



# RESTORING THE **DIGNITY OF WORK**

*Creating Pathways to Prosperity in Pennsylvania's Welfare System*



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# RESTORING THE **DIGNITY OF WORK**

## *Creating Pathways to Prosperity in Pennsylvania's Welfare Systems*

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## **EXECUTIVE SUMMARY**

The benefits of work, such as income, personal satisfaction, and a sense of purpose, are widely known. Yet major welfare programs treat work as a burden or an inconvenience instead of the pathway to prosperity. Only seven percent of all able-bodied Pennsylvanians on food stamps are required to work, and the commonwealth has one of the highest ratios of families on Temporary Assistance for Needy Families long-term. These anti-work policies underlie the rapid growth of human services spending, which is growing faster than state revenues and the overall state economy.

Recently, states have rediscovered the benefits of requiring work for healthy adults without dependents. These requirements help individuals prosper, spur economic growth, and stabilize human service programs.

In Kansas, for example, 75 percent of recipients left the program after the state implemented work requirements. In Florida, enrollment among able-bodied adults declined by roughly 85 percent in the first 10 months. There are nearly 535,000 fewer people dependent on food stamps in Florida today than just a year and a half ago, largely due to the power of work requirements. In Maine, the number of able-bodied childless adults on food stamps dropped by an astounding 90 percent.

Based upon these experiences, between 80,000 and 100,000 able-bodied adults could be expected to rejoin Pennsylvania's workforce.

Kansas and Maine tracked individuals to determine if their lives improved after leaving food stamps. In Kansas, almost half of those removed from the program found work within three months in hundreds of different industries. In the year after leaving welfare, these able-bodied adults saw their incomes increase 127 percent, more than offsetting the loss of food stamps. Within a year of leaving the food stamp program in Maine, the income of the group rose 114 percent, with the average worker earning more than the federal poverty level. Those leaving food stamps in Pennsylvania could see between \$175 million and \$210 million in higher wages if work requirements were enforced across the state.

With more Pennsylvanians in the work force, the state would experience \$6 to \$7 million a year in additional state income taxes, and state taxpayers would save an estimated \$3 million in 2018 and more over time.

After Kansas (2013) and Maine (2014) demonstrated the positive impact of work requirements, many states followed their lead. Some states reinstated work requirements with legislation, while others did so through the executive branch. Notably, Florida, Mississippi, Missouri, and North Carolina passed legislation to reinstate work requirements for able-bodied adults. Arkansas and Kansas have codified executive branch decisions, ensuring that these work requirements remain part of the program for years to come.

Restoring work in food stamps alone could significantly improve Pennsylvania by combating poverty and creating more successful welfare programs.

## TODAY'S WELFARE SYSTEM

Coupling work with government assistance primarily benefits enrollees. Employment is not only important for paying bills, but research shows work is key to happier and higher quality lives.<sup>1</sup> Work is also politically popular. An overwhelming 79 percent of likely voters agree healthy adults receiving food stamps should work in return. Support jumps to 82 percent when voters learn that most enrollees who leave welfare find jobs and more than double their incomes.<sup>2</sup> In contrast, dependency on government, defined as relying upon government assistance when one has the capacity to earn a living, undermines an individual's potential and the sustainability of welfare programs.

While some circumstances may prohibit work, full-time employment should be the norm, not the exception, because work is the only permanent way to escape poverty. Adults out of the labor force for long periods of time lose the skills and experience necessary to obtain independence through a family-sustaining job.

Today's welfare system sidelines or actively discourages work in three major welfare programs, Temporary Assistance for Needy Families (TANF), food stamps or the Supplemental Nutrition Assistance Program (SNAP), and Medicaid.

### **Temporary Assistance for Needy Families (TANF)**

A cash assistance program for the poorest families, TANF is a federal block grant administered by the United States Department of Health and Human Services (HHS). Unlike Medicaid and the food stamp program, TANF includes a broad work requirement and time limits. The block grant design gives states wide latitude to enforce or undermine work requirements.

Today, about 139,000 Pennsylvanians are enrolled in TANF. The benefits are based on a sliding income scale and decline as a recipient's income grows. Total cash benefits (not including administrative costs) reached \$289 million in 2016-17.<sup>3</sup>

### **Food Stamps/Supplemental Nutrition Assistance Program (SNAP)**

Approximately 1.85 million Pennsylvanians are enrolled in food stamps. Although the program is administered by the Pennsylvania Department of Human Services, funding comes from the United States Department of Agriculture (USDA). This arrangement gives Pennsylvania officials little incentive to police the program for waste or fraud. Federal spending on Pennsylvania SNAP benefits reached roughly \$2 billion this year.<sup>4</sup>

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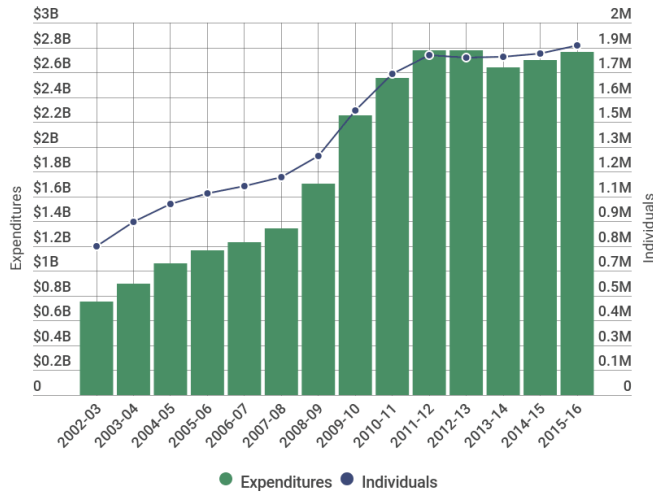
<sup>1</sup> Arthur C. Brooks, "A Formula for Happiness," *The New York Times* (December 14, 2013), <http://www.nytimes.com/2013/12/15/opinion/sunday/a-formula-for-happiness.html>.

<sup>2</sup> Foundation for Government Accountability, "Voters want work requirements for welfare," *Foundation for Government Accountability* (2016), <https://thefga.org/wp-content/uploads/2016/10/National-Welfare-Polling-One-Page-1.pdf>.

<sup>3</sup> Pennsylvania Office of the Budget, "Governor's Executive Budget 2017-18," p. A3-8 (2017), <http://www.budget.pa.gov/PublicationsAndReports/CommonwealthBudget/Documents/2017-18%20Proposed%20Budget/2017-18%20Web%20Tracking%20Run.pdf>.

<sup>4</sup> Food and Nutrition Service, "Supplemental Nutrition Assistance Program: Monthly state participation and benefit summary," U.S. Department of Agriculture (2017), <https://www.fns.usda.gov/sites/default/files/pd/SNAPZip69throughCurrent.zip>.

Figure 1: Pennsylvania - SNAP Enrollment and Cost



Source: Department of Public Welfare Food Stamp Statistics

This report focuses on restoring work in the food stamp program because enrollees most often report food stamps as the first program in which they enroll.<sup>5</sup> In fact, 86 percent of households on food stamps are also collecting another means-tested welfare benefit.<sup>6</sup> The number of people dependent on food stamps and the program’s ability to incentivize work significantly impacts entitlement programs, including Medicaid and cash assistance or TANF.

### Medicaid/Medical Assistance

Presently, there are no work requirements associated with Medicaid (known as Medical Assistance in Pennsylvania). Adult Pennsylvanians who earn up to \$16,642 individually

or \$28,179 for a family of three qualify for taxpayer-funded medical insurance regardless of their work status. Once a Pennsylvanian earns above these income limits they lose Medical Assistance, but they often qualify for other insurance subsidies through the Affordable Care Act. Medicaid is by far the largest welfare program in Pennsylvania in both enrollment and cost. Almost one in four Pennsylvanians utilized Medicaid at a statewide cost exceeding \$26 billion last year, \$10 billion of which came from state funds.<sup>7</sup>

Medicaid in Pennsylvania is administered by the state Department of Human Services; however, HHS sets most of the policy guidelines. The program is jointly funded by the federal government and individual states. In Pennsylvania, the federal government matches the state contribution at 51.8 percent.<sup>8</sup> This arrangement encourages states to inflate their spending to draw down more federal dollars. In turn, states are discouraged from making the program more efficient. Pennsylvania would need to recover about two dollars in increased program efficiencies to save just one state taxpayer dollar.

The perverseness of this system is greatly exacerbated under Medicaid expansion where Pennsylvania receives about nine federal dollars for every one state dollar spent on the expansion population. Last year, Pennsylvania pulled down \$16 billion in federal dollars for Medical Assistance.<sup>9</sup>

5 Authors’ calculations based upon unpublished multi-state survey results of current and former welfare enrollees, collected on behalf of the Foundation for Government Accountability in 2014.

6 Authors’ calculations based upon waves 1 through 14 of the U.S. Census Bureau’s 2008 panel of the Survey of Income and Program Participation.

7 Pennsylvania Office of the Budget, “Governor’s Executive Budget 2017-18”, p. A1-25 (2017), <http://www.budget.pa.gov/PublicationsAndReports/CommonwealthBudget/Documents/2017-18%20Proposed%20Budget/2017-18%20Web%20Tracking%20Run.pdf>

8 Federal Register, “Financial Participation in State Assistance Expenditures,” Federal Register (Vol 81, No. 220), pp 80078-80080 (2016), <https://www.gpo.gov/fdsys/pkg/FR-2016-11-15/pdf/2016-27424.pdf>.

9 Pennsylvania Office of the Budget, “Governor’s Executive Budget 2017-18”, p. E23-15 (2017), <http://www.budget.pa.gov/PublicationsAndReports/CommonwealthBudget/Documents/2017-18%20Proposed%20Budget/2017-18%20Web%20Tracking%20Run.pdf>

## HOW PENNSYLVANIA WELFARE PROGRAMS DISCOURAGE WORK

The bipartisan 1996 federal welfare reform attempted to ensure able-bodied adults (without disabilities) were subject to rules that promoted work, education, and training in TANF and food stamps. Specifically, able-bodied adults without dependents (ABAWDs) are limited to three months of benefits unless they work 20 hours a week, receive job training or education, or volunteer.<sup>10</sup> In addition, TANF places a five-year lifetime limit on benefits. These well-intentioned requirements are designed to promote independence by keeping people engaged in the workforce. But shortly after the reforms were enacted, federal and state officials began to unravel work requirements by approving waivers. In most cases, Pennsylvania has taken advantage of these loopholes.

