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An update on state and federal action from

The Center for Public Policy Priorities

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Only Your Calls Will Stop the Terrible Welfare Bill Now in Conference.

The President is leaning toward signing the welfare reform legislation, but he is watching the public reaction closely. The time is now for you to make your voice heard.

Call the President's comment line at: 202-456-1111, Fax him at 202-456-6218 and/or email the President at president@whitehouse.gov.

Call White House Chief of Staff Leon Panetta at: 202-456-6796 or 456-6797 or Fax him at 202-456-2883. Write or call your local media and tell them how bad the current bills are.

House and Senate Welfare Bills Now in Conference Negotiations

On July 18th the House passed their version of the welfare bill by a vote of 256-170. On Tuesday July 23rd the Senate voted 74-24 to pass the Republican leadership bill HR3734. While the Senate did pass a few moderating amendments (and one odious one) the bill remains disastrous for poor children and families. The Senate adopted two positive child care amendments, an amendment to protect Medicaid coverage for those who lose cash benefits under the bill and eliminated the state option food stamp block grant. Additionally, our own Sen. Gramm attached an amendment that would cut off all non-emergency federal means-tested aid (of any kind) for five years to persons convicted of a drug related misdemeanor, and for **life** to persons convicted of a drug related felony. Four Texans are on the conference committee. They are: Congressman Bill Archer, Congressman Lamar Smith, Congressman Charles Stenholm and Senator Phil Gramm. Though everyone should be contacting the President urging a veto, conferees also should be contacted and urged to moderate the bill in their negotiations.

These Bills Are Worse Than Those Already Vetoed

Many people assume the current House and Senate welfare bills are much more moderate than the welfare bill vetoed in January. There is no question the welfare bill has been moderated in some areas, such as through the provision of more money for child care, but they are more severe than the vetoed bill in other areas.

The current bill contains overall reductions *as deep or deeper* than those in the vetoed welfare conference report. According to the Congressional Budget Office, the vetoed bill contained \$59 billion in cuts. CBO has reported that the current House bill contains \$62 billion in cuts, \$3 billion more than the vetoed bill, while the Senate bill contains \$59 billion, the same level as in the bill rejected in January.

The structural changes in the AFDC program are the most radical in the bill, and over the long term, could have a severe impact on the well-being of large numbers of poor children. However, most of the cuts actually come from other programs, including the Supplemental Security Income program for the elderly and disabled poor, the food stamp program, and Medicaid. Low-income disabled children, working poor families, the elderly poor, and poor

legal immigrants would be among those severely by the sweeping benefit cuts the legislation contains.

The legislation also fails to provide adequate funding to create the number of work slots the legislation ostensibly calls for. This large funding shortfall increases the likelihood that many families will be cut off public assistance without receiving sufficient aid in moving into employment or being provided a workfare slot.

Food Stamps

The depth of the food stamp cuts is stunning. The House bill cuts food stamps nearly \$31 billion over six years, including the food stamp legal immigrant cuts. This is nearly *\$3 billion more* than the food stamp cuts in the welfare bill vetoed in January. (Excluding the immigrant cuts, the House bill's food stamp cuts are \$2 billion deeper than those in the vetoed bill.) The Senate bill cuts food stamps as much as the bill vetoed in January, and over \$4 billion, or 18 percent, more than the Senate welfare bill of last fall.

By 2002, the Senate bill would cut the food stamp program nearly 20 percent, the equivalent of reducing benefits from their current average of 80 cents per person per meal to 66 cents per person per meal. The House bill would cut the program by 22 percent in 2002.

A substantial portion of the food stamp benefit reductions in the bill would come in the form of across-the-board benefit reductions that would affect nearly all recipient households, including families with children, the working poor, the elderly, and the disabled. Only about two percent of the savings in the bill would come from provisions to reduce fraud and abuse, impose tougher penalties on recipients who violate program requirements, or reduce administrative costs.

