

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 neediest.
- 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
- Encourage saving practices

Facts:

- In Fiscal Year (FY) 2016 the federal government reported spending \$877.5 billion on various benefits and services for low-income families and individuals.¹ The aggregate cost of federal benefits for low-income individuals is difficult to pinpoint, however, due to numerous welfare programs distributed across federal agencies.²
- In 2018, 38.1 million Americans – 11.8% of the population – were living in poverty, the fourth consecutive year in which the poverty rate declined.³ Georgia's poverty rate was 14.3% in 2018⁴.

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Overview

The problem in helping people move from dependency to self-sufficiency 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 federal bureaucracies in Washington, D.C.

While welfare reform efforts in 1996 were significant and successful, both at the federal and state level, they involved only one federal welfare program – Aid to Families with Dependent Children (AFDC). This 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

¹ Falk, Gene. "Federal Spending on Benefits and Services for People with Low Income: In Brief." Congressional Research Service, February 6, 2018. <https://fas.org/sgp/crs/misc/R45097.pdf>.

² Robert Rector and Vijay Menon. "Understanding the Hidden \$1.1 Trillion Welfare System and How to Reform It." <https://www.heritage.org/welfare/report/understanding-the-hidden-11-trillion-welfare-system-and-how-reform-it>

³ U.S. Census Bureau. "Income and Poverty in the United States: 2018." The United States Census Bureau. Accessed August 5, 2020. <https://www.census.gov/library/publications/2019/demo/p60-266.html>.

⁴ "U.S. Census Bureau QuickFacts: Georgia." Accessed August 5, 2020. <https://www.census.gov/quickfacts/GA>.

no requirements that beneficiaries 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.⁵

Several worthwhile 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. The overall poverty rate increased in the immediate period thereafter before declining in recent years: From 1996 to 2013, there was a 24.2% increase in the poverty rate, according to the U.S. Census Bureau and the Annie E. Casey Foundation. From 2013-2019 the Georgia poverty rate decreased by 5.7%.⁶

In 2019, Georgia's poverty rate improved to 13.3%, although still above the national poverty rate of 10.5%, which was the lowest observed since 1959, when the Census Bureau began publishing the estimates.⁷ While the COVID-19 pandemic led to record unemployment after the economic shutdown, Georgia's economy bounced back relatively quickly: In April, the state's unemployment rate was 12.6%; by August, it had recovered to 5.6%, compared to the national jobless rate of 8.4%.⁸

This is important: Work is the central component for helping people escape poverty. Full-time workers are less likely to be a part of the working poor than part-time workers. Just 2.9% of full-time workers were classified as working poor, compared to 10.9% of part time workers.⁹ Georgia made significant progress implementing immediate work requirements after the 2015 Welfare Reform Report Card was released.

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Georgia policies can help welfare recipients by giving them a hand up instead of trapping them in a sustained cycle of poverty. Reforms could include a cash diversion program – alternative, immediate cash assistance for families that could avert the need for TANF – strict-but-fair time limits and sanctions, and enforcing fraud prevention measures. These will improve opportunities for recipients to reach self-sufficiency, give help to those people who truly need assistance, and protect taxpayers.

⁵ <https://www.heartland.org/topics/government-spending/Welfare-Reform-Report-Card/index.html>

⁶ Statista. "Poverty Rate in Georgia 2018." Accessed September 24, 2020. <https://www.statista.com/statistics/205453/poverty-rate-in-georgia/>.

⁷ "Income and Poverty in the United States: 2019," U.S. Census Bureau, published September 2020.

<https://www.census.gov/content/dam/Census/library/publications/2020/demo/p60-270.pdf>

⁸ <https://dol.georgia.gov/press-releases/2020-09-17/georgia-significantly-outperforms-national-unemployment-rate-august>

⁹ "A Profile of the Working Poor, 2017 : BLS Reports: U.S. Bureau of Labor Statistics." Accessed August 5, 2020. <https://www.bls.gov/opub/reports/working-poor/2017/home.htm>.

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. Georgians filed 1.04 million EITC claims in 2019, totaling \$2.9 billion; the average amount was \$2,783.¹⁰ But the participation rate has hovered around 80% for the past decade.¹¹ This is in spite of efforts to increase participation rates, such as the IRS' EITC Awareness Day.¹²

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While 28 states (plus the District of Columbia) have created a state EITC alongside the existing federal EITC, Georgia has not.¹³ A bill in the 2020 legislative session would have created a state EITC as part of a move to a flat individual income tax, but the bill did not pass. The state should evaluate the success of this program in other states.

