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Freedom Caucus “Welfare Reform” Bill Would Increase Poverty and Hardship Without Helping People Succeed in the Labor Market

By Liz Schott, Ed Bolen, and Will Fischer

House Freedom Caucus Chair Mark Meadows, Freedom Caucus member Jim Jordan, and Senators Ted Cruz and Mike Lee have introduced legislation that would strip many poor families of access to basic food assistance, income assistance, and help paying rent.¹ Their bill, labeled the Welfare Reform and Upward Mobility Act, would impose unrealistic, expensive, unfunded requirements on states, compelling them to impose — in their SNAP (formerly called food stamps) and Temporary Assistance for Needy Families (TANF) programs — rigid work programs that evidence indicates would largely be ineffective. States would ultimately have to engage 75-80 percent of program participants in work activities — far above what states could likely achieve and well above what the vast majority of states have achieved in TANF. States failing to meet these new requirements would face large fiscal penalties, including the potential loss of a sizable share of their SNAP funding and half or more of their TANF block grant.

The bill ignores the realities of many poor adults’ lives. Not only do many adult SNAP and TANF recipients work, but many who are *not* working are ill or caring for a family member with a disability, have serious skill deficits, or live in communities with limited job prospects. Moreover, although the bill would require that states put a large share of parents into new work activity programs or else face large funding losses, the bill provides states *no* new funding for job training and employment services or for the child care necessary for parents to participate.

Given the enormity of the fiscal risk that states would face, they would feel tremendous pressure to meet the new requirements — and likely would respond, at least in part, by making it harder for poor people not already employed to receive SNAP or TANF. As explained below, providing aid to fewer eligible families would be the least costly and most feasible way for states to meet the new requirements and avoid large fiscal penalties.

Under the bill, poor families would face rigid work requirements often poorly suited to their needs. If they failed to satisfy those requirements, the state likely would cut their benefits

¹ The bills are H.R. 2832 (available at <https://jordan.house.gov/uploadedfiles/jordan.wruma.115th.pdf>) and S. 1290 (available at <https://www.congress.gov/bill/115th-congress/senate-bill/1290/text>).

immediately to avoid the fiscal penalties. As a result, many very poor families with children would likely be left without enough to eat and no way to pay rent.

On top of that, the legislation would replace nearly all major federal housing assistance programs with block grants to states at sharply reduced funding levels. By the end of the decade, federal low-income housing assistance would be cut by more than half in inflation-adjusted terms. Moreover, states wouldn't even have to use the shrunken block grant funds for low-income housing. The bill provides no rationale for this provision, which is a massive cut to assistance that helps low-income seniors, people with disabilities, and families afford a roof over their heads.

The bill's sponsors have acknowledged that it is intended to produce large cuts in SNAP, TANF, and housing assistance. In fact, Reps. Meadows and Jordan have said that the cuts their bill produces in basic assistance programs for poor families should be used to pay for tax cuts.²

Work Requirements Appear Designed to Be Impossible to Meet

The inflexible and bureaucratic new requirements that the bill would impose on state TANF and SNAP programs would force states to engage parents in work activities at rates far higher than states have ever achieved in TANF's 20-year history. The requirements are so unrealistic that they raise the question of whether the bill is designed to be nearly impossible for states to meet without throwing many of the poorest families and children off the programs. Consider the specific provisions in SNAP and TANF.

SNAP Provisions

The bill shortens, from three months to one month, the time limit on SNAP benefits for individuals who are aged 18 to 50 and don't live with children, if they aren't employed or in a work or training program for at least 20 hours a week.³ It also ends altogether states' ability to secure waivers from this austere time limit for areas with high unemployment; no waivers would be allowed, regardless of how high an area's unemployment rate climbed or if a recession hit. The bill would also pare back a state's ability to grant a limited number of individual exemptions from the time limit for certain groups such as veterans or part-time workers. While the bill requires states to offer people subject to the time limit an opportunity to participate in training, job search, or unpaid work, it provides *no* additional funding for this purpose, making it unlikely that states would spend the money to meet this standard.⁴

The bill also adds new and broader work requirements for families with children who receive SNAP — here, as well, without any new funding to operate work programs or provide child care. The kinds of activities that could count toward these new requirements are modeled after the

² Sahil Kapur, "Republicans Tiptoe Toward Safety-Net Cuts to Unlock Tax 'Logjam,'" Bloomberg, June 9, 2017, <https://www.bloomberg.com/news/articles/2017-06-09/key-republicans-eye-spending-cuts-to-help-pay-for-tax-overhaul>

³ For more information about this policy and the recent impact on SNAP participants, see Ed Bolen *et al.*, "More than 500,000 Adults Will Lose SNAP Benefits in 2016 as Waivers Expire," Center on Budget and Policy Priorities, updated March 18, 2016, <http://www.cbpp.org/research/food-assistance/more-than-500000-adults-will-lose-snap-benefits-in-2016-as-waivers-expire>.

