

WORK REQUIREMENTS ARE
WORKING IN ARKANSAS:

**How commonsense
welfare reform is improving
Arkansans' lives**

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KEY FINDINGS

AFTER WELFARE REFORM:

1

ABLE-BODIED, CHILDLESS ADULT ENROLLMENT IN ARKANSAS' FOOD STAMP PROGRAM DROPPED BY 70 PERCENT, FREEING UP RESOURCES FOR THE TRULY NEEDY



2

ARKANSANS' INCOMES MORE THAN TRIPLED WITHIN TWO YEARS OF LEAVING WELFARE



3

NEW INCOME MORE THAN OFFSET LOST FOOD STAMP BENEFITS



4

TAXPAYERS ARE SAVING MORE THAN \$28 MILLION PER YEAR



5

STATE TAX REVENUES HAVE CLIMBED BY MORE THAN \$2.3 MILLION



What is the food stamp work requirement?

Under federal law, most able-bodied adults without dependents are **required to work, train, or volunteer at least 20 hours per week on average in order to receive food stamps.**¹ These requirements apply 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 Enrollees who refuse to meet this requirement for more than three months are removed from the program.³

But federal guidance issued during the Clinton administration created new loopholes and gimmicks that undermined these requirements.⁴ Worse yet, the Obama administration pressured states into waiving the requirement thus keeping as many able-bodied adults trapped in dependency as possible.⁵ As a result, these commonsense requirements are still waived wholly or partially in 33 states and the District of Columbia, despite the fact that employers are trying to fill a record-high seven million open jobs.⁶⁻⁹



UNDER FEDERAL LAW, MOST ABLE-BODIED ADULTS WITHOUT DEPENDENTS ARE REQUIRED TO **WORK, TRAIN, OR VOLUNTEER AT LEAST 20 HOURS PER WEEK ON AVERAGE** IN ORDER TO RECEIVE FOOD STAMPS.



ARKANSAS HAS SINCE
BECOME A NATIONAL
LEADER ON WELFARE
REFORM AND **THOUSANDS**
OF ABLE-BODIED ADULTS
HAVE MOVED FROM
WELFARE TO WORK.

Arkansas moves towards work requirements

In 2015, Arkansas—like most states—waived these commonsense work requirements for all able-bodied adults.¹⁰ But in one of his first major policy moves as chief executive, Arkansas Governor Asa Hutchinson let the state’s waiver expire and directed the Arkansas Department of Human Services to implement work requirements for childless adults beginning January 2016.

This reform was truly unprecedented for Arkansas: in the two decades after these requirements were first created by Congress, Arkansas had never enforced the work requirement statewide.¹¹ Arkansas has since become a national leader on welfare reform and thousands of able-bodied adults have moved from welfare to work.

A success story: Five indicators that work requirements have transformed Arkansas’ welfare system

Last year, the Arkansas Department of Human Services and Arkansas Department of Workforce Services worked together to match wage records with welfare case files and tracked more than 25,000 able-bodied adults leaving welfare after the work requirement was implemented.¹²⁻¹⁴ Although other states have also tracked the impact of welfare reform, Arkansas is the first to track every single individual cycling off food stamps as a result of the work requirement for up to two full years.¹⁵⁻¹⁸

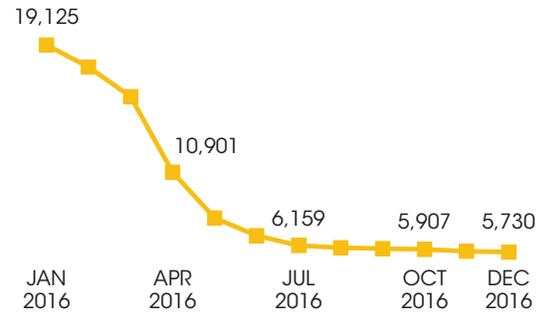
The results are clear: welfare reform is having a profound impact on the state’s welfare system, on Arkansans’ lives, and on the state’s economy.