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."¹⁴

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.

¹⁰ <https://www.eitc.irs.gov/eitc-central/statistics-for-tax-returns-with-eitc/statistics-for-tax-returns-with-eitc>

¹¹ <https://www.eitc.irs.gov/eitc-central/participation-rate/eitc-participation-rate-by-states>

¹² "Earned Income Tax Credit Overview." Accessed August 5, 2020. <https://www.ncsl.org/research/labor-and-employment/earned-income-tax-credits-for-working-families.aspx>.

¹³ "States and Local Governments with Earned Income Tax Credit | Internal Revenue Service." Accessed August 7, 2020. <https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/states-and-local-governments-with-earned-income-tax-credit>.

¹⁴ "Welfare Reform After Ten Years," The Heartland Institute, 2008

“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.”¹⁵

Research suggests that requiring work as a condition of receiving cash welfare is not something the system does *to* someone, but rather something done *for* someone. Much has been written about “the dignity of work” and the benefits that accrue to those who are employed.

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 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.¹⁶

Integrate public and private services to improve efficiency and accountability

Those serious about welfare reform know 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.

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

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¹⁵ <https://www.heartland.org/publications-resources/publications/research--commentary-establishing-work-requirements-for-snap-has-and-can-work>

¹⁶ 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>.

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 job training or a 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 a 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.¹⁷

In 2017, Georgia introduced the Georgia Gateway system to integrate benefit programs including Childcare and Parent Services (CAPS), PeachCare for Kids, SNAP, TANF, Women, Infants, and Children (WIC), and Medicaid. Most importantly, Georgia Gateway reduces the paperwork and bureaucracy to receive and apply to benefits while enhancing the agency’s abilities to detect fraudulent claims.¹⁸

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 Nutrition Assistance Program (SNAP) – qualify for the financial help they receive. According to the USDA, SNAP’s error rate is 6.8%, significant in a \$60 billion program.¹⁹

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. In most cases, SNAP recipients must have a gross income below 130% of the poverty level, a net income below 100% of the poverty level, and less than \$2,000 in assets.

Since low asset limits such as \$2,000 often discourage savings among eligible families, data matching systems are one way to detect welfare fraud that does not harm low-income families. This is a SNAP certification process that cross-checks files from multiple agencies including the U.S. Department of Health and Human Services New Hire File, Social Security Administration Death Master File, USDA-FNS Disqualified Recipient File, and U.S. Citizenship and Immigration Services Systematic Alien Verification for Entitlements.²⁰

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¹⁷ 2015 Welfare Reform Report Card, Heartland Institute, <http://bit.ly/1qD1P7l>

¹⁸ Georgia.gov. “New Georgia Gateway Now Online for State-Administered Benefits.” Accessed August 5, 2020. <https://georgia.gov/blog-post/2017-09-19/new-georgia-gateway-now-online-state-administered-benefits>.

¹⁹ “USDA Releases SNAP Payment Error Rate for 2018 | USDA-FNS.” Accessed August 5, 2020. <https://www.fns.usda.gov/pressrelease/fns-001019>

²⁰ Aussenberg, Randy. “Errors and Fraud in the Supplemental Nutrition Assistance Program.” Congressional Research Service, September 28, 2018. <https://fas.org/sgp/crs/misc/R45147.pdf>.

Improper payments also occur due to agency mistakes. Human error on the agency's end can be avoided by supervision and training, case review, and technological improvements. Lt. Gov. Geoff Duncan's 2019 Task Force on Healthcare Access and Cost examined AI systems able to detect Medicaid fraud; if successful, this technology could then be transferred to monitor welfare fraud.

Encourage Saving Practices

Although programs such as SNAP and TANF are essential to ensure a low-income individual's immediate needs, it lacks the ability to lift people out of poverty. Assets and savings are oft-overlooked aspects of poverty. Americans who are asset-poor are at significant risk at being pushed further below the poverty line. Without savings, an unexpected expense such as job loss or a health crisis can financially cripple those in the low-income bracket.