⁴ Funding is available under the current SNAP Employment and Training program if the state is willing to put up a dollar-for-dollar match, but states have been unwilling to put up significant state funding to draw down these funds.

current TANF work requirements, which state and local program administrators have widely criticized as unnecessarily complicated and rigid.

Most SNAP parents already work. Under the bill, those who are not working at least 25 hours a week on average (or disabled) would be required to participate in these TANF-like activities for an average of 25 hours per week. Parents with children under age 6 would have to participate for an average of 20 hours per week each month. The people subject to these requirements would include the many SNAP recipients who aren't currently working at least 100 hours a month but are between jobs — and will subsequently find a job on their own — but currently face hard times and need help to avoid spiraling downward.

States would have to engage in these work activities a set percentage of all SNAP parents required to participate — with the required percentage reaching 80 percent within five years — or else face severe fiscal penalties. Of particular note, a state could count a family toward these performance targets not only if the family participated for the required number of hours, but also if the state *sanctioned the family's benefits for not meeting the work requirement*. A state thus would receive as much credit for sanctioning a family — that is, reducing or terminating its benefits — as for placing a parent in a work activity. And cutting families off would be far less expensive for states than investing in work or training programs and child care.

TANF

The bill also would layer a new set of TANF work requirements *on top of* the current requirements, which would remain. Currently, states are required to engage 50 percent of work-eligible adults in a narrowly defined set of work activities for 30 hours per week (or 20 hours per week if they have a child under age 6), with these targets being lower for states that have cut their TANF caseloads since 2005. To that the bill would add a new requirement that states engage a set percentage of jobless TANF parents — 75 percent by the third year — in a specific set of work activities or face fiscal penalties. For both TANF families and states, these new requirements would be broader, more onerous, and more unworkable than the existing ones.

The new, additional requirement would apply to all parents not working at least 40 hours a month in families in which the parent or child receives TANF assistance. These parents would have to participate in work activities for at least 30 hours per week with *no* exceptions or reduced hours for those with young children (including infants) or those with significant employment barriers such as chronic health issues or the need to care for a child who is ill or has a disability. While the bill lists a range of permissible job preparation activities such as unpaid workfare, basic skills or vocational training, and supervised job search, it requires states to prioritize the use of unpaid workfare or community service. Ironically, participation in paid employment would *not* count toward the new work rate, even though the majority of parents who meet the current TANF work requirement do so by working in unsubsidized employment, the overall goal of employment programs.

A state could count toward its target work rate only those parents participating for 30 hours a week in work preparation activities and those it has sanctioned. The bill requires states to quickly sanction any family that does not meet the 30-hour target and encourages states to do so by giving them as much credit for sanctioning a family as for serving the family in work activities.

Participation Rates Far Exceed What States Can Likely Achieve

States have operated under the TANF work requirements since 1997. While states did increase, at least initially, the number and share of cash assistance recipients engaged in work activities, most states have *never achieved a 50 percent participation rate, even with hours of paid employment counting toward that rate* (as noted, they would *not* count toward the bill's new targets). In fact, most states did not reach 25 percent in 2015 (the most recent year for which these data are available) when paid employment is excluded. One reason is that states devote inadequate resources to employment programs, but the realities of poor families' lives and the nature of employment programs are bigger factors.

- Many adults only receive assistance for a short time, while they are between jobs or facing a family crisis. It takes time for the state to evaluate the family's needs and for the family to then enter an employment program. Moreover, parents often cannot enter a program until they arrange child care. Even if the state provides child care subsidies, families must find child care providers that will accept the subsidy and have an opening.
- Many families receiving assistance have significant barriers to employment that may prevent them from participating in a particular month. Parents may have serious health impairments even if they do not receive disability-related benefits, or they may need to care for children with health conditions. Families that cannot afford stable housing may need to move frequently, and lack of reliable transportation and child care also can pose problems.

