WAIVERS GONE WILD: How states are still fostering dependency

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Jonathan Bain
Research Fellow

Jonathan Ingram
Vice President of Research

Nicholas Horton
Research Director

Sam Adolphsen
Vice President of Executive Affairs

FGA
KEY FINDINGS

1. WAIVERS WERE INTENDED TO PROVIDE A TEMPORARY PAUSE OF WORK REQUIREMENTS DURING ECONOMIC CRISIS, BUT FEDERAL LOOPHOLES HAVE ALLOWED STATES TO GAME THE SYSTEM.

2. DESPITE A STRONG ECONOMY, ONE-THIRD OF THE COUNTRY STILL LIVES IN AN AREA WHERE ABLE-BODIED ADULTS ARE EXEMPT FROM WORK REQUIREMENTS.

3. STATES HAVE ABUSED THE WAIVER PROCESS BY GERRYMANDERING AREAS AND USING OLD DATA, ALLOWING THEM TO WAIVE WORK REQUIREMENTS.

4. THE TRUMP ADMINISTRATION HAS PROPOSED A RULE CHANGE THAT WOULD CRACK DOWN ON SOME OF THIS WAIVER ABUSE, BUT THERE ARE STILL GAPS.

5. THE ADMINISTRATION SHOULD PROHIBIT WAIVERS IN JURISDICTIONS WHERE THERE ARE SUFFICIENT JOBS WITHIN COMMUTING DISTANCE.

BOTTOM LINE:
CRACKING DOWN ON WAIVER ABUSE WOULD MOVE MILLIONS OF ABLE-BODIED ADULTS FROM WELFARE TO WORK.
Despite today’s booming economy, the number of able-bodied adults who receive food stamps remains near record high levels. States report that 4.1 million able-bodied adults without dependents are expected to be enrolled in the program over the course of fiscal year 2019.\(^1\) That is more than four times as many as were enrolled between 2000 and 2008.\(^2\)

Federal law generally requires able-bodied adults without dependents to work, train, or volunteer at least part-time to maintain food stamp eligibility.\(^3\) These rules apply to non-pregnant adults who are between the ages of 18 and 50, who are mentally and physically fit for employment, and who have no dependent children or incapacitated family members living at home.\(^4\)

But states have used loopholes and gimmicks to waive these work requirements in as many jurisdictions as possible.\(^5\) Congress intended for these waivers to be limited in nature, meant only for areas with unemployment rates above 10 percent or that otherwise lacked job opportunities for able-bodied adults.\(^7\)

But in the final days of the Clinton administration, U.S. Department of Agriculture (USDA) bureaucrats issued new rules creating loopholes and gimmicks that allow states to waive work requirements for millions of able-bodied adults, even during periods of record economic growth.\(^8\) The two biggest loopholes have allowed states to gerrymander areas in order to waive as many jurisdictions as possible and waive work requirements in areas with objectively low unemployment so long as it is slightly above the national average.\(^9\)

Worse yet, the Obama administration actively pressured states into waiving the requirements to keep as many able-bodied adults trapped in dependency as possible.\(^10\) As a result, these commonsense requirements are waived wholly or partially in 33 states and the District of Columbia, exempting nearly 2.6 million able-bodied adults.\(^11\)
States are gerrymandering areas to waive work requirements

States are gaming the system in order to waive as many people as possible from work requirements. Although federal law allows states to request waivers in specific areas with high unemployment, current rules allow states to combine cities, counties, and other jurisdictions together to form a single “area” for waiver purposes. This loophole has led states to abuse this flexibility by gerrymandering areas together to waive the work requirement for as many able-bodied adults as possible. Officials from multiple states have admitted that they request “waivers in as many parts of the State as possible” as a way to “minimize the areas” subject to the work requirement. States also often rely on software or analyses prepared by left-wing advocacy groups, including the pro-dependency Center on Budget and Policy Priorities, which are specifically designed to maximize the number of people states can exempt from the work requirement through waivers.
In Illinois, state officials combined 101 of the state’s 102 counties into a single “area” for waiver purposes, despite the fact that many waived counties did not independently qualify. This logic assumes that there are only two economic “areas” in Illinois: DuPage county—a single county in the Chicago metropolitan area—and the rest of the state. The waiver treats cities like Belleville and Bolingbroke, Chicago and Cairo, and Marion and Moline as if they are all part of the same economic region, despite the fact that these cities are hundreds of miles apart.

