

ISSUE BRIEF

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Welfare Reform and Upward Mobility Act Can Restart Welfare Reform

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In May 2016, Senator Mike Lee (R-UT) and Representative Jim Jordan (R-OH) introduced the Welfare Reform and Upward Mobility Act.¹ This legislation takes a number of significant steps towards reforming the nation's massive and broken welfare system, which is fraught with out-of-control spending, fraud, anti-work policies, and marriage penalties. The Welfare Reform and Upward Mobility Act would take the most significant steps seen in decades to address these problems:

- **Increasing** accountability for means-tested welfare spending by requiring the President's budget to report aggregate welfare spending;
- **Building** on the principles of the 1996 welfare reform by expanding work requirements in the food stamp (Supplemental Nutrition Assistance Program or SNAP) and the Temporary Assistance for Needy Families (TANF) programs; and
- **Scaling** back the federal government's financing of housing assistance programs, thus encouraging greater state control and fiscal responsibility for welfare.

The policies put forward in this bill make significant progress towards comprehensive welfare reform.

Accountability for Means-Tested Welfare Spending

Government currently spends over \$1 trillion annually on over 80 means-tested welfare programs. These programs provide cash, food, housing, medical care, and social services to poor and lower-income Americans. Means-tested welfare programs are spread across multiple government agencies, making it easy to obscure the total cost of government welfare spending. Federal budgets do not report the aggregate amount of spending on these programs.

The Welfare Reform and Upward Mobility Act requires the President's annual budget submission to include the aggregate cost of federal and state means-tested welfare spending for the most recent year and estimates of projected spending for the following nine years. Requiring an accounting of total government welfare spending will help shed light on the size and scope of the nation's means-tested welfare system, help debunk the common misconception that the U.S. welfare system is meager, and thus clarify the debate surrounding anti-poverty policy.

Work Requirements

The vast majority of Americans (89 percent) hold that able-bodied adults receiving means-tested welfare assistance should work or prepare for work.² The support for work requirements is equally strong on both sides of the political aisle: 87 percent of Democrats and 94 percent of Republicans support the idea that able-bodied individuals receiving government

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aid should work or prepare for work as a condition of receiving that aid.³

Work requirements establish reciprocity between the taxpayer and the individual receiving assistance. Furthermore, a work requirement serves as a gatekeeper: Assistance is available to those who need it, but individuals who can work are moved towards work. However, only four of the federal government's means-tested welfare programs include work requirements.⁴ The Welfare Reform and Upward Mobility Act takes multiple steps to strengthen and expand work requirements in both the SNAP and TANF programs.

Food Stamps. The Welfare Reform and Upward Mobility Act strengthens work requirements in food stamps for able-bodied adults without dependents (ABAWDs) and also adds work requirements for able-bodied parents on food stamps.

Work Requirements for Able-Bodied Adults Without Dependents. The food stamp program nominally limits ABAWDs to three months of food stamp benefits unless they are working part time, participating in work activity for at least 20 hours per week, or participating in community service for roughly 6 hours per week. However, this work requirement is hollow because states may request a waiver for either the entire state or areas within the state that have a "lack of sufficient jobs." Such a state or area is defined as one that is designated as a Labor Surplus Area (LSA) by the Department of Labor's Employment and Training Administration (ETA); is determined by the Department of Labor's Unemployment Insurance Service as qualifying for extended unemployment benefits; has a low and declining employment-to-population ratio; has a lack of jobs

in declining occupations or industries; is described in an academic study or other publications as an area where there are lack of jobs; has a 24-month average unemployment rate 20 percent above the national average for the same 24-month period.⁵

Eight states and the District of Columbia currently have statewide ABAWD work waivers, 26 states have a partial waiver,⁶ and roughly 1,500 counties are designated "labor surplus areas."⁷ Furthermore, each month a state can exempt 15 percent of its ABAWD caseload from the work requirement.

