EXAMINING THE PROPOSED ABAWD RULE

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Chairwoman Fudge, Ranking Member Johnson, and members of the committee, thank you for the privilege of testifying. I am Sam Adolphsen, the vice president of executive affairs at the Foundation for Government Accountability (FGA). FGA is a non-partisan research organization dedicated to helping millions of individuals achieve the American Dream.

Prior to joining FGA, I served as the chief operating officer of the Maine Department of Health and Human Services. In that role, I oversaw operations for Maine’s welfare programs, including the food stamp program. My duties included direct oversight of the food stamp eligibility and policy office.

I was fortunate to be brought up in a household that believed in hard work. My dad was a landscaper and my mom cleaned houses. I knew from a young age that work is not a dirty word—it is a good thing. A job was a point of pride, and I can still remember that first paycheck from a tough day raking blueberries in coastal Maine. I’m sure you remember your first job, too, and what it taught you.

For so many of us that’s our story—work is central to our lives. It provides us with dignity and purpose. The growth of our communities and our nation as a whole is dependent on people experiencing this—living their American Dream.

And it is the key to achieving the long-term goals of the food stamp program: to help lift people out of poverty. Unfortunately, for millions of able-bodied adults on food stamps, this isn’t the experience at all. Work isn’t even in the picture and food stamp rules allow long-term dependency with no accountability.

The law is clear: work requirements should be the standard for able-bodied adults with no children. And where the law is followed, work requirements have proven to move people from welfare to work and leave them better off. But despite an economy desperate for workers, loopholes in federal food stamp rules continue to permit work requirements to be waived in states across the country, leaving millions of able-bodied adults with no kids on the sidelines.

**Work is key to achieving the food stamp program’s goals**

In 1996, Congress passed—and President Clinton signed—commonsense, bipartisan welfare reform. As part of that reform, most able-bodied, childless adults were required to work, train, or volunteer part-time as a condition of food stamp eligibility.¹ These requirements applied to non-pregnant adults who are mentally and physically fit for employment, who are between the ages of 18 and 50, and who have no dependent children or incapacitated family members.² Able-bodied adults who refused to meet these requirements were limited to just three months of food stamp benefits every three years.³

When it was first implemented in the 1990s, this commonsense work requirement moved millions of able-bodied adults from welfare to work and spurred rapid economic growth.⁴ Analyses of state-level implementation have reached similar conclusions.⁵⁻⁸ But this progress has been undermined by federal loopholes that have allowed states to weaken and waive the requirements for millions of adults, even during periods of sustained economic growth.⁹⁻¹⁰ States, which bear little of the cost for the program, continue to take advantage of these loopholes with regularity despite the booming economy. United States Department of Agriculture (USDA) Secretary Sonny Perdue recently noted in a hearing before Congress that the waivers, “were abused in Georgia,” and he believes, “are being abused in many places.”¹¹
As a result of these loopholes, most able-bodied adults receiving food stamps are not required to work. According to state data, nearly 63 percent of able-bodied adults without dependents on the program—some 2.6 million adults—will be waived from the work requirement in fiscal year 2019. With no work requirement in place, few able-bodied adults on the program actually work. Just two percent of able-bodied adults without dependents on food stamps work full-time, while roughly three-quarters do not work at all.

These waiver loopholes have trapped millions of able-bodied adults in dependency. But these loopholes have also allowed state agencies to skip out on their duty to engage these adults and help put them back on the path to self-sufficiency. The work requirement was designed not just to require work or work activities by the recipient of the program, but also to require the administering agency to engage with able-bodied adults.

In my role as chief operating officer at the Maine Department of Health and Human Services, I saw firsthand how—until we restored the work requirement statewide—agency bureaucrats would simply send out benefits on autopilot instead of engaging with adults to help reconnect them with their community. By waiving the work requirement for able-bodied adults, the food stamp agency’s responsibility to help people get back on their feet and move beyond welfare program dependency is also waived, making that important assistance more optional for the agency.

When enforced, work requirements promote independence

These commonsense work requirements have a proven track record of success. After Kansas restored these work requirements in 2013, the number of able-bodied adults without dependents on the program dropped by more than 75 percent. Those able-bodied adults went back to work in hundreds of diverse industries and their incomes more than doubled within a year. Better still, those higher incomes more than offset lost welfare benefits, leaving them financially better off.

Maine experienced similar successes after restoring the work requirement in 2014. The number of able-bodied adults without dependents on the program dropped by more than 90 percent and average wages more than doubled within a year.

When Arkansas followed suit in 2016, able-bodied adult enrollment dropped by 70 percent. Those adults saw their incomes more than double in the year after leaving the program and then more than triple in the second year. Higher wages more than offset lost food stamp benefits, leaving individuals better off than when they were trapped in dependency.