State officials used a similar gimmick in California. California’s current waiver combines 55 of the state’s 58 counties into a single “area,” even though many do not independently qualify. This assumes that there are only two economic areas in the entire state: San Francisco, San Mateo, and Santa Clara—all part of the San Francisco metropolitan area—and the rest of the state. The waiver treats Sacramento and San Diego, and Lakeport and Long Beach, as if they are all part of the same economic region.
States are waiving work requirements in areas with objectively low unemployment

The food stamp statute limits waivers to areas that have an unemployment rate above 10 percent or otherwise lack sufficient jobs. But rules adopted by the Clinton administration created “alternative procedures” allowing areas to qualify for waivers if their unemployment rates are 20 percent higher than the national average. This loophole has nothing to do with whether an area lacks sufficient jobs, but rather indicates how the area’s unemployment rate is performing relative to the national average. This means that some portion of the country will virtually always be granted waivers, even during periods of strong and sustained economic growth.

Out of the more than 1,100 jurisdictions waived in January 2019, just 23 have unemployment rates at or above 10 percent. Nearly 1,000 of those jurisdictions have unemployment rates at or below six percent.
MORE THAN A THIRD OF AMERICANS LIVE IN AN AREA WITH NO WORK REQUIREMENTS

Source: U.S. Department of Agriculture
CALIFORNIA

WAIVER STATUS: Partial

While California technically has a “partial” work requirement waiver, the overwhelming majority of the state is exempted from commonsense work requirements. The current waiver exempts 55 of the state’s 58 counties and runs from September 2018 through August 2019.

STATE SNAPSHOT

700,302
able-bodied adults without dependents on food stamps

Subject to work requirement: 8,706

Percent not working: 78%

Waiver Gimmicks

- GAMING THE TIMELINE

California starts its waiver in September, the last month of the federal fiscal year. This exploits a regulatory loophole that lets it use unemployment data that dates back to April 2015—four years ago.
GERRYMANDERING

California combined 55 of its 58 counties to achieve an average unemployment 20 percent higher than the national average. This leads to many counties receiving a waiver even though they would not independently qualify.

The Real Story

STATEWIDE UNEMPLOYMENT

4.1% in California as of November 2018

OF 55 WAIVED COUNTIES IN CA

2 have unemployment rates above the 10% statutory threshold

44 have unemployment rates at or below 6%

38 have unemployment rates at or below 5%

24 have unemployment rates at or below 4%

According to Help Wanted Online, there are

596,200 available jobs in California.

Marin County’s unemployment rate sat at 2.2 percent in November 2018, but work requirements remain waived entirely.

A record low.

California employers experience 2.4 million job openings annually.
GEORGIA

STATE SNAPSHOT

100,000
able-bodied adults without dependents on food stamps

Subject to work requirement: 16,500

Percent not working: 78%

Waiver Gimmicks

- OLD DATA
  Georgia’s waiver relies on data that goes back to March 2016—nearly three years ago. More recent data paints a much different picture of the state’s economy. For example, the state’s unemployment rate was 3.5 percent in November 2018, just 0.1 point away from its all-time low.

- GERRYMANDERING
  Georgia grouped 135 counties with unemployment rates that vary greatly. Many of these counties would not have qualified for waivers had they not been grouped together.

  Echols County’s unemployment rate sat at 2.5 percent in November 2018, but work requirements remain waived entirely.