The Welfare Reform and Upward Mobility Act strengthens the current ABAWD work provision by eliminating statewide or partial waivers. In addition, it limits ABAWDs to only one month of food stamp benefits rather than three if they are not working or participating in other work activity as outlined in the current law. The bill also reduces the monthly percentage of ABAWDs that can be exempted from the work requirement from the current 15 percent down to 5 percent.

States that have implemented work requirements for ABAWDs on food stamps provide examples of the effectiveness of work requirements.

- **Maine** reinstated the ABAWD work requirement in 2014 after receiving a statewide waiver for several years. Within three months of the work requirement's implementation, 80 percent of ABAWDs on food stamps left the rolls. Despite the state making efforts to ensure that work activity was made available to food stamp participants who were unable to find employment, few chose to take those options.⁸

1. Welfare Reform and Upward Mobility Act, H.R. 5360, 114th Congress, 2nd Sess., <https://www.congress.gov/bill/114th-congress/house-bill/5360> (accessed October 26, 2016).
2. Mark Schreiber and Elizabeth Fender, "American Perspectives on Welfare and Poverty," Heritage Foundation *American Perceptions Initiative*, February 3, 2016, <http://www.heritage.org/research/reports/2016/02/American-Perspectives-on-Welfare-and-Poverty>.
3. Survey by the American Perceptions Initiative, a project of The Heritage Foundation. This survey, conducted November 13, 2015, was based on a nationally representative sample.
4. Those programs are: Temporary Assistance for Needy Families, food stamps (able-bodied adults without dependents), the earned income tax credit, and the additional child tax credit.
5. 7 Code of Federal Regulations §273.24 (2016).
6. U.S. Department of Agriculture, "Status of State Able-Bodied Adult without Dependents (ABAWD) Time Limit Waivers, Fiscal Year 2017, 1st Quarter," <http://www.fns.usda.gov/sites/default/files/snap/FY-2017-Quarter-1-ABAWD-Waiver-Status.pdf> (accessed October 26, 2016).
7. U.S. Department of Labor, Employment and Training Administration, "Labor Surplus Area: Fiscal Year (FY) 2017 Labor Surplus Areas," <https://www.doleta.gov/programs/lisa.cfm> (accessed October 25, 2016).
8. Robert Rector, Rachel Sheffield, and Kevin D. Dayaratna, "Maine Food Stamp Work Requirement Cuts Non-Parent Caseload by 80 Percent," Heritage Foundation *Backgrounder* No. 3091, February 8, 2016, <http://www.heritage.org/research/reports/2016/02/maine-food-stamp-work-requirement-cuts-non-parent-caseload-by-80-percent>.

■ **Kansas** saw similar results when it reinstated the work requirement. Its ABAWD caseload fell by 75 percent within just a few months.⁹ In a study that examined the impact of the ABAWD work requirement in Kansas, researchers found that 40 percent of ABAWDs who left the food stamp program obtained employment within three months, and about 60 percent obtained employment within a year. These individuals saw their incomes increase by an average of 127 percent, and roughly half of those who left the rolls were employed with reported incomes above the poverty level.¹⁰ In addition, many ABAWDs have unreported income from “off-the-books” employment.

Able-Bodied Parents. The Welfare Reform and Upward Mobility Act also puts into place work requirements for able-bodied parents on food stamps. The work requirement is phased in gradually. Beginning in the first year after implementation, a state is required to have 20 percent of its able-bodied parents participating in work or work activity. Within five years, a state is required to have 80 percent of its able-bodied parents participating in work or work activity.

The work requirement would apply only to non-disabled adults between the ages of 19 and 55. They would be required to work, look for work, or participate in work activity for an average of 100 hours per month (25 hours per week). The same number of work hours would be required of married households as of single-headed households in order to avoid inadvertently discouraging marriage by placing disproportionate burdens on married couples. Recipients can fulfill the work requirement through multiple options, such as:

- Formal employment,
- Job training,
- Community service,
- Subsidized private-sector or public-sector employment, or
- Supervised job search.

Parents who are employed for at least 100 hours per month automatically fulfill the requirement; those who are not employed at all or who work very little are nudged toward greater work and self-support.

