

## *California Families and Welfare Reform*

With the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, Congress signed into law the most sweeping changes in welfare since the 1960s. Although the legislation affects more than a dozen programs, the most dramatic change lies in the elimination of Aid to Families with Dependent Children (AFDC). In its place, the law calls for a new program known as Temporary Assistance for Needy Families (TANF). TANF changes not only the AFDC rules for eligibility but also the federal funding mechanism, giving the states block grants rather than flexible funding tied to the number of recipients.

The underlying goal of the reform legislation is to move families from welfare to work. Hence, TANF includes certain restrictions: To continue receiving assistance, the parent(s) must work at least part-time within two years, and families have a five-year lifetime limit on benefits. At this point, no one can accurately predict the consequences of the reforms, because no one knows how people will respond to the work requirements or how states will reshape their welfare systems.

To help California policymakers consider reform options, Thomas MaCurdy and Margaret O'Brien-Strain developed a comprehensive profile of welfare use in the state. Their report, *Who Will Be Affected by Welfare Reform in California?*,

- Examines the changes imposed by the federal legislation,
- Identifies and describes who receives public assistance in California, including how much they rely on the welfare system, and
- Investigates how those most seriously affected by the reforms differ from other welfare recipients and the working poor.

This is the first time such an analysis has been undertaken for California. It has two unique features. The first is its focus on families: Most welfare statistics are derived from

administrative data and focus on individual cases. This research uses families and family income to develop a picture that more fully reflects the economic situation of welfare recipients. The second feature is its consideration of the total income a family may be receiving from different welfare programs, as well as from other sources. Looking at a family's aggregate income may clarify which families are most vulnerable under the new legislation.

Using data from the Survey of Income and Program Participation (SIPP), the researchers examined monthly data on 5,000 families participating in welfare programs during a 21-month period in 1993 and 1994. The survey collected data on recipients while they were both on and off welfare, including information on income from different welfare programs, as well as from employment and non-welfare sources such as interest, Unemployment Insurance, and Social Security.

### *Who Is Receiving Welfare and How Much?*

*Twenty-four percent of California families participated in a major welfare program in 1993–1994.* The major welfare programs are considered to be AFDC, Supplemental Security Income (SSI), Food Stamps, and Medi-Cal. About 30 percent of these families participated in AFDC, and a little fewer than 30 percent participated in SSI, a cash welfare program supporting low-income disabled or elderly people. The remaining 40 percent of these families participated in Food Stamps or Medi-Cal.

*The data counter some popular perceptions of the welfare population.* It is ethnically mixed. Non-Hispanic whites constitute the largest participant group in all major programs except Food Stamps: There, Hispanic families represent the largest share. Nearly 60 percent of the heads of welfare families had completed high school; many had some college education. Most welfare families do not include a woman who was ever a teenage mother. Families participating in major welfare programs typically receive benefits from a number of different programs at once.

*Welfare is not a way of life for most families.* Nearly one-fourth of all recipients participated only in Medi-Cal and received no cash benefits. Although almost one million of California's 13 million families included a member who received AFDC during 1993–1994, two-thirds of these families also had earnings during this period, simultaneously working and collecting AFDC in 31 percent of the months spent on AFDC.

### ***Who Will Be Most Affected by Reform?***

Despite, TANF's emphasis on time limits, it seems clear that "time on welfare" is not necessarily a good predictor of which families will be most severely affected by welfare reform: It is not a question of "how long" but rather of "how dependent" these families are in terms of the share of income they receive from welfare.

**Breakdown of California Families**

Group	Number (thousands)	% of All California Families
<b>All families</b>	<b>13,100</b>	<b>100</b>
All families participating in public assistance programs	4,402	34
Welfare participants	3,183	24
AFDC families	969	7
SSI families	943	7
<b>Highly dependent families</b>		
Families highly dependent on welfare	649	5
Families highly dependent on AFDC	432	3
<b>Immigrant families</b>		
All immigrant families	2,437	19
Recent immigrant families	1,140	9
Recent immigrant welfare recipients	501	4
AFDC recipients	158	1
SSI recipients	92	1
Families collecting only Food Stamps	237	2
Recipients affected by SSI/Food Stamps denial	236	2

***California faces a daunting task in redefining its welfare system, perhaps more so than any other state in the nation: In 1993–1994, nearly one in every four California families received welfare assistance.***

The study defined highly dependent AFDC families as those which received 50 percent of their two-year income from welfare, with at least 25 percent coming from AFDC. By this definition, approximately 432,000 families were highly dependent on AFDC (262,000 of these families had no earnings at all). These highly dependent families constituted 45 percent of all families participating in AFDC at one time or another during 1993–1994. Two-thirds of these highly dependent families were single-parent families (Hispanics, blacks, and non-Hispanic whites each represented about 30 percent of the total; about 12 percent were Asian).

Many immigrant families will also be severely affected by welfare reform. The new legislation sharply reduces legal immigrants' eligibility for welfare, barring non-citizens from receiving SSI or Food Stamps unless they have completed 40 quarters of work in the United States. The law gives states the option to deny non-citizens Medi-Cal and TANF as well.

Compared to citizen families, recent immigrants have high rates of welfare participation. However, it appears that many immigrants receiving SSI or Food Stamps have much higher family incomes than other participants. These findings do not hold true for recent immigrant families receiving AFDC; although these families had some earnings, they were still heavily dependent on welfare.

### ***Conclusions***

Most families are not heavily reliant on the welfare system but move on and off welfare and use welfare benefits to supplement other income. However, 45 percent of the total AFDC population in California are highly dependent on welfare. Although the new legislation permits states to exempt from the two-year time limit up to 20 percent of the caseload, this highly dependent group is more than twice the size of the exemption. Assuming that the time limits mandated by the law apply specifically to federal TANF funds, the state could pay cash welfare beyond these limits by exclusively using state funds.

Although the federal legislation has mandated many changes in the welfare system, it has allowed states enough flexibility to create virtually any system they want. The challenge for California policymakers is to encourage transitions to work while providing a safety net for truly needy families.

*This research brief summarizes a report by Thomas MacCurdy and Margaret O'Brien-Strain, Who Will Be Affected by Welfare Reform in California? The report may be ordered by calling (800) 232-5343 [mainland U.S.] or (415) 291-4415 [Canada, Hawaii, overseas]. A copy of the full text is also available on the Internet (www.ppic.org). The Public Policy Institute of California is a private, nonprofit organization dedicated to independent, nonpartisan research on economic, social, and political issues that affect the lives of Californians.*