



**THE REPUBLICAN
STUDY COMMITTEE**

STRENGTHENING OUR SAFETY NET TO EMPOWER PEOPLE

TRANSFORM SAFETY NET PROGRAMS TO ENCOURAGE EARNED SUCCESS

Too many Americans are trapped on the bottom rungs of the economic ladder. Conservatives believe that every individual deserves the opportunity to improve their economic circumstances, escape from poverty, and achieve their full potential. This notion that everyone has the God-given right to the pursuit of happiness is embodied in our Declaration of Independence. Instead of trapping individuals in a cycle of poverty, government should clear obstacles and encourage all to rise and achieve the American dream.

The Republican Study Committee continues to lead the way toward turning this positive vision into action. The RSC Empowerment Initiative, led by Representatives Andy Barr and Todd Young, is a task force of RSC members focused on combating poverty and reforming the welfare system to empower individuals, families, and communities. The reforms recommended by this proposal would restore the opportunity to pursue prosperity for millions of Americans.

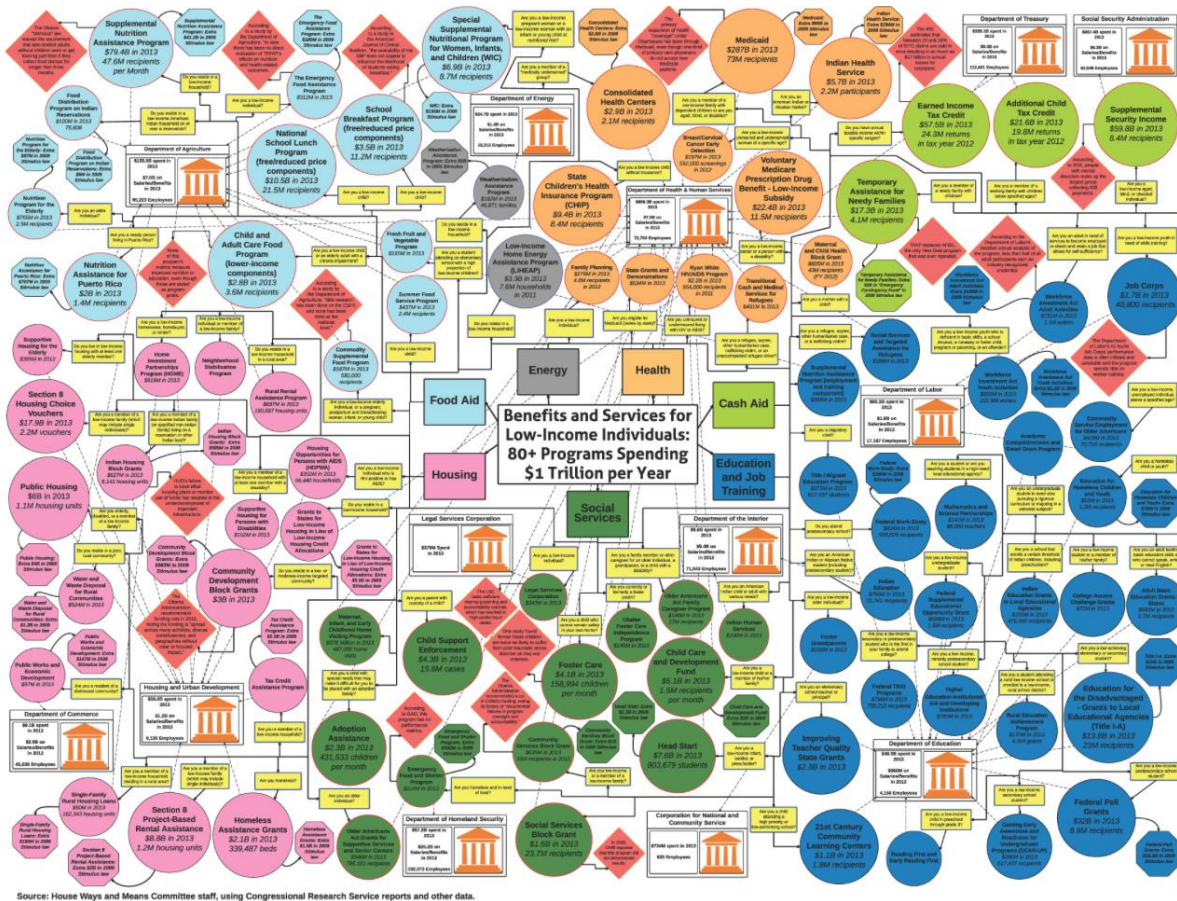
WE KNOW WHAT DOESN'T WORK

In his 1964 State of the Union address, President Johnson declared the War on Poverty and launched the modern welfare system. He stated his agenda's "aim is not only to relieve the symptom of poverty, but to cure it and, above all, to prevent it."¹ This is a laudable goal, and its accomplishment should be the focus of our safety-net programs.

But by any measure, Johnson's big-government welfare state has been a failure. The programs created by the federal government decades ago did little to address the root causes of poverty and the lack of upward mobility. The many augmentations and redundant iterations of this Washington-centric model have delivered equally bad results. Instead, these programs focus on alleviating the material symptoms of poverty, rather than fostering the conditions that allow individuals to escape it.

¹ President Lyndon Johnson, "Annual Message to the Congress on the State of the Union", January 8, 1964.
<http://www.presidency.ucsb.edu/ws/?pid=26787>

Since the War on Poverty was declared in 1965, the federal government and the states have spent over \$16 trillion on welfare programs.² Welfare spending in real terms has increased 16- fold since the War on Poverty was declared and by one-third in President Obama’s first four years in office alone.³ The House Budget Committee has identified 92 federal programs designed to assist low-income Americans. In 2012, taxpayers spent \$799 billion on these programs.⁴ This amount could have been used to provide the 46 million Americans living below the poverty line over \$17,000 each.⁵



House Ways and Means Committee, “Chairman Boustany: Better Coordinating Welfare Programs to Serve Families in Need”, November 3, 2015. <http://waysandmeans.house.gov/chairman-boustany-better-coordinating-welfare-programs-to-serve-families-in-need/>

² Scott Winship, “Safety-Net Reform to Protect the Vulnerable and Expand the Middle Class”, Conservative Reform Network, Room to Grow. <http://conservativereform.com/roomtogrow/>
³ Robert Rector and Rachel Sheffield, Heritage Foundation, Opportunity for All, “Welfare reform”. http://thf_media.s3.amazonaws.com/2015/pdf/OpportunityForAll.pdf
⁴ House Budget Committee, “The War on Poverty: 50 Years Later,” Mar. 2014. http://budget.house.gov/uploadedfiles/war_on_poverty.pdf
⁵ Author calculation. Poverty figure from U.S. Census, People in Poverty by Selected Characteristics: 2012 and 2013. <https://www.census.gov/hhes/www/poverty/data/incpovhlth/2013/table3.pdf>

This system is a mess.⁶ The War on Poverty has spawned an enormous federal government bureaucracy. It has absorbed resources that could be better spent helping people and prevented reform by enshrining a political class of vested interests. Worst of all, this labyrinth of programs, offices, and paperwork is confusing for those who are forced to navigate it in their time of need.