WAIVER STATUS: Partial

Georgia has a “partial” work requirement waiver, exempting 135 of the state’s 159 counties and runs from January 2019 through December 2019.
The Real Story

**STATEWIDE UNEMPLOYMENT**

3.5% in Georgia as of November 2018

A near-record low.

**OF 135 WAIVED COUNTIES IN GA**

1 has unemployment rates above the 10% statutory threshold

128 have unemployment rates at or below 6%

119 have unemployment rates at or below 5%

78 have unemployment rates at or below 4%

According to Help Wanted Online, there are

177,000 available jobs in Georgia.

Georgia employers experience 604,000 job openings annually.
**Waiver Gimmicks**

- **OLD DATA**
  
  Illinois’ waiver relies on data that goes back to April 2015—four years ago. More recent data paints a much different picture of the state’s economy. For example, the state’s unemployment rate was 4.2 percent in November 2018, just 0.1 point away from its all-time low.

- **GERREYMANDERING**
  
  Illinois grouped 101 counties with unemployment rates that vary greatly. Many of these counties would not have qualified for waivers had they not been grouped together.

  Brown County’s unemployment rate sat at **2.4 percent in November 2018**, but work requirements remain waived entirely.
The Real Story

**STATEWIDE UNEMPLOYMENT**

4.2% in Illinois as of November 2018

**OF 101 WAIVED COUNTIES IN IL**

- 0 have unemployment rates above the 10% statutory threshold
- 91 have unemployment rates at or below 6%
- 71 have unemployment rates at or below 5%
- 19 have unemployment rates at or below 4%

According to Help Wanted Online, there are 201,200 available jobs in Illinois.

Illinois employers experience 718,000 job openings annually.
LOUISIANA

WAIVER STATUS: Statewide

STATE SNAPSHOT

60,310

able-bodied adults without dependents on food stamps

Subject to work requirement: 0

Percent not working: 76%

Waiver Gimmicks

- **GAMING THE TIMELINE**

  Louisiana starts its waiver in September, the last month of the federal fiscal year. This exploits a regulatory loophole that lets it use unemployment data that dates back to December 2015—more than four years ago.

- **GERRYMANDERING**

  Louisiana grouped 64 parishes with unemployment rates that vary greatly. Many of these parishes would not have qualified for waivers had they not been grouped together.

  Cameron Parish’s unemployment rate sat at 3.1 percent in November 2018, but work requirements remain waived entirely.
The Real Story

- **STATEWIDE UNEMPLOYMENT**
  
  *5%* in Lousiana as of November 2018

- **OF 64 WAIVED PARISHES IN LA**
  
  *0* have unemployment rates above the 10% statutory threshold
  
  *56* have unemployment rates at or below 6%
  
  *33* have unemployment rates at or below 5%
  
  *11* have unemployment rates at or below 4%

According to Help Wanted Online, there are

*49,200* available jobs in Louisiana.

- **Louisiana employers experience 251,000 job openings annually.**

- **A near-record low.**
NEVADA

STATE SNAPSHOT

86,852
able-bodied adults without dependents on food stamps

Subject to work requirement: 0

Percent not working: 72%

Waiver Gimmicks

- OLD DATA
Nevada’s waiver relies on data that goes back to June 2016—nearly three years ago. More recent data paints a much different picture of the state’s economy. For example, the state’s unemployment rate was 4.4 percent in November 2018, near a record low.

- GERRYMANDERING
Nevada grouped 16 counties with unemployment rates that vary greatly. Many of these counties would not have qualified for waivers had they not been grouped together.

Eureka County’s unemployment rate sat at 2.4 percent in November 2018, but work requirements remain waived entirely.

