Safety-Net Reform: How State Policymakers Can Lead

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**KEY TAKEAWAYS**

Reforming the safety net to equip recipients to better succeed in life and rooting out waste will make the welfare system more effective for impoverished Americans.

While the federal government primarily funds the nation’s welfare programs, states have a major role in running them, giving them leeway to make improvements.

States should use federal funds to advance sound reforms such as equipping recipients to work, reducing waste, and encouraging education and marriage.

As state economies recover from COVID-19 lockdowns and mitigations, states will have the chance to improve their safety-net programs to better support their most vulnerable citizens. While the federal government funds safety-net programs, states administer them. Federal statutes and agencies set baseline requirements, and states have wide latitude to reform how their programs serve the vulnerable. State policymakers can and should advance reforms that build on the core principles of sound safety-net policy: work promotion, program integrity, and parental responsibility.

States’ primary focus as they administer transfer and social safety-net programs should be to improve the well-being of the individuals they serve. States have the opportunity—and responsibility—to address the problems that can trap vulnerable citizens in permanent
poverty. States should target the complex roots of poverty, such as lack of work, insufficient education, addiction, and post-incarceration barriers.

By advancing the core principles of safety-net policy, state legislators and administrators should enable individuals who depend on government assistance to rise above their current circumstances. If they do so, state policymakers will better achieve the ultimate goal of a temporary and targeted safety net: long-term dignity for all beneficiaries.

**Work Promotion**

Cash transfer programs can be effective in the short term at alleviating deprivation. They help low-income individuals buy food, find medical care, and provide limited cash assistance. But permanent welfare dependence is not the road out of poverty. Without work, low-income beneficiaries cannot earn enough or build the skills necessary to rise out of poverty. Connection to work also improves health outcomes and promotes the dignity of the individual by empowering people to provide for themselves and their families, and to give back to their communities.¹

If the states administrating safety net programs do not focus their energy on assisting the work-capable vulnerable find employment, they cannot hope to succeed in helping them permanently escape poverty. Therefore, states should focus on key work-promotion policies: (1) statutory work requirements, (2) frequent check-ins with the work-capable, and (3) effective job-training programs.

**Work Requirements.** There are statutory work requirements in two key federal transfer programs, the Supplemental Nutrition Assistance Program (also known as food stamps) and Temporary Assistance to Needy Families (TANF). Because the states administer these programs, they have wide discretion to encourage statutory work expectations for non-elderly, non-disabled individuals who are work-capable and have no dependents.

Work requirements are one of the government’s most effective tools to connect individuals back to work. Before bipartisan reform during the 1990s, nearly one in seven children were supported by the Aid to Families with Dependent Children program.² The replacement—TANF—created work expectations and set a five-year limit on benefit receipt. As summarized by the Council of Economic Advisers, “Between 1996 and 2000, TANF receipt by single mothers fell by 53 percent, their employment rate increased by 10 percent, and their poverty rate fell by 20 percent.”³ Other studies confirm the council’s findings.⁴ In addition, after programs included work expectations, we witnessed improved child outcomes.⁵
Food Stamps. The food stamp federal statute allows states to waive work requirements that otherwise apply to work-capable individuals—that is, adult beneficiaries between ages 18 and 50 who are not disabled and do not have any children or other dependents in the home. Even in a strong economy, these work expectations are fairly limited: They require individuals to work or prepare for work for 20 hours per week.

The work requirements are then implemented unless the state requests a waiver from the U.S. Department of Agriculture’s (USDA) Food and Nutrition Services (FNS). Waivers from statutory work requirements can be approved in two instances: an unemployment rate over 10 percent or a lack of sufficient jobs. The USDA has approved nearly all waivers under the “lack of sufficient jobs” option.

In February 2019, the FNS finalized a rule that would have granted waivers if a state’s unemployment rate is above 6 percent for over 24 months. The rule also better defined area so that states would be unable to combine non-contiguous counties in order to maximize their waivers. After a DC district court federal judge enjoined the rule, the USDA filed an appeal in late December 2020. However, the current Administration has withdrawn the appeal and the rule will not be implemented.

