Committee on Finance not later than October 1, 1998.

Medical improvement review standard.—For months beginning on or after the date of enactment, regardless of whether implementing regulations have been issued, the Act makes conforming changes in the medical improvement review standard to reflect the new definition of disability for children who file for SSI benefits.

Funding.—To provide for the costs of processing CDRs and redeterminations, an additional \$150 million appropria-

tion is authorized in fiscal year 1997 and \$100 million in fiscal year 1998.

Regulations.—SSA is required to issue regulations implementing the changes relating to benefits for disabled children within 3 months after the enactment date. SSA is also directed to submit to Congress all final regulations pertaining to child eligibility at least 45 days before such regulations become effective.

Reports.—Not later than 180 days following the date of enactment, SSA is required to report to Congress on its progress in implementing the changes in the SSI disabled children's provisions. In addition, the General Accounting Office (GAO) is required to study and report to Congress not later than January 1, 1999, the impact that changes made by the new law have on the SSI program, and the extra expenses incurred by families of children receiving SSI benefits that are not covered by other Federal, State, or local programs.

Other SSI Changes

Prisoner reporting.—The new Act provides incentive payments from SSI program funds to State and local penal institutions for furnishing information (date of confinement and certain identifying information) to SSA, which results in suspension of SSI benefits (\$400 is provided for information received within 30 days of confinement or \$200 for information received from 31 to 90 days after confinement). This provision applies to individuals whose period of confinement commences on or after the first day of the seventh month beginning after the month of enactment. Related provisions are as follows:

- SSI reporting agreements under which incentive payments are made are exempt from the Computer Matching and Privacy Protection Act of 1988.
- The Commissioner of SSA is required to study and report to Congress within 1 year of enactment on the feasibility of prisoner reporting by courts and mandatory electronic reporting by correctional facilities for purposes of carrying out the suspension of benefits under the SSI program.
- Not later than October 1, 1998, SSA is required to provide Congress with a list of the penal institutions that are, and are not, providing information on possible SSI recipients.
- SSA is authorized to provide, on a reimbursable basis, information obtained pursuant to SSI reporting agreements under which incentive payments are made to any Federal or federally assisted cash, food, or medical assistance program for eligibility purposes.

Modifying effective date of applications.—The following provisions are effective for applications filed on or after the date of enactment:

- An individual's application for SSI benefits will be effective on the first day of the month following the date on which the application is filed, or on which the individual first becomes eligible, whichever is later. This amend-

ment, in effect, eliminates prorated payments for the month of application.

- The issuance of an emergency advance payment is permitted to an individual who is presumptively eligible and has a financial emergency in the month the application is filed (the month prior to the first month of eligibility).
- Emergency advance payments will be repaid through proportional reductions in benefits payable over a period of not more than 6 months.

Reduction in cash benefits payable to institutionalized individuals whose medical costs are covered by private insurance.—Cash benefits payable to children who are in an institution receiving medical care covered by private insurance are limited to not more than \$30 a month. This provision becomes effective for months beginning 90 or more days after enactment.

Installment payments of large past-due SSI payments.—The following provisions are effective the third month following the month of enactment.

- A schedule is established for paying retroactive SSI benefit amounts that exceed 12 times the monthly Federal Benefit Rate (FBR) plus the monthly State supplement level. Payments will be made at 6-month intervals.
 1. The first installment will be 12 times the FBR (\$5,640 based on 1996), plus any federally administered State supplement.
 2. Remaining retroactive benefits will be paid in a second installment (not to exceed the first payment amount).
 3. Additional retroactive benefits will be paid in a third installment.
- Where an underpaid individual has incurred debts to provide for food, clothing, or shelter, has expenses for disability-related items and services that exceed the installment limit, or has entered into a contract to purchase a home, the installment payment will be increased by the amount needed to cover these debts, expenses, and obligations.

Full retroactive payments are to be paid to an individual who is terminally ill. However, installment payments shall not apply to individuals whose medical impairment is expected to result in death in 12 months, or to an individual who is no longer eligible and is likely to remain ineligible for the next 12 months.

Dedicated savings accounts.—The following provisions are effective with respect to payments made after the date of enactment.

- The establishment of a bank account is required to receive retroactive SSI benefits that exceed six times the FBR for disabled/blind children (smaller amounts may be placed in such accounts once established).

- Accounts are excluded from resource counting; interest earned is excluded from income.
- SSA is required to establish an accountability system to monitor these accounts, and payees are required to report on the use of these funds.
- Funds can be used for:
 1. education or job skill training;
 2. personal needs assistance;
 3. special equipment or housing modifications;
 4. medical treatment, therapy, or rehabilitation; or
 5. other items or services SSA determines appropriate.
- Expenditures must be for expenses related to the impairment of the child.
- Unauthorized expenditures constitute misapplication of benefits and are recoverable from the payee.