WAIVER STATUS: Partial

While Nevada technically has a “partial” work requirement waiver, the overwhelming majority of the state is exempted from commonsense work requirements. The current waiver exempts 16 of the state’s 17 counties and part of an additional county, meaning no counties are fully subject to the work requirement. The current waiver runs from January 2019 through December 2019.
The Real Story

- **STATEWIDE UNEMPLOYMENT**
  - 4.4% in Nevada as of November 2018

- **OF 16 WAIVED COUNTIES IN NV**
  - 0 have unemployment rates above the 10% statutory threshold
  - 16 have unemployment rates at or below 6%
  - 15 have unemployment rates at or below 5%
  - 10 have unemployment rates at or below 4%

According to Help Wanted Online, there are 45,100 available jobs in Nevada.
PENNSYLVANIA

WAIVER STATUS:
Partial

While Pennsylvania technically has a “partial” work requirement waiver, the overwhelming majority of the state is exempted from commonsense work requirements. The current waiver exempts 63 of the state’s 67 counties, plus two “minor civil divisions” for a total of 65 waived areas. The current waiver runs from January 2019 through December 2019.

STATE SNAPSHOT

318,982
able-bodied adults without dependents on food stamps

Subject to work requirement: 34,222

Percent not working: 73%

Waiver Gimmicks

■ OLD DATA

Pennsylvania’s waiver relies on data that goes back to March 2016—more than three years ago. More recent data paints a much different picture of the state’s economy. For example, the state’s unemployment rate was 4.2 percent in November 2018, near a record low.

■ GERRYMANDERING

Pennsylvania grouped 63 counties with unemployment rates that vary greatly. Many of these counties would not have qualified for waivers had they not been grouped together.

Adams County’s unemployment rate sat at 2.8 percent in November 2018, but work requirements remain waived entirely.
The Real Story

**STATEWIDE UNEMPLOYMENT**

4.2% in Pennsylvania as of November 2018 — A near-record low.

**OF 63 WAIVED COUNTIES IN PA**

- 0 have unemployment rates above the 10% statutory threshold
- 63 have unemployment rates at or below 6%
- 61 have unemployment rates at or below 5%
- 35 have unemployment rates at or below 4%

According to Help Wanted Online, there are **232,500** available jobs in Pennsylvania.

Pennsylvania employers experience 727,000 job openings annually.
WASHINGTON

WAIVER STATUS: Partial

While Washington technically has a “partial” work requirement waiver, the overwhelming majority of the state is exempted from commonsense work requirements. The current waiver fully exempts 38 out of that state’s 39 counties and part of an additional county, meaning no counties are fully subject to the work requirement. The current waiver runs from January 2019 through December 2019.

STATE SNAPSHOT

WASHINGTON

94,542
able-bodied adults without dependents on food stamps

Subject to work requirement: 13,939

Percent not working: 73%

Waiver Gimmicks

■ OLD DATA

Washington’s waiver relies on data that goes back to May 2016—nearly three years ago. More recent data paints a much different picture of the state’s economy. For example, the state’s unemployment rate was 4.3 percent in November 2018, a record low.

■ GERRYMANDERING

Washington grouped 38 counties with unemployment rates that vary greatly. Many of these counties would not have qualified for waivers had they not been grouped together.

Snohomish County’s unemployment rate sat at 3.8 percent in November 2018, but work requirements remain waived entirely.
The Real Story

- **STATEWIDE UNEMPLOYMENT**

  *4.3%* in Washington as of November 2018

  - A record low.

- **OF 38 WAIVED COUNTIES IN WA**

  - 0 have unemployment rates above the 10% statutory threshold
  - 27 have unemployment rates at or below 6%
  - 15 have unemployment rates at or below 5%

According to Help Wanted Online, there are

*157,100* available jobs in Washington.

- Washington employers experience 1.4 million job openings annually.
The Trump administration has proposed cracking down on waiver abuse

In December 2018, the Trump administration released a proposed rule change that would seek to limit states’ waiver abuse. In the draft rule, USDA highlights that states have been maximizing the amount of people covered by the waivers by using questionable methods. In an effort to minimize this, USDA has proposed that states only be able to combine jurisdictions if those collective jurisdictions form a labor market area. The proposal also sets a minimum floor of seven percent unemployment on states using “alternative procedures” to obtain waivers.