The current welfare system entices people to become dependent on government and behave in ways that keep them there. The Department of Health and Human Service's Thirteenth Report to Congress on Welfare Indicators and Risk Factors included a study of new welfare recipients that shed light on this pattern. Between 2008 and 2011, the department found that 21.5 percent of Temporary Assistance for Needy Families (TANF) recipients, 47.8 percent of SNAP recipients, and 48.9 percent of Supplemental Security Income (SSI) recipients collected benefits for more than a year at a time.⁷ Families are becoming trapped in these programs, limiting their upward mobility. Studies have shown that children whose parents receive welfare benefits are more likely to become dependent themselves when they become adults.⁸ This cycle perpetuates a negative feedback loop of economic and social poverty, and deprives our nation of the bright potential these individuals might otherwise pursue.

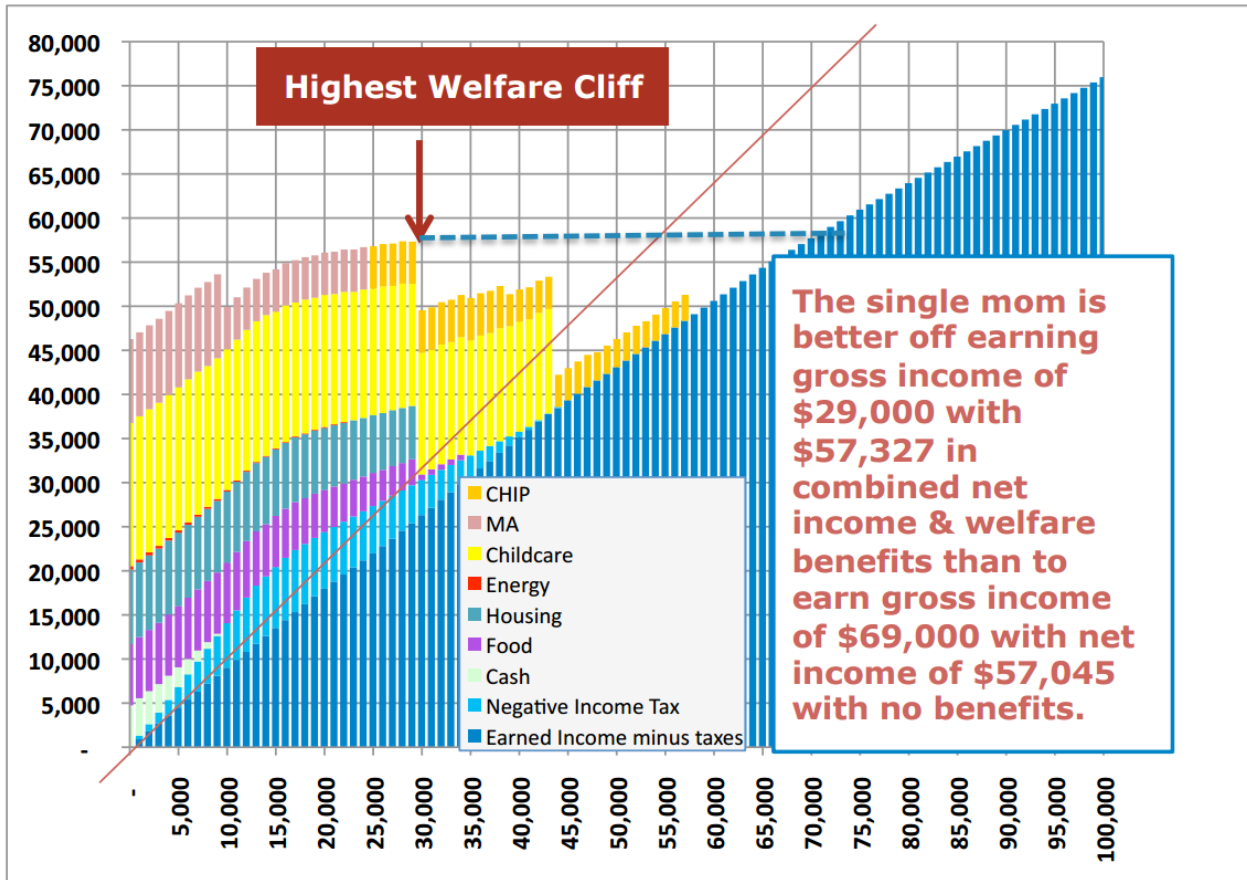
Part of the reason the system encourages dependence is because of the high marginal costs imposed on beneficiaries when they take steps to become financially independent — sometimes described as the “welfare cliff.” A study conducted by Pennsylvania's Secretary of Public Welfare showed that a single mother could actually end up better off with a job that pays \$29,000 and receiving welfare payments than she would be if she had a job that paid \$69,000.⁹

⁶ House Ways and Means Committee, “Chairman Boustany: Better Coordinating Welfare Programs to Serve Families in Need”, November 3, 2015. <http://waysandmeans.house.gov/chairman-boustany-better-coordinating-welfare-programs-to-serve-families-in-need/>

⁷ Department of Health and Human Services, Welfare Indicators and Risk Factors Thirteenth Report to Congress, Table IND 7a. Percentage of TANF, SNAP and SSI Spells for Persons Entering Programs during the 2008 SIPP Panel by Length of Spell and Selected Characteristics, march 1, 2014. https://aspe.hhs.gov/sites/default/files/pdf/76851/rpt_indicators.pdf

⁸ FamilyFacts, “Breaking the Cycle of Welfare Dependence. <http://familyfacts.org/briefs/46/breaking-the-cycle-of-welfare-dependence>

⁹ Gary Alexander, Secretary of Public Welfare, Commonwealth of Pennsylvania, Testimony before the Senate Budget Committee, February 13, 2013. http://www.budget.senate.gov/democratic/public/_cache/files/920da599-e6a4-4a6c-93ca-e4dec6da40db/gary-alexander.pdf



Gary Alexander, Secretary of Public Welfare, Commonwealth of Pennsylvania, Testimony before the Senate Budget Committee, February 13, 2013. http://www.budget.senate.gov/democratic/public/_cache/files/920da599-e6a4-4a6c-93ca-e4dec6da40db/gary-alexander.pdf

This situation is unacceptable. While liberals defend this failed and outdated system, conservatives believe that throwing money at a problem without actually fixing it is not an act of compassion. Compassion means helping individuals escape from poverty and climb the ladder of opportunity. That requires pursuing the reforms we know will work.