### **TANF Cash Assistance in Pennsylvania**

In 2012, President Obama allowed states to relax the TANF work requirements even further. Gov Tom Corbett wisely chose not to apply the blanket waiver, noting it would “lock states into another round of caseload expansion and escalate welfare spending. More importantly, it will handicap our ability to ensure that an effective safety net is preserved for the truly needy.”<sup>11</sup>

But even without this blanket waiver of work requirements, Pennsylvania’s TANF rules are notably weak. Pennsylvania applies a maximum 60-month consecutive time limit on receiving benefits, but a considerable number of enrollees are granted exceptions or exemptions to remain on TANF beyond five years. In fact, more than 15 percent of families collecting cash assistance in Pennsylvania have been on the program for more than five years. That’s five times the national average of three percent.<sup>12</sup> Although only five percent of all U.S. families receiving cash assistance live in Pennsylvania, nearly one in four families who have been on the program for more than five years are Pennsylvanians.<sup>13</sup> Today, 21 states apply a shorter consecutive time limit, promoting a quicker return or entry into the workforce.<sup>14</sup>

Among Pennsylvania adults participating in TANF, only 25 percent are working.<sup>15</sup>

### **Food Stamps in Pennsylvania**

Similar to the TANF program, waivers to let able-bodied adults collect food stamps without working became more prevalent during the Great Recession. The USDA issued regulatory guidance to allow states to waive work requirements for able-bodied adults who lived in cities, counties, or other areas with “high” unemployment or a lack of sufficient jobs.<sup>16</sup>

The Obama administration continued to waive these requirements even as the economy improved. In addition to informally

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<sup>10</sup> 7 U.S.C. § 2015(o).

<sup>11</sup> Letter to the Obama Administration from Pennsylvania Gov. Tom Corbett, August 23, 2012, Office of the Governor, [http://www.commonwealthfoundation.org/docLib/20120911\\_Corbett\\_Letter\\_TANF\\_Waiver.pdf](http://www.commonwealthfoundation.org/docLib/20120911_Corbett_Letter_TANF_Waiver.pdf).

<sup>12</sup> Administration for Children and Families, “TANF federal five-year time limit: fiscal year 2015,” [https://www.acf.hhs.gov/sites/default/files/ofa/timelim\\_2015\\_web.pdf](https://www.acf.hhs.gov/sites/default/files/ofa/timelim_2015_web.pdf).

<sup>13</sup> *Ibid.*

<sup>14</sup> Nathan Smith, “State welfare reforms: TANF time limits by the numbers,” Council of State Governments (2016), <http://knowledgecenter.csg.org/kc/content/state-welfare-reforms-tanf-time-limits-numbers>.

<sup>15</sup> Administration for Children and Families, “Characteristics and financial circumstances of TANF recipients: fiscal year 2015,” [https://www.acf.hhs.gov/sites/default/files/ofa/characteristics\\_and\\_financial\\_circumstances\\_of\\_tanf\\_recipients.pdf](https://www.acf.hhs.gov/sites/default/files/ofa/characteristics_and_financial_circumstances_of_tanf_recipients.pdf).

<sup>16</sup> Food and Nutrition Service, “Waivers of the time limit for able-bodied adults without dependents (ABAWDs) in the Supplemental Nutrition Assistance Program (SNAP),” U.S. Department of Agriculture (2016), [https://fns-prod.azureedge.net/sites/default/files/snap/ABAWDS\\_Waivers.pdf](https://fns-prod.azureedge.net/sites/default/files/snap/ABAWDS_Waivers.pdf).

pressuring states to waive work requirements, the administration issued formal guidance that talked about a “balanced” approach to this policy and detailed how states could waive work requirements and exempt individuals.<sup>17</sup>

Federal law generally defines “high” unemployment areas as those with unemployment rates above 10 percent, yet the USDA continues to grant waivers for areas with much lower unemployment rates. In fact, states with unemployment rates as low as 4.1 percent operated under statewide waivers of work requirements.<sup>18</sup>

Pennsylvania has used this loophole to waive work requirements altogether in 43 counties and in certain areas of an additional eight counties.<sup>19</sup> That leaves only 16 counties where able-bodied adults are subject to countywide work requirements. In other words, adults in **more than 40 counties and cities continue to be exempt from the work requirement in Pennsylvania.**<sup>20</sup>

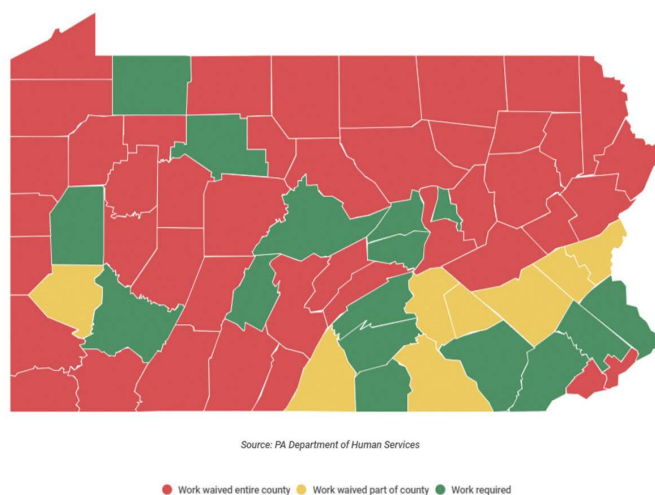
Some advocacy groups claim that most able-bodied adults without kids on food stamps are working and therefore a work requirement is not needed.<sup>21</sup> However, these groups cite old data from a time when work requirements were in place across the whole country.

Proponents of waiving work also claim it reduces administrative overhead, but there is no evidence of this. Administrative costs are higher than they have ever been.<sup>22</sup> The most significant driver of administrative costs is caseload, therefore reforms that reduce caseloads are far more effective at controlling costs than waving work.

On top of the geographic waivers, states can exempt up to 15 percent of able-bodied adults without dependents from work-requirements.

Pennsylvania now requires work for just **28 percent of able-bodied childless adults on food stamps**—and **only seven percent of all**

Figure 2: Work requirements are waived in most Pennsylvania counties



<sup>17</sup> Food and Nutrition Service, “ABAWD Time Limit and Policy Program Access,” U.S. Department of Agriculture (2015), <https://fns-prod.azureedge.net/sites/default/files/snap/ABAWD-Time-Limit-Policy-and-Program-Access-Memo-Nov2015.pdf>.

<sup>18</sup> As of May 2017, Rhode Island continued to operate under a statewide waiver of work requirements, despite an unemployment rate of 4.1 percent. See, e.g., Labor Market Information, “Rhode Island seasonally adjusted unemployment rates: 1976 – 2017,” Rhode Island Department of Labor and Training (2017), <http://www.dlt.ri.gov/lmi/pdf/histadj.pdf>.

<sup>19</sup> Bureau of Operations, “Appendix A: Current geographical areas waived by Food and Nutrition Services (FNS),” Pennsylvania Department of Human Services (2017), [http://services.dpw.state.pa.us/oimpolicymanuals/snap/536\\_ABAWDs/Appendix\\_A\\_Current\\_Geographical\\_Areas\\_Waived\\_by\\_Food\\_and\\_Nutrition\\_Services\\_\(FNS\).htm](http://services.dpw.state.pa.us/oimpolicymanuals/snap/536_ABAWDs/Appendix_A_Current_Geographical_Areas_Waived_by_Food_and_Nutrition_Services_(FNS).htm).

<sup>20</sup> *Ibid.*

<sup>21</sup> Brynne Keith-Jennings et. al., “SNAP Helps Millions of Low-Wage Workers,” Center for Budget and Policy Priorities, (2017), <https://www.cbpp.org/research/food-assistance/snap-helps-millions-of-low-wage-workers>.

<sup>22</sup> Food and Nutrition Service, “Supplemental Nutrition Assistance Program participation and cost,” U.S. Department of Agriculture, (2017) <https://fns-prod.azureedge.net/sites/default/files/pd/SNAPsummary.pdf>.

**able-bodied adults** when including those with dependent children.<sup>23</sup>

As a result of these waivers, the number of Americans dependent upon food stamps has exploded. In 2000, the program enrolled 17 million people, at a cost of approximately \$17 billion annually.<sup>24</sup> By 2016, more than 44 million people were enrolled, costing taxpayers \$70 billion per year.<sup>25</sup>

Since 2001, Pennsylvania added more than 1 million people to the program, an enrollment increase of more than 150 percent.<sup>26</sup> At the same time, taxpayer spending on the program has risen by more than \$2 billion, a fourfold increase.<sup>27</sup> In the food stamp program, only 43,000 able-bodied adult Pennsylvanians without dependents are currently required to work.

Pennsylvania has also expanded the income eligibility, meaning a family of four can earn up to \$48,000 a year and still be eligible for food stamps.<sup>28</sup> For context, that's nearly four times as high as eligibility for TANF.

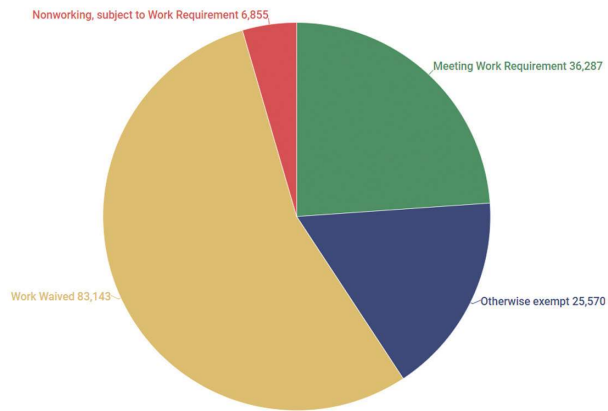
The growth in food stamps cannot be attributed to “recessions” or natural economic downturns alone. Clear policy decisions have significantly expanded enrollment. According to former Maine Department of Health and Human Services Commissioner Mary Mayhew, “this unprecedented spike in dependence on government was facilitated by intentional design in Washington, D.C.”<sup>29</sup>

In addition to waiving work requirements, removing other traditional policies such as asset tests or reporting of income changes is undermining the importance of work in the food stamp program.

In 2015, Pennsylvania eliminated asset tests—meaning individuals with millions of dollars in savings can qualify for aid.

Recipients can also avoid reporting changes to their incomes and household situations in a timely fashion because of “sim-

Figure 3: Work Status for Pennsylvania's SNAP ABAWD Population  
April 2017



Source: Data provided by the Pennsylvania Department of Human Services

23 Authors' calculations based upon data provided by the Pennsylvania Department of Human Services.

24 Food and Nutrition Service, “Supplemental Nutrition Assistance Program participation and cost,” U.S. Department of Agriculture (2017), <https://www.fns.usda.gov/sites/default/files/pd/SNAPsummary.pdf>.

