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UPDATE

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# Welfare Reform's Immigrant Restrictions—County Costs Probably Less Than Projected

On August 22, 1996, President Clinton signed into law major welfare reform legislation—The Personal Responsibility and Economic Opportunity Reconciliation Act of 1996. This legislation could have a significant impact on the state and county governments. Counties, in particular, are concerned that their future costs of assisting indigent persons could increase as a result of restrictions and time limits on state and federal welfare programs. This update examines one of the aspects of the welfare reform legislation that has caused the most immediate concern to California counties—limitations on benefits to immigrants legally residing in the state.

## Counties Fear Major Costs

The welfare reform legislation places a number of restrictions on federal benefits to legal immigrants. In response, county representatives have voiced concern that their level of government, as the ultimate safety net providers in California, will have to provide assistance to a large number of indigent legal immigrants. The California State Association of Counties, for example, estimates that annual costs for General Assistance (GA)—currently about $450 million—could balloon to as much as $1.3 billion, placing a heavy additional burden on the counties' strained financial resources. (County GA provides a minimum level of support for indigent persons—typically single adult males who do not qualify for other types of assistance.)

This projection of potential county costs primarily stems from a provision in the federal legislation which prohibits most legal immigrants who are noncitizens from receiving benefits under the Supplemental Security Income/State Supplementary Program (SSI/SSP). This program, which is administered by the Social Security Administration, provides federal grants and state supplemental payments to low-income persons who are elderly, blind, or disabled. (These benefits have not been available to *illegal* immigrants.) About 200,000 legal immigrants currently receiving SSI/SSP benefits in California could lose those benefits by August 1997, and potentially become eligible for county GA grants. We estimate that shifting *all* of the immigrants currently on SSI/SSP to county GA could cost counties roughly $500 million dollars annually (with somewhat smaller *savings* to the state from reduced state supplemental payments).

## Several Factors Likely to Limit Additional County GA Costs

While counties are likely to experience additional GA costs, these costs probably will be substantially less than the potential maximum for several reasons.

***Citizenship Would Reduce Impact***. Citizenship, of course, would permit legal immigrants to retain eligibility for SSI/SSP. According to information reported by the state Department of Social Services, *more than 90 percent of the immigrants receiving SSI benefits in California have been in the U.S. five years or more, generally making them eligible to apply for citizenship immediately.*

Obtaining citizenship usually requires passing tests in English competency and civics (and clearing an FBI background check). However, exemptions are available. About one-third of the immigrants on SSI have been in the U.S. for more than 15 years, which would qualify those who are 55 or older for an exemption from the English test. Furthermore, exemptions from both tests are available for immigrants with disabilities (such as Alzheimer's Disease) that would make them unable to pass the tests.

These data, in conjunction with the fact that SSI/SSP grants are roughly twice as much as GA grants, suggest that a large number of immigrants are likely to apply for citizenship as a result of the new federal provisions.

***Other Factors.*** Other factors could limit additional county GA costs. Specifically, not all immigrants who lose their SSI/SSP benefits will seek GA grants. The GA grants are smaller than SSI/SSP grants, and GA grants often have more conditions imposed on recipients. Also, GA is generally perceived as "welfare," whereas SSI/SSP is sometimes perceived as an adjunct to Social Security. For these reasons, GA is probably less attractive than SSI/SSP, and some immigrants may be able to rely on support from their family or other sponsor rather than applying for GA benefits.

## Immigrants Will Retain Health Benefits

Counties also have been concerned that they will have to provide indigent health care to immigrants who lose their SSI benefits. However, immigrants who become citizens will retain full Medi-Cal coverage along with their SSI benefits. Moreover, noncitizen immigrants who do lose their SSI benefits generally can qualify for continued Medi-Cal coverage under the "medically needy" category of the program. Consequently, the welfare reform legislation should not impose significant new health care costs on counties for immigrants *currently* on SSI. We also note that, under existing state law, legal immigrant families currently receiving AFDC benefits would remain eligible for full Medi-Cal coverage.

## Counties Still Face Challenges

Although the effects may not be nearly as large as initially feared, counties still could face additional costs related to the immigrant restrictions in welfare reform, as follows:

***Delays in Citizenship for Current Legal Immigrants.*** Counties may need to provide interim GA benefits to immigrants who temporarily lose their SSI/SSP benefits while their citizenship applications are pending.

***Restrictions for New Legal Immigrants.*** Immigrants arriving *after* enactment of welfare reform are not eligible for SSI, federal benefits under the new Temporary Assistance for Needy Families (TANF) Program, or food stamps for their first five years in the U.S. (except for refugees and certain other immigrants). During this time, new immigrants in the Medi-Cal program generally will be limited to emergency health care. These restrictions may increase the number of immigrants who will apply for county-funded GA and indigent health benefits.

***Loss of Food Stamp Eligibility for Current and New Legal Immigrants.*** Welfare reform ends food stamp eligibility for most noncitizen immigrants. (The federal budget legislation makes this effective April 1, 1997 for those already receiving benefits.) Lack of food stamps will place more pressure on counties and local charitable agencies to support indigent immigrants.

***Illegal Immigrants.*** The welfare reform legislation (directly or in concert with Proposition 187) could eliminate state-funded prenatal care and nonemergency county indigent health services that currently are provided to illegal immigrants. The immediate effect of this prohibition would be to reduce state and county costs, but with potential higher future health care costs for emergency care and for care of the citizen children of illegal immigrants.

## Facilitating the Citizenship Process Could Reduce County Costs

Facilitating the citizenship process can reduce the potential fiscal impact on counties from the immigrant restrictions in welfare reform. Local governments, schools, community colleges, and community organizations can play a significant role in facilitating the process by:

- Informing immigrants about how to attain citizenship.
- Ensuring that adequate citizenship classes are available.
- Assisting eligible immigrants in obtaining appropriate test exemptions.

Several counties already have taken steps to facilitate citizenship, such as establishing offices to assist immigrants in the application process. By facilitating citizenship, the fiscal pressures on counties will be reduced, and most of the elderly and disabled immigrants currently on SSI/SSP will be able to continue to receive this assistance.

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# Revenue Developments

General Fund revenues continued to exceed the forecast during the first three months of 1996-97. Revenues were up $233 million in September, bringing cumulative receipts for the first three months of the fiscal year to $415 million above the 1996 Budget Act forecast. Slightly more than half of the year-to-date gain is due to two special factors:

- ❖ About $130 million of the increase is due to unusually large estate tax payments in September. These payments represent a one-time gain to the General Fund.
- ❖ About $79 million of the gain is due to General Fund receipt of trial court revenues that the budget had assumed would be allocated to a trust fund beginning in 1996-97, consistent with a restructuring of the trial court program. However, since implementing legislation was not passed, the revenues continue to be deposited into the General Fund. Assuming the trial court revenues are appropriated to local trial courts, the revenue gain will be offset by higher expenditures in the months ahead. Thus, there probably will be no net gain to the General Fund's "bottom line."

The remainder of the $415 million gain is consistent with the generally positive economic trends in California. For example, personal income tax receipts were up $111 million, reflecting higher-than-expected withholding and quarterly estimated payments. Bank and corporation revenues for the first three months combined were up $24 million from the forecast. However, collections during September were somewhat disappointing. Quarterly prepayments on 1996 corporate earnings came in lower than expected during the month, potentially signaling a slowdown in taxable corporate profits. The weakness is somewhat puzzling in light of the positive industry reports on corporation earnings for the third quarter of 1996, and the continuing economic growth in California during this period.

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