WE KNOW WHAT WORKS

We know what type of reform actually works to lift Americans out of poverty. In 1996, conservatives in Congress worked to reform the Aid to Families with Dependent Children program, which had created a destructive culture of dependency. These reforms were embodied in the Temporary Assistance to Needy Families (TANF) program, which replaced the failing, dependence-driven status quo and instead focused on work incentives. The results were dramatic: thanks to these reforms, child poverty decreased and employment for single mothers increased.

Individuals respond to incentives. That is why it is important to design a proper system of “carrots and sticks”— policies that reinforce positive behaviors and discourage negative

choices. In the same 1964 speech in which he launched the War on Poverty, President Johnson said that “very often a lack of jobs and money is not the cause of poverty, but the symptom.”¹⁰

Obtaining work and keeping a job takes effort, perseverance, commitment, sacrifice, prioritization, and personal responsibility. Our assistance programs should encourage these positive values. Earned success is not easy, but we believe that every person has the potential to achieve it. It is demeaning to low-income Americans to believe – as the modern left does – that they do not have the ability to succeed and therefore require perpetual subsidization of their basic needs.

Conservatives reject the idea that government can solve every problem for every individual. Poverty is not something that can be regulated away by Washington bureaucrats or even by officials from a state agency. But we believe that government can and should create an environment where the right incentives are in place to promote positive results for our fellow citizens. That is why this proposal puts forward these important reforms.

THE IMPORTANCE OF FAMILIES IN CIVIL SOCIETY

Of course, no amount of government intervention can replace the greatest drivers of American life: our families, friends, neighbors, religious institutions, and charities.

One of the most important predictors of whether a family lives in poverty is whether the mother and father remain married. In 2014, 30.6 percent of families headed by a single mother with no husband present and 15.7 percent of families headed by single fathers without a wife present lived in poverty. In contrast, only 6.2 percent of married-couple families lived in poverty.¹¹ Single mothers are also much more likely to be trapped in dependence on welfare programs: “In 2012, 78.9% of families headed by a single female received at least one need-tested benefit”.¹²

Unfortunately, more and more children are facing a higher likelihood that they will grow up in poverty as more and more parents decide not to marry. In 2013, 40.6 percent of all babies born in the United States were born out of marriage, 1.6 million in total. In stark contrast,

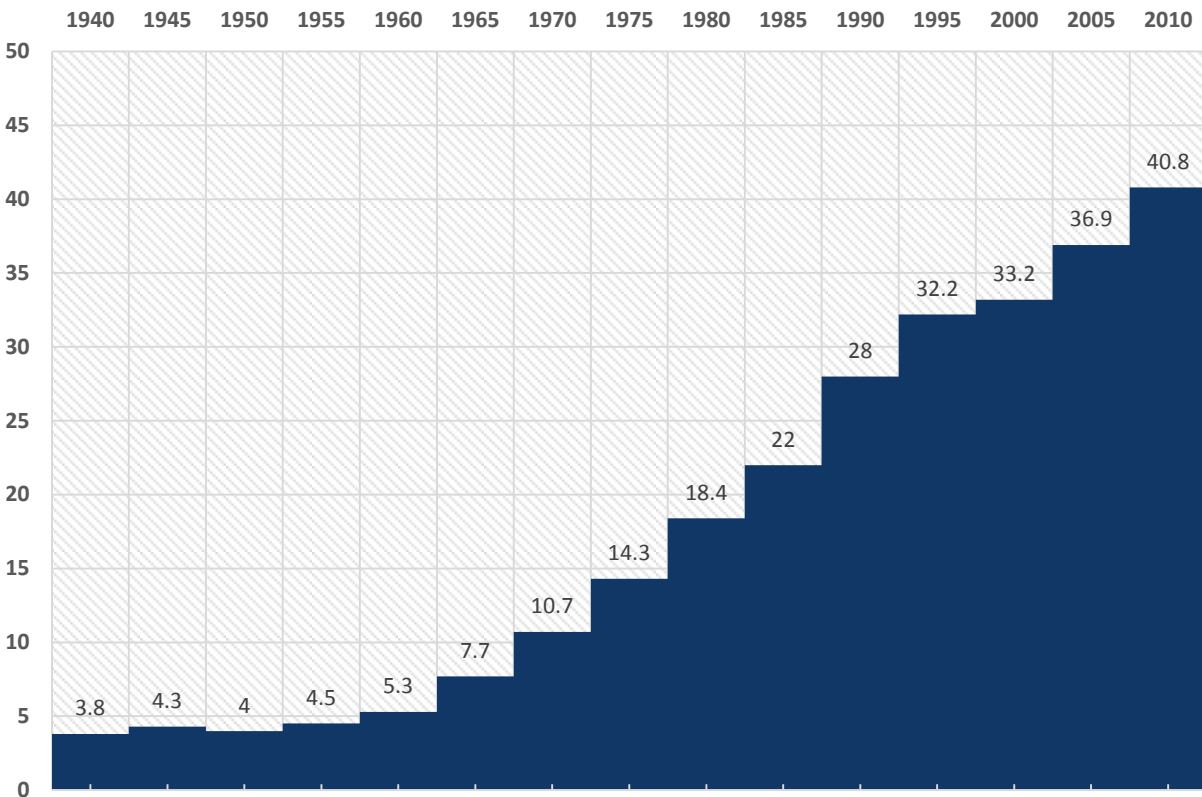
¹⁰ President Lyndon Johnson, “Annual Message to the Congress on the State of the Union”, January 8, 1964. <http://www.presidency.ucsb.edu/ws/?pid=26787>

¹¹ U.S. Census Bureau, Historical Poverty Tables, Table 4. Poverty Status, by Type of Family, Presence of Related Children, Race and Hispanic Origin. <https://www.census.gov/hhes/www/poverty/data/historical/families.html>

¹² Angela Rachidi, American Enterprise Institute, “New CRS report sheds light on need-tested government programs”, January 21, 2016. <https://www.aei.org/publication/new-crs-report-sheds-light-on-need-tested-government-programs/>

when the War on Poverty began in 1965, only 7.7 percent of children were born outside of marriage.¹³

Percentage of Births that are Non-Marital



Carmen Solomon-Fears, Congressional Research Service, *Nonmarital Births: An Overview*, July 30, 2014. <http://www.crs.gov/Reports/R43667>

Each community must decide what sort of behaviors and social norms it will encourage. It takes the support of friends, family, and communities to nurture and support individuals in their time of need. If those vital social bonds are broken down, that important safety net disappears. Deepening the ties that hold our families and local communities together is the most effective way to fight poverty.

