

Immigrant Welfare Benefits: Reform or Revolving Door?

The 1996 federal welfare reform law ruled that nearly all noncitizen immigrants would be ineligible for Supplemental Security Income (SSI) and Food Stamps. This decision led to an immediate, intense debate over the fate of immigrants. Those wanting to restore the benefits claimed that recipients would be destitute without public assistance. Advocates for denying benefits argued that immigrants create a disproportionate burden on the welfare system and that many are well enough off without benefits. Who was right and who was wrong?

Thomas MaCurdy and Margaret O'Brien-Strain answer this question in *Reform Reversed? The Restoration of Welfare Benefits to Immigrants in California*. The authors present evidence that both sides are right, and both are wrong. Some immigrant families rely greatly on welfare benefits, and it is not obvious how they would fare without public assistance. Other families receiving benefits have incomes well above the poverty level—even without benefits.

Why Did Welfare Reform Target Immigrants?

The primary motivation for cutting immigrants' benefits was budgetary. In the final version of the 1996 law, restrictions on immigrant welfare accounted for almost half of the total federal savings. But there were also substantive reasons. Immigrants arrived in much higher numbers in the 1980s than in the preceding decade, and these newcomers were more likely than natives and earlier cohorts of immigrants to receive welfare. Between 1986 and 1994, noncitizen cases doubled as a proportion of all SSI cases, and noncitizens now constitute one-third of the aged SSI population.

Why Were Benefits Restored?

The restriction of immigrant benefits was viewed as the most draconian element of the new legislation. President Clinton opposed the cuts and made restoring the benefits part of his 1996 reelection platform. Immigrant rights' groups in California and New York filed class-action suits to

block implementation of the reduction in immigrant benefits. Florida filed its own lawsuit, fearing that its taxpayers would end up picking up the cost of supporting these immigrants. And newspapers such as the *Wall Street Journal* reported cases of suicide among immigrants faced with the loss of benefits.

Under these pressures, Congress reversed position on SSI benefits. The Balanced Budget Act of 1997 restored SSI benefits to those immigrants receiving SSI as of August 22, 1996, and allowed immigrants residing in the United States as of that date to be eligible for SSI if they became disabled in the future. In 1998, Congress partially restored Food Stamps by reinstating eligibility for immigrant children and elderly persons who were legal residents at the time of the 1996 legislation.

How Severe Would the Loss of Benefits Have Been for Immigrants?

The authors used two national household datasets to calculate the income losses that immigrant families faced under the 1996 legislation. If SSI benefits had been eliminated as proposed, about one-third of immigrant recipients would have lost more than half their annual family income. Yet, almost as many aged and disabled immigrants on SSI live well above poverty and would have lost only a small share of their income.

Unlike SSI, the Food Stamps program is not intended to be a sole source of income for recipients; almost all Food Stamps families have earnings or receive other public assistance. Nearly two-thirds of immigrant families receiving Food Stamps would have lost less than 10 percent of their annual income with the loss of Food Stamps eligibility.

The figure shows how the loss of SSI and Food Stamps would have affected both the poorest immigrant families and those who were better off. The first two bars show the percentage of SSI families living in poverty before and after the loss of benefits. With benefits, only 13 percent of such fami-

lies live in poverty; without benefits, this number rises to 48 percent.

The second set of bars shows how the change in benefits would have affected the share of SSI families with income above 185 percent of the poverty line (a common cutoff point for welfare benefits). For a family of four, 185 percent of the poverty level equals \$30,000 in annual income. With or without benefits, more than 30 percent of these immigrant SSI families would be not only above poverty but above 185 percent of poverty. This can be explained by the fact that 63 percent of SSI recipients live in families with at least one wage earner. In fact, among affected SSI families with earnings, one-fourth had earned income of over \$48,000 per year.

Which Immigrants Gain from the Restoration of Benefits?

In a second set of analyses, the authors assumed that immigrants were ineligible for SSI and Food Stamps, as planned under the 1996 law. They then considered how restoring benefits affected the total income of recipient families, starting from their baseline income in the absence of SSI and Food Stamps. The majority of reinstated SSI and Food Stamps benefits will go to families in poverty. About \$670 million out of \$1 billion in SSI benefits and about \$128 million out of \$149 million in Food Stamps will go to families with incomes below the poverty level. However, one in four SSI dollars will go to a family above 185 percent of poverty. About 20 percent of benefit dollars will go to families with incomes higher than that of 60 percent of California families.

Policy Discussion

SSI benefits are intended for low-income individuals unable to support themselves because of disability or age. However, by reinstating SSI benefits to all legal immigrants who were on the rolls in August 1996, lawmakers are essentially giving welfare dollars to thousands of people who do not necessarily need help. This is not to say that a modification of the 1996 federal welfare law was not in order: Two-thirds of SSI benefits go to families who would otherwise be in poverty.

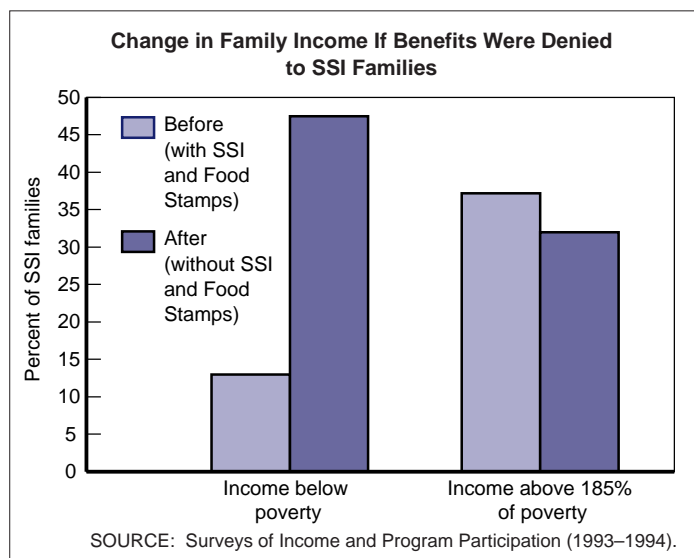
The case for reinstating Food Stamps is less dramatic, because Food Stamps benefits are not a major source of income for recipients. However, the Food Stamps program

is an efficient way of assisting the poor. Returning benefits just to immigrant children and the elderly under the new legislation ensures that 86 percent of the benefits go to families with income below the poverty level.

The difference between Food Stamps and SSI in effectively targeting needy families suggests a way of rethinking how income is counted for welfare. To determine eligibility and benefits, the Food Stamps program typically treats all individuals living together as a single household. A similar strategy could be considered for SSI. If the income of other household members were counted, many immigrants would have lower benefits and others would be disqualified, whereas immigrants living alone or in poor families would receive benefits.

The authors conclude that the lack of thoughtful program design was the most disturbing feature of the denial and subsequent reinstatement of benefits for immigrants. Welfare reform provided a rare opportunity to redesign programs to better meet the needs of the poorest families while promoting self-sufficiency and family responsibility. Categorically barring immigrant families from benefits did not meet these goals. Unfortunately, simply reversing the reforms did not meet these goals either.

There are likely to be future cases requiring policymakers to rethink and refine the reforms enacted in 1996. If, instead, they simply reverse direction each time, the welfare system will be no better than it was in 1996.



Loss of benefits would have thrown many immigrant families receiving SSI into poverty, but another 30 percent would have lost only a small share of their income.

This research brief summarizes a report by Thomas MaCurdy and Margaret O'Brien-Strain, Reform Reversed? The Restoration of Welfare Benefits to Immigrants 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.