The key here is that each state can determine whether to submit a waiver and how large, geographically, the area that waiver will affect. State policymakers who want to take the lead on connecting vulnerable individuals to work should limit their waiver applications, particularly as their unemployment rates drop and job openings increase with the economic recovery.

Temporary Assistance for Needy Families. The TANF statute requires that states engage 50 percent of single-parent families in work for at least 30 hours a week (20 hours a week for single parents with children under age 6). States also have 90 percent work requirements for two-parent families to engage in work for 35 hours per week.

However, because of the “Caseload Reduction Credit,” states’ work engagement targets are reduced if their assistance caseloads have fallen since 2005. As a result, 21 states had a work engagement target of zero percent in 2017. Thus, many states do not track or report the percentage of families that engage in work, and the vast majority do not meet the statutory targets.

State policymakers who want to make work a priority should set out to meet the statutory targets—disregarding their caseload reduction credit. They should then track and report all households that engage in work.

Medicaid. While food stamps and TANF have statutory work requirements, the Medicaid program does not. In 2018, the Centers for Medicare and Medicaid Services (CMS) invited states to submit waivers (known as
1115 waivers) to implement work requirements for non-elderly, non-pregnant, non-disabled adult Medicaid beneficiaries. Federal courts enjoined four approved waivers, which halted implementation in a dozen states and delayed approval in seven others. At the request of the Biden Administration, the Supreme Court recently announced it will no longer hear oral arguments in the case.

In February 2021, the Biden Administration CMS informed states that it does not support 1115 work requirement waivers. Nonetheless, state policymakers should still encourage work for work-capable Medicaid recipients by setting work as an expectation and enrolling participants in effective employment and training programs.

**Frequent Assessment of Barriers.** Work requirements give the individual a window to find work or prepare for work and can end the benefit if the individual does not engage. However, there are other ways to encourage the work-capable, particularly those who report zero earnings.

States should engage with healthy, working-age adult welfare beneficiaries—focusing on those who report zero income—by requiring face-to-face recertification for these individuals on reasonably frequent intervals. This will allow assessment of the individual’s barriers to work and identify strategies to overcome those barriers. It also allows the state to set work as a goal for the program.

**Employment and Training Programs.** There are 43 employment and training programs across nine federal agencies, primarily the Departments of Labor, Education, Agriculture, and Health and Human Services (HHS). States operate many of these programs. The goal of these programs is to help beneficiaries build skills and identify and obtain employment. However, despite federal expenditures on these programs of over nearly $19 billion in 2019, many of them do not demonstrate that they effectively assist vulnerable individuals find employment, particularly higher paying employment that would enable them to live self-sufficiently and improve their well-being.

Nonetheless, states can enhance these programs so they produce quantifiable results in the lives of work-capable beneficiaries. To achieve these goals, states policymakers should:

- Integrate all state and federal employment and training grants and programs received from any federal agency.
- Convert these programs into pay-for-outcome contracts. Employment and training program contracts should be judged by the number of beneficiaries who obtained jobs and the average compensation of such employment.
• Identify all work-capable individuals receiving benefits from transfer programs—particularly Medicaid, food stamps, TANF, and housing programs—and direct these individuals to the job-training contractors.

Program Integrity

States should safeguard benefits for the truly vulnerable by better supervising enrollment and targeting fraud among retail and service providers. Improper Medicaid spending reached a record $90 billion in fiscal year (FY) 2019. The food stamp program error rate also rose to $4 billion (7.36 percent) in FY 2019. If states take fraud seriously, they could prevent these billions from being redirected away from the truly needy.

Eligibility Integrity. Federal law permits states to enroll individuals in food stamps if they receive a benefit from another program, such as TANF. However, under an administrative option in TANF called broad-based categorical eligibility (BBCE), benefit is defined so broadly that it includes the distribution of pamphlets and 1-800 numbers. This definition allows individuals to bypass eligibility limits, particularly the asset requirement (how much the applicant has in resources, such as bank accounts or property). Adopting the BBCE option has even allowed millionaires to enroll in the food stamp program.

