

Welfare Reform

Principles:

- Helping people move from dependency to self-sufficiency should be the primary focus of the safety net.
- Making work pay is essential. Working more hours or getting a pay raise should not set families back financially
- Programs should target benefits to the most needy.
- Enrollment should be coordinated to eliminate fraud and abuse and enhance efficiency.
- Programs should be temporary rather than permanent, with few exceptions.

Recommendations:

- Increase public education on the availability of the Earned Income Tax Credit
- Strengthen work requirements
- Implement a cash diversion program
- Integrate public and private services to improve efficiency and accountability
- Implement commonsense welfare fraud prevention practices

Facts:

- The federal government spent \$799 billion on 129 programs for lower-income Americans in 2012.¹ Together with state and local programs, total spending is well over \$1 trillion per year, most of it intended to help those in poverty.
- With more than 46 million Americans in poverty, this amounts to \$21,700 for each American in poverty, or nearly \$87,000 for a family of four – almost four times as much as the \$23,550 per year federal poverty level for that family.²

Overview

The overriding objective of overhauling state and federal welfare programs must be to maximize the odds of helping people move from dependency to self-sufficiency. The problem is not insufficient government spending, but rather how the money is spent. State governments can have an enormous impact because they can make meaningful policy choices, are responsible for managing the human services delivery systems, and are much closer to those in need than are administrators in Washington, D.C.

Many people believe the welfare reform in 1996 was significant, both at the federal and state level. It was successful, but it involved only one federal welfare program – Aid to Families with Dependent Children (AFDC), which was replaced by the Temporary Assistance for Needy Families (TANF) program. The remaining major means-tested programs, including food stamps, housing and Medicaid, were left largely unchanged, with no requirements to be engaged in constructive activity, such as work or education, as a condition for receiving aid.

Georgia received an F grade in the Heartland Institute's 2015 Welfare Reform Report Card, an analysis of state welfare policies since passage of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) in 1996. Georgia was ranked 44th in the nation for its anti-poverty TANF policies.

¹ The War on Poverty: 50 Years Later, House Budget Committee Majority Staff, March 3, 2014, http://budget.house.gov/uploadedfiles/war_on_poverty.pdf

² Gary MacDougal, "The Wrong Way to Help the Poor," The New York Times, October 11, 2012.

Several good policies emerged from four important hearings held in 2015 by the Georgia House Study Committee on Welfare Fraud, created to study the “conditions, needs, issues, and problems regarding Georgia welfare programs.”

The proposals included decreasing lifetime limits on eligibility for TANF, strengthening sanctions for recipients who fail to participate in the immediate TANF work requirements, and implementing a cash diversion program and commonsense welfare fraud prevention practices, which would save taxpayer dollars and preserve taxpayer-funded welfare programs for those truly in need of help.

These reforms would boost Georgia to ninth in the nation, or an A- in Heartland’s report card.

Georgia has been relatively successful in reducing its number of TANF recipients since 1996, but the overall poverty rate has continued to increase and unemployment rates have worsened. Georgia had a 24.2 percent increase in poverty rate from 1996 to 2013, according to the U.S. Census Bureau and the Annie E. Casey Foundation.

Work is the central component for helping people escape poverty. Only 2.6 percent of full-time workers are poor, as defined by the federal poverty level standards, compared with 23.9 percent of adults who do not work. Even part-time work makes a significant difference; only 15 percent of part-time workers are poor. The state made significant progress implementing immediate work requirements after the 2015 Welfare Reform Report Card was released.

Georgia policies can help welfare recipients by giving them a hand up instead of trapping them in a sustained cycle of poverty. Adopting reforms such as a cash diversion program, strict-but-fair time limits and sanctions, and enforcing fraud prevention measures will improve opportunities for recipients to reach self-sufficiency, give help to those people who truly need assistance, and protect taxpayers.

Recommendations

Increase public education on the availability of the Earned Income Tax Credit

Many low-income working families in Georgia are eligible to claim the federal Earned Income Tax Credit (EITC), but many fail to do so. In fact, in 2004 (the latest numbers available) Georgia families failed to claim \$2.7 billion in EITC dollars.

According to the Heartland Institute:

Because EITC targets low-income persons and is larger if the filer has one or two dependents, it provides a powerful work incentive for single mothers. Researchers have consistently found expansion of EITC to be a major factor in declining welfare participation rates and rising workforce participation rates for single mothers.