ELIMINATE THE MARRIAGE PENALTIES

Unfortunately, the current system of means-tested welfare programs punishes those who marry. The largest welfare programs, including Medicaid, TANF, SNAP, housing assistance, and child care, all contain a marriage penalty.¹⁴ If a low-income person receiving

¹³ Carmen Solomon-Fears, Congressional Research Service, “Nonmarital Births: An Overview”, July 30, 2014. <http://www.crs.gov/Reports/R43667>

¹⁴ Adam Carasso and C. Eugene Steuerle, National Institutes of Health, “The Hefty Penalty on Marriage Facing Many Households with Children”, Fall 2005. <http://www.ncbi.nlm.nih.gov/pubmed/16158735>

government assistance marries an employed person, their welfare benefits would be reduced or eliminated, sometimes by an amount larger than income of the employed spouse. It has even been said that “for most couples on welfare, getting married is among the more expensive decisions they will face as newlyweds, saying ‘I do’ will reduce welfare benefits, on average, by 10 percent to 20 percent of their total income.”¹⁵

These policies encourage broken families. The RSC recommends that Congress take steps to eliminate these penalties against the single best antipoverty measure: marriage and a stable family structure.

RESTORE AND IMPLEMENT WORK REQUIREMENTS

It has been said that “work gives people something welfare never can.”¹⁶ Work is not a punishment. Work instills a sense of purpose, self-worth, self-sufficiency, and dignity that cannot be duplicated. The happiness that work provides is not due to money earned, but instead from the “value created in our lives and the lives of others – value that is acknowledged and rewarded.”¹⁷

Today’s massive welfare state has all the wrong incentives. It discourages work and the positive effects of earned success.

We know that reform has worked. In 2013, Kansas, under the leadership of Governor Sam Brownback, instituted work requirements and time limits for able-bodied adults without dependents on food stamps and created a tracking system to monitor the results. These reforms reduced the number of able-bodied adults on food stamps by 75 percent, most of who are now employed and earning more than the benefits they once received.¹⁸ Similarly, Maine, under Governor Paul LePage, required able-bodied adults receiving food stamps to take a job, participate in job training, or perform 6 hours of community service per week. Within three months, the “caseload of able-bodied adults without dependents plummeted by 80 percent.”¹⁹

Unfortunately, in 2012, President Obama gutted the work promotion reforms for TANF enacted on a bipartisan basis in 1996. In contravention of the law, the Department of Health and Human Services offered to waive the work requirements through executive fiat.

¹⁵ Sam Brownback and David Blankenhorn, Wall Street Journal, “End the Welfare Marriage Penalty”, May 13, 2008. <http://www.wsj.com/articles/SB121063787788786833>

¹⁶ Arthur Brooks, The Conservative Heart, page 96, 2015.

¹⁷ Arthur Brooks, The Conservative Heart, page 32, 2015.

¹⁸ Jonathan Ingram, Foundation for Government Accountability, “Report: The Power of Work – How Kansas’ Welfare Reform is Lifting Americans Out of Poverty”, February 16, 2016. <http://thefga.org/research/report-the-power-of-work-how-kansas-welfare-reform-is-lifting-americans-out-of-poverty/>

¹⁹ Robert Rector and Rachel Sheffield, Daily Signal, “Maine Required Childless Adults to Work to Get Food Stamps. Here’s What Happened”, February 8, 2016. <http://dailysignal.com/2016/02/08/maine-required-childless-adults-to-work-to-get-food-stamps-heres-what-happened/>

To restore this important provision, Congress should quickly enact H.R. 1179, the Preserving Work Requirements for Welfare Programs Act introduced by Representative Tom Reed.

Building on the success of the 1996 welfare reforms, all federal benefit programs should be reformed to include work promotion requirements that would help people move away from dependence and toward self-sufficiency. Programs would be strengthened with such incentives. To be eligible for benefits, able-bodied adults without dependents would be required to work or be preparing for work, including participating in educational or job training programs, community service, or a supervised job search.

This proposal is based on a simple premise—government should offer a hand up, not a just a hand out. The most effective welfare benefit is one that leads to a job. We should change the incentives of our safety-net programs, so that instead of dependency, we foster a path towards success. Everyone deserves the dignity and freedom that comes from the self-reliance provided by employment.

REFORM THE EARNED INCOME TAX CREDIT

The Earned Income Tax Credit (EITC) is one of the largest anti-poverty programs and one of the most effective at encouraging low income individuals to move into the workforce. The program provides a refundable tax credit to low wage individuals that is tied to their earned income, meaning it increases their incentives to keep a job. Despite the relative success of the credit in fighting poverty, it could be far more effective and efficient with reform.

The EITC is complicated and wrought with a very high rate of over payments. Fraud in EITC claims could potentially be reduced by requiring the IRS to better verify income, requiring those claiming self-employment income to provide better documentation, allowing the IRS to cross-check TANF, SNAP, and public housing rolls to verify family size and income, and increase penalties for erroneous claims. The EITC should also be prohibited for illegal immigrants issued a Social Security number under President Obama's executive amnesty, as proposed by Representative Patrick McHenry's H.R. 1249, the No Free Rides Act and Representative Glenn Grothman's H.R. 2956, the Preventing Illegal Immigrants From Abusing Tax Welfare Act.