Denial of benefits for fugitive felons and parole violators and exchange of information with law enforcement officers.—Effective upon enactment:

- SSI eligibility is denied in any month in which an individual is fleeing prosecution, is a fugitive felon, or is violating a condition of probation or parole imposed under State or Federal law.
- SSA is required to provide, upon written request of any law enforcement officer, the current address, Social Security number (SSN), and photograph (if applicable) of any SSI recipient, provided that the request includes the name of the recipient and other identifying information, and notifies SSA that the recipient:
 1. is fleeing to avoid prosecution, or custody or confinement after a felony conviction;
 2. is violating a condition of probation or parole; or
 3. has information that is necessary for the officer to conduct official duties, and the location or apprehension of the recipient is within the officer's official duties.

Denial of SSI benefits for 10 years to individuals who have misrepresented residence in order to obtain benefits in two or more States.—Effective upon enactment, SSI benefits are denied for 10 years to an individual convicted in Federal or State court of having made a fraudulent statement with respect to his or her place of residence in order to receive benefits simultaneously in two or more States.

Annual report on the SSI program.—Not later than May 30 of each year, the Commissioner of SSA is required to report to the President and the Congress regarding the SSI program, including:

- a comprehensive description of the program;
- historical and current data on allowances and denials, reconsiderations, administrative law judge hearings and

- appeals, characteristics of recipients, and program costs;
 - historical and current data on prior enrollment by recipients in public benefit programs;
 - projections of future numbers of recipients and program costs, through at least 25 years;
 - information on redeterminations, continuing disability reviews, utilization of work incentives, administrative costs, and State supplementation program;
 - summaries of relevant research; and
 - an historical summary of statutory changes to the SSI law.
- Effective upon enactment, each member of the Social Security Advisory Board is permitted to include his or her views on the SSI program in the annual report.

Use of Social Security Numbers

Social Security Card

The Commissioner of Social Security is required to develop a prototype of a counterfeit-resistant Social Security card that:

- is made of durable, tamper-resistant material (for example, plastic);
- employs technologies that provide security features (for example, magnetic strip); and
- provides individuals with reliable proof of citizenship or legal resident alien status.

The Commissioner is also required to study and report on different methods of improving the Social Security card application process, including:

- evaluation of the cost and workload implication of issuing a counterfeit-resistant Social Security card for all individuals over a 3-, 5-, and 10-year period; and
- evaluation of the feasibility and cost implications of imposing a user fee for replacement cards and cards issued to individuals who apply for such a card prior to the scheduled 3-, 5-, and 10-year phase-in options.

A report and a facsimile of the prototype card is due to Congress from the Commissioner within 1 year of the date of enactment.

Expansion of the Federal Parent Locator Service.—Effective upon enactment, the new Act requires the Department of Health and Human Services (HHS) to transmit to SSA, for verification purposes, certain information about individuals and employers maintained under the Federal Parent Locator Service in an automated directory to be known as the National Directory of New Hires. SSA is required to verify the accuracy of, correct, or supply to the extent possible, and report to HHS the name, SSN, and birth date of individuals and the employer identification number of employers. SSA will be reimbursed by HHS for the cost of this verification service.

Collection and use of SSNs for use in child support enforcement.—Effective upon enactment, this provision provides

that State child support enforcement procedures would have to require that the SSN of any applicant for a professional license, commercial driver's license, occupational license, or marriage license be recorded on the application. The SSN of any person subject to a divorce decree, support order, paternity determination or acknowledgment would have to be placed in the pertinent records. SSNs will also have to be recorded on death certificates.

Welfare Reform Provisions

Block Grants

Title IV-A of the Social Security Act, which provided open-ended matching grants to States for aid and services to needy families with children (AFDC), is replaced by giving to States cash block grants for temporary assistance for needy families (TANF). The legislation ends the Federal entitlement of individuals to cash assistance under Title IV-A, giving States complete flexibility to determine eligibility criteria and set benefit levels. States have until July 1, 1997, to submit a plan and begin implementing the TANF block grant, but the maximum funding a State may receive in fiscal year 1997 (which began October 1, 1996, and ends September 30, 1997) is its block grant allocation. States may opt to implement the block grant immediately after allowing for a 45-day comment period on the State plan by local governments and private organizations, and subject to appropriation of the block grant funds by the State legislature. States may use their TANF allocation in any manner reasonably calculated to accomplish the purpose of the program. Activities that were authorized under Titles IV-A and IV-F of the Social Security Act as of September 30, 1995, are also eligible uses. States also have the option to carry over TANF block grant funds for the purpose of providing assistance in future years, making payments or vouchers for employment placement programs, implementing an electronic benefits transfer (EBT) program, and treating families, who have moved from another State, for 12 months under the cash assistance rules operating in that State, including benefit levels.

