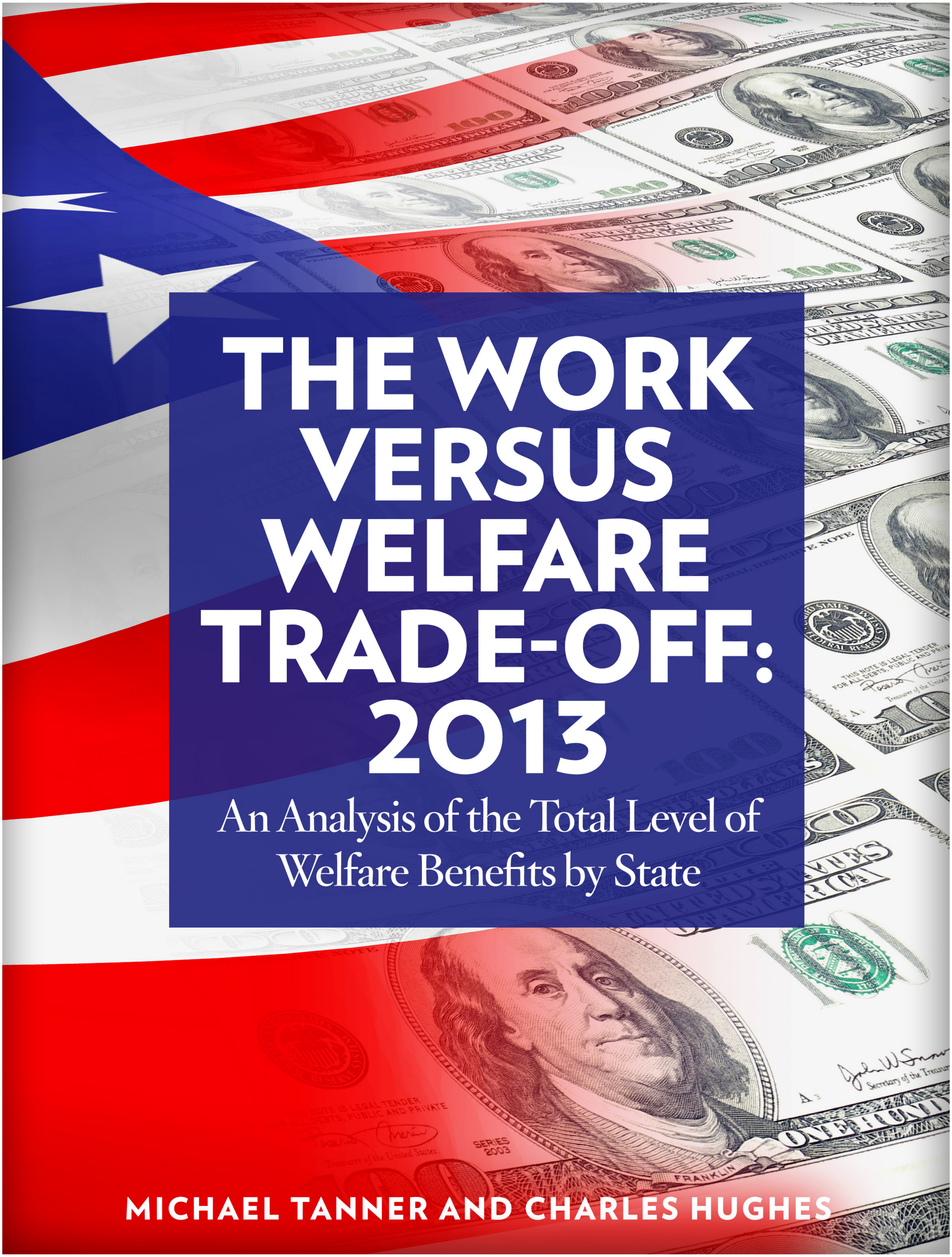

THE WORK VERSUS WELFARE TRADE-OFF: 2013

An Analysis of the Total Level of Welfare Benefits by State

MICHAEL TANNER AND CHARLES HUGHES

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CATO INSTITUTE

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Executive Summary

In 1995, the Cato Institute published a groundbreaking study, *The Work vs. Welfare Trade-Off*, which estimated the value of the full package of welfare benefits available to a typical recipient in each of the 50 states and the District of Columbia. It found that not only did the value of such benefits greatly exceed the poverty level but, because welfare benefits are tax-free, their dollar value was greater than the amount of take-home income a worker would receive from an entry-level job.