25 Ibid.

26 Food and Nutrition Service, “Supplemental Nutrition Assistance Program: Monthly state participation and benefit summary,” U.S. Department of Agriculture (2017), <https://www.fns.usda.gov/sites/default/files/pd/SNAPZip69throughCurrent.zip>.

27 Ibid.

28 Supplemental Nutrition Assistance Program, “SNAP Income Limits,” Pennsylvania Department of Human Services (2017), <http://www.dhs.pa.gov/citizens/supplementalnutrition-assistanceprogram/snapincomelimits/index.htm>.

29 Mary C. Mayhew, “How Intentional Design Increased Dependence on Food Stamps and Undermined Work,” 2016 Index of Culture and Opportunity, Heritage Foundation (2016), <https://medium.com/2016-index-of-culture-and-opportunity/how-intentional-design-increased-dependence-on-food-stamps-and-undermined-work-1fc2bb6338fb>.



plified reporting” loopholes. For example, a household may be eligible for the maximum benefit during the month of their application, but enjoy an increase in their income the next month. Simplified reporting means they don’t have to report the income change to the welfare agency. In most cases, the agency won’t ask any questions until the next certification period, which could be up to a year later.

Proponents of these administrative changes typically argue that waiving the asset test and allowing people to not report changes reduces the administrative burden on both the individual and agency.<sup>30</sup> Yet administrative and other “non-benefit” costs are at an all-time high of \$4.4 billion, doubling since 2001 even though most states have simplified reporting and many have waived the asset test.<sup>31</sup>

Efforts by state and federal officials to grow food stamp enrollment undermine individuals’ long-term prosperity. Large scale “outreach” efforts, paid for with taxpayer dollars, seek to boost enrollment and, intentionally or unintentionally, dependence. One guide even encourages recruiters to say that “food stamps are not welfare.”<sup>32</sup>

The USDA spends significant time and money pushing “eligible” people to take advantage of taxpayer-funded benefits. The department has regularly produced documents that emphasize the take-up rate of the program and even provides financial incentives to states who enroll more people. Federal taxpayers are on the hook for \$12 million in “bonus” money each year to states with the highest level of “program access.”<sup>33</sup>

### **Food Stamp Work Waivers Can Deepen Dependency**

The effort to boost food stamp enrollment affects other welfare programs, including Medicaid. The Affordable Care Act (ACA) uses a person’s food stamp status to “streamline” their Medicaid enrollment. The Urban Institute notes the federal government allows and encourages states to use food stamps to verify Medicaid eligibility, trigger administrative renewal, and “facilitate the rapid enrollment of Medicaid-eligible consumers.”<sup>34</sup>

The Urban Institute’s brief on using food stamps to increase Medicaid enrollment reads (emphasis added):

*“To illustrate how the simple fact of SNAP receipt can help establish financial eligibility for Medicaid, consider a strategy that applies the logic of administrative renewal. **A state identifies all SNAP recipients who do not receive Medicaid and sends them notices like those used for administrative renewal.** The notices might say, among other things: **Based on SNAP receipt, the consumer appears financially eligible for Medicaid and so has been identified for possible enrollment.**”*

30 Caroline Ratcliffe et al., “The Unintended Consequences of SNAP Asset Limits,” Urban Institute (July 26, 2016), <https://www.urban.org/research/publication/unintended-consequences-snap-asset-limits>

31 Food and Nutrition Service, “Supplemental Nutrition Assistance Program participation and cost,” U.S. Department of Agriculture, (2017) <https://fns-prod.azureedge.net/sites/default/files/pd/SNAPsummary.pdf>

32 Sarah Shubitowski and Bill Emerson, “Food Stamp Outreach Resource Guide,” Manna-Food Security Partners (November 2009), <https://www.hungercenter.org/wp-content/uploads/2011/06/Food-Stamp-Outreach-Resource-Guide-Shubitowski.pdf>

33 § 275.24(b)(3) <https://www.law.cornell.edu/cfr/text/7/275.24>.

34 Stan Dorn et al., “Using SNAP receipt to establish, verify, and renew Medicaid eligibility,” Urban Institute (2013), <http://www.urban.org/sites/default/files/publication/23566/412808-Using-SNAP-Receipt-to-Establish-Verify-and-Renew-Medicaid.PDF>.13.

If those recruited to Medicaid are unresponsive, the Urban Institute suggests states should simply enroll them based on their SNAP information:

“If the state fails to hear from the consumer by the specified date, it could presumably find the consumer financially eligible for Medicaid.”

Unsurprisingly, as the number of people dependent on food stamps has grown, so has dependence on Medicaid. Pennsylvania’s Medicaid program enrollment has nearly doubled since 2000, now sitting at nearly three million people.<sup>35</sup>

### **Food Stamp Work Waivers Are Holding Back Pennsylvanians**

There is no indication that expanding the number of Pennsylvanians collecting food stamps has led to economic growth or a higher standard of living. In fact, while Pennsylvania’s food stamp enrollment nears all-time highs, the state economy is stagnant, the official poverty rate is slowly rising, and Harrisburg faces a fiscal crisis.

Meanwhile, Pennsylvania’s unemployment rate has surpassed the national average for more than a year. Only 10 states had a higher unemployment rate than Pennsylvania in August 2017.<sup>36</sup> Since 2015, Pennsylvania has added only 105,300 jobs, or 1.8 percent, far below the nearly four percent national growth.<sup>37</sup>

When it comes to long-term sustainability the numbers are especially stark. In 2002, there were eight workers for every individual dependent on food stamps in Pennsylvania. By 2015, that ratio had dropped to just three and a half workers for every food stamp enrollee.<sup>38-39</sup>

Another harm of growing food stamp enrollment is the impact on traditionally underprivileged populations. Although food stamps are meant to be temporary, the national average enrollee remains on the program for more than eight years.<sup>40</sup> This length of dependency allows work skills to atrophy and can divert resources from sick populations to healthy work-able individuals.

In contrast, the case studies below show that when work is emphasized in social programs, recipients are capable of not only meeting the requirements but also earning enough to become independent of government assistance. For example, when Maine required work for able-bodied adults on food stamps and implemented other food stamp reforms, it saw declining enrollment in Medicaid, TANF cash welfare, and state and locally-funded general assistance.<sup>41</sup>

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<sup>35</sup> Centers for Medicare and Medicaid Services, “Medicaid and CHIP: March and April 2017 preliminary monthly enrollment,” U.S. Department of Health and Human Services (2017), <https://www.medicaid.gov/medicaid/program-information/downloads/april-2017-enrollment-data.zip>.

<sup>36</sup> Bureau of Labor Statistics, “Local Area Unemployment Statistics,” U.S. Department of Labor (2017), <https://www.bls.gov/web/laus/laumstrk.htm>.

<sup>37</sup> Authors calculations based on the Bureau of Labor Statistics, “Current Employment Statistics: Seasonally Adjusted,” U.S. Department of Labor (2017), <https://www.bls.gov/sae/>.

<sup>38</sup> Authors calculations based on Food and Nutrition Service, “Supplemental Nutrition Assistance Program: Monthly state participation and benefit summary,” U.S. Department of Agriculture (2017), <https://www.fns.usda.gov/sites/default/files/pd/SNAPZip69throughCurrent.zip>.

<sup>39</sup> Author’s calculations based on Bureau of Labor Statistics, Local Area Unemployment Statistics, U.S. Department of Labor (2017), <https://www.bls.gov/laus/>.

<sup>40</sup> Joshua Leftin et al., “Dynamics of Supplemental Nutrition Assistance Program participation from 2008 to 2012,” U.S. Department of Agriculture (2014), <https://www.fns.usda.gov/sites/default/files/ops/Dynamics2008-2012.pdf>.

<sup>41</sup> Sam Adolphsen, “LePage’s welfare reform: Good for Maine, a model for the nation,” National Review (2017), <http://www.nationalreview.com/article/447689/paul-lepage-reforms-maine-welfare-good-model-nation>.

## CREATING A PATHWAY TO PROSPERITY IN PENNSYLVANIA

Reforming the welfare system is complex. Dozens of programs are governed by unique rules, with overlapping regulatory bodies and funding systems. The food stamp program is a great place to start, because it is a well-known program that impacts enrollment in the other major welfare programs.

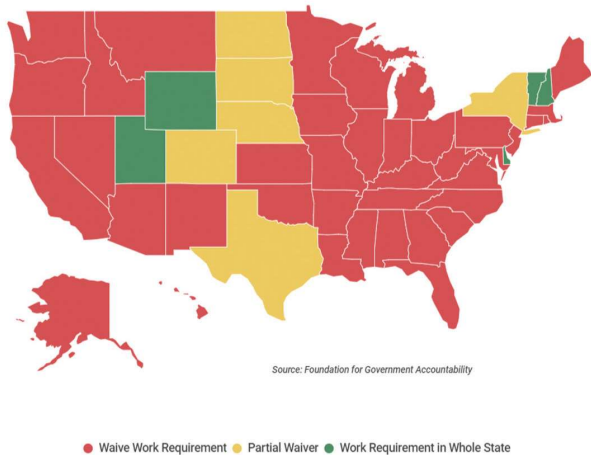
### *Restoring Work Requirements for ABAWDs on SNAP*

Under federal law, an able-bodied adult without dependents (ABAWD) is required to work, train for work, or volunteer at least 20 hours per week to maintain food stamp eligibility after three months.<sup>42</sup> Although work registration and optional workfare requirements have been part of federal law for many years, the 1996 welfare reform created a new time limit for able-bodied childless adults as a way to reorient the program toward work. Even before this change, participants in the program had to purchase their food stamps, which acted as a de-facto work requirement.

However, the American Recovery & Reinvestment Act of 2009 created new statewide waivers for these work requirements and time limits. The Obama administration continued to encourage states to waive these requirements for years, even after the recession ended and recovery was well underway. States are just now beginning to rediscover the power of work and correct the political pendulum swing that broadly waived work for the last decade.

Federal bureaucrats have given states multiple options when requesting waivers from the program's work requirement. States may waive the requirement statewide; waive it only in certain regions, counties, or cities; or have no waiver at all.

Figure 4: SNAP Work Waiver for ABAWD (2013)



In 2013, thirty-nine states waived these critical requirements entirely, six waived work requirements in most of their states, and only five enforced the work requirement statewide.<sup>43</sup> These policies fostered a troubling culture of long-term dependency even as the economy steadily improved.