These adults moved into many diverse industries, touching virtually every corner of the American economy. After Florida restored the work requirement in 2016, able-bodied adults without dependents found work far beyond the fast food or big box retail industries. In fact, these adults found work in more than 1,000 different industries. Better still, they used those initial jobs as stepping stones to other jobs in higher-paid industries. Nearly 70 percent of those who initially found work in the fast food industry or at temp agencies left those industries within a year, moving from lower-wage industries to higher-wage industries over time.

Work also provides powerful benefits far beyond the nominal value of earned wages. Work can help build new and positive social relationships, help individuals gain new skills, create new experiences that lead to future employment opportunities and higher incomes, and serves as the single best path out of poverty.
could even help solve major public health concerns like the opioid crisis. Work is a key predictor of success for someone recovering from substance abuse.

**Employers, and the economy, desperately need workers**

At 3.8 percent, the nation’s unemployment rate is hovering at its lowest point since 1969. The unemployment rate has stayed at or below four percent for 12 consecutive months, with some states seeing unemployment rates as low as 2.4 percent. Since June 2017, 19 states have hit new record-low unemployment levels, including some who waive work requirements across their state.

More Americans are working today than at any point since the Bureau of Labor Statistics began tracking employment statistics. Average earnings have reached nearly $28 per hour—the highest level ever recorded. Nearly three-quarters of all individuals now finding work were pulled off the sidelines and back into the labor force—a record high.

But even today’s booming economy is not enough: employers are searching desperately to fill a record-high 7.6 million open jobs. At least a third of small businesses have unfilled job openings, the highest rate in 50 years. Employers are offering signing bonuses, student loan repayment, company cars, relocation fees, and more to find and retain talent—at all skill levels. For our economy to continue growing and thriving, we need the adults currently receiving food stamps and sitting on the sidelines to rejoin the workforce.

Despite some concerns of a “skills gap,” the reality is that millions of jobs require little specialized education, training, or experience. In fact, according to the Bureau of Labor Statistics, nearly three-quarters of the job openings that will occur over the next decade require a high school education or less. Nearly four out of five job openings require no training or less than a month's training on the job, while a whopping 87 percent require no prior experience.

**Loopholes have allowed states to waive work requirements**

When Congress passed the food stamp work requirements into law in 1996, it gave the Secretary of the United States Department of Agriculture the authority to waive work requirements in areas that had unemployment rates above 10 percent or otherwise lacked job opportunities for these able-bodied adults.

Despite these narrow parameters set forth by Congress, federal rulemaking led to a regulation that is far more expansive than intended, creating loopholes and gimmicks for states to continue waiving work requirements for millions of able-bodied adults, even during periods of record economic growth. As a result, these commonsense requirements are waived wholly or partially in 33 states and the District of Columbia. As a result, nearly 2.6 million able-bodied adults who would otherwise be required to work, train, or volunteer have those requirements waived altogether.

Although the statute specifies that the waivers should only apply to areas with high unemployment that lack a sufficient number of jobs, regulatory loopholes allow states to waive work requirements in areas with record-low unemployment by combining and gerrymandering them with areas with somewhat higher unemployment rates. These loopholes also allow states to use data from years ago, even when that data has no connection to current economic conditions. If that weren’t bad enough, the regulation creates an alternative waiver option even in areas with unemployment rates below 10 percent. Under this option, states
can qualify for a waiver so long as their unemployment rates are 20 percent above the national average during a two-year period, no matter how low that rate is and no matter how many open jobs are available.48

Of the more than 1,100 counties, towns, cities, and other jurisdictions where work requirements are currently waived, just 23 have unemployment rates above 10 percent.49 More than 800 of these jurisdictions have unemployment rates at or below five percent and nearly 200 have unemployment rates at or below three percent.50 The waived jurisdictions have unemployment rates as low as zero percent—meaning work requirements are waived in areas with literally no unemployment.51 Despite claims that these areas are facing severe job shortages, the 33 states currently waiving the work requirement have more than a combined 3.7 million job openings posted online.52 These states are expected to experience nearly 13 million job openings per year over the next decade.53

Loopholes have expanded work requirement exemptions

Regulatory loopholes have also exempted hundreds of thousands of able-bodied adults from the work requirement in direct conflict with Congressional intent. Shortly before leaving office, the Clinton administration created new exemptions for able-bodied adults who reside in households with children—regardless of whether they are parents or caretakers—as well as 50-year-old able-bodied adults who would otherwise be required to work, train, or volunteer under the statute.54-55

These exemptions conflict with the plain meaning of the food stamp statute, Congressional intent, prior interpretation by state agencies, and even Food and Nutrition Service’s own interpretation of the same terms.56-57

The proposed rule would help address waiver abuse

The proposed rule represents a significant improvement over the status quo.58-59 By closing some of the most egregious loopholes that have led to widespread waiver abuse, the proposed rule brings waiver guidance more in line with statutory requirements that have been enshrined in law for more than 20 years. Under the proposal, states can continue to request waivers in areas that lack sufficient jobs but will not have as many avenues to abuse the process.