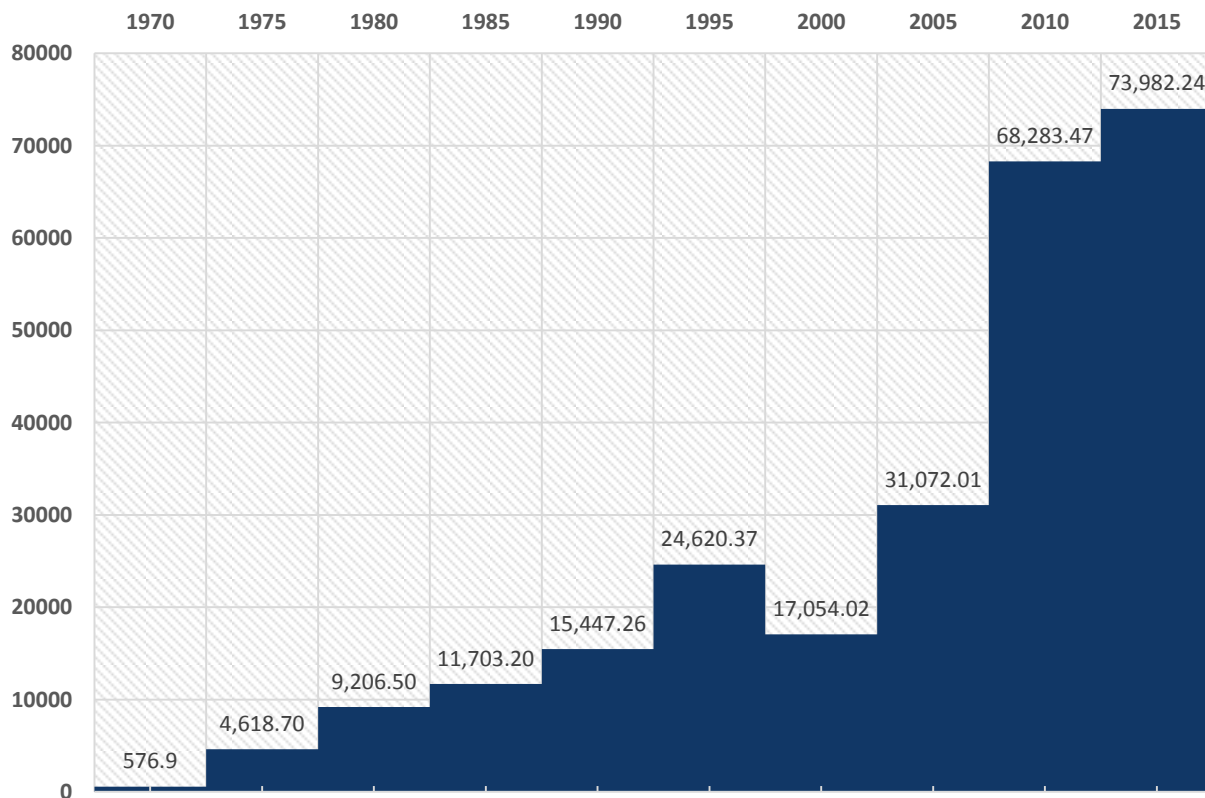
The tax credit should be simplified. Allowing the credit to be paid concurrently with a paycheck (rather than once per year under current law), in addition to reducing the difficulty of filing a claim, could help simplify the program and reduce low-income individuals' reliance on paid tax preparers, who often file fraudulent overclaims. Paying the credit over a monthly schedule will also improve monthly budgeting for Americans, rather than embracing the habit of spending an entire tax refund at once on a luxury.

The current EITC structure can impose a significant marriage penalty for low income individuals.²⁰ A recent study by the American Enterprise Institute concluded that these penalties “send the wrong message and might contribute to a culture that minimizes the importance of marriage.”²¹ The RSC recommends taking steps to reduce or eliminate these penalties.

FOOD STAMP REFORM

The Supplemental Nutrition Assistance Program (SNAP, formerly called Food Stamps) rolls have grown 62 percent since 2008, while spending on the program has increased by 91 percent, topping \$75 billion per year. Loopholes in the current program have allowed those who would not normally qualify for benefits to enroll or receive additional benefits.

Total SNAP Spending, in Millions of Dollars



U.S. Department of Agriculture, Supplemental Nutrition Assistance Program Participation and Costs, Data as of March 4, 2016. <http://www.fns.usda.gov/sites/default/files/pd/SNAPsummary.pdf>

²⁰ Kyle Pomerleau, Tax Foundation, “Understanding the Marriage Penalty and Marriage Bonus”, April 23, 2015. <http://taxfoundation.org/article/understanding-marriage-penalty-and-marriage-bonus>

²¹ Angela Rachidi, American Enterprise Institute, “The EITC should not penalize marriage”, November 16, 2015. <http://www.aei.org/publication/the-eitc-should-not-penalize-marriage/>

GAO found that in 2010, more than 473,000 households received benefits, despite the fact their incomes were over the federal eligibility limit.²² GAO also found more than \$2 billion in SNAP benefits were paid in error in 2009.²³ Because states administer the program but do not have the ability to reap the full savings from preventing fraud, the SNAP program is fundamentally flawed.

This proposal recommends that the House Agriculture Committee put forward legislation that would authorize the food stamp program as a block grant to the states, with funding subject to the annual appropriations process. Nutrition assistance funds would be distributed to states based on a formula that accounts for poverty and unemployment in each state. States would have flexibility to administer their own programs, subject to the common sense requirements outlined below, and supplement federal funds with state funds.

Many benefit programs are already funded through the appropriations process and distributed by formula, including the Housing Opportunities for Persons with AIDS program, the Community-Based Child Abuse Prevention program, the Weatherization Assistance program, the HOME Investment Partnerships Program, the Stephanie Tubbs Jones Child Welfare Services Program, and the Native American Housing Block Grants program. Unlike mandatory spending programs that are on budgetary autopilot, the programs are open to congressional analysis, review, and oversight every year through the appropriations process. In 2015, the House Appropriations Committee held more than 100 oversight hearings with federal agencies. Since Congress considers appropriations bills each year, lawmakers are able to respond to the changing needs in funding for nutrition assistance and other types of programs.

The fact that 46 million people currently receive food stamps points to President Obama's failure to provide opportunity for the most vulnerable in our society. Because it is the goal of this proposal to move those in need off of the assistance rolls and back into the workforce and towards self-sufficiency, funds from the grant must be used by the states to establish and maintain a robust work activation program for able-bodied adults without dependents, similar to the one established by the TANF reforms. These programs will be administered by the states, and could include training and work placement activities. States should be expected to strictly enforce these requirements, as proposed by Representative Steve Chabot's H.R. 4849, the Food and Nutrition Reform, Responsibility, and Accountability Act.

SNAP should enforce time limits for how long an individual can receive benefits. One of the important aspects of the TANF reforms in the 1990s was the 60 month lifetime limit on

²² Government Accountability Office, "Supplemental Nutrition Assistance Program: Improved Oversight of State Eligibility Expansions Needed", July 30, 2012. <http://www.gao.gov/products/GAO-12-670>

²³ Government Accountability Office, "Supplemental Nutrition Assistance Program: Payment Errors and Trafficking Have Declined, but Challenges Remain", July 28, 2010. <http://www.gao.gov/products/GAO-10-956T>

federally funded benefits for an individual under the program. The SNAP law also is supposed to limit benefits for able bodied adults without children that refuse to work, search for work, or enroll in job training to three months in any three year period. That requirement has been waived in recent years, however. According to Rasmussen Reports, “Voters strongly support limits on food stamp recipients”.²⁴

Loopholes in the SNAP program should be closed. For instance, the 2014 Farm Bill allows states to qualify a person for federally funded SNAP benefits if they provide the individual \$20 per year in Low-Income Home Energy Assistance Program (LIHEAP) payments. Known as the “heat-and-eat” loophole, this provision allows states to spend a little and get a lot. It has been reported that “New York will pay \$6 million of LIHEAP to receive \$457 million of extra food stamp dollars from the federal coffers”.²⁵ Eligibility for welfare programs should be based on the actual needs of a recipient, rather than categorically dumping each recipient into the entire behemoth of federal welfare state.