A countercyclical welfare program like food stamps should have seen a much larger “natural” attrition of enrollment as the economy improved. Instead, enrollment continued to climb or stay persistently high.

After Kansas (2013) and Maine (2014) demonstrated the positive impact of work requirements, many states followed their lead. Some states reinstated

work requirements with legislation, while others did so through the executive branch. Notably, Florida, Mississippi, Missouri, and North Carolina passed legislation to reinstate work requirements for able-bodied adults.

<sup>42</sup> 7 U.S.C. § 2015(o).

<sup>43</sup> Compiled by the Foundation for Government Accountability, <https://www.fns.usda.gov/sites/default/files/snap/SNAP-Waiver-Database-Historical.xlsx>.

Arkansas and Kansas have codified executive branch decisions, ensuring that these work requirements remain part of the program for years to come.

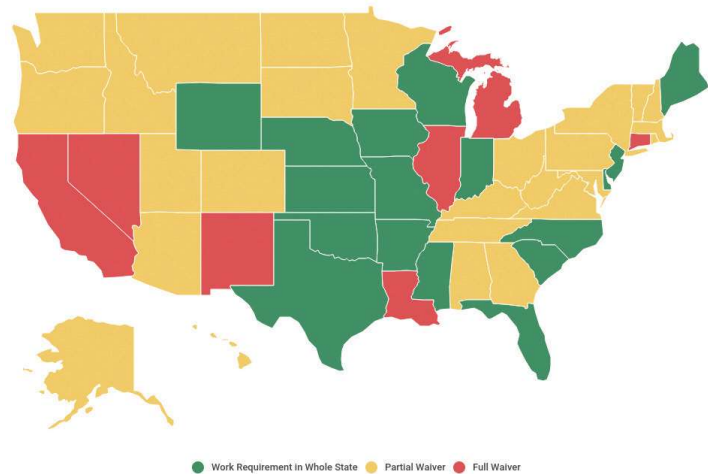
Even states taking a slower path have seen encouraging early results. For example, Georgia saw 75 percent of affected enrollees leave the program when it first implemented work requirements in three counties. When Georgia expanded that requirement to 21 counties, it experienced a subsequent 62 percent reduction in enrollment. State policymakers are now looking to expand the work requirement to all 159 counties by 2019.<sup>44</sup>

Alabama’s progress is even more pronounced. When the state implemented work requirements in certain regions, most of the affected enrollees left the program within a few months. After seeing the success in those counties, the state expanded work requirements to all 67 counties. The number of able-bodied adults dependent on the program is 85 percent lower today than it was before the work requirements were implemented.<sup>45</sup>

In 2016, only eight states completely waived food stamp work requirements, with 25 waiving it in some areas of their states.<sup>46</sup> Seventeen states required work statewide—even though many of these states qualified for a partial waiver under federal rules.

If food stamp work requirements were enforced across Pennsylvania, the majority of able-bodied adults without dependents would leave welfare and return to the workforce. In Kansas, for example, 75 percent left the program after the state implemented work requirements.<sup>47</sup> In Florida, enrollment among this group declined by roughly 85 percent in the first 10 months.<sup>48</sup> In Maine, the number of able-bodied childless adults on food stamps dropped by a dramatic 90 percent.<sup>49</sup> Based on these experiences, **between 80,000 and 100,000 able-bodied adults could be expected to rejoin Pennsylvania’s workforce.**<sup>50</sup>

Figure 5: SNAP Work Waiver for ABAWD (2016)



Source: Foundation for Government Accountability

44 Craig Schneider, “Thousands dropped from food stamps due to work requirements,” *Atlanta Journal Constitution* (2017), <http://www.myajc.com/news/breaking-news/thousands-dropped-from-food-stamps-due-work-requirements/nAcoTvoPq4LBO0u42Z8CTP>.

45 Leada Gore, “42,000 off food stamp rolls after Alabama implements work requirements,” *Alabama Media Group* (2017), <http://www.al.com/news/index.ssf/2017/06/42000-alabamians-no-longer-rec.html>.

46 Food and Nutrition Service, “Status of state able-bodied adult without dependents (ABAWD) time limit waivers: Fiscal year 2017 – 4th quarter,” U.S. Department of Agriculture, (2017), <https://www.fns.usda.gov/sites/default/files/snap/FY-2017-Quarter-4-ABAWD-Waiver-Status.pdf>.

47 Jonathan Ingram and Nic Horton, “The power of work: How Kansas’ welfare reform is lifting Americans out of poverty,” *Foundation for Government Accountability* (2016), <https://thefga.org/wp-content/uploads/2016/02/PowerOfWork-KansasWelfareReform.pdf>.

48 Authors’ calculations based upon data provided by the Florida Department of Children and Families.

49 Jonathan Ingram and Josh Archambault, “New report proves Maine’s welfare reforms are working,” *Forbes* (2016), <https://www.forbes.com/sites/theapothecary/2016/05/19/new-report-proves-maines-welfare-reforms-are-working>.

50 Authors’ calculations based upon an expected enrollment decline of somewhere between 75 percent and 90 percent among able-bodied childless adults who live in waiver counties or who are otherwise exempt from the work requirement.

In Kansas, almost half of those removed from the program found work within three months in hundreds of different industries.<sup>51</sup> In the year after leaving welfare, these able-bodied adults saw their incomes increase 127 percent, more than offsetting the loss of food stamps.<sup>52</sup> Based on the experiences in other states, those leaving food stamps in **Pennsylvania would see between \$175 million and \$210 million in higher wages.**<sup>53</sup>

Higher wages can translate into higher state revenues. In Kansas, for example, the state collected \$4.4 million in additional tax revenue due to work requirements, while local governments collected an additional \$1 million.<sup>54</sup> Able-bodied adults removed from the program brought in an additional \$700,000 in state income tax in Maine.<sup>55</sup> Based on these experiences, state income tax collections could be expected to **grow by \$6 million to \$7 million per year in Pennsylvania.**<sup>56</sup>

Implementing work requirements statewide would also create a spillover effect on other welfare programs. Roughly three-quarters of able-bodied childless adults on food stamps are also enrolled in Medicaid.<sup>57</sup> Those with incomes that rise above the eligibility limit for Medicaid would leave both programs, saving taxpayers an additional \$45 million to \$55 million per year.<sup>58</sup> The state's share of those savings would be **\$3 million in 2018** and grow over time.<sup>59</sup>

These estimates are limited to the impact of implementing work requirements for able-bodied childless adults on food stamps. Expanding those requirements to all able-bodied adults on food stamps or Medicaid would create even larger reductions in dependency, boosting individual incomes and the state economy.

## WORK REQUIREMENT BEST PRACTICES

To maximize the positive impact of freeing individuals from food stamp dependency through work, work requirements need to be carefully constructed.

### **State-Wide Requirements Are Best**

Currently, 17 states require work across their states. Twenty-seven states, including Pennsylvania, have chosen to limit work requirements to counties that no longer qualify for waivers.<sup>60</sup> This is a mistake. Pennsylvania currently requires work in just

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51 Jonathan Ingram and Nic Horton, "The power of work: How Kansas' welfare reform is lifting Americans out of poverty," *Foundation for Government Accountability* (2016), <https://thefga.org/wp-content/uploads/2016/02/PowerOfWork-KansasWelfareReform.pdf>.

52 *Ibid.*, 2.

53 Authors' calculations based upon an expected enrollment decline of between 75 percent and 90 percent and the average raw dollar wage increase in other states, which would represent a 99 percent increase in wages in Pennsylvania. For comparison, wages increased by an average of 104 percent in Maine and 127 percent in Kansas.

54 Jonathan Ingram and Nic Horton, "The power of work: How Kansas' welfare reform is lifting Americans out of poverty," *Foundation for Government Accountability* (2016), <https://thefga.org/wp-content/uploads/2016/02/PowerOfWork-KansasWelfareReform.pdf>.

55 Jonathan Ingram and Josh Archambault, "New report proves Maine's welfare reforms are working," *Forbes* (2016), <https://www.forbes.com/sites/theapothecary/2016/05/19/new-report-proves-maines-welfare-reforms-are-working>.

56 Authors' calculations based upon actual individual-level changes in income in other states and Pennsylvania's current income tax and tax forgiveness structure.

57 Authors' calculations based upon dual enrollment of able-bodied childless adults in food stamps and Medicaid in other Medicaid expansion states.

58 Authors' calculations based upon dual enrollment of able-bodied childless adults in food stamps and Medicaid in other Medicaid expansion states, the share of able-bodied adults exiting food stamps with incomes rising above Medicaid expansion eligibility, and average Medicaid expansion costs in Pennsylvania.

59 Authors' calculations based upon projected Medicaid expansion savings and Pennsylvania's enhanced FMAP for expansion enrollees in 2018.

60 Food and Nutrition Service, "Status of state able-bodied adult without dependents (ABAWD) time limit waivers: Fiscal year 2018 – 1st quarter," *U.S. Department of Agriculture* (2017), <https://fns-prod.azureedge.net/sites/default/files/snap/FY-2018-Quarter-1-ABAWD-Waiver-Status.pdf>.

16 counties.<sup>61</sup> These geographic-based exemptions, based on federal loopholes, are arbitrary and ineffective. Administrators wrongly assume that if a county has higher unemployment, it's harder to meet the work requirement.

First of all, the “work requirement” can be fulfilled in many ways. If Pennsylvania adults were required to work statewide, they could either work 20 hours per week, receive job training, or volunteer. In Southwest Pennsylvania, for example, where nearly every county and city is exempt from the work requirement, the United Way, Red Cross and Goodwill list dozens of opportunities for volunteering, which would allow someone to meet the work requirement and gain valuable work experience.<sup>62-63-64</sup>

Second, it makes little sense to allow exemptions based on geography alone because people can and do travel for work. Not everyone lives and works in the same county, and many exempted counties are bordered by counties with lower unemployment. Plus, the difference in the unemployment rate is often minimal. Today, someone who lives in Centre County is required to work, train, or volunteer because their unemployment rate is just 4.1 percent. But four counties that border Centre County—Mifflin, Huntingdon, Clearfield, and Clinton—are exempt from the requirement for having slightly higher unemployment rates.<sup>65</sup> It's worth noting that Pennsylvania has no counties with unemployment rates above seven percent.