ENROLLMENT DROPPED BY 70 PERCENT ONE YEAR AFTER WELFARE REFORM

Monthly enrollment of childless adult Arkansans on food stamps

1. ENROLLMENT BEGAN TO DROP IMMEDIATELY AND FELL BY 70 PERCENT WITHIN A YEAR, FREEING UP RESOURCES FOR THE TRULY NEEDY

Immediately after Arkansas' work requirement went into effect, able-bodied adults began to filter out of dependency and move back into independence. Within three months of implementing the work requirement, the number of able-bodied adults without dependents on the program dropped by more than 8,000—a drop of 43 percent.¹⁹ Over the next year, enrollment would continue to decline, eventually dropping to fewer than 6,000 able-bodied, childless adults by December of 2016—a drop of 70 percent.²⁰ Ultimately, this enrollment decline means there are more resources freed up for the truly needy, including seniors and individuals with disabilities.



Source: Arkansas Department of Human Services

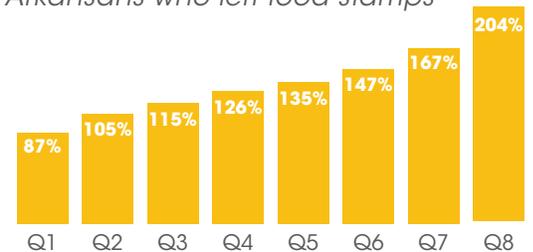
2. AFTER LEAVING WELFARE, ARKANSANS' INCOMES MORE THAN TRIPLED

Able-bodied Arkansans who left welfare under the new work requirement also saw their wages more than triple in the first two years after cycling out of the program.

Within three months of leaving welfare, wages for these able-bodied adults nearly doubled, spiking by 87 percent, on average.²¹ Wages continued to climb quarter after quarter.²² By the end of the first year off welfare, average incomes had more than doubled, increasing by 126 percent.²³ Within two years of leaving welfare, Arkansans' incomes had more than tripled, rising by 204 percent, on average.²⁴

INCOMES TRIPLED WITHIN TWO YEARS OF LEAVING WELFARE

Average increase in incomes for Arkansans who left food stamps



Source: Authors' calculations



REAL-WORLD IMPACT



Mike is from the Arkansas Delta. Mike had no income while on food stamps, but within one year of leaving welfare, he was making \$41,000. By the end of two years free from dependency, he was making \$67,000—over \$40,000 more than his county's median earnings.

Nolan is from Central Arkansas and reported no income until leaving welfare. But after leaving welfare, Nolan was making \$63,000 per year. By the end of two years, his earnings had increased to \$95,000—nearly triple the median earnings for his central Arkansas county.



Greg is from Northwest Arkansas and found work within one quarter of leaving welfare. He climbed out of poverty, and within two years, was making \$64,000—more than \$40,000 more than the median earnings for his county.

Within a quarter of leaving food stamps, Sarah was making \$43,000. After two years, Sarah's yearly income had increased to \$51,000, nearly \$20,000 more than her county's median income.



Lisa had no income while on food stamps, but within one quarter of leaving welfare, she was making \$31,000 per year. After two years free from dependency, she was making \$47,000—twice the amount of the median earnings in her home county in the Arkansas Delta.

**Stories represent actual Arkansans and reflect their real-life situations. Names have been fictionalized.*

3. ARKANSANS' NEW INCOME MORE THAN OFFSET LOST FOOD STAMP BENEFITS

Not only did Arkansans see their incomes more than triple, but this new income growth was more than enough to offset their lost food stamp benefits. By the end of the first year, those leaving welfare were earning \$1.18 for every dollar of lost food stamps.²⁵ Two years after leaving welfare, enrollees were receiving nearly \$2 in new income for every lost food stamp dollar, leaving them better off than they were on welfare.²⁶