Reform should also include provisions to help crack down on the estimated \$750 million in SNAP card trafficking fraud that takes place each year. States should require nutrition assistance beneficiaries to present a photographic identification card when using an electronic benefit card to make a purchase. This proposal is based on H.R. 733, the SNAP Verify Act put forward by Representative Matt Salmon. Additionally, states should limit the number of EBT cards issued to a single beneficiary each year, prohibit special pricing for food stamp users, prohibit use of food stamps outside the beneficiary’s state of residence, allow voluntary return of unused amounts, and cancel unused benefits left on inactive accounts after a period of time.

States would also have the option to restrict the types of food that can be purchased to only healthy options, as recommended by H.R. 2383, the Nutritious Options for Meals Act, introduced by Representative Tom Rice and H.R. 4881, the Healthy Food Choices Act, introduced by Representative Phil Roe.

FEDERAL HOUSING REFORM

The federal government spends over \$50 billion per year on housing assistance and development programs.²⁶ The two largest programs, Section 8 Housing Choice Vouchers and Project-Based Rental Assistance, provide subsidies for tenants to pay rent and for

²⁴ Rasmussen Reports, “Voters Strongly Support Limits on Food Stamp Recipients”, October 23, 2014. http://www.rasmussenreports.com/public_content/politics/general_politics/october_2014/voters_strongly_support_limits_on_food_stamp_recipients

²⁵ Daren Bakst and Rachel Sheffield, Heritage Foundation, “The “Heat and Eat” Food Stamp Loophole and the Outdated Cost Projections for Farm Programs”, April 7, 2014. <http://www.heritage.org/research/reports/2014/04/the-heat-and-eat-food-stamp-loophole-and-the-outdated-cost-projections-for-farm-programs>

²⁶ Congressional Budget Office, “Federal Housing Assistance for Low-Income Households”, September 9, 2015. <https://www.cbo.gov/publication/50782>

housing units to be subsidized. These programs are in much need of reform, as evidence suggests that beneficiaries “do not experience substantial improvement in education or earnings” while receiving assistance.²⁷

Given current federal investment in housing programs, the Federal government should strive to serve more people with a more efficient system by transforming the model for public housing assistance to one of real estate management assistance. Streamlining the bureaucracy, creating opportunity for upward mobility for participants, and unleashing market forces to make housing authorities more competitive and economical should be the first steps in better leveraging current public investment.

Congress should link housing assistance with the Temporary Assistance for Needy Families (TANF) program and other welfare initiatives to make it easier for beneficiaries to receive assistance and work. This would also allow Congress to take a holistic view when reforming and improving welfare programs.

The program should also be reformed to make vouchers more accessible so that participants can move to areas where jobs are available and their skills are valued. Benefits should travel with qualified beneficiaries, and not trap families in failing areas with limited economic opportunity by being tied to a particular housing unit.

It is imperative to unleash market forces to make housing authorities more competitive and economical. Congress should expand the Rental Assistance Demonstration (RAD) program to continue to allow housing authorities to leverage public and private debt and equity in order to reinvest in public housing stock and ensure that federal funding follows the people it is intended to serve – not the bureaucracy. Housing authorities should be encouraged to take advantage of economies of scale through consolidation and obliged to compete for funding based on their ability to transition people back into the workforce. Congress should also incentivize movement to multifamily housing units and allow anyone, not just public housing authorities, to manage the units with competition for all management contracts.

A portion of federal housing funding should be allocated to programs that are designed to assist recovering drug and alcohol abusers and help them become productive members of society. These programs should be open to faith-based, charity, and non-profit organizations. Additionally, the federal government should encourage private investment in public housing. Housing authorities should be permitted to use profits to build units without government assistance and reduce the need for federal funding.

It is unclear whether the federal government should play a central role in subsidizing housing, but if these programs are to exist, then they should focus on moving the poor away

²⁷ House Budget Committee, “The War on Poverty: 50 Years Later,” Mar. 2014.
http://budget.house.gov/uploadedfiles/war_on_poverty.pdf

from dependence on federal subsidies. Under their current form, these programs encourage broken homes, broken communities, and low self-worth among recipients. Surely this is not to be the aim of assistance programs.

According to the CBO, about half of housing assistance beneficiaries are able-bodied adults, but only half of that group “receive[s] the largest portion of their income from work.”²⁸ Reform of federal public housing programs should include a minimum work activation requirement for able-bodied adults. Modest increases in income should not immediately result in a proportional decrease in subsidies, as this discourages work and self-improvement. These changes would transform these programs from a hand out to a hand up, giving encouragement and support for those who need it.

The current structure of public housing benefits discourages marriage. According to one study, “A single mother receiving benefits from Section 8 or public housing would receive a subsidy worth on average around \$11,000 per year if she was not employed, but if she marries a man earning \$20,000 per year, these benefits would be cut nearly in half.”²⁹ This marriage penalty should be reduced or eliminated.

According to the Department of Housing and Urban Development Inspector General, over 25,000 families are receiving public housing benefits despite not meeting the income guidelines. To reduce fraud, periodic reviews of beneficiaries’ income should be conducted, as recommended by H.R. 4133, the Public Housing Accountability Act of 2015, introduced by Representative Bradley Byrne.³⁰

STATE FLEXIBILITY FOR SUPPLEMENTAL SECURITY INCOME (SSI)

Supplemental Security Income (SSI) is one of the largest federal welfare programs and is projected to cost \$56 billion in FY 2016, with the cost growing to \$74 billion in FY 2026. SSI provides cash payments to aged, blind, or disabled persons. SSI has also been expanded to include payments to the parents of disabled children. Under the current program, states have incentives to push families to enroll on SSI.³¹ Studies have shown that most children who received SSI payments end up on the program as adults.³² The RSC proposes giving

²⁸ Congressional Budget Office, “Federal Housing Assistance for Low-Income Households”, September 9, 2015. <https://www.cbo.gov/publication/50782>

²⁹ Robert Rector, Heritage Foundation, “How Welfare Undermines Marriage and What to Do About It”, November 17, 2014. <http://www.heritage.org/research/reports/2014/11/how-welfare-undermines-marriage-and-what-to-do-about-it>

³⁰ Representative Bradley Byrne, “Byrne Introduces Bill to Cut Down on Public Housing Abuse”, December 1, 2015. <https://byrne.house.gov/media-center/press-releases/byrne-introduces-bill-to-cut-down-on-public-housing-abuse>

³¹ Scott Winship, e21 at the Manhattan Institute, “A Response to Michael Hiltzik on Reforming SSI”, May 30, 2014. <http://www.economics21.org/commentary/response-michael-hiltzik-reforming-ssi>

³² House Budget Committee, “The War on Poverty: 50 Years Later,” Mar. 2014. http://budget.house.gov/uploadedfiles/war_on_poverty.pdf

more control of the program and its spending to states which would allow all 50 states to experiment and better serve their citizens, such as by empowering those individuals to enjoy the dignity of work and service if they are able to.