Successful work programs recognize these barriers and help adults overcome them, often at a significant cost. But even the most successful TANF employment programs have never achieved the levels of participation in work-preparation activities this bill requires.

States Failing to Meet Work Requirements Would Face Large Penalties

If a state failed to meet its required work rate for either SNAP or TANF, its federal funding for that program would fall sharply. For example, a state with a 48 percent work rate in TANF (just two percentage points short of the 50 percent target for the second phase-in year under the bill) would receive only 48 percent of its TANF block grant. In other words, its federal TANF funding would be cut more than in half.

A state with a 20 percent TANF work rate — a potential outcome for many states if paid employment doesn't count toward the rate — would receive only one-fifth of its block grant. The reduction would apply to the state's *entire* TANF block grant, even though nearly half of the states spend less than one-third of their TANF block grant funds on cash assistance.

The SNAP penalties would similarly impose extreme reductions in food assistance. For example, if a state achieved a 45 percent SNAP work rate, falling short of the 80 percent rate that states must meet when the requirement is fully phased in, it would receive only 45 percent of the SNAP funding for families subject to the work requirement, rather than the 100 percent federal funding now provided. States would need to pick up the difference, which likely would lead many states to seek to reduce the program's costs by serving fewer families and erecting barriers to access. The bill would provide powerful fiscal incentives to states to cut large numbers of poor families and children off the program and make it more difficult for people who fall into poverty in the future to enroll.

Over two-thirds of SNAP recipients are members of families with children. Many parents in SNAP families already work more than 100 hours per month, and they wouldn't be subject to this requirement. But the amount of SNAP funding in jeopardy — and the number of poor children and parents who would be placed at risk — would be large, and the consequences would be serious.

Requirements Ignore Best Evidence of What Helps People Get Jobs

This bill would require states to spend resources in ways that are not particularly productive in helping parents secure and retain jobs. Many SNAP parents already have strong connections to the workforce and are unemployed or underemployed only temporarily. More than 60 percent of SNAP families with children that include working-age adults who aren't disabled already work while receiving SNAP, and almost 90 percent work in the prior or subsequent year. Expensive work programs generally aren't a good investment for most in this group, as these parents will likely find jobs on their own, with or without a work program. Meanwhile, many of those who are not employed and won't easily find work on their own have significant barriers to employment — including undiagnosed physical or mental health conditions or very low levels of education and skills. They may need more skills or other help in preparing for the workforce, and they would not be well-served by the bill's inflexible requirements.

Although parents receiving TANF assistance or SNAP have a broad range of workforce needs, the bill doesn't allow a state to decide which activities to focus on for which parents. Research shows that for parents who face employment challenges and may need more help connecting to paid employment, the most successful programs over the long-term are those that boost education and skills.⁵ (A number of recent studies also show that people who complete programs that train disadvantaged individuals for occupations in demand in the local economy see significant earnings increases.⁶) The bill permits some types of skills-training programs to count toward the work requirement, but it mandates that states prioritize unpaid workfare and community service activities that often involve no training or skill building, despite the lack of evidence demonstrating the effectiveness of such activities in actually getting people into jobs.

Moreover, programs that build the skills of disadvantaged workers are more expensive than skeletal programs that, for example, simply require participants to find volunteer work slots on their own. The bill's lack of funding means that states would likely make only limited use of these more effective strategies.

Facing Unworkable Requirements and Stiff Penalties, States Would Likely Restrict Access to Assistance

These requirements will likely lead to a sharp drop in the number of poor families with children receiving cash or food assistance, whether or not parents can otherwise meet their families' basic needs. That's because states, facing requirements that otherwise are virtually impossible to meet and that carry a threat of formidable financial penalties, would almost certainly make it harder for poor households to obtain SNAP or TANF.

⁵ LaDonna Pavetti, "Work Requirements Don't Cut Poverty, Evidence Shows," Center on Budget and Policy Priorities, June 7, 2016, <https://www.cbpp.org/research/poverty-and-inequality/work-requirements-dont-cut-poverty-evidence-shows>.

⁶ *Ibid.*

The bill creates incentives for states to erect barriers to families' entry into these programs — particularly families that may need more services or have more difficulty meeting the work requirements. *The fewer families a state serves, the fewer that it needs to engage in work-related activities to meet its target work rate and avoid fiscal sanctions.* As TANF has shown, states can significantly boost their work rates simply by cutting their caseloads, even if they engage *fewer* low-income families in work activities.