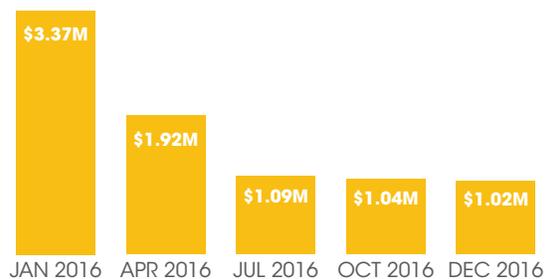
4. TAXPAYERS ARE SAVING MORE THAN \$28 MILLION PER YEAR

As a result of declining caseloads, taxpayers are saving tens of millions of dollars. In January 2016, taxpayers were spending an estimated \$3.4 million per month on food stamps for able-bodied, childless adults, or roughly \$40.5 million per year.²⁷ By December, that spending had dropped to just \$1 million per month—the equivalent of \$12.1 million per year.²⁸

Now that these individuals have transitioned out of dependency, taxpayers are saving an estimated \$28 million per year, freeing up resources for the truly needy and other state priorities.²⁹

TAXPAYERS ARE SAVING NEARLY \$2.5 MILLION PER MONTH

Monthly taxpayer spending on food stamps for childless adults in Arkansas



Source: Authors' calculations

STATE INCOME TAXES INCREASED SEVENFOLD AFTER ABLE-BODIED ADULTS WENT BACK TO WORK

Annual income tax collections from Arkansans freed from welfare



Source: Authors' calculations

5. STATE TAX REVENUES HAVE CLIMBED BY MORE THAN \$2.3 MILLION

Thanks to Arkansas' commonsense welfare reform and the resulting economic activity, the state's budget is now in better condition. Thousands of Arkansans are no longer sitting on the sidelines and are instead working and contributing to the state's booming economy. Increased wages mean more tax revenue and greater budget certainty.

Within a year of leaving welfare, income tax collections for these able-bodied adults increased by an estimated \$1.7 million—an increase of more than 454 percent.³⁰ Two years after leaving welfare, Arkansans were contributing an estimated \$2.3 million more in state income taxes, a sevenfold increase from when they were still on welfare.³¹

Arkansas is building on its success

Arkansas' historic welfare reform produced immediate results. The reform has moved thousands of able-bodied adults from welfare to work and earnings soared, leaving those exiting welfare financially better off than they were before. As a result, the state has more taxpayers and taxpayers are saving money.

But Arkansas' welfare reform story does not end there. In June 2018, Arkansas became the first state to implement work requirements for able-bodied adults on Medicaid, cementing the state's legacy as a national leader on welfare reform.³² Preliminary data finds the new policy is already yielding major results.³³

Lessons for other states

Despite record-low unemployment and a record-high seven million open jobs, 33 states and the District of Columbia still waive commonsense work requirements for able-bodied, childless adults on food stamps.³⁴⁻³⁷ States have exploited loopholes and gimmicks created by the Clinton administration and widened by the Obama administration, trapping millions of able-bodied adults in dependency and robbing them of better lives.³⁸ States should roll back these waivers altogether while the Trump administration works on closing loopholes for future generations.

States also have an opportunity to help able-bodied parents on food stamps get back on their feet. Federal law gives states the option to require able-bodied adults who are not otherwise working to participate in employment and training programs.³⁹ One option is to assign these able-bodied parents to a workfare program where they perform volunteer work for an average of just eight hours per week in exchange for food stamp benefits.⁴⁰⁻⁴²

Finally, while much progress has been made on Medicaid reform in the last year, there is more opportunity for states to move millions of able-bodied adults from welfare to work. Five states have already received federal approval to implement Medicaid work requirements, with more than a dozen additional states moving that direction.⁴³ However, there are more than 30 states that still need to take that first step, and there is room for improvement even in states that have received approval for Medicaid work requirements.

More adults can be helped through work requirements, including parents with school-age children, a population that is already subject to work requirements in other programs. Some states have only instituted work requirements for able-bodied adults who are enrolled through ObamaCare. These work requirements should be expanded to working-age adults without disabilities in traditional Medicaid as well.