The most severe provision in both bills would terminate food stamps after just a few months for unemployed adults who are not elderly or disabled or raising children *without offering them a work slot or other opportunity to work*. The House bill is particularly draconian in this area, it limits food stamps for these individuals to three months, while unemployed, during their adult lifetimes up to age 50. A factory worker who receives food stamps for three months while unemployed during a recession, then works for 10 or 15 years and is laid off in a later recession, would be ineligible for food stamps, the worker would have exhausted his or her three months of food stamps during the initial recession.

The Congressional Budget Office estimates that under this provision, more than *one million individuals a month who are willing to work and would accept a work slot if one were available would be denied food assistance*. Some 40 percent of those who would be affected are women; one-third are over age 40.

The Senate bill also is very harsh in this area. In general, it would deny food stamps for this group of unemployed individuals after four months if they are not participating in a work program. Because the bill provides virtually no additional resources for work programs, CBO estimates that about 500,000 individuals who are willing to work but are not offered a work slot would be denied food stamps in an average month under the Senate version.

The House bill also includes an option for states to convert the food stamp program to a block grant fails to respond to increases in poverty, unemployment, or food prices. The Senate approved an amendment on July 23 dropping this option, but to secure votes for passage, the amendment added \$1.2 billion in additional, across-the-board food stamp cuts in lieu of the block grant option.

Income Support and Work Programs

Neither the House nor the Senate bill requires states to provide vouchers or other non-cash aid to help meet the needs of children made destitute when their families hit the federally imposed five-year time limit, or a shorter limit set by a state, and cannot find a job. The Administration has called for mandatory vouchers for children affected by a time limit. Failure to include such a provision affects large numbers of poor children. For example, approximately 5.5 million children would be affected if all states imposed a two-year time limit. In fact, both bills *prohibit* states from using federal block grant funds to provide non-cash aid to children affected by the federal five-year time limit.

Furthermore, under both bills, states would no longer have any obligation to provide assistance to a poor child, even if the child's family was very poor and met all of the state's eligibility requirements and the parents were willing to perform workfare and meet any work requirement. States could deny aid to any category of poor families; they could set time limits on aid of as short a duration as they wished, with no obligation to provide exemptions in cases of hardship. In addition, if a state was facing a fiscal shortfall, such as during a recession, families with poor children in need of assistance could be put on a waiting list or turned away.

Adding to these problems, the House bill would deny the federal government the right to enforce federal law in many areas. States could violate many federal rules, and even their own state plans, with impunity.

Inadequate Resources for Work Slots While supporters of the bills often claim the legislation will convert the welfare system into a work-based program, the bills fail to provide the resources necessary to achieve this goal. CBO estimates show that the bills fall about *\$12 billion short* of what would be needed to meet the bills' requirements that states place increasing percentages of recipients in work programs. This funding shortfall will make it difficult or impossible for many states both to meet the new work requirements and to provide modest income support for families in need. States could be faced with unpalatable choices, including rendering families ineligible for assistance to reduce costs and meet the work participation requirements more easily, reducing basic cash assistance to free up money for work programs, and failing to meet the work requirements and facing a federal fiscal penalty.

The shortage of federal funds for work programs is further compounded by provisions in the legislation permitting states to withdraw large amounts of state money from work and income support programs. Both bills permit states to withdraw 20 percent of their state funding, amounting to \$27 billion over six years compared to current law, without losing any federal block grant funds. The House bill makes this problem more serious by allowing states to transfer 10 percent of block grant funds to the Social Services Block Grant where this money could be used to supplant other state fund now used to finance state-supported social services. States faced with fiscal crunches (like Texas), and with more powerful constituencies seeking funds for other purposes, could use this new authority to withdraw or transfer funds, thereby further shrinking an already inadequate pool of resources for work programs and cash assistance.