States may transfer up to 30 percent from the TANF block grant into the child care block grant and the Social Services Block Grant (SSBG), but no more than 10 percent to the latter. Additionally, funds transferred to SSBG must be spent on services to children and families whose incomes do not exceed 200 percent of the poverty level.

Over the coming years, the Federal cash block grant will provide States with at least their 1995 level of funding, and a total of \$16.4 billion per year will be provided under the basic block grant. Altogether, States will initially receive about \$3 billion more in Federal cash welfare and child care funds under the new law than the old one. Additional guaranteed funding will be provided to help States cope with specific problems. A contingency fund of \$2 billion in Federal matching funds is provided for fiscal years 1997 to 2001 for States experiencing economic downturns, and \$800 mil-

lion is available in grants for States that experience population growth and have low benefit levels. States will have to maintain 100 percent of prior spending to access contingency funds. Up to \$1.7 billion is available in loans for States that could also be used in case of recession.

States must maintain at least 75 percent of prior levels of State spending or lose Federal funds; those that fail to meet work requirements will have to maintain at least 80 percent. States that are successful in achieving the goals of the block grant in fiscal years 1998 to 2002 will be eligible for a share of a new \$1 billion "high performance" fund, spread over 5 years (\$200 million per year). The legislation places a 15-percent administrative cap on States' use of TANF funds for administrative activities, but this does not include spending on information technology and computerization needed for tracking and monitoring recipients of assistance.

The States that experience the greatest reduction in out-of-wedlock births without increasing abortions will receive added cash grants of up to \$25 million per year. States are given tools and incentives to combat such births—they can stop payments to unmarried teens; deny aid to teen parents unless the mother stays in school and lives with an adult; or establish a family cap policy. Parents who refuse to cooperate on obtaining child support will have their grants reduced by a minimum of 25 percent. Various other child support reforms designed to collect more funds from absent parents are also included in the law.

Medicaid

While comprehensive Medicaid reform was not included in the welfare reform bill, several important changes were made with respect to categorical eligibility for Medicaid based on receipt of welfare and immigrant status. Under prior law, persons eligible for assistance under Title IV-A are automatically entitled to coverage under the State's Medicaid program. The new law severs this automatic link and amends Title XIX of the Social Security Act to say that any reference in Title XIX to eligibility under Title IV-A shall mean the State's AFDC State plan as it existed on July 16, 1996. A State can modify those "frozen" plans in three ways:

- It can lower its income standards, but not below the level applicable under its AFDC State plan as of May 1, 1988;
- It may increase income or resource standards and medically needy income levels by an amount not to exceed the consumer price index; and
- It may use income and resource methodologies that are less restrictive than the methodologies used under the State plan as of July 16, 1996.

For transitional Medicaid, the new legislation provides the following:

- Prior Medicaid law regarding transitional assistance is retained. Families losing eligibility for cash assistance due to increased child support will receive 4 months of

transitional Medicaid; those losing cash assistance due to increased earnings will receive 12 months;

- Transitional assistance provisions, previously due to sunset in 1998, are extended to the year 2001; and
- States will have the option to terminate medical assistance for persons denied cash assistance because of refusal to work; however, pregnant women and minor children are protected.

A State with a waiver of certain Title IV-A provisions in place or approved by the Department of Health and Human Services on or before July 1, 1997, will have the option to continue to operate under that waiver with regard to eligibility for medical assistance. The new Act allows HHS to increase the Federal share of administrative costs associated with the implementation of the new eligibility rules, up to a total Federal expenditure of \$500 million over 4 years.

With regard to Medicaid services for aliens, the following will apply:

- As of January 1, 1997, a State will have the option of denying Medicaid coverage to persons who are legal residents but not citizens;
- New immigrants will be automatically barred for 5 years after entry. After that, the State may offer Medicaid coverage but will have to apply deeming provisions. Certain exceptions are provided for persons who have worked for 40 quarters in covered employment, or who have served in the military;
- Legal immigrants who will be losing SSI benefits will also lose Medicaid coverage. Accordingly, aged, blind, and disabled immigrants will not be categorically eligible for Medicaid. If a State wishes to extend Medicaid coverage to these individuals, it will have to do so through optional eligibility categories; and
- No State may deny coverage of emergency medical services to either legal or illegal aliens.

