

Senator Mike Lee Should Read His Own “Welfare Reform” Bill – To Find out What’s in It

Peter Germanis¹
June 17, 2017

On June 13, Senator Mike Lee (R-UT) appeared in a video on Facebook sponsored by *FreedomWorks*, as part of their “Welfare Reform Week” series. During his interview Senator Lee mentioned that he had recently introduced the “Welfare Reform and Upward Mobility Act.” He explained that the bill:

...tries to reform our health care system to make sure that we don’t have these cliffs that end up doing more harm than good for America’s poor. I want to make sure that poverty is something that is made temporary rather than tolerable by the federal government. We want to make sure that welfare doesn’t trap people permanently in a system that makes it impossible to ascend to the middle class. So, among other things, it contains work incentives to make sure that people are actually finding work so that they are not punished for working their way up the economic ladder.

Clearly, Senator Lee misspoke when he said the bill would reform our “health care system” – he meant “welfare system.” The main problem with his statement, however, is that his description of what his bill does bears no relationship to what’s actually in the bill. The central focus of Senator Lee’s bill is establishing new work requirements in the Temporary Assistance for Needy Families (TANF) block grant and the Supplemental Nutrition Assistance Program (SNAP) – it has nothing to do with welfare “cliffs” and “work incentives.” Moreover, it is not a credible effort at helping connect the poor to work to move them up the economic ladder.

When families on welfare begin to work, their benefits are typically phased out as earnings rise, and if they receive benefits from multiple programs, this can create marginal “tax rates” that are high over some income ranges. The reference to “welfare cliffs” refers to situations when a family earns \$1 more than the income eligibility limit for a program, causing a loss in benefits that can be hundreds or thousands of dollars more than the earnings gain. The most common cliffs are related to the receipt of Medicaid or child care subsidies – other programs have smoother phase out rates. Some call this a “poverty trap,” but most of these “cliffs” occur above the poverty line and their impact on work effort tends to be exaggerated by conservatives because they rely on simplistic charts and unrealistic assumptions about how many benefits poor families receive.² (For a discussion of one highly misleading report, see “Speaker Ryan’s ‘Poverty, Opportunity, and Upward Mobility Report’: The Need for ‘A *Much* Better Way’,” available at: http://mlwiseman.com/wp-content/uploads/2016/05/The-Need-for-a-Much-Better-Way.Final_.pdf.) The subject of welfare’s impact on work incentives should be guided by good, empirical research, not by unsupported conservative talking points.

Senator Lee’s “Welfare Reform and Upward Mobility Act” does not really involve “incentives,” but does include new work “requirements” for both states and individuals. As I explain in considerable detail in “The Welfare Reform and Upward Mobility Act: A Conservative Plan to Eviscerate the Safety Net” (available at: <http://mlwiseman.com/?portfolio=peter-the-citizen>), the

work requirements set forth in this bill are unreasonable, unrealistic, and would result in unprecedented penalties for both states and families. In a nutshell, the main problems are as follows:

- The Act builds on TANF's current dysfunctional work requirement and adds a second requirement for "non-working families" and another one for SNAP families with dependent children. It creates an impossible administrative burden on states – each work requirement has its own target population, rules on what activities count and the minimum hours of participation needed for an individual to count, work rate targets and how they are measured, sanction policies for individuals, and penalties for states.
- For states, the required work rates are unrealistic and unachievable. Conservatives have yet to examine and glean the lessons from the failed implementation of TANF's work requirements. Their main function has been to impose barriers and cut caseloads through a process known as "bureaucratic disentanglement." Even with sharply reduced caseloads, states have resorted to gimmicks to satisfy federal work rate targets that themselves are unreasonable. Such gimmickry does nothing to help the poor get connected to work opportunities. (For a detailed discussion on this topic, see "TANF Work Requirements: An Epic Fail" in *TANF is Broken! It's Time to Reform "Welfare Reform,"* available at: <http://mlwiseman.com/wp-content/uploads/2013/09/TANF-is-Broken.072515.pdf>.) The Act's new work requirements are even more challenging and there is no reason to believe states could come close to meeting them.
- For states, the penalties for failing to satisfy the new work rate requirements are unprecedented in their harshness; indeed for the new TANF requirement, the penalty itself could even exceed the total amount a state spends on assistance.
- For individuals, the Act extends work requirements to parents needed in the home to care for a disabled family member and non-citizen parents ineligible for assistance; for TANF, the second work requirement would go so far as to require disabled parents and parents with an infant to participate.
- For individuals, the mandated sanctions for non-compliance are unprecedented in their harshness, and can include the entire TANF/SNAP grant, leaving no safety net. While there is a role for sanctions in welfare programs, sanction policies like other welfare policies should be subject to rigorous evaluation in selected sites before being implemented on a national scale; this Act's provisions are not based on any evidence regarding their effectiveness and threaten to throw millions of poor families even deeper into poverty. And, states may have no choice but to penalize them or be subject to draconian penalties themselves.
- There is no recognition of the cost associated with implementing and running welfare-to-work programs. The first year cost could easily be \$10 billion or more, yet the Act makes no provision for additional funding for such work programs.

The “Welfare Reform and Upward Mobility Act” creates a byzantine structure for TANF and SNAP work requirements that few states could actually implement. This Act would likely destroy the safety net for needy families with children. Instead of talking about “cliffs” and “work incentives,” Senator Lee should have explained and justified these new work requirements. Listening to him speak made me wonder if he had even read his own bill. Senator Lee owes it to the millions of poor families that would be affected by his legislation to pay attention to the policy details and to explain how, based on the TANF experience anyone could believe his bill is “reform” and would lead to “upward mobility.”

Real welfare reform should be designed to provide a safety net for the “truly needy” and provide a “hand up.” Given that the lives of the nation’s most vulnerable families are at risk, I advocate an approach based on accountability and experimentation – an approach started by President Reagan, and continued by President Bush and President Clinton. This approach gave states flexibility by granting waivers of program rules, but they were subject to cost neutrality (not block grants) and a requirement to rigorously evaluate their reforms (generally through a random assignment experiment) so that we could determine their effects on welfare receipt, employment, total income, and a host of other outcomes. Future welfare reform efforts should be based on the “Reagan model,” not the failed “TANF model.” Sadly, Senator Lee does the opposite.

¹ The views in this document reflect my own as a citizen and do not reflect the views of any organization I am now or have ever been affiliated with. By way of background, I consider myself a conservative and have worked on welfare issues for the Heritage Foundation, the American Enterprise Institute, and the White House under both President Reagan and President George H.W. Bush. This paper assumes the reader has a basic understanding of the TANF program, but for those readers who want more context and background, see Peter Germanis, *TANF is Broken! It's Time to Reform "Welfare Reform" (And Fix the Problems, Not Treat their Symptoms)*, July 25, 2015 draft, available at: <http://mlwiseman.com/wp-content/uploads/2013/09/TANF-is-Broken.072515.pdf>.

² Senator Lee also fails to mention the fact that the "welfare system" actually provides strong financial incentives for non-working welfare families with children to work. In particular, the Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC) create financial incentives to work, as they are only available for families with earnings. As Sharon Parrott and Robert Greenstein of the Center on Budget and Policy Priorities writing in 2014 explain, "Families with earnings below \$13,650 face a negative marginal tax rate as earnings rise because their combined EITC and CTC grow faster than their SNAP benefits fall and their payroll taxes rise." See: Sharon Parrott and Robert Greenstein, "Policymakers Often Overstate Marginal Tax Rates for Lower-Income Workers and Gloss Over Tough Trade-Offs in Reducing Them," December 3, 2014, pp. 6-7, available at: <http://www.cbpp.org/research/policymakers-often-overstate-marginal-tax-rates-for-lower-income-workers-and-gloss-over>.