Contingency Fund Inadequate in Recessions The problems will become most acute during recessions. While federal AFDC expenditures rose \$6 billion over three years during the recession of the early 1990s, the House and Senate bills provide just \$2 billion in contingency funds over five years. The contingency fund is likely to run out part way through the next recession. In addition, the contingency fund is badly designed. States qualifying for the fund for part –

rather than all – of a calendar year would have to put up \$2, \$3, or \$4 in additional *state* funds for each \$1 they receive in federal contingency funds. Requiring states to put up 70 percent or 80 percent of the cost of such assistance, especially during recessions, is unprecedented. The likely result is that *many states will fail to access the contingency funds when their economies falter because they will not expend the funds needed to meet these unrealistic matching requirements.* Serious hardship is likely to result.

Legal Immigrants

The cuts in assistance to legal immigrants are deeper in both the House and Senate bills than in the vetoed welfare bill. The vetoed welfare bill contained \$22 billion in benefit cuts in this area. The Senate bill has \$23 billion, while the House bill now has \$29 billion. The House and Senate bills both ban the overwhelming majority of legal immigrants from receiving subsistence benefits. Among those banned are poor legal immigrants who have no place else to turn because they have no sponsor, their sponsors are impoverished, or their sponsors have died. While the original House welfare bill last year exempted legal immigrants who are over 75 or severely disabled from these bans, and the original Senate bill made exceptions for victims of domestic violence and people who would face severe hunger or homelessness, the current House and Senate bills contain no such exemptions.

Particularly severe are the provisions that would deny Medicaid to large numbers of legal immigrants. Most poor elderly and disabled immigrants are likely to find purchase of individual health insurance prohibitively expensive. Imagine an 80-year old poor legal immigrant with a heart condition trying to buy a policy. The House bill is the harshest in this area. The House altered its bill last week to

make the Medicaid legal immigrant cuts *more than twice as deep* as they were previously. The House bill now bans virtually all legal immigrants, including immigrants already in this country, the very old, and the severely disabled, from receiving Medicaid until they work 40 quarters (i.e., at least 10 years) or become citizens.

Overall Effects

One effect of the legislation would be a large increase in poverty, especially among children. Most children who would be pushed below the poverty line are in families that are already working; their families would be pushed into poverty by the food stamp cuts or by a loss of benefits because they are legal immigrants. Welfare families that are not working are already poor; most of them would be made poorer by the bill, especially by the food stamp cuts. Based on the findings on the effects last year's welfare bills would have on poverty, it appears that if the pending legislation is enacted, it will increase the depth and the extent of poverty more than any other piece of legislation enacted in recent decades.

A recent international study found that while the average income of affluent U.S. children is higher than that of affluent children in all other western industrialized nations, the average income of poor children in the United States is already lower than that of poor children in 15 of the other 17 western nations studied. It is against this backdrop the current welfare bill and its expected effects in increasing the extent and depth of child poverty must be considered. This is one international competition in which the United States cannot take pride in its performance.

Thanks to the Center on Budget and Policy Priorities for materials used in the above report.

A Reminder and Update on State Tax Reform Efforts

As reported in the last *Policy Page*, the Citizens' Committee on Property Tax Relief is continuing hearings around the state. Business and anti-tax groups have dominated the first few hearings. Advocates for low- and moderate-income Texans need to appear before the committee to focus its attention on increasing the equity of the Texas tax system. The Center will be happy to help you prepare testimony by providing you with detailed information about the governor's proposals and their effect on Texas families. Hearings have been rescheduled to start at 9:30 am, rather than in the afternoons as previously scheduled, and are in the following cities on the following dates

Wednesday, July 30, 1996 in **Fort Worth** at the Amon Carter Exhibit Building
Thursday, August 1, 1996 in **Dallas** at the UT Southwestern Medical Center at Dallas
Thursday, August 8, 1996 in **Beaumont** at Lamar University
Tuesday, August 13, 1996 in **Houston** on the University of Houston Campus
Thursday, August 22, 1996 in **Amarillo** at the Garden Center Auditorium
Thursday, August 29, 1996 in **Lubbock** at Methodist Hospital
Friday, September 6, 1996 in **Wichita Falls** on the Midwestern State University Campus
Monday, September 9, 1996 in **San Antonio** in the City Council Chambers
Thursday, September 19, 1996 in **Austin** on the University of Texas Campus

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