These changes are effective no later than July 1, 1997, and earlier at State option.

Work Requirements

Adults in families receiving assistance funded by the block grant are required to participate in work activities after receiving assistance for 2 years (subject to good-cause exemptions by the State). Recipients must be participating in community service within 2 months of receiving benefits if they are not working. States may opt out of this community service requirement with a letter from the governor to the Secretary of the Department of Health and Human Services.

Lifetime cash welfare benefits will be limited to 5 years per family. A State may not use any part of the TANF cash block grant to provide additional assistance to a family that includes an adult who has received 5 years worth of benefits,

whether or not consecutive, under a State program funded by the TANF block grant. However, States may use their own funds to provide assistance after 60 months. This prohibition applies to the entire household and to all forms of assistance under the grant. For families currently receiving assistance, the 5-year clock will start on the date the State begins implementation of the block grant. Child-only cases are not subject to the 5-year limit. Months spent on welfare as a dependent child do not count toward the limit. A State may exempt up to 20 percent of its average monthly number of families receiving assistance from the lifetime limit by reasons of hardship, including families with members who have been battered or subject to extreme cruelty. The Title XX social services block grant (along with the expanded child care block grant) can be used to provide vouchers to assist children in families that have reached the time limit.

States will be required to have 50 percent of welfare families working by the year 2002 and beyond. Those that fail to meet annual goals will lose Federal funds, and increasing penalties will apply against States that fail year after year. If a two-parent family receives federally funded child care, both parents must work, with exceptions for parents of severely disabled children or parents who are themselves disabled.

Child Support

To ensure that children receive the support they are due on time and in full, the new law contains sweeping revisions of the Federal child support statute and restructures the administration of child support into centralized collections, disbursement, and nationwide registries designed to achieve four major goals: (1) establish uniform State tracking procedures; (2) promote automation of child support procedures in every State; (3) take strong measures to establish paternity; and (4) ensure tough child support collection efforts.

Restricting Welfare and Public Benefits for Noncitizens

Numerous changes were made in the eligibility of illegal and legal noncitizen residents for Federal, State, and local public welfare benefits. In general, all noncitizens are now ineligible for SSI and food stamps until they become citizens or have worked for at least 10 years (40 quarters). Noncitizens who arrived after August 22, 1996, will not be eligible to receive most Federal welfare benefits during their first 5 years in the United States, with limited exceptions—certain categories of noncitizens, such as refugees and veterans and their families; and certain programs such as emergency medical services, foster care and adoption payments, and education and job training programs. After 5 years, future entrants will continue to be ineligible for SSI and food stamps until citizenship is granted, or until they have worked for 10 years. Cash welfare, Medicaid, and Title XX social services may be available at State option. Stricter controls

will apply to illegal aliens for Federal, State, and local benefits. States are authorized to specify the eligibility of legal noncitizens for State and local benefits. This allows States to follow the restrictions placed on Federal benefits in providing State and local assistance. Congress further amended the welfare reform law (P.L. 104-208), allowing legal immigrants who were in the U.S. prior to August 22, 1996, to receive food stamps until April 1, 1997, and a few months longer in some cases.

Deeming (the process of counting a sponsor's income along with that of a sponsored noncitizen when determining eligibility) will be expanded to apply to most Federal benefit programs. Sponsorship documents will be made legally enforceable so that if sponsored aliens qualify for benefits, their sponsors will be required to reimburse any costs to taxpayers. Both deeming and sponsorship will continue until the alien becomes naturalized, unless the sponsored noncitizen has worked for at least 10 years.

Child Protection Program and Foster Care and Adoption Assistance

All prior law programs under Title IV-B (child welfare services) and Title IV-E (foster care and adoption assistance services) of the Social Security Act are retained. All open-ended entitlement funding for foster care and adoption assistance, as well as capped entitlement funding for Independent Living and Family Preservation and Support, is preserved. The only changes to prior law are an extension for funding for child welfare data collection and allowing for-profit facilities to be paid for serving foster care youths.

Child Care

To assist low- and moderate-income parents in paying for child care, all major child care programs are consolidated into a single block grant, the Child Care and Development Block Grant (CCDBG). This consolidation is intended to eliminate conflicting income requirements, time limits, and work requirements between and among separate programs under prior law. Funding for the CCDBG will be partially mandatory and partially discretionary. Child care funds made available through the block grant will total \$15 billion in entitlement funding over 7 years (1996-2002). Additionally, the proposal authorizes \$1 billion each year in discretionary funds. The block grant will contain provisions that promote parental choice and give parents the authority to decide where to send their child for day care services, including the option of receiving assistance through vouchers or cash. Federal child care health and safety standards continue as under prior law.