If state and local social service agencies did a better job communicating the availability of EITC, billions of dollars in unclaimed tax credits would go directly to poor households, lifting hundreds of thousands of families out of poverty. In every state, the money available from EITC greatly exceeds the combined federal and state spending on TANF.

Why is so little being done to collect billions of federal dollars left ‘on the table,’ especially at a time when many welfare advocates are clamoring for more state spending on welfare and social services? The answer seems to be that since the tax credit flows directly to individuals and not through welfare bureaucracies, there is little incentive for state and local welfare agencies to invest in public education programs. Public aid administrators naturally focus on the individual programs they are responsible for and tend not to step outside those bounds to support other efforts, even efforts such as EITC that would appear to be “free money” for needy families.”³

³ “Welfare Reform After Ten Years,” The Heartland Institute, 2008

Strengthen work requirements

“Work improves family well-being economically, by providing a steady source of income and the opportunity to acquire assets, as well as socially and culturally. Work builds self-esteem, imposes order on adults’ lifestyles, creates role models for children, and fosters relationships of respect between adults and between adults and children. Many problems in disadvantaged families often trace back to not having a member of the household in the workforce.

“An entry-level job is only the first rung on the ‘ladder of opportunity,’ but it has been shown to be an effective starting point where the ‘soft skills’ are learned (punctual attendance, taking direction, getting along with co-workers). These skills can later be enhanced by training and promotion, general educational development (GED) achievement, and/or specialized training such as that provided in the nationwide community college system.”⁴

Research has shown that requiring work as a condition of receiving cash welfare isn’t something the system does to someone, but rather something done for someone. “Work is at the heart of a happy life,” is a statement supported by research.⁵

What counts as work? TANF law identifies 12 activities as “work:” (1) unsubsidized employment, (2) subsidized private-sector employment, (3) subsidized public-sector employment, (4) work experience, (5) on-the-job training, (6) job search and job readiness assistance, (7) community service programs, (8) vocational educational training, (9) job skills training directly related to employment, (10) education directly related to employment (for those without a high school diploma or equivalent), (11) satisfactory attendance at a secondary school, and (12) provision of childcare to a participant in a community service program.

Implement a cash diversion program

Despite its many positive outcomes, few experts focus on cash diversion. Cash diversion programs allow case workers the ability to provide applicants with lump-sum cash payments to meet short-term needs. In return for the money, the recipient agrees not to receive TANF funding for an agreed-upon period. Thirty-three states, including neighbors Florida and Tennessee, successfully use cash diversion to let recipients fix broken cars to get to work or pay for some immediate need without becoming dependent on government services.⁶

Integrate public and private services to improve efficiency and accountability

Those serious about welfare reform know that many barriers are responsible for prolonged periods of poverty. A lack of job training, transportation challenges and drug and alcohol dependency can all prevent recipients from achieving self-sufficiency. Georgia should better integrate welfare and state social services by co-locating service providers. This helps government bureaucracies share information and gives caseworkers more flexibility to direct their clients to the services they need.

In addition to cash assistance (TANF), welfare recipients are usually in need of other services to enable them to overcome barriers to employment and self-sufficiency. “Integration of services” refers to organizing state systems in a way that allows welfare and other services to be delivered in a coordinated, holistic, “one-stop” fashion, either physically under one roof or effectively connected in other ways such as Internet-based connections with other federal and state programs and related nonprofit organizations.

⁴ *Ibid.*

⁵ See, for example, Jenna Goudreaux, “Meaningful Work – Not Money – Makes People Happy,” *Business Insider*, December 16, 2013, <http://www.businessinsider.com/work-makes-people-happy-2013-12#ixzz3K68rbYys>.

⁶ The successful application of this welfare reform policy in Illinois is a primary message of Gary MacDougal, *ibid.* See also Gary MacDougal, “A Republican War on Poverty,” *The Wall Street Journal*, September 15, 2014, <http://www.wsj.com/articles/gary-macdougal-a-new-republican-war-on-poverty-1410822789>.

Rather than making TANF-eligible persons go to three different offices for alcohol and substance abuse treatment, childcare and job training, for example, service integration would connect all three services organizationally, often with a single caseworker or “self-sufficiency coach” and ideally (as most welfare recipients don’t have cars) in the same location.

Those unemployed and living in poverty face numerous barriers to entering the workforce, including a combination of the lack of job experience, childcare for their dependent children, and reliable transportation. Other barriers: a criminal background and drug and alcohol abuse. It’s like expecting them to climb a ladder of opportunity with missing rungs. If one rung is missing, the transition is likely to fail.