The Trump Administration proposed to close the loophole with a rule to “increase program integrity and reduce fraud, waste, and abuse.” However, even without the rule in place, states do not have to take the BBCE option. Instead, reform-inclined policymakers should align their eligibility standards so individuals who qualify for TANF likewise meet the food stamp criteria.

Beyond clear loopholes such as the BBCE, state policymakers should:

• Set reasonable in-person recertification periods to confirm the eligibility status of work-capable individuals who report zero income, which allows caseworkers to assess barriers to employment.

• Require individuals to self-report changes in eligibility status—for instance, if their income changes—within 10 days in the food stamp program and 30 days in the Medicaid program.

• Require photo ID on beneficiary EBT cards—excluding the elderly, the disabled, children under 18, and others—in order to prevent the trafficking of food stamp benefits for cash.
- Use pay-for-outcomes contractors to ensure enrollment integrity. State caseworkers may not have the resources or incentives to accurately and consistently verify eligibility status. In the Medicaid program, when states saw high improper payment rates, the CMS reported that “the required verification of eligibility data, such as income, was not done at all.” In the food stamp program, state administrators have also defaulted to applicant self-attestation, particularly with zero income applicants, in order to prioritize delivery of benefits. States should solve this problem by hiring pay-for-outcome contractors to verify applicant information efficiently. The Office of Personnel Management has clarified that states may use non-governmental contracting because “the law does not specify how a state may implement its system, nor prohibit any particular approach.”

- Cross-check applicant information against up-to-date databases. These can include federal options such as the National Database of New Hires or state unemployment databases and death registries (to prevent the continued issuance of benefits to deceased beneficiaries). States should consistently participate in federal databases to prevent improper payments. This would enable them to identify individuals already enrolled in programs in other states or those who have maxed out their time limit in a program. Finally, states should use transaction data to identify out-of-state beneficiaries in the food stamp program who use the entirety of their benefits outside the state over several months.

**Partner Fraud.** Food stamp state administrators should thwart fraud among their partners by prioritizing investigation of retailer fraud and reporting to their federal counterparts. Retailer fraud involves stores exchanging cash instead of food for benefits—for instance, exchanging $50 in cash for $100 in benefits.

With $90 billion in annual waste in improper payments, partner fraud is of particular concern in the Medicaid program. In a 2015 oversight investigation, the Government Accountability Office reported that “hospitals were receiving high payments that warrant oversight.” The CMS proposed the Medicaid fiscal accountability rule in November 2019, which would have increased mandatory transparency in state Medicaid expenditures. Currently, states are not required to report all payments they make to individual institutional providers. The rule would also reduce kickbacks through provider taxes, which every state but Alaska currently
uses. While the rule was not finalized during the Trump Administration, states should implement the reforms to increase transparency and strictly limit kickbacks.

**Parental Responsibility**

Regrettably, nonmarried parenting has increased dramatically in the past 50 years. Only 7 percent of children were born to single mothers in 1964. Now, nearly 40 percent of children are born to single mothers.

As more children are born and raised by single parents, typically mothers, we gain more evidence on the importance of marriage and the continued involvement of both parents in a child’s life. Children raised in the context of marriage, with continued involvement from both parents, have substantially better life outcomes, including higher education attainment levels and better emotional health. But the lack of two-parent involvement, typically fathers, also has measurable negative outcomes. For instance, boys who grow up without a father in the home are more likely to engage in delinquent behavior as teens, and girls without a father in the home are seven to eight times more likely to experience a teenage pregnancy.