Child Nutrition

Reimbursement rates for the Summer Food Program are set at \$1.97 per lunch. Meal reimbursement rates for the

Family Day Care Home Feeding Program are reduced for families in middle and upper income neighborhoods in order to introduce a means test in a program that currently provides free meals, regardless of income. Reimbursement rates for full price participants in the School Lunch and Breakfast programs are to be rounded down to the nearest cent rather than to the nearest quarter of a cent in calculating future inflation adjustments. School breakfast incentive start-up grants are discontinued.

Food Stamps and Commodity Distribution

The Food Stamp program remains a Federal program, providing food to families in need of assistance. All automatic spending increases are ended, but benefits will continue to be based on the U.S. Department of Agriculture's thrifty food plan, though at 100 percent of cost rather than 103 percent as under current law. The thrifty food plan will be adjusted annually to reflect changes in the cost of food. States will be allowed to harmonize their Food Stamp program rules with those of their cash welfare block program for families receiving benefits from both programs.

Able-bodied individuals between the ages of 18 and 50 with no dependents will be required to work at least 20 hours a week or participate in a State work program in order to continue to receive food stamps for more than 3 months out of every 36-month period; an additional 3-month period of eligibility is provided for persons returning to work but later laid off. Qualifying work programs include programs under the Job Training Partnership Act or the Trade Adjustment Assistance Act; State or local programs approved by the governor of a State, including a food stamp employment and training program; and workfare. States can encourage employers to participate in an approved wage supplementation program so that welfare recipients have an opportunity to work in real jobs.

The standard deduction will remain frozen at fiscal year 1996 levels—\$134 for the 48 States and the District of Columbia.¹ The excess shelter deduction will remain capped at current-law levels through December 31, 1996—\$247 for the 48 States and the District of Columbia—then rise incrementally to \$300 through fiscal year 2001. Low Income Home Energy Assistance Program (LIHEAP) payments will not be counted as income. The homeless shelter allowance is maintained at current levels, and an increase in the shelter deduction over time is permitted. However, the level to which the deduction can rise is capped. The threshold above which the fair market value of vehicles is counted as an asset in determining food stamp eligibility is increased to \$4,650.

To curb fraud and trafficking in the Food Stamp program, forfeiture of property is authorized, with the proceeds to be used to reimburse law enforcement officials. States are required to implement food stamp electronic benefit transfer systems by October 1, 2002, unless waived. Systems must be cost neutral over the life of the program. Within 2 years,

State EBT systems shall include, to the extent practicable, retailer scanning devices that differentiate between allowable and nonallowable food items.

Mandatory funding for The Emergency Food Assistance Program (TEFAP) is authorized at \$100 million. Several other small commodity donation programs are reorganized into TEFAP.

Earned Income Tax Credit (EITC)

The modifications made to the EITC are intended to improve tax compliance and direct the credit to needy working families. The EITC is denied to individuals who are not authorized to be employed in the United States, or who do not have valid Social Security numbers, or have numbers assigned solely for nonwork purposes; and allows the Internal Revenue Service to use expedited procedures to correct EITC claims when there is an incorrect or missing taxpayer identification number on tax returns. The legislation also changes the definition of adjusted gross income used to determine the phaseout of EITC benefits, and the threshold above which an individual is not eligible as a result of having disqualified income (for example, interest, dividends, rents, royalties) is reduced from \$2,350 to \$2,200, indexed for inflation after 1996.

Miscellaneous Provisions

Other provisions under welfare reform include:

- Federal block grant funds must be expended in accordance with the laws and procedures applicable to the expenditure of the State's own resources (that is, appropriated through the State legislature in all States; however, States must continue to spend Federal funds in accordance with Federal law).
- States may test welfare recipients for use of controlled substances and may sanction those who test positive.
- Funding for the Title XX Social Services Block Grant is reduced by 15 percent in fiscal years 1997 through 2002; however, some of these funds were restored in the fiscal year 1997 appropriations bill (P.L. 104-208).
- Housing benefits for fugitive felons and probation and parole violators are ended.
- The reduction of public housing rents for persons whose income declines as a result of being sanctioned for failure to follow State welfare program requirements, such as the work requirements, is prohibited.
- National goals will be established to prevent out-of-wedlock teenage pregnancies.

- A new mandatory appropriation of \$50 million is provided annually through the Maternal and Child Health Care Block Grant to fund abstinence education programs to combat teenage pregnancy and illegitimacy.
- The use of electronic benefit transfer systems is encouraged.

Note

¹ Deduction levels are somewhat higher in Hawaii and Alaska.