For families that do gain access to benefits, the bill pushes states to quickly sanction them if a parent fails to meet the required work hours, even if the parent has a good reason such as a sick child or family emergency. The bill provides *no* exemptions for TANF parents, even for a parent with a disability so severe that she receives SSI, and very limited exemptions for SNAP parents. That means that when a parent does not meet the requirements, the family counts in the work rate calculation, even if the state agrees that the parent was unable to participate for a good reason. The state could choose not to cut off benefits to a family when a parent is unable to participate for a good reason, but the parent's lack of participation would still hurt the state's effort to meet the federal requirement to have a specified percentage of adults in work activities. (Today states typically have policies in place to protect benefits for a family when a parent does not participate in required activities but has a good cause reason for failing to participate. Unfortunately, poor families often do not understand these policies and do not apply for these good cause exceptions; and good cause often is not granted.) Under this bill, states would likely use these good cause exceptions very sparingly because of the administrative burden involved and because a family that isn't sanctioned due to the parent having good cause still counts as a non-participant in the work rate calculation and thereby increases the state's risk of facing a penalty (as well as the size of the penalty).

The TANF experience of the last 20 years illustrates the impact of this type of work rate requirement. Pressured by TANF's existing work participation rate, states have shrunk caseloads dramatically, in part by imposing barriers at the application stage and in part by cutting off many participating families (often through sanctions) for failure to meet rigid work requirements that often are poorly matched to recipients' needs and abilities. In 2015, for every 100 poor families with children, just 23 received any TANF cash assistance — down sharply from 68 of every 100 poor families in 1996, when TANF was created. In 14 states, ten or fewer of every 100 families in poverty received any TANF cash assistance in 2015.

States have achieved these results largely by making TANF inaccessible to families sufficiently poor to meet the TANF eligibility requirements, which in most states limit eligibility to families well below the poverty line. The Government Accountability Office has calculated that 87 percent of the TANF caseload decline from 1995 to 2005 was due to fewer eligible families participating, *not* to fewer families qualifying financially.⁷

⁷ "Fewer Eligible Families Have Received Cash Assistance Since the 1990s, and the Recession's Impact on Caseloads Varies by State," U.S. Government Accountability Office, February 2010, <http://www.gao.gov/new.items/d10164.pdf>.

Bill Replaces Housing Programs with Block Grant with Shrinking Funding

The bill would also replace most federal low-income housing assistance programs with a block grant to states, with dwindling funding.⁸ The block grant would be frozen from 2018 through 2023 at the programs' combined funding level in 2016, with no adjustment for inflation even as rents continued to rise, and then cut by 10 percent in each of the next five years. In 2028, this would result in a cut of \$35 billion — or *62 percent* — below the 2017 funding level, adjusted for inflation. The total cut over the period from 2018 to 2028 would come to \$146 billion.

Moreover, to receive even these shrunken levels of funding, states would be required to provide matching contributions equal to 20 percent of the block grant. States could count funds they already spend on a wide range of housing-related purposes toward their match. As a result, it's unclear what portion of the matching contributions would consist of new state funding. Even in the unlikely event that states provided the full state match needed to draw down their full federal block grant allocation *and* the matching contributions were entirely new funding, total federal and state funding would still fall *54 percent* below the 2017 federal funding by 2028.

A 54 percent cut to Housing Choice Vouchers and other federal rental assistance, which account for the bulk of the housing program funding the proposal would affect, would eliminate subsidies that *2.6 million* low-income households now rely on to keep a roof over their heads. Moreover, the actual reduction in rental assistance for families that need it most could be much deeper than 54 percent, since the block grant would not be subject to the income targeting rules, rent limits, and other requirements that ensure that existing federal rental assistance programs devote a reasonable share of their resources to effective assistance for the lowest-income households, who are far more likely than other households have difficulty affording decent, stable housing. States would be free to use block grant funds — and their matching contributions — for *any* housing program, including politically appealing initiatives such as property tax rebates or other homeownership assistance for middle-income families.