The “Success Sequence.” Poverty researchers across the policy spectrum understand that the decline of marriage and the rise of single-parent households has led to more children living in poverty. Because the purposes of the TANF block grant include promoting job preparation, work, and marriage, and also preventing and reducing the incidence of non-marital births, states should use TANF funds to make payments that offset the marriage penalties in food stamps and Earned Income Tax Credit. States should also use these funds to promote the “success sequence.” The success sequence is defined as when individuals obtain at least a high school degree, work full-time, and marry before having children. When individuals follow these steps in this order, they are far less susceptible to poverty. Only 2 percent of adults who follow these steps in this order will encounter poverty.

States can and should focus on disseminating the importance of this basic knowledge to teenagers and young adults. Alabama, Louisiana, Oklahoma, Texas, and Utah already do some of this work when they distribute healthy marriage and relationship educational materials as part of granting marriage licenses. States can evaluate the efficacy of their efforts based on (1) how many individuals heard the message and then (2) a measurement of attitude change.
States should also use TANF funds to educate about the success sequence through in-person or online classes. For instance, Oklahoma uses TANF funds to run the Oklahoma Marriage Initiative, which since 2001 has provided over 350,000 Oklahomans, both unmarried and married, with 30 hours of marriage and relationship education. According to an HHS evaluation, couples who participated in one of the programs, Oklahoma City's Family Expectations, were 20 percent more likely to be together three years after completing the program. In the past, Utah used TANF funding to produce a marriage video for newlyweds and to launch a website in 2001 to provide information to couples about how to form and maintain a healthy marriage. Virginia operated the Virginia Strengthening Families Initiative from 2010 to 2013, which promoted healthy marriage information through a website and public services announcements on the importance of fatherhood featuring popular sports figures from Virginia universities.

**Child Support Payments.** Engaging non-custodial fathers can be challenging. Often, the only governmental interaction that these fathers encounter is through the child support office, which offers an opportunity for emphasizing the importance of involving both parents in a child's life, particularly the father. In 2018, child support offices served 14.7 million children—one in five children in the United States. Child support payments made by non-custodial parents lift one million people out of poverty a year and improve the well-being, health, and stability of children.

When custodial parents apply for public assistance in TANF, they are required by federal law to cooperate with child support enforcement. When custodial parents apply for other safety net programs, states should ensure that the application forms ask the best information about the non-custodial parent so that the states can seek child support payments—for instance, identification of the non-custodial parent and whether he or she is employed.

When a non-custodial parent makes a child support payment, the state is permitted to collect and retain those funds to offset the safety-net benefits, usually TANF, distributed to the custodial parent. In 2015, this represented $1.3 billion in child support payments. This “payback” can continue even after a custodial parent is no longer a safety-net beneficiary. Because TANF is a block grant, these funds remain with the state.

States are required to reinvest collected payments, which can include fatherhood programs, education and job programs for non-custodial parents, programs targeting incarcerated or putative fathers, and mediation or couples counseling.
and reinvest them in these programs, they should implement pay-for-outcomes contracts. The 30 states that already offer employment and training programs to non-custodial parents should also move those to pay-for-outcomes contracts.\textsuperscript{55}

**Child Welfare.** The other main connection between state governments and families is through their child welfare agencies. In child welfare, the federal government also funds and sets the parameters for the program, but the states have the reins and opportunity to ensure that families—and especially children—who encounter the child welfare system have the best possible outcomes.

The United States has more than 424,000 children in foster care. More than 122,000 of them are waiting for adoption. More than 50 percent have been in foster care for more than a year. Children who remain in the system for far too long are typically those who need permanency the most: children age nine and older, siblings that want to stay together, and kids with intellectual or physical disabilities.\textsuperscript{56} Sadly, around 20,000 young people age out of foster care every year without any legal connection to a family.