Some states with statewide requirements have seen higher compliance in areas with higher unemployment rates. This experience negates the argument that those counties need exemptions because it's too hard to meet the requirement. In Maine, for example, the highest rates of compliance were in counties with the highest unemployment rates.<sup>66</sup>

The work requirement for all able-bodied adults without dependents is a beneficial policy that shouldn't be arbitrarily bound by county lines.

### **Flexibility for the Individual**

Waivers from the work requirement can be granted for a few reasons, but they are most often related to broad, statewide unemployment rates. This design ignores the unique marketable skills and labor conditions for each individual recipient.

Granting overly broad waivers should deeply concern policymakers as the longer an enrollee is out of the workforce, the harder it is for the person to find a job.<sup>67</sup> By contrast, under a statewide work requirement, the goal is employment for all enrollees. States can still grant a hardship exemption to individuals who are having trouble finding employment.

Overall, the goal should be employment for all, with flexibility to tailor program rules.

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61 Food and Nutrition Service, “Status of state able-bodied adult without dependents (ABAWD) time limit waivers: Fiscal year 2018 – 1st quarter,” U.S. Department of Agriculture (2017), <https://fns-prod.azureedge.net/sites/default/files/snap/FY-2018-Quarter-1-ABAWD-Waiver-Status.pdf>.

62 Be a volunteer, United Way of Southwestern Pennsylvania, <https://uwsdpa.org/be-a-volunteer/#ongoingsection>.

63 Volunteer opportunities, American Red Cross Western Pennsylvania Region, <http://www.redcross.org/local/pennsylvania/western-pennsylvania/volunteer>.

64 Volunteer, Goodwill Southwestern Pennsylvania, <http://www.goodwillswpa.org/volunteer>.

65 Bureau of Labor Statistics, “Local Area Unemployment Statistics Map,” U.S. Department of Labor, <https://data.bls.gov/map/MapToolServlet?state=42&datatype=unemployment&survey=la&map=county&seasonal=u>.

66 Authors' calculations based upon data provided by the Maine Department of Health and Human Services.

67 Jonathan Ingram and Nic Horton, “The power of work: How Kansas' welfare reform is lifting Americans out of poverty,” Foundation for Government Accountability (2016), <https://thefga.org/wp-content/uploads/2016/02/PowerOfWork-KansasWelfareReform.pdf>.

### **Discard Failed Methods**

Traditional work requirement efforts have always included costly government training and education programs. Federal, state, and local governments spent half a billion dollars in 2015 on “Education and Training” efforts just for the food stamp population alone.<sup>68</sup>

This traditional approach is tempting because it allows government to “do something” to help individuals transition into work, but these programs aren’t particularly effective and can be downright wasteful.

For example, the 2014 farm bill reauthorizing the food stamp program allocated \$200 million to 10 states that conducted “SNAP Employment and Training pilots.”<sup>69</sup> The second report to Congress on the progress of the “pilots” was delivered at the end of 2016. The total number of people enrolled nationwide totaled just 9,726. That’s more than \$20,500 per enrollee—well above the individual income limit for food stamps.<sup>70</sup>

Similarly, when Maine implemented the work requirement for able-bodied adults without dependents, bureaucrats in the Department of Health and Human Services and the Department of Labor personally called thousands of able-bodied adults with an invitation to attend “Employment and Training” classes offered in their areas. The training was free, and the state even offered to help with transportation. Fewer than 50 people completed the training.<sup>71</sup>

This isn’t to say there is no value in education and training, but Pennsylvania should be wary of substituting training for a work requirement, or failing to proceed with the work requirement due to capacity concerns at employment and training centers.

### **Embrace Entry Level Jobs**

Expecting former welfare recipients to obtain family-sustaining jobs immediately is shortsighted and unrealistic. Data from Kansas shows people moving out of dependency may start at an entry level job in hospitality, food service, or at a temp agency, but they don’t remain there. Those jobs serve as a springboard to higher earnings. Results in Kansas and Maine show a rapid progression in wages.

### **Avoid Work Requirement Loopholes**

Many states use administrative loopholes to weaken work requirements. In the TANF program, 50 percent of a state’s program population must be working to receive funding, but states often utilize creative loopholes instead of helping recipients work.

One of the most widely used loopholes is called the “worker supplement benefit.” Essentially, the state seeks out people who are employed and on other welfare programs, like food stamps, and then gives those enrollees a small TANF benefit so they

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<sup>68</sup> Food and Nutrition Service, Office of Policy Support, “SNAP Employment and Training Best Practices Study: Final Report,” U.S. Department of Agriculture (2016), <https://fns-prod.azureedge.net/sites/default/files/ops/SNAPeandTBestPractices.pdf>.

<sup>69</sup> “USDA Awards \$200 Million for Skills Training to Help SNAP Recipients Get Good Jobs,” Food and Nutrition Service (March 20, 2015), [www.fns.usda.gov/pressrelease/2015/007115](http://www.fns.usda.gov/pressrelease/2015/007115).

<sup>70</sup> Food and Nutrition Service, “Evaluation of SNAP Employment and Training Pilots,” U.S. Department of Agriculture (2016), <https://www.fns.usda.gov/sites/default/files/snap/Annual-Report-Congress-2017.pdf>.

<sup>71</sup> Information provided by Maine Department of Health and Human Services.

can count that person in their caseload. This drives up the work participation rate, but only by pulling people who are already working into another welfare program.<sup>72</sup>

Before Maine Gov. Paul LePage took office, extensions to the TANF 60-month time limit regularly kept people on TANF for up to 10 or 11 years.<sup>73</sup> These extensions could be granted for several categories, including “certain emergency situations,” a vague term determined by the agency.<sup>74</sup>

Even if participants are staying within the time limit, they may be exempt from working thanks to “good cause” exemptions, which were also liberally employed in Maine.<sup>75</sup> This loophole would even allow people to stay on the program without working if they missed work because they were in jail.

Adding loopholes, exemptions, and extensions will undermine the ability of any work requirement to reduce dependency.

### **Track the Results**

Another best practice for establishing successful work requirements is tracking the outcomes. Too often, when government embarks on a policy change, the impacts are unexplored. This makes it impossible to prove—or disprove—claims that the policy benefits or harms individuals and families.

The case studies discussed in this report carefully tracked the impact of work requirements on individuals and found work requirements helped people increase their incomes and their self-worth.

When work requirements are broadened, the state agency responsible for overseeing welfare programs should enter into memorandums of understanding (MOUs) with its counterparts in the labor division or departments responsible for collecting wage data. The MOUs should outline that the agencies will share data that track a person’s wages after the work requirement takes effect.

The evidence from other states indicates strengthening work requirements in Pennsylvania will lead to more work, more dignity, more income, and fewer people dependent on welfare, but proving that is impossible without following-up with former enrollees.

## **HOW WORK WORKS – CASE STUDIES FROM THE STATES**

Work requirements have been restored in several states across different welfare programs. The case studies below document the power of work to improve lives.

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<sup>72</sup> Liz, Schott, “Using TANF or MOE Funds to Provide Supplemental Assistance to Low-Income Working Families,” Center on Budget Policy and Priorities (2008), <https://www.cbpp.org/archiveSite/5-24-07tanf.pdf>.

<sup>73</sup> Information provided by the Maine Department of Health and Human Services.

<sup>74</sup> “TANF Time Limit Rules: Extensions,” Maine Equal Justice Partners, <http://www.mejp.org/content/tanf-time-limit-rules-extensions>.

<sup>75</sup> “Understanding TANF & ASPIRE,” Maine Equal Justice Partners (2015), <https://www.mejp.org/sites/default/files/TANF-Aspire-Guide-August-2015.pdf>.



**Case Study #1 – Kansas Food Stamp Work Requirement for Able-Bodied Adults with No Children**

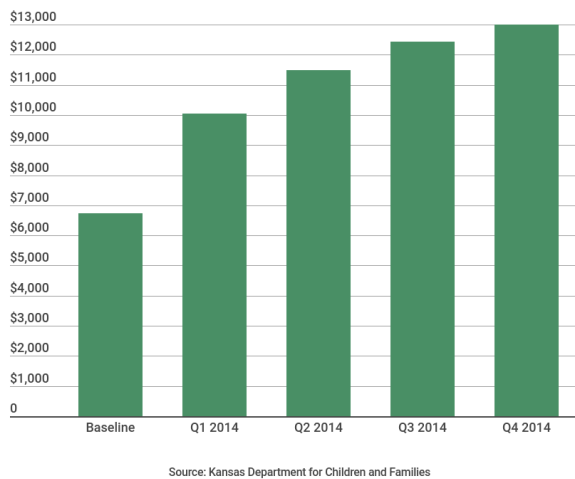
In 2013, Kansas Gov. Sam Brownback bucked the national trend and instructed state officials to reinstate work requirements and time limits for able-bodied adults. Within three months, half of all able-bodied adults on food stamps had cycled off the program. Enrollment continued to decline, ending up 75 percent lower than it was before work requirements took effect.<sup>76</sup>

Not content with a huge policy shift, the Brownback administration also set in motion a first-of-its-kind tracking system to monitor Kansans as they moved from welfare to work. Over the course of two years, the state’s Department of Labor and its Department for Children and Families tracked earnings and employment for nearly 41,000 able-bodied adults leaving food stamps after the work requirements went into effect. The results were dramatic and uplifting: more employment, higher incomes, and less dependency.<sup>77</sup>

Within three months, nearly half of those removed from the program found employment, with employment rates increasing month after month. While many found immediate work in food services or retail, many others found work in manufacturing, transportation, construction, health care, finance, and national security. Even those who found temporary work in lower-wage industries frequently moved on to better jobs as their skills improved.<sup>78</sup>

More work translated into higher wages. In the year after being removed from the program, these able-bodied adults in Kansas saw their wages increase by an impressive 127 percent, rising every quarter. This rise in income is likely understated considering it does not include wage information for self-employment or employment in a neighboring state.

**Figure 6: Kansas - Average annualized wages of ABAWDs who are working after exiting food stamps December 2013**



The higher wages more than offset lost food stamps, putting able-bodied adults in a better financial position than while dependent on welfare. Within a year, the average income among the 41,000 working was above the poverty line.<sup>79</sup> While the average income still has room to improve, it nevertheless represents a dramatic change from the status quo of just one year earlier.

Due to these changes, the number of able-bodied adults dependent on welfare plummeted and the amount of time spent on welfare was cut in half.<sup>80</sup> The less time able-bodied adults spent on welfare, the more quickly they re-entered the workforce, the higher incomes they earned, and the larger income growth they experienced.<sup>81</sup>

76 Jonathan Ingram and Nic Horton, “The power of work: How Kansas’ welfare reform is lifting Americans out of poverty,” *Foundation for Government Accountability* (2016), <https://thefga.org/wp-content/uploads/2016/02/PowerOfWork-KansasWelfareReform.pdf>.