These proposed changes are a significant step in the right direction and are designed to ensure areas that do not lack sufficient jobs do not continue to receive waivers. Had the proposed rule changes been in place during the latest round of waiver approvals, nearly 40 percent fewer areas would have qualified.
Additional changes would further strengthen the proposed rule

These rule changes would help restore the original purpose of these waivers, as Congress never meant for work requirements to be waived in low unemployment areas. However, the rule could still leave the door open for possible abuse.

For example, states would still be allowed to waive work requirements in jurisdictions with low unemployment, so long as they combine those jurisdictions with others in the same labor market area that meets waiver criteria. States would be allowed to continue waiving work requirements in some jurisdictions that do not independently qualify by grouping them with other jurisdictions in the same labor market area. In some cases, this may even encourage states to increase the size and scope of their waivers.

The new rule also allows states to continue receiving waivers in jurisdictions even if there are sufficient jobs within a reasonable commuting distance. The proposed rule does not require states to combine jurisdictions, which means that a single county located in a broader economic region with record low unemployment could still qualify for a waiver on its own.

The Trump administration could strengthen the rule by eliminating waivers in any jurisdiction that does not lack sufficient jobs. Additionally, the administration could eliminate waivers in any jurisdiction located in a commuting zone that has sufficient jobs. These changes would ensure waivers are only available to states that can show there are not sufficient jobs within a jurisdiction itself or within a reasonable commuting distance.
Since June 2017, 19 states have hit new record-low unemployment levels, including some who waive work requirements across their state.

There has never been a better time for welfare reform

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.

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, relocations fees, and more to find and retain talent—at all skill levels. Employers are desperate to move millions of these able-bodied adults off the sidelines and into those open jobs.
Ending waiver abuse would move millions of able-bodied adults from welfare to work

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.46 Those able-bodied adults went back to work in hundreds of diverse industries, and their incomes more than doubled within a year.47 Better still, those higher incomes more than offset lost welfare benefits, leaving them financially better off.48

Maine experienced similar success after restoring the work requirement in 2014.49 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.50

When Arkansas followed suit in 2016, able-bodied adult enrollment dropped by 70 percent.51 Those adults saw their incomes more than double in the year after leaving the program and then more than triple in the second year.52 Higher wages more than offset lost food stamp benefits, leaving individuals better off than when they were trapped in dependency.53

These able-bodied adults moved into many diverse industries, touching virtually every corner of the American economy.54 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.55 In fact, these adults found work in more than 1,000 different industries.56 Better still, they used those initial jobs as stepping stones to other jobs in higher-wage industries.57 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.58

Cracking down on waiver abuse could make millions of able-bodied adults newly subject to these commonsense work requirements, putting them on the path to work and self-sufficiency.
REFERENCES

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15. Ibid.
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19. Authors’ calculations based upon data provided by the U.S. Department of Agriculture on waived areas as of January 1, 2019, and data provided by the U.S. Department of Labor on non-seasonally adjusted unemployment rates in waived jurisdictions in November 2018.
20. Ibid.
21. Ibid.
23. Ibid.
24. Ibid.
25. Ibid.
26. Ibid.
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28. This analysis focuses exclusively on the draft rule’s limits on combining areas. The effects of other changes to the waiver, including a minimum unemployment threshold, are excluded. Although the draft rule would create a seven percent unemployment rate floor for waived areas, such a restriction would only matter in times of record-low unemployment. But the unemployment rate has averaged roughly six percent since 2000. This means that the unemployment rate floor would not impact waiver submissions in years with the long-term average unemployment. Analyzing relative unemployment rates today, without regard to the unemployment rate floor, should provide a baseline estimate of what officials could expect in years with average unemployment.
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