PILOT PROJECTS FOR STREAMLINING PROGRAMS

H.R. 534, the Help Americans in Need Develop Their Ultimate Potential (HAND Up) Act introduced by Representative Tom Reed would allow states to combine several welfare programs, including TANF, SNAP, the Social Services Block Grant, housing programs, and workforce innovation programs together into a single streamlined program. This would give states that want more flexibility to administer assistance programs the ability to do so, but would still require states to encourage work and self-reliance with the goal of moving families and individuals out of poverty.

Under a variation of this proposal, the multitude of programs could be combined and provided to a state in a single trust fund at a funding level based on the historical average funding across a business cycle. Using the trust fund, a state could chose to save funds during good years and draw down more funds when their economy is under performing. This would be paired with appropriate conditions, such as penalties for states that refuse to impose strong work activation requirements.

These proposals would allow states to address local needs without facing arbitrary edicts from the federal government that might make sense in some states, but not in others. They would also allow more funding to reach actual beneficiaries, rather than having so much of it absorbed by the federal bureaucracy.

Another option that could be explored is giving individuals a choice of programs for which they could be eligible while ensuring they do not receive duplicative benefits.

PAY FOR SUCCESS

One policy that could be explored on a pilot basis is to allow states to issue Pay for Success bonds (also referred to as Social impact Bonds) to finance specific projects performed by non-governmental providers. The state and private investors who purchase the bonds would be reimbursed by current federal programs using already available funding only if an independent evaluator finds the project is successful at meeting stringent pre-established goals, minimizing the risk and maximizing the return for taxpayers. This proposal is based on Representative Todd Young's H.R. 1336, the Social Impact Partnership Act.

ENCOURAGE SAVINGS

A key aspect of reforms to encourage work and independence is to allow people to keep and save more of their own money that they have earned. Universal tax-free savings accounts

would allow individuals to save or invest a certain amount each year in tax-free accounts without restrictions on how these funds can be used and with simple requirements on how long savings must be maintained. While there are already a number of tax advantaged savings accounts, they are limited for specific government-favored purposes and have restrictive and complex rules and regulations. These universal accounts would allow families the flexibility to build up their nest eggs and save for a large purchase, such as a home, car, education, health expenses, or even a “rainy day” emergency fund.

EXPAND ACCESS TO RETIREMENT ACCOUNTS

Allowing several small businesses to pool retirement plans together would expand access to retirement savings to more workers. This proposal would lower management fees and administrative costs, and make it easier for a small business without an HR department to offer this important benefit. President Obama has also endorsed a similar proposal in his budget request, giving this idea bipartisan support. Eliminating the Department of Labor’s proposed Fiduciary Rule would allow these smaller pooled accounts to access valuable investment advice and management, further enhancing the ability of small employers to help their employees prepare for retirement successfully.

MEASURE SUCCESS AND FAILURE

All too often, those with ulterior motives demand that the government continue to spend more and more on programs that simply do not achieve the results promised. Part of the funding for each welfare program could be set aside to conduct independent evaluations of the program, so policy makers and the public can see what works and what should be reformed and eliminated.

ELIMINATE “PRERFORMANCE BONUSES” THAT JEOPARDIZE PROGRAM INTEGRITY

Some welfare programs include “bonus payments” to states that may be well intentioned, but can unfortunately have the effect of harming the integrity of the programs. For instance, a bonus payment aimed at rewarding efficient administration of a program could have the unintended consequence of incentivizing state agencies to not actively investigate and reduce instances of improper payments. The SNAP program has reportedly payed performance bonuses for expanding enrollment.³³ Performances bonuses should be thoroughly reviewed and eliminated if they jeopardize the integrity of programs.

END CATEGORICAL ELIGIBILITY

³³ Lars Larson, “Oregon Gets \$5 Million In 'Bonuses' For Expanding And Servicing The Welfare State”, CNSnews, September 29, 2011. <http://cnsnews.com/blog/lars-larson/oregon-gets-5-million-bonuses-expanding-and-servicing-welfare-state>

A basic principle for government assistance programs is a person should only receive taxpayer-funded benefits if he meets a program's eligibility requirements. However, that isn't always the case under the current welfare system. A policy called "categorical eligibility" allows a person to claim benefits under one program just by meeting requirements for another. For instance, a person can claim SNAP benefits not because they meet SNAP's income and asset tests, mandated by law, but because they receive benefits under a different welfare program. They could even gain benefits simply because they were given a pamphlet by a recruiter.

The practice of categorical eligibility is wasteful and defeats the purpose of having an anti-poverty system meant to help those truly in need. The RSC would end categorical eligibility across all programs.

FIGHTING FRAUD

A disappointing consequence of the federal government spending so much on assistance programs is the predictable fraud that occurs. According to GAO, fraud is rampant in the Food Stamp program.³⁴ The Earned Income Tax Credit (EITC) is plagued with a high error rate, according to the Treasury Inspector General for Tax Administration.³⁵ The IRS "paid out at least \$5.9 billion in improper payments" for the Child Tax Credit in 2013.³⁶ A report from the House Oversight and Government Reform Committee says that Medicaid waste, fraud, and abuse "may exceed \$100 billion per year."³⁷ And the SSI program has reportedly sent benefit checks to Mexico City.³⁸

This fraud doesn't just cost taxpayers money; it diverts resources away from helping those who need it most. With our entitlement programs facing dire financial futures and more Americans receiving welfare benefits than ever before, we can't afford to waste money simply because the federal bureaucracy writes checks to the wrong people, for the wrong amount.

The federal government should reduce fraud in state-administered programs by incentivizing state agencies and attorneys general to investigate and prosecute welfare fraud. If states are

³⁴ Fox News, "Food stamp fraud rampant: GAO report", August 22, 2014.

<http://www.foxnews.com/politics/2014/08/22/food-stamp-fraud-rampant-gao-report.html>

³⁵ Tax Foundation, "Earned Income Tax Credit Still Faces High Error Rate", January 12, 2015.