77 *Ibid.*, 2.

78 *Ibid.*, 12-14.

79 *Ibid.*, 2.

80 *Ibid.*, 11.

81 *Ibid.*, 2.

These are more than just statistics. These are real people whose lives were changed for the better. One young man near Kansas City was unemployed before the policy change and had depended on food stamps for four years. Within a few months of implementing work requirements, he re-entered the workforce and now earns \$45,000 per year working in the publishing industry. Another young woman found work in a commercial bakery, earning \$53,000 per year after being unemployed and stuck on food stamps. Another able-bodied adult had languished on food stamps for more than 20 years. After Kansas implemented work requirements, she rose out of poverty by working in retail.<sup>82</sup>

These changes also had a positive impact on taxpayers and the economy. Not only did federal taxpayers save nearly \$50 million per year in food stamp benefits, but higher wages translated into \$5.5 million in higher state and local tax revenues. These higher wages added up to \$89 million per year to the Kansas economy, even without considering any economic multiplier effect. At the same time, the state's share of administrative costs declined by \$1.7 million and it improved its error rate more than any other state, earning it \$628,000 in extra federal funding as a payment bonus.<sup>83</sup>

### **Case Study #2 – Maine Food Stamp Work Requirement for Able-Bodied Adults with No Children**

For many years, Maine was a national leader in welfare dependency. By 2010, Maine ranked in the top six in enrollment nationally for food stamps, TANF cash welfare, and Medicaid—a feat of dependency no other state had “achieved.”<sup>84</sup>

Since that time, Maine has undergone a fundamental welfare system overhaul, thanks in large part to Gov. Paul LePage, who repeatedly stated his desire for welfare to be a hand up, not a handout. Maine has seen dramatic declines in welfare caseloads, ranking among the best in the country for food stamp enrollment declines in 2014. And Maine has seen Medicaid enrollment drop by 80,000, while other states—including Pennsylvania—have added millions to the Medicaid program.<sup>85</sup>

Work requirements for able-bodied adults were key to Gov. LePage's reform efforts. In October 2014, Maine re-established a food stamp work requirement in federal law that mandates all able-bodied childless adults work 20 hours a week, receive job training and education, or volunteer.

As a result, nearly 7,000 able-bodied adults were initially removed from food stamps in Maine for refusing to meet the work requirement. In the following months and years, the number of able-bodied adults without children dependent on the program fell by nearly 90 percent, a decrease of more than 11,000 people.<sup>86</sup>

The Maine Office of Policy and Management conducted a tracking study that followed the 6,866 able-bodied adults who were initially disqualified for refusing to work. The goal of the study was to determine what happened to those individuals when they left the program.

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<sup>82</sup> *Ibid.*, 3-4.

<sup>83</sup> *Ibid.*, 17-19.

<sup>84</sup> J. Scott Moody and Kyle Pomerleau, “Fix the system: Freeing Maine families from welfare dependency,” *Maine Heritage Policy Center* (2012), <http://mainepolicy.org/publications/fix-the-system>.

<sup>85</sup> Sam Adolphsen, “LePage's welfare reform: Good for Maine, a model for the nation,” *National Review* (2017), <http://www.nationalreview.com/article/447689/paul-lepage-reforms-maine-welfare-good-model-nation>.

<sup>86</sup> Jonathan Ingram and Josh Archambault, “New report proves Maine's welfare reforms are working,” *Forbes* (2016), <https://www.forbes.com/sites/theapothecary/2016/05/19/new-report-proves-maines-welfare-reforms-are-working>.

The study results showed impressive economic gains for those individuals. Within a year of leaving the program, the income of the group increased by 114 percent, with the average worker earning more than the federal poverty level. This higher income more than offset lost benefits, generating additional state income tax revenues and providing a boost to the local economy.<sup>87</sup> This data did not include certain wage information for self-employment or for employment in a neighboring state, so it is likely that the growth in income was actually understated.

Those who complied with the work requirement and remained on the program saw earnings increase as well, with average wages rising by 32 percent in just one year.<sup>88</sup>

**Case Study #3 – Florida Food Stamp Enrollment Changes and Job Growth**

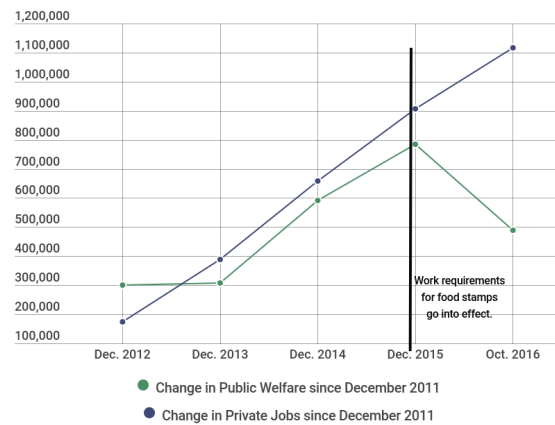
Implementing the right welfare policies is important, even during economic booms. While Florida experienced strong economic growth for multiple years, the number of people dependent on food stamps remained unusually high. Florida created more than 1 million new jobs between January 2011 and January 2016.<sup>89</sup> Its unemployment rate was cut in half – from 10.5 percent in 2011 to 5.0 percent in 2016.<sup>90</sup> Despite this progress, the number of people dependent on food stamps rose by nearly 615,000 during that time.<sup>91</sup>

In its fiscal year 2016 budget, the Florida Legislature reinstated the requirement that able-bodied adults work, train, or volunteer at least 20 hours per week in order to retain food stamp benefits.<sup>92</sup> This provision passed out of the House Committee with unanimous bipartisan support. It was only after the state implemented work requirements—and more than 85 percent of able-bodied adults cycled off the program—that enrollment significantly declined.<sup>93</sup> There are nearly 535,000 fewer people dependent on food stamps in Florida today than just a year and a half ago, largely due to the power of work requirements.<sup>94</sup>

This experience makes clear that job growth alone cannot fix exploding welfare enrollment.

In order to increase labor force participation, states must combine job creation efforts with common-sense welfare reforms. Pursuing positive changes to taxes, licensing, and regulatory policies is not enough to counteract the negative implications of harmful welfare policies. States must implement policies that help produce job seekers as well as job creators. The evidence from Florida is clear: transition-

Figure 7: Change in Private Sector Jobs and Public Welfare Recipients in Florida



87 Ibid.

88 Ibid.

89 Authors' calculations based upon data provided by the Bureau of Labor Statistics, U.S. Department of Labor.

90 Ibid.

91 Authors' calculations based upon data provided by the Florida Department of Children and Families.

92 Florida Statutes § 414.455 (2016), <https://www.flsenate.gov/Laws/Statutes/2016/414.455>.

93 Authors' calculations based upon data provided by the Florida Department of Children and Families.

94 Ibid.

ing individuals back into the workforce reduces enrollment while private sector job growth continues uninterrupted.

#### **Case Study #4 – Kansas Outcomes in TANF**

Kansas has also made important changes to its TANF cash assistance program to reduce dependency and help struggling families get back on their feet. The effect on these families was overwhelmingly positive. More able-bodied adults went back to work, incomes rose, and dependency plummeted.<sup>95</sup>

In 2011, Gov. Sam Brownback put in place new, stronger sanction policies for able-bodied adults who did not find work. Under these changes, individuals who failed to meet the requirements were banned from the program for three months for the first offense. The sanction period lengthened each time, with individuals incurring a six-month ban, 12-month ban, and lifetime ban for the second, third, and fourth infractions, respectively.

Building on its tracking work with childless adults on food stamps, Kansas set in motion a process to track more than 17,000 people leaving the TANF program as a result of these new sanctions. Able-bodied adults removed from the program went back to work in record numbers, finding jobs in more than 600 different industries and more than doubling their incomes within the first year. Better still, their incomes continued to climb each year, eventually more than tripling over their average income while trapped on welfare. And those higher wages have more than offset any lost welfare benefits.<sup>96</sup>

Higher incomes have also led to more economic activity and greater tax revenues for state and local governments.<sup>97</sup> Ultimately, Kansas is making the TANF program more effective.

#### **Case Study #5 – What Happened to Incomes in Maine’s TANF Program When Time Limits Were Enforced**

In 1996, Congress replaced the open-ended Aid to Families with Dependent Children program, which provided cash assistance to low-income families, with the TANF block grant. This federal block grant awarded to the states is designed to support families as they work toward family-sustaining employment. As part of this reform, Congress wisely incorporated meaningful work requirements and time limits on how long some could receive benefits.

States were granted broad flexibility in how to administer TANF funds and structure enrollment. For example, in December of 2016 Florida enrolled half as many TANF recipients (78,645) as Pennsylvania (136,498), despite seven million more residents. Illinois and Ohio, similar in size to Pennsylvania, have just 30,866 and 106,163 recipients respectively.<sup>98</sup>

One of the key policy decisions that impacts enrollment in TANF is the lifetime limit on benefits. In order for a work requirement to be meaningful, there must be an accompanying time limit for the program. States vary when it comes to the time limit, but the federal maximum is 60-months, or five years.

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<sup>95</sup> Nic Horton and Jonathan Ingram, “Work Requirements are Working for Kansas Families,” *Foundation for Government Accountability* (2017), <https://thefga.org/wp-content/uploads/2017/07/Work-Requirements-are-Working-for-Kansas-Families.pdf>.

<sup>96</sup> *Ibid.*

<sup>97</sup> *Ibid.*

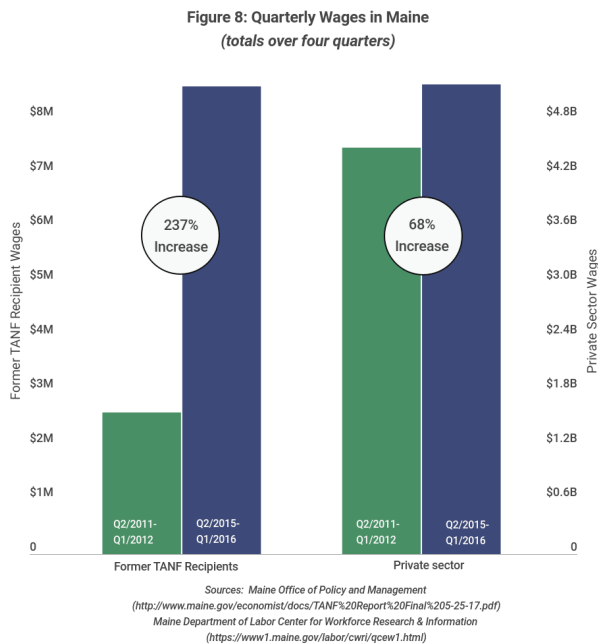
<sup>98</sup> Administration for Children and Families, “TANF caseload data 2017: TANF and SSP – total number of recipients,” U.S. Department of Health and Human Services (2017), [https://www.acf.hhs.gov/sites/default/files/ofa/2017\\_recipient\\_tanssp.pdf](https://www.acf.hhs.gov/sites/default/files/ofa/2017_recipient_tanssp.pdf).