The first major area of change in the proposed rule is an attempt to reduce gerrymandering abuse. Federal law allows the Secretary to grant waivers in areas that lack sufficient jobs, but does not define “areas” for waiver purposes.60 States have used this ambiguous language to gerrymander jurisdictions together to form "areas" solely to maximize the number of able-bodied adults waived from the work requirement.61 Illinois, for example, combines 101 of the state’s 102 counties into a single “area,” while California combines all but three counties into a single “area” for waiver purposes.62 These waived jurisdictions do not form a single, local region with a shared economy. Instead, they just happen to the jurisdictions that, when combining data, just marginally meet the current regulatory thresholds for waivers.

The proposed rule attempts to limit this abuse by only allowing states to combine jurisdictions together for waiver purposes if they form labor market areas.63 The purpose of this change is to “target waivers to jurisdictions with a demonstrable lack of sufficient jobs,” as required by the statute.64 But even this could be subject to abuse. States could still seek waivers in jurisdictions that have sufficient jobs and in areas where there are sufficient jobs within commuting distance.65

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One solution the Trump administration could take to solve this remaining problem—and better align the proposed rule with the food stamp statute—would be to prohibit states from combining jurisdictions for waiver purposes at all and to eliminate waivers for jurisdictions located in commuting zones with sufficient jobs.  

The second major change in the proposed rule sets a minimum unemployment floor for states seeking waivers. Although federal law defines high unemployment as above 10 percent, existing regulations allow waivers whenever an area’s unemployment rate is 20 percent above the national average, with no minimum floor. This guarantees that at least some portion of the country will always be granted waivers, even during periods of unprecedented economic growth.

The proposed rule attempts to address this abuse by setting a minimum floor of seven percent unemployment. But even this may not be enough to stop states from pursuing waivers in areas with sufficient jobs.

A minimum unemployment rate of seven percent only truly matters during a period of near full employment, as the threshold would only activate when the national unemployment rate falls below 5.8 percent for a sustained two-year window. This threshold is just slightly above the historical average “natural” unemployment rate—the level most economists agree is “full employment”—and just below the average unemployment rate over the last 70 years.

The Trump administration could strengthen the rule even further—and more closely align with the food stamp statute—by raising that threshold to ten percent. This would better target waivers to areas that have objectively high unemployment and lack sufficient jobs.

The proposed rule better reflects Congressional intent

Although some have claimed the proposed rule was “specifically rejected” by Congress in the 2018 Farm Bill, nothing could be further from the truth. The House-passed version of the Farm Bill made significant changes to the work requirement, but those changes were materially different from the proposed rule. The House-passed bill eliminated the time limit for able-bodied adults without dependents entirely, focusing instead on strengthening the work registration requirements for a broader group of able-bodied adults. It created new waivers and exemptions from the work registration requirements, but the qualifications for those waivers were materially different from those in the proposed rule. In short, the changes in the proposed rule were never even considered by Congress.

Far from rejecting the changes proposed by the Trump administration, the 2018 Farm Bill left in place the original work requirements first enacted in 1996. Those statutory requirements serve as the basis for the proposed rule, which simply seeks to close unlawful loopholes created through regulatory guidance. It is undisputed that the current regulatory framework does not reflect Congressional intent. Even Chairman Collin Peterson noted last year that the loopholes have allowed states to “undermine federal law” by abusing these waivers.

By leaving in place those statutory requirements exactly as first enacted in 1996, Congress signaled that it did not wish to codify the unlawful waiver expansions created through regulation. This left in place the authority—and the duty—of the Trump administration to return these waivers to their original purpose.
Work will improve lives and boost the economy

The proposed rule represents a significant step forward in moving able-bodied adults from welfare to work and realigning federal regulations with statutory requirements. It would not simply require millions of able-bodied adults without children to work — the rule will also encourage state agencies to do a better job of actually engaging with individuals and putting them back on the pathway to self-sufficiency and better lives. The requirement will help connect able-bodied adults who are out of work with employers who desperately need workers to fill open jobs. For those who cannot work immediately, it will connect individuals to available job training or educational opportunities. Whether through work, training, or volunteering, these adults will be better connected to their communities. This will ultimately move millions more able-bodied adults from welfare to work and from government dependence to independence.

REFERENCES

2. Ibid.
3. Ibid.


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19. Ibid.


21. Ibid.


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47. Ibid.

48. Ibid.


50. Ibid.

51. Ibid.

52. Author’s calculations based upon data provided by Haver Analytics on February 2019 job postings gathered from more than 16,000 internet job boards, corporate boards, and other job sites.

53. Author’s calculations based upon data provided by state labor market information agencies on average annual projected job openings over the next decade.

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