States should make practical licensing changes to facilitate the recruitment and retention of foster and adoptive families. States should simplify the certification process by, for instance, allowing online education options or approving longer home study certification periods.\textsuperscript{57}

States should also ensure that biological, foster, and adoptive parents and children have quality legal representation to navigate the complicated foster care court system.\textsuperscript{58} Funding legal representation and judicial oversight will increase timely court procedures, helping states meet the statutory deadline for Termination of Parental Rights (a necessary legal step before adoption) when a child is in care for more than 15 of 22 months.\textsuperscript{59} Many children, even when they live with the families ready to adopt them, wait for years for this final legal measure that brings the security of their forever families. States should also enter into child welfare pay-for-outcome contracts to ensure timely and accurate completion of the statutorily required intensive family search within 30 days of a child entering foster care.\textsuperscript{60} If completed on time, this search can connect children with relatives, which can minimize trauma and increase stability.\textsuperscript{61}

Finally, states should encourage their child welfare agencies to proactively engage with their local communities, particularly through “bridge organizations” such as churches and nonprofits to create long-term relationships between caseworkers and local communities.\textsuperscript{62}
Conclusion

States have a chance to lead safety-net reform and operate programs in a way that respects and advances the dignity of low-income beneficiaries. By focusing on the core principles of work promotion, program integrity, and parental responsibility, state legislators and administrators will better prevent despair and alienation among recipients who deserve better and will be more effective in helping vulnerable individuals permanently rise above poverty. If they do so, state policymakers will achieve their mandate: to improve the well-being of the citizens they serve.

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Endnotes

12. For a full list of these 43 programs and their respective agencies, see Government Accountability Office (GAO), Employment and Training Programs: Department of Labor Should Assess Efforts to Coordinate Services Across Programs, GAO-19-200, March 2019, Figure 2, https://www.gao.gov/assets/700/698080.pdf (accessed October 15, 2020).
14. Ford and Rector, Pay-for-Outcomes.
15. News release, “2020 Estimated Improper Payment Rates for Centers for Medicare and Medicaid Services (CMS) Programs,” CMS, November 16, 2020, http://www.cms.gov/newsroom/fact-sheets/2020-estimated-improper-payment-rates-centers-medicare-medicaid-services-cms-programs (accessed March 30, 2021). Improper spending increased in 2020 due to the maintenance-of-effort provision included in the Families First Coronavirus Response Act. In return for a 6.2 percent increase in the federal matching rate, the act stipulated that states “may not receive” the financial assistance unless all enrollees are “treated as eligible for such benefits through the end of the month in which such emergency period ends unless the individual requests a voluntary termination of eligibility or the individual ceases to be a resident of the State.” In September 2020, the Congressional Budget Office estimated that this provision will result in “about half of the projected increase in enrollment” (4.5 million individuals) remaining in the program. Congressional Budget Office, Federal Subsidies for Health Insurance Coverage for People Under 65: 2020 to 2030, September 2020, https://www.cbo.gov/publication/56650 (accessed March 30, 2021).
21. Food stamp regulations permit recertification periods to be set at six months for zero-income able-bodied households. 7 Code of Federal Regulations § 273.12.
22. Ibid.
23. 7 Code of Federal Regulations § 273.8(f)(5), and 7 Code of Federal Regulations § 274.8(f)(7).
28. The TANF program time limits cash assistance to 60 months (five years) for a household that includes an adult recipient.
33. A provider tax is a state law that authorizes collecting revenue from providers, such as doctors and hospitals. Most states then use the revenue to fund their Medicaid match. Many states pay back the providers through increases to their Medicaid reimbursement rates. Kaiser Family Foundation, “States and Medicaid Provider Taxes or Fees,” June 27, 2017, https://www.kff.org/medicaid/fact-sheet/states-and-medicaid-provider-taxes-or-fees/ (accessed March 30, 2021).
41. 42 U.S. Code § 601.
57. A case worker conducts a home study that consists of the following: an investigation in the background, finances, and personal data of potential families, which includes in-person interviews and an examination of the family’s home. A home study is a necessary step for safe adoption. However, they are also expensive and time consuming. Home studies can be approved for as little one year even though an adoption could take much longer to finalize. Before an adoption is completed, many families have to complete a new home study, adding to the cost and time of adoptions.
60. Fostering Connections to Success and Increasing Adoptions Act, Public Law No. 110–351.