States are now pursuing lifetime limits as short as 12 months, ensuring that those who enter the program are moved from welfare to work as quickly as possible:<sup>99</sup>

- Arizona – 12 months
- Connecticut – 21 months
- Arkansas, Kansas, Idaho – 24 months
- Utah, Delaware – 36 months
- Missouri – 45 months
- Florida, California, Michigan, Georgia – 48 months

Maine, like Pennsylvania, uses the longest time limit allowed by federal law, adhering to the federal lifetime limit of 60 months. But as recently as 2010, Maine was not even meaningfully enforcing the five-year time limit. In fact, Maine strategically deployed exemptions and extensions, along with other questionable practices, to keep people on the program far past 60 months.

When Gov. Paul LePage was first elected, he re-established strict adherence to the 60-month timeline for TANF. This resulted in thousands of Mainers moving off TANF almost immediately in 2011. Ultimately, Maine saw a decrease of 62 percent in its caseload, from 15,000 cases to fewer than 5,000 today.<sup>100</sup>



Recently, Gov. LePage and then Health and Human Services Commissioner Mary Mayhew commissioned a study to track the initial wave of individuals who left TANF because of the lifetime time limit. The results of that study reinforce the argument that time limits are effective in moving people off welfare and back to work. Within just a few years, the nearly 2,000 able-bodied adults who initially left the TANF program as a result of the time limit saw their overall incomes increase by 237 percent. The year prior to the time limit’s enforcement, this group of adults collectively earned \$2.6 million. Just four years later, that same group earned more than \$8.6 million in wages.<sup>101</sup>

The higher wages earned after leaving the program quickly exceeded the combined value of individuals’ previous earnings and the cash welfare benefits they were collecting on

<sup>99</sup> Nathan Smith, “State welfare reforms: TANF time limits by the numbers,” *Council of State Governments* (2016), <http://knowledgecenter.csg.org/kc/content/state-welfare-reforms-tanf-time-limits-numbers>.

<sup>100</sup> Logan Pike, “Maine is leading the nation in welfare reform,” *Townhall* (2016), <https://townhall.com/columnists/loganpike/2016/06/21/maine-is-leading-the-nation-in-welfare-reform-n2181825>.

<sup>101</sup> Office of Policy and Management, “Wage and employment outcomes of TANF participants,” *Maine Office of the Governor* (2017), <http://www.maine.gov/economist/docs/TANF%20Report%20Final%205-25-17.pdf>.

the program. The average quarterly wage of those who had left TANF was 44 percent higher than their welfare benefits plus wages while on the program.<sup>102</sup>

**Case Study #6 – Maine Food Stamp Reform Successes Spill Over to Medicaid**

Maine’s efforts to reduce its welfare rolls have been well documented.<sup>103</sup> Most notably, Maine was one of the first states to proactively require able-bodied adults collecting food stamps to work, train, or volunteer. As a result of this and other reforms like restoring an asset test, Maine reduced the number of people dependent on food stamps by roughly 50,000.<sup>104-105</sup>

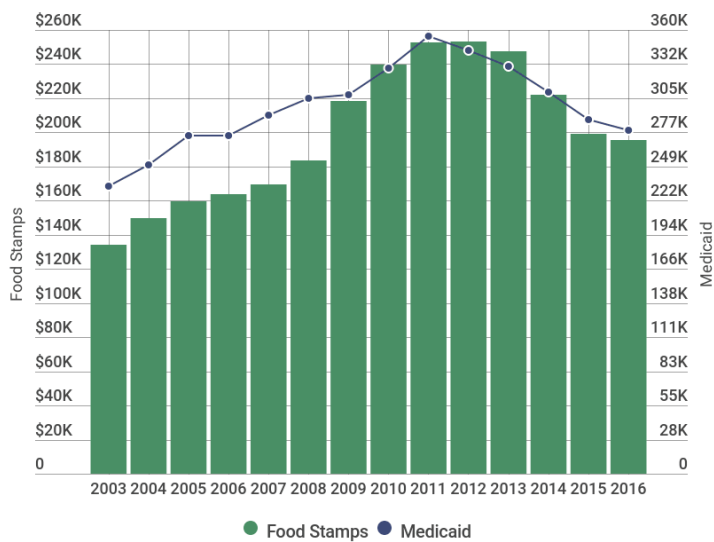
This enrollment reduction saved federal taxpayers approximately \$76 million.<sup>106</sup> But that’s not all. The reduction also appears to have had an impact on the even more expensive, and partially state-funded, Medicaid program.

According to data from the Maine Department of Health and Human Services, about 21,000 of the 50,000 removed from food stamps were also enrolled in Medicaid at the time of their removal. The data shows that 78 percent of those dual enrollees, more than 16,000, soon left Medicaid and remained off the program years later.<sup>107</sup>

This generated significant financial savings for the state. The estimated per-member per-year cost for traditional Medicaid recipients was \$9,291. Having 16,000 fewer people on the program represents an annual savings of more than \$148 million and state savings of more than \$55 million.<sup>108</sup>

While these savings cannot be attributed solely to changes in food stamps, it is clear that reducing dependency on the food stamp program impacts other welfare programs like Medicaid.

**Figure 9: Maine - Individuals on Food Stamps and Medicaid**



Source: Department of Health and Humans Services

102 Logan Pike, “Maine is leading the nation in welfare reform,” *Townhall* (2016), <https://townhall.com/columnists/loganpike/2016/06/21/maine-is-leading-the-nation-in-welfare-reform-n2181825>.

103 Pike, “Maine is leading the nation.”

104 Sam Adolphsen, “LePage’s welfare reform: Good for Maine, a model for the nation,” *National Review* (2017), <http://www.nationalreview.com/article/447689/paul-lepage-reforms-maine-welfare-good-model-nation>.

105 Press Office, “Maine DHHS announces asset test for food stamps,” *Maine Department of Health and Human Services* (2015), [http://www.maine.gov/dhhs/archivednews\\_auto-search.shtml?id=657252](http://www.maine.gov/dhhs/archivednews_auto-search.shtml?id=657252).

106 Authors’ calculations based upon data provided by the Maine Department of Health and Human Services.

107 *Ibid.*

108 *Ibid.*

## THE NEW WAVE OF WORK FIRST POLICIES

With the success of food stamp work requirements, reforms that put work first are gaining traction. For example, HHS recently announced it will stop issuing waivers from work in the TANF program.<sup>109</sup> Several states are following suit.

### *Enforcing Work for Parents in Maine and Wisconsin*

One of the most successful elements of welfare reform in the mid-1990s was work requirements for single parents on welfare cash assistance. Yet, this same population on food stamps is subject to a weak work-registration requirement that is largely unenforced.

Wisconsin Gov. Scott Walker included in his 2017 budget a five-county pilot program requiring parents to participate in an employment and training program, work 80 hours per month, or do a combination of the two to continue receiving food stamps.<sup>110-111</sup> The pilot applies to parents and other adults living in a household with school-age children. Adults in households with children under the age of six are automatically exempt.

The employment and training program includes “job search activities, education and vocational training, workfare and work experience, self-employment, and job retention services.” The administration and legislature have made the commitment to guarantee a slot in an employment or training program for any interested parents. This pilot program is projected to include roughly one-sixth of eligible able-bodied adults in Wisconsin, with plans to expand statewide within three years.<sup>112</sup>

Maine is actively exploring steps to enforce the current federal law work registration requirement for able-bodied parents, childless adults who are exempt from the work requirement, and slightly older childless adults. The goal is to increase the likelihood that recipients will reenter the workforce. Many states don’t track a recipient’s job status, allowing enrollees to quit a job, turn down a job offer, or fail to register on a job bank—all violations of program rules.

### *Further Federal Reform*

Congress is due to reauthorize the farm bill in the coming months, as it expires in 2018.<sup>113</sup> Lawmakers are considering a more robust work requirement for parents and shorter time limits for childless adults.<sup>113</sup> President Donald Trump’s proposed budget would also strengthen these requirements. Members and relevant committees have already started to make public their desire to focus on work requirements.

109 Stephen Dinan, “Trump moves to restore work requirement for welfare,” *The Washington Times* (August 30, 2017), <http://www.washingtontimes.com/news/2017/aug/30/trump-moves-restore-work-requirement-welfare/>.

110 Nic Horton, “Welfare reform can flourish in the post-Obama era,” *National Review* (2017), <http://www.nationalreview.com/article/445077/welfare-reform-wisconsin-walker-leading-way>.

111 Division of Budget and Finance, “Wisconsin works for everyone: Outline of budget initiatives,” *Wisconsin Department of Administration* (2017), [http://doa.wi.gov/Documents/DEBF/Budget/Biennial%20Budget/2017-19%20Executive%20Budget/Wisconsin%20Works%20for%20Everyone%20%20pager%20for%20budget%20\\_FINAL%20SM.pdf](http://doa.wi.gov/Documents/DEBF/Budget/Biennial%20Budget/2017-19%20Executive%20Budget/Wisconsin%20Works%20for%20Everyone%20%20pager%20for%20budget%20_FINAL%20SM.pdf).

112 Legislative Fiscal Bureau, “FSET pilot for able-bodied adults with dependents,” *Joint Committee on Finance* (2017), [https://docs.legis.wisconsin.gov/misc/lfb/budget/2017\\_19\\_bienna\\_budget/008\\_budget\\_papers/347\\_health\\_services\\_foodshare\\_fset\\_pilot\\_for\\_able\\_bodied\\_adults\\_with\\_dependents.pdf](https://docs.legis.wisconsin.gov/misc/lfb/budget/2017_19_bienna_budget/008_budget_papers/347_health_services_foodshare_fset_pilot_for_able_bodied_adults_with_dependents.pdf).