<http://taxfoundation.org/blog/earned-income-tax-credit-still-faces-high-error-rate>

³⁶ Kim Dixon, Politico, "IG: Billions lost to potential child tax credit fraud", December 10, 2014.

<http://www.politico.com/story/2014/12/child-tax-credit-fraud-113425>

³⁷ House Oversight and Government Reform Committee, "Uncovering Waste, Fraud, and Abuse in the Medicaid Program", April 25, 2012. <https://oversight.house.gov/wp-content/uploads/2012/04/Uncovering-Waste-Fraud-and-Abuse-in-the-Medicaid-Program-Final-3.pdf>

³⁸ Hebert London, The American Spectator, "The Fraud in Our Entitlement System", February 2, 2012.

<http://spectator.org/articles/36133/fraud-our-entitlement-system>

allowed to retain a portion of the dollars recovered due to fraud and abuse they eliminate, they will be more likely to crack down on it.

This proposal would require a legitimate Social Security number in order to be eligible for the Child Tax Credit. Representative Sam Johnson has put forward such a proposal in the Refundable Child Tax Credit Eligibility Verification Reform Act as well as Representative Glenn Grothman with H.R. 2956, the Preventing Illegal Immigrants From Abusing Tax Welfare Act. The recently enacted Protecting Americans from Tax Hikes (PATH) Act Of 2015 took an important step towards this direction by requiring a Social Security number for an individual to claim a retroactive claim for the Child Tax Credit.

States should also be encouraged to withhold benefits from individuals who test positive for illegal drugs, as recommended by Representative David Rouzer's H.R. 3047, the Drug Testing for Welfare Recipients Act.

EDUCATION REFORM TO PROMOTE OPPORTUNITY AND UPWARD MOBILITY

The RSC advocates crafting a better system to create upward mobility for individuals and families. Justice for those living in poverty is giving them the opportunity to permanently escape it. We should help the poorest among us build the skills they need to prosper, climb the economic ladder, and achieve the American dream.

Recognizing that education is a key pathway to self-sufficiency, children under age 18 should attend school full-time in order to be eligible for programs like TANF and SSI (unless there is a legitimate medical cause), similar to a proposal put forward in Rep. Tom Reed's H.R. 251, the School Attendance Improves Lives Act.

ENCOURAGE REFORMS TO HIGHER EDUCATION TO INCREASE ACCESSIBILITY AND DECREASE COST

As traditional college costs rise, we must look to innovative approaches to higher education that serves a diverse and non-traditional student population. Not all students want to pursue a traditional four-year degree, nor do they need to for their chosen careers. Unfortunately, students who use federal loans and grants can only access these funds if they attend a federally "accredited" institution. Allowing states to experiment with their own accreditation processes—while keeping in place the current system for those who use it—would allow a variety of institutions to offer classes to those students who depend on federal grants and loans. In addition, increased state flexibility would allow non-traditional students the opportunity to tailor their education to fit their needs. This proposal is based on H.R. 1287, the Higher Education Reform and Opportunity (HERO) Act introduced by Representative Ron DeSantis.

ALLOW STATES TO CONTROL THEIR EDUCATION POLICIES AND STOP FORCING COMMON CORE ON OUR CHILDREN

Education policy should be set by parents, teachers, school boards, and locally elected officials—not Washington bureaucrats. To this end, states should have the ability to completely opt-out of the burdensome and costly mandates created by the federal government. States should have the option to receive their federal education funds in the form of a block grant or refundable tax credits for a participating state’s residents. These proposals are based on the Academic Partnerships Lead Us to Success (A-PLUS) Act sponsored by Representative Mark Walker and H.R. 121, the Local Education Authority Returns Now (LEARN) Act sponsored by Representative Scott Garrett, respectively.

Instead of forcing states to adopt Common Core, the RSC calls for the passage of Representative Joe Wilson’s H.R. 524, the Local Control of Education Act. This legislation would stop the federal government from mandating a one-size-fits-all approach to K-12 education standards.

In addition, parents should be given the flexibility and choice to remove their students from failing schools and place them in accredited private schools using their portion of Title I funding. H.R. 554, the Enhancing Educational Opportunities for All Students Act sponsored by Representative Luke Messer and H.R. 773, Transform Education in America Through Choice (TEACH) Act sponsored by Representative Ted Yoho, both contain this proposal.

THE DANGERS OF HIGH SPENDING AND DEBT

Our national debt now tops \$19 trillion, larger than the annual gross domestic product (GDP), which measures the entire output of the U.S. economy. Our debt is accumulating even while federal revenues have grown to record levels. This leads to a single, undeniable conclusion: The federal government has a spending problem.

Government spending has grown to consume 21.2 percent of the economy this year, well above the historical average of 20.2 percent, a difference of almost \$200 billion in higher spending. Under current law, the federal government will grow to 23.1 percent of GDP by 2026 and more than \$9 trillion will be added to the national debt.

The problem is only getting worse. According to CBO, “Growth in spending—particularly for Social Security, health care, and interest payments on federal debt—outpaces growth in revenues over the coming 10 years.” Compared to projections of the budget baseline made in August of last year, CBO’s most recent projections from January show that spending and deficits are going up. Over the FY 2016 – 2025 period (overlapping last year’s projections),

the cumulative deficit is projected to be \$1.5 trillion larger, 22% higher. Spending is now projected to be \$323 billion higher.³⁹

The growing federal government has significant negative consequences for the country and its people. The United States has fallen to 11th in the Index of Economic Freedom, from 6th place in 2009.⁴⁰ The large federal debt reduces investment, productivity, and wages, and federal interventions in the economy reduce the incentive to work, reducing the size of the labor market.⁴¹ When the federal government is too big and too intrusive, it interferes with our unalienable rights to life, liberty, and the pursuit of happiness.

As Arthur Brooks, President of the American Enterprise Institute, puts it, “when conservatives complain about ‘big government’ ... they are really angry about the intrusion of the state into people’s lives and the soul-crushing dependency it often creates – both of which are incompatible with the pursuit of happiness.”⁴²

Therefore, the RSC believes that reducing the size and scope of the federal government – including eliminating ineffective and outdated welfare programs and reducing the number of individuals on the rolls as they attain self-sufficiency – should be a central focus of any reform proposal.

³⁹ Congressional Budget Office, “The Budget and Economic Outlook: 2016 to 2026”, January 25, 2016. <https://www.cbo.gov/publication/51129>

⁴⁰ Heritage Foundation, 2016 Index of Economic Freedom. <http://www.heritage.org/index/country/unitedstates>

⁴¹ Congressional Budget Office, “The Budget and Economic Outlook: 2016 to 2026”, January 25, 2016. <https://www.cbo.gov/publication/51129>

⁴² Arthur Brooks, The Conservative Heart, page 26.