Temporary Assistance for Needy Families. In 1996, Congress passed the Personal Responsibility and Work Opportunity Reconciliation Act, or welfare reform. The heart of the reform was a work requirement that was inserted into the Aid to Families with Dependent Children (AFDC) program. AFDC became Temporary Assistance for Needy Families or TANF. Under the reform, states were required to have 50 percent of their able-bodied adult caseload working or participating in work activity. The reform was initially a major success. Within about five years of its implementation, TANF caseloads dropped by half, child poverty plummeted, and employment rates among single mothers with less than a high school education increased.¹¹

Today, however, the majority of work-eligible TANF recipients (an average of 56.2 percent across the states) are completely idle, neither working nor preparing for work.¹² Part of the reason for the high rates of “idleness” on TANF rolls is that states are taking advantage of loopholes that allow them to fulfill the work requirement without actually having to move recipients into work activity.¹³ However,

9. Jonathan Ingram and Nic Horton, “The Power of Work: How Kansas’ Welfare Reform Is Lifting Americans Out of Poverty,” The Foundation for Government Accountability, February 16, 2016, <https://thefga.org/research/report-the-power-of-work-how-kansas-welfare-reform-is-lifting-americans-out-of-poverty/> (accessed October 26, 2016).

10. Ibid.

11. Robert Rector and Patrick F. Fagan, “The Continuing Good News About Welfare Reform,” Heritage Foundation *Backgrounder* No. 1620, February 6, 2003, <http://www.heritage.org/research/reports/2003/02/the-continuing-good-news>.

12. U.S. Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance, “Work Participation Rates—Fiscal Year 2013,” <http://www.acf.hhs.gov/ofa/resource/wpr2013> (accessed October 26, 2016).

13. See Rachel Sheffield, “Most Work-Eligible Welfare Recipients Are Not Working,” in Jennifer Marshall and Rachel Sheffield, eds., *2016 Index of Culture and Opportunity*, July 11, 2016, <https://medium.com/2016-index-of-culture-and-opportunity/most-work-eligible-welfare-recipients-are-not-working-17d0004523b#.amrtfgekk>.

the main reason for the weak work requirement is that the work participation rate was simply set too low from the start: Only 50 percent of able-bodied adults were required to participate in work activities, meaning that the other 50 percent of the caseload could be completely idle and the state would still be fulfilling the requirement.

Moreover, among the half of TANF recipients that fulfill the work requirements, most are simply working part time. In most cases, state welfare bureaucracies will have done little or nothing to promote this employment but nonetheless take the credit. Overall, states engage fewer than one in five TANF recipients in activities designed to increase employment, improve skills, or reduce dependence. The Welfare Reform and Upward Mobility Act strengthens TANF's work requirement by focusing directly on the idle half of the caseload. It requires constructive activity by recipients who are currently idle. By the third year of the law's implementation, states are required to have 75 percent of their non-employed TANF caseload participating in work activities for 20–30 hours per week (depending on the age of children in the home). States would no longer be allowed to sit idly by, mailing out checks and doing little to promote work and reduce dependence.

Subsidized Housing Reforms

The Welfare Reform and Upward Mobility Act scales back the federal government's role in the means-tested welfare system. Ninety percent of means-tested welfare funding for cash, food, and housing programs is paid for with federal dollars.

The Act also moves the welfare system towards true federalism by requiring states to take more financial responsibility—with their own money—for one portion of the means-tested welfare system: housing assistance programs. The bill gradually phases down the amount of federal funding for means-tested housing programs (\$52 billion in fiscal year 2015), reducing it by 50 percent over a 10-year period. States would determine the extent to which they would continue to fund means-tested housing programs using their own funds.

Conclusion

The massive U.S. welfare system is in dire need of reform. The 1996 welfare reform should have been a stepping stone towards greater reform rather than a stopping point. Now is the time to restart the momentum toward reform, and the Welfare Reform and Upward Mobility Act would do just that. Addressing the many problems in the means-tested welfare system is a long-term effort. The Welfare Reform and Upward Mobility Act sets the course and takes impressive strides toward that end.

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