113 Renée Johnson and Jim Monke, “What is the farm bill?” *Congressional Research Service* (2017), <https://fas.org/sgp/crs/misc/RS22131.pdf>.

However, simply enforcing what is on the federal books would substantially increase employment. One example is the regulatory age limit for the federal food stamp work requirement. It applies to able-bodied childless adults<sup>114</sup> between the ages of 18 and 49, even though federal law requires 50-year-olds to comply. Federal bureaucrats have misinterpreted that language in regulatory guidance, despite warnings from the inspector general.<sup>115</sup>

Apart from requiring 50-year-olds to work, there have been discussions to expand the requirement to the pre-Medicare age of 64 or 60, given longer lifespans and the benefit of work for all ages.

### **Work Requirements in Medicaid**

The House-passed American Health Care Act (AHCA) and Senate-proposed Better Care Reconciliation Act (BCRA) both provide states with the option to implement work requirements for able-bodied adults.<sup>116-117</sup> The Centers for Medicare and Medicaid Services (CMS) has also actively encouraged states to seek waivers to implement Medicaid work requirements.<sup>118</sup> Here are a few examples to date:

*Arkansas:* Gov. Asa Hutchinson proposed—and the state legislature approved—a request to implement Medicaid work requirements as part of a reform package that also reduced ACA expansion eligibility down to the federal poverty line, moving higher-income enrollees onto the exchange.<sup>119</sup> The state submitted its waiver for this new requirement in June 2017.<sup>120</sup>

*Arizona:* Gov. Doug Ducey requested a waiver from the Obama administration to implement work requirements and time limits for able-bodied adults. Although this request was denied, Gov. Ducey is expected to re-submit the request to the Trump administration later this year. Senate Bill 1092 mandates that the governor continue to apply for this waiver annually until it is approved.<sup>121</sup>

*Kentucky:* Gov. Matt Bevin initially sought a waiver to require tiered levels of community engagement for Medicaid expansion enrollees. In July 2017, the state updated that waiver request to include work requirements that heavily mirror the requirements for able-bodied adults on food stamps.<sup>122</sup>

*Indiana:* In May 2017, Gov. Eric Holcomb submitted a waiver request to require able-bodied adults to participate in tiered

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114 Darin Miller, “Jordan introduces SNAP reform bill to emphasize work,” *Office of Congressman Jim Jordan* (2017), <https://jordan.house.gov/news/documentsingle.aspx?DocumentID=398134>.

115 Office of Inspector General, “FNS controls over SNAP benefits for able-bodied adults without dependents,” *U.S. Department of Agriculture* (2016), <https://www.usda.gov/oig/webdocs/27601-0002-31.pdf>.

116 U.S. House of Representatives, “H.R. 1628: American Health Care Act of 2017,” *Library of Congress* (2017), <https://www.congress.gov/115/bills/hr1628/BILLS-115hr1628eh.pdf>.

117 U.S. Senate, “H.R. 1628: Better Care Reconciliation Act of 2017,” *U.S. Senate Budget Committee* (2017), <https://www.budget.senate.gov/imo/media/doc/BetterCareReconciliationAct.6.26.17.pdf>.

118 Thomas Price and Seema Verma, “Letter to governors,” *U.S. Department of Health and Human Services* (2017), <https://www.hhs.gov/sites/default/files/sec-price-admin-verma-ltr.pdf>.

119 Arkansas General Assembly, “Act 3,” *Arkansas Bureau of Legislative Research* (2017), <http://www.arkleg.state.ar.us/assembly/2017/2017S1/Acts/Act3.pdf>.

120 Division of Medical Services, “Proposed amendment to Arkansas Works Section 1115 demonstration,” *Arkansas Department of Human Services* (2017), <https://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Waivers/1115/downloads/ar/ar-works-pa2.pdf>.

121 Rachel Leingang, “State misses waiver deadline for able-bodied adults on Medicaid,” *AZ Capitol Times* (July 14, 2017), <http://azcapitoltimes.com/news/2017/07/14/arizona-misses-waiver-deadline-for-able-bodied-adults-on-medicaid/> (subscription).

122 Department for Medicaid Services, “Kentucky HEALTH 1115 demonstration modification request,” *Kentucky Cabinet for Health and Family Services* (2017), <https://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Waivers/1115/downloads/ky/ky-health-pa2.pdf>.



work, training, or educational activities as a condition of eligibility. Under this plan, able-bodied adults who have been enrolled in the program longer than six months must participate in a qualifying activity for at least five hours per week. This requirement continues to increase until an individual has been on the program for more than 18 months, when it reaches the 20-hour requirement found in food stamps.<sup>123</sup>

*Maine:* Gov. Paul LePage has proposed a waiver that would require all able-bodied adults to work, train, or volunteer for at least 20 hours per week to qualify for Medicaid.<sup>124</sup> This waiver is unique because Maine did not expand eligibility to able-bodied adults under the ACA. Instead, Maine has been working to free able-bodied adults who were added to the program under previous expansions.

*Ohio:* In its fiscal years 2018-2019 biennial budget, the Ohio legislature required the Department of Medicaid to seek a waiver to require able-bodied adults on the Medicaid expansion to either work, train, or continue their education.<sup>125</sup>

*Pennsylvania:* The current human services code under consideration for Pennsylvania's 2017-18 fiscal year includes a provision instructing the Department of Human Services to submit a waiver to enact work requirements for able-bodied Medicaid enrollees.<sup>126</sup> It's unclear if this provision will be signed into law.

These states are just the tip of the iceberg, as numerous other states have expressed interest in creating work requirements in Medicaid.

### **Work Requirements in Housing**

Wisconsin is pursuing a broad agenda to help as many residents as possible get back to work. Those efforts include criminal justice reform, changes to occupational licensing, and tax reform, but the heart of the reform agenda is work. Wisconsin is piloting a program of work requirements for public housing.<sup>126</sup> A similar reform has already taken place at the local level in blue states like Massachusetts.<sup>128</sup>

President Trump's proposed 2018 budget also opens the door for work requirements in public housing by calling for adoption of "policies that encourage work and self-sufficiency."<sup>129</sup>

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123 Division of Family Resources, "Amendment request to Healthy Indiana Plan (HIP) Section 1115 waiver extension application," Indiana Family and Social Services Administration (2017), <https://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Waivers/1115/downloads/in/in-healthy-indiana-plan-support-20-pa5.pdf>

124 Office for Family Independence, "MaineCare 1115 waiver application," Maine Department of Health and Human Services (2017), [http://www.maine.gov/dhhs/oms/documents/Draft\\_MaineCare\\_1115\\_application.pdf](http://www.maine.gov/dhhs/oms/documents/Draft_MaineCare_1115_application.pdf)

125 Legislative Services Commission, "Comparison document: House Bill 49 – Main operating budget bill, FY 2018-2019," Ohio General Assembly (2017), <http://www.lsc.ohio.gov/fiscal/comparedoc132/en/comparedoc-hb49-en.pdf>

126 House Bill 59, Pennsylvania General Assembly (2017), <http://www.legis.state.pa.us/cfdocs/billInfo/billInfo.cfm?sYear=2017&sInd=0&body=H&type=B&bn=0059>

127 Division of Budget and Finance, "Wisconsin works for everyone: Outline of budget initiatives," Wisconsin Department of Administration (2017), [http://doa.wi.gov/Documents/DEBF/Budget/Biennial%20Budget/2017-19%20Executive%20Budget/Wisconsin%20Works%20for%20Everyone%20%20pager%20for%20budget%20\\_FINAL%20SM.pdf](http://doa.wi.gov/Documents/DEBF/Budget/Biennial%20Budget/2017-19%20Executive%20Budget/Wisconsin%20Works%20for%20Everyone%20%20pager%20for%20budget%20_FINAL%20SM.pdf)

128 Brad Petrishen, "Worcester Housing Authority announces tenant work requirement," *Telegram & Gazette* (2015), <http://www.telegram.com/article/20150506/NEWS/150509755>

129 Office of Management and Budget, "Major Savings and Reforms, Budget of the U.S. Government, Fiscal Year 2018," White House (2017), <https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/msar.pdf>

## ESSENTIALS FOR SUCCESSFUL WELFARE REFORM

Any policy to restore the dignity of work must include several components to be successful;

- **Work requirements for able-bodied adults.** The core component of any successful welfare reform is a work requirement. This has proven time and again to be the key to moving people out of welfare programs and onto a better life. The federal welfare reform of 1996 championed this idea and states that have embraced it at various times since then have found success. Data from the most recent examples of Kansas and Maine demonstrate that work requirements for able-bodied adults lead to higher incomes and fewer welfare-dependent people.
- **Time limits.** Another key part of the 1996 welfare reform, time limits are critical to ensure people don't become trapped in welfare programs. Many states either functionally waive this policy or enact the bare minimum. Research, like that conducted in Kansas, has shown that stricter time limits do a better job of moving people into meaningful work and higher incomes. Although most states utilize the current 60-month TANF time limit, allowing a full five years on welfare perpetuates long-term dependency.
- **Limit waivers and exemptions.** A hallmark of many current welfare programs is extensive waivers and exemptions, which are often created through bureaucratic rulemaking. Real welfare reform will focus exemptions and waivers on narrow populations.
- **On-the-job training.** There has long been a focus on government-run education and training programs as the primary method to move people out of dependency. While these programs can be useful, they are not work. Instead, education and training should accompany the direct benefit of employment.

## CONCLUSION

Pennsylvania's current policy of exempting large populations of able-bodied adults from work requirements is not compassionate, as it deemphasizes the proven path to independence and poverty alleviation. Case studies of work requirement restoration in Kansas, Maine, and Florida demonstrate how work helps individuals prosper, spurs economic growth, and results in significant state savings.

Currently, only seven percent of all able-bodied Pennsylvanians on food stamps are required to work, and the commonwealth has one of the highest ratios of families on TANF long-term. These anti-work policies underlie the rapid growth of human services spending, which is growing faster than state revenues and the overall state economy.

Food stamp work requirements for able-bodied childless adults alone would empower between 80,000 and 100,000 adults to become independent of government assistance. Based on the experiences in other states, those transitioning away from food stamps in Pennsylvania would benefit from \$175 million to \$210 million in higher wages.

The infusion of Pennsylvanians into the work force would yield \$6 to \$7 million a year in additional state income taxes, and state taxpayers would save an estimated \$3 million in 2018, with even more savings over time.

It's clear that putting work first in the commonwealth's major welfare programs would benefit recipients, taxpayers, and the state as a whole. Work is truly the pathway to prosperity for all Pennsylvanians.

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