The takeaways from Arkansas' experience are clear: **if states want less dependency, more taxpayers, and higher incomes, policymakers should pursue work requirements for all able-bodied adults on welfare.**

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4. Sam Adolphsen et al., "Waivers gone wild: How states have exploited food stamp loopholes," Foundation for Government Accountability (2018), <https://thefga.org/wp-content/uploads/2018/06/Waivers-Gone-Wild-6-5-18-update.pdf>.
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12. The Arkansas Department of Human Services provided the Foundation for Government Accountability individual-level data on all individuals removed from the program for refusing to meet the work requirement between January 2016 and March 2017.
13. In order to protect individuals' personal privacy, the Arkansas Department of Human Services deidentified wage and enrollment match data prior to providing it to the Foundation for Government Accountability.
14. The total number of individuals tracked is higher than the total number of individuals enrolled in January 2016, reflecting the fact that individuals enrolling in the program after January 2016 but exiting prior to March 2017 were included in the analysis.
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20. Ibid.
21. Authors' calculations based upon data provided by the Arkansas Department of Human Services on wages for the full sample of 25,023 cases in the baseline period before removal and in the quarter immediately after removal.
22. Authors' calculations based upon data provided by the Arkansas Department of Human Services on wages for the truncated sample for each quarter from the baseline period before removal to each quarter after removal. The one-quarter, two-quarter, three-quarter, and four-quarter results include the full sample of 25,023 cases. The five-quarter results include 21,991 cases, representing all cases with at least five quarters of data. The six-quarter results include 18,476 cases, representing all cases with at least six quarters of data. The seven-quarter results include 14,513 cases, representing all cases with at least seven quarters of data. The eight-quarter results include 7,178 cases, representing all cases with at least eight quarters of data.
23. Authors' calculations based upon data provided by the Arkansas Department of Human Services on wages for the full sample of 25,023 cases from the baseline period before removal to one year after removal.
24. Authors' calculations based upon data provided by the Arkansas Department of Human Services on wages for the truncated sample of 7,178 cases with at least eight quarters of data from the baseline period before removal to two years after removal.

25. Authors' calculations based upon data provided by the Arkansas Department of Human Services on wages and food stamp benefits for the full sample of 25,023 cases from the baseline period before removal to one year after removal.
26. Authors' calculations based upon data provided by the Arkansas Department of Human Services on wages and food stamp benefits for the truncated sample of 7,178 cases with at least eight quarters of data from the baseline period before removal to two years after removal.
27. Authors' calculations based upon data provided by the Arkansas Department of Human Services on monthly enrollment in January 2016 and monthly benefit allotments per-person for those removed from the program.
28. Authors' calculations based upon data provided by the Arkansas Department of Human Services on monthly enrollment in December 2016 and monthly benefit allotments per-person for those removed from the program.
29. Authors' calculations based upon data provided by the Arkansas Department of Human Services on monthly enrollment between January 2016 and December 2016 and monthly benefit allotments per-person for those removed from the program.
30. Authors' calculations based upon data provided by the Arkansas Department of Human Services on wages for the full sample of 25,023 cases from the baseline period before removal to one year after removal. Individual-level data was used to construct state tax liabilities for annualized wages in the baseline period and annualized wages four quarters after leaving welfare. Arkansas' income tax rules for calendar year 2016 were used to construct the individual-level tax liability estimates.
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42. Authors' calculations based upon average monthly allotment of non-disabled adults ages 18 to 59 without children under the age of six, excluding able-bodied adults without dependents, who are not otherwise meeting the work registration requirement through work or participation in an employment and training program, disaggregated by state, and state minimum wages.
43. Arkansas, Indiana, Kentucky, New Hampshire, and Wisconsin have all received approval from the Centers for Medicare and Medicaid Services to implement commonsense work requirements for Medicaid.



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