The "unbanked" – those least likely to have a bank account – include the poor, minorities, young people, illegal immigrants and the unemployed. In Georgia, they make up 10.6% of households.²¹ This occurs for a few reasons beyond a lack of money. Those in poverty often lack financial literacy to understand the complex legalities of banking. They also face barriers including high bank fees and "know your customer" laws that require identification documents that many in poverty lack. Banking reforms and government regulations implemented in the Dodd-Frank Act further hampered community banks, which are most likely to serve low-income areas.²²

A program that would help low-income individuals build capital would be Individual Development Accounts (IDA). This unique program allows state or local governments and nonprofits to sponsor a low-income individual's bank account. Money from earned income and matched funds from nonprofits or welfare programs such as TANF may be contributed to IDAs. This fund is for the specific purpose of starting a business, post-secondary education, or a first-time home purchase. Funds in this account are also not considered in asset tests for any welfare programs. Currently, Georgia has no state-wide IDA program or legislation authorizing matching TANF funds, but a number of local programs are available.²³

It is time to start building a more inclusive economy where those in poverty can build wealth instead of being incentivized to remain in their income bracket.

Asset limits for welfare programs should also be expanded in Georgia. Currently, a family of three must have less than \$1,000 in countable assets to be eligible for TANF.²⁴ This hinders needy families from accumulating the resources that would help them out of poverty and eventually off government aid. In 2019, Michigan significantly raised asset limits from \$5,000 per household to \$15,000; this can serve as a case study to see the impact of these policies on families.²⁵

It is time to start building a more inclusive economy where those in poverty can build wealth instead of being incentivized to remain in their income bracket.

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

²¹ 2017 FDIC National Survey of Unbanked and Underbanked Households. <https://www.economicinclusion.gov/>

²² Tanner, Michael. *The Inclusive Economy: How to Bring Wealth to America's Poor*. Washington, D.C: Cato Institute, 2018.

²³ "GA Individual Development Accounts - IDA." Accessed August 5, 2020.

http://help.workworldapp.com/wwwwebhelp/ga_individual_development_accounts_ida.htm.

²⁴ Division of Family & Children Services | Georgia Department of Human Services. "TANF Eligibility Requirements." Accessed August 5, 2020. <https://dfcs.georgia.gov/tanf-eligibility-requirements>.

²⁵ "Asset Tests Michigan," 2019. https://www.michigan.gov/documents/mdhhs/Asset_tests_QandA_668891_7.pdf.

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.

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. Georgia Works! started with 35 beds; by 2020 the organization was able to support 150.²⁶

By 2020, the program had graduated 850 formerly homeless men, transforming their lives and becoming self-sufficient, productive citizens. The program also inspired Doug Hanson to start the North Georgia Works! program in Gainesville, with 30 beds available to local men.

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," McGahan 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.

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The program is modeled after a successful New York City program called Ready, Willing and Able. Each Georgia Works! participant is required to work 30-35 hours a week, typically picking up trash around the city initially before being placed with an employer. 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% 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.

²⁶ <https://www.georgiaworks.net/>

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. Not only do 80% of the men who graduate retain their job, but they often continue to excel by receiving supervising roles and employee of the month awards.

While the key focus is changing destructive habits that prevent homeless men from holding down a job, McGahan recognizes there are government-made barriers as well. Georgia wage garnishment laws can disincentivize those who need a job. McGahan suggests waiting to garnish wages until the man has received a certain amount of income to ensure that he can become stable and continue to pay child-support.

Another policy issue he believes would help those in poverty is reforming driver’s license revocation laws. Revoking a license for non-driving related crimes, such as unpaid child-support, severely limits job opportunities. Without a license, getting to a job becomes increasingly difficult. It is a barrier to jobs that require a license, such as delivery driver. Without gainful employment, the gap of unpaid child support widens and pushes these men further into poverty.

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

Georgia Works!. It’s working.

The Georgia Public Policy Foundation is grateful to 2020 Summer Intern Noelle Du Bois for her contribution to the Welfare Reform Chapter of the Guide to the Issues.

About the [Georgia Public Policy Foundation](#). Established in 1991, the Foundation is a trusted, independent resource for voters and elected officials. The Foundation provides actionable solutions to real-life problems by bringing people together. Nothing written here is to be construed as necessarily reflecting the views of the Georgia Public Policy Foundation or as an attempt to aid or hinder the passage of any bill before the U.S. Congress or the Georgia Legislature.

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