Unlike the proposals to cut TANF and SNAP, the bill provides no rationale for the housing proposal and makes no pretense that it is intended as a reform. This is simply a massive cut in assistance for struggling low-income families, seniors, and people with disabilities. The proposal would almost certainly lead to much greater homelessness and housing instability, since rigorous research shows that the rental assistance that would be cut is very effective at addressing those problems.

The block grant proposal would also shift to *state* governments many billions of dollars in federal funding that now goes to *local* governments, local housing authorities, Native American tribes, and private owners of affordable housing. This means that if states favor more politically powerful constituencies and interest groups when allocating the block grant funds, many poor urban and rural communities could face disproportionately large housing assistance cuts.

⁸ The bill would prohibit any use of federal funds or action by federal employees to carry out the following programs: Housing Choice Vouchers, Section 8 Project-Based Rental Assistance, Public Housing, the HOME Investment Partnership, McKinney-Vento Homeless Assistance Grants, all Rural Housing programs, Section 202 Supportive Housing for the Elderly, Native American Housing Block Grants, the Rent Supplement and Rental Assistance Payment programs, and Section 811 Supportive Housing for Persons with Disabilities.

Consequences for Disadvantaged Individuals and Families Likely to be Devastating

The bill would have severe impacts on many poor families and individuals — and, in particular, on young children, whose brain development can be adversely affected by severe poverty. Research strongly suggests that the hunger, homelessness, or unstable housing and toxic stress that many more children could face under this bill would have negative effects on their health, development, school achievement, and future employment. A recent American Academy of Pediatrics report noted, “[w]hen a family lacks access to steady income, stable housing, adequate nutrition, and social and emotional support, it threatens the future of children and undermines the security of the nation as a whole.”⁹

The bill would make many poor individuals and families still poorer, as has occurred under TANF. The number of families surviving on cash incomes of no more than \$2 per person per day in any given month more than doubled, to 1.5 million, in the decade and a half after the 1996 welfare law created TANF. Nearly 3 million children lived in those extremely poor households in 2011. Most of those families at least had help from SNAP to help put food on the table; the number of households below the \$2-a-day threshold falls by nearly half when SNAP benefits are considered.¹⁰ Other research also shows that there has been a rise in the number of children living in deep poverty. Research on the share of children living below half the poverty line that corrects for underreporting of benefit receipt in survey data and uses a poverty measure that counts non-cash benefits, such as SNAP and the Earned Income Tax Credit, shows a marked increase in the decade after the 1996 welfare law creating TANF was enacted. And while the largely temporary safety net improvements put in place during the Great Recession helped stave off further increase in the share of children in deep poverty, the figure remained well above its pre-TANF levels.¹¹

Finally, the bill wouldn’t further its purported goal of promoting upward mobility and helping more people succeed in today’s labor market. The bulk of the federal savings it would produce would come not from more parents getting jobs and no longer needing help, but from state restrictions in assistance, federal penalties on states that fail to meet unrealistic requirements, and deep cuts in housing assistance despite the fact that the loss of stable housing often makes it harder for people to obtain and hold onto jobs.

Under the TANF block grant as it operates today — and would continue to operate under the bill — a state can receive the same amount of federal funding each year despite providing cash assistance to many fewer poor families and children — unless the state is penalized for not meeting its required work rate. Thus, all TANF savings from this bill are premised on states failing. A true effort to help disadvantaged parents connect to work would *increase* investments in evidence-based

⁹ “Blueprint for Children,” American Academy of Pediatrics, September 2016, p. 9, <https://www.aap.org/en-us/Documents/BluePrintForChildren.pdf>.

¹⁰ LaDonna Pavetti, “Doubling of Extreme Poverty Belies Welfare Reform Success Claims,” Center on Budget and Policy Priorities, September 22, 2015, <http://www.cbpp.org/blog/doubling-of-extreme-poverty-belies-welfare-reform-success-claims>.

¹¹ Arloc Sherman and Danilo Trisi, “Safety Net for Poorest Weakened After Welfare Law But Regained Strength in Great Recession, at Least Temporarily,” Center on Budget and Policy Priorities, May 11, 2015, <https://www.cbpp.org/research/poverty-and-inequality/safety-net-for-poorest-weakened-after-welfare-law-but-regained>.

employment and training programs, child care, and efforts that tailor employment programs and related supports to the needs of people who face significant barriers to employment. This bill does none of that. At the end of the day, its principal effect would almost certainly be to slash the safety net for poor families and children and substantially increase poverty, destitution, and homelessness.