For example, alcohol and drug treatment without a job at the end is likely to result in a relapse, so the person completing drug treatment should be quickly enrolled in a job training or job search program. Likewise, putting people into entry-level jobs without first addressing their alcohol or drug abuse problem can lead to unexplained absences, disappointed employers, and return to unemployment and welfare.

Georgia has an average degree of service integration at the state level. A statewide contract with the Department of Behavioral Health and Developmental Disabilities addresses barriers such as alcohol and substance abuse treatment. Georgia also has a statewide contract for childcare and parent services. Services are not directed by one department. At the local level, service integration is average. Recipients must go to different offices for various services. The case management function in Georgia is average. TANF and social services case managers work together to coordinate services and to develop service and work plans, but each TANF recipient is not assigned to one caseworker.⁷

Implement commonsense welfare fraud prevention practices

Georgia needs to put in place protections to ensure those who are enrolled in TANF and the state’s food stamp program – Supplemental Nutritional Assistance Program (SNAP) – are actually in need of the financial help they receive. According to the Foundation for Government Accountability, “[B]etween five percent and 25 percent of states’ welfare spending has been found to be wasted or fraudulent.” In 2014, 21 percent of the population was enrolled in SNAP.

One way to ensure only those truly in need are entering government-funded social programs is to utilize asset tests. Just 14 states use asset tests to check food stamp eligibility. The current income and asset test for SNAP requires recipients to have a gross income below 130 percent of the poverty level, a net income below 100 percent of the poverty level, and less than \$2,000 in assets.

Many SNAP recipients are accepted under looser standards, however, through “categorical eligibility:” not by the income and asset limitations established for SNAP, but by participation in other cash welfare assistance programs, which can have more relaxed eligibility standards.

The story below highlights an example of how a work-based program has achieved great success in addressing the challenging problem of chronic homelessness.

The Dignity of Work

For most people, chronic homelessness among men would not be the first choice among problems to tackle in inner-city Atlanta. Millions of dollars in government and charitable programs give some of these men a warm bed at night, but that hasn’t changed the underlying challenges that keep them on the streets.

Yet that’s exactly where Bill McGahan started.

⁷ 2015 Welfare Reform Report Card, Heartland Institute, <http://bit.ly/1qD1P71>

McGahan had an audacious idea: Create a program where “upon graduation the goal is a permanent job and permanent housing for each man.”

“When men enter the program they are typically dependent on drugs and handouts. When they leave, the goal is to never be dependent again.”

In 2013, he created Georgia Works, a nonprofit organization, to implement his goal. To date, 64 formerly homeless men have transformed their lives and become self-sufficient, productive citizens.



The results are even more amazing in light of the challenges. “These men came to us with no ID, no bank account, no phone, no email, no education, addiction issues, no money, no role models and large child support obligations,” McGahan explains. “Even I couldn’t get out of that hole!”

Many have a criminal record related to their condition: trespassing, loitering, possession of drugs, public intoxication or fighting. “Of course you’re going to fight if someone is trying to steal your life savings – which you have to carry around with you because you don’t have a bank account or a home,” he points out.

The key component of Georgia Works is highlighted in its name: work. “I truly believe in the dignity of work and the value and worth of each and every individual,” says McGahan.

The program is modeled after a successful New York City program, Ready, Willing and Able. Every participant is required to work 30-35 hours a week, typically picking up trash around the city. They also must give up all public assistance other than Medicaid and stay clean from drugs and alcohol. Participants earn about \$240 a week. Of that, \$100 goes toward room and board. After setting aside \$50 a week for savings (required), they are free to spend the rest. For many, it’s the most money they’ve had in a long time and the first time they’ve accumulated savings.

When they aren’t working, the men take classes on soft skills and life skills. An astonishing 95 percent of the graduates are transformed into independent, housed, rent-paying, hardworking individuals who become role models.

Georgia Works acts as a placement service, recruiting employers to hire graduates with the promise of a man who will show up on time and ready to work. They stress this is a business partnership, not charity. The jobs are typically tough jobs employers have a hard time filling – think of the “Dirty Jobs” TV series with Mike Rowe. Employers are willing to pay for this service.

Georgia Works was designed as a true social enterprise, with a goal of fully funding operations through the placement fees paid by employers. All this depends, of course, on the ability to attract more employers in order to bring the program to scale.

How many of Atlanta’s nearly 2,000 chronically homeless individuals could this approach help? McGahan estimates that about 25 percent have severe mental illness and need significant intervention beyond Georgia Works’ capacities. “The rest,” McGahan says, “we can help.”

Georgia Works: It’s working.