Since then, many welfare programs have undergone significant change, including the 1996 welfare reform legislation that ended the Aid to Families with Dependent Children program and replaced it with the Temporary Assistance to Needy Families program. Accordingly, this paper examines the current welfare system in the same manner as the 1995 paper. Welfare benefits continue to outpace the income that most recipients can expect to earn from an entry-level job, and the balance between welfare and work may actually have grown worse in recent years.

The current welfare system provides such a high level of benefits that it acts as a disincentive for work. Welfare currently pays more than a minimum-wage job in 35 states, even after accounting for the Earned Income Tax Credit, and in 13 states it pays more than $15 per hour. If Congress and state legislatures are serious about reducing welfare dependence and rewarding work, they should consider strengthening welfare work requirements, removing exemptions, and narrowing the definition of work. Moreover, states should consider ways to shrink the gap between the value of welfare and work by reducing current benefit levels and tightening eligibility requirements.

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There is no evidence that people on welfare are lazy or do not wish to work.

Introduction

There is little doubt that one of the most important long-term steps toward avoiding or getting out of poverty is taking a job. Only 2.6 percent of full-time workers are poor, as defined by the Federal Poverty Level (FPL) standard, compared with 23.9 percent of adults who do not work. Even part-time work makes a significant difference; only 15 percent of part-time workers are poor.[1] And while many anti-poverty activists decry low-wage jobs, a minimum-wage job can be a springboard out of poverty.

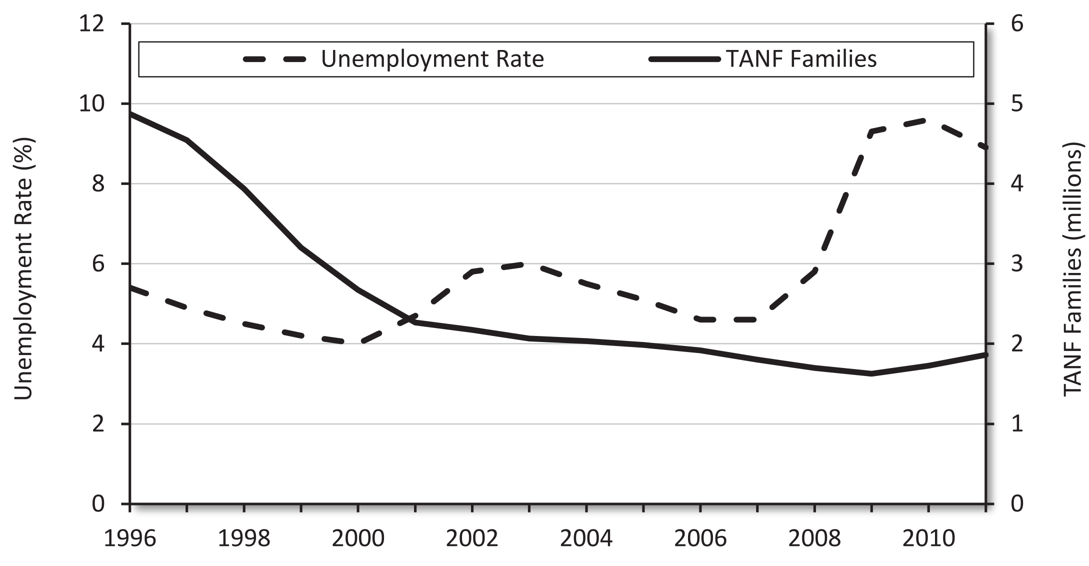
Moreover, while periods of high unemployment undoubtedly make it harder for individuals to find work, especially low-skilled workers, the relationship between unemployment rates and the number of families on the Temporary Assistance for Needy Families (TANF) welfare program is tenuous at best, as indicated in Figure 1.[2]

Contrary to stereotypes, there is no evidence that people on welfare are lazy or do not wish to work. Indeed, surveys of welfare recipients consistently show their desire for a job. At the same time, however, the evidence suggests that many are reluctant to accept available employment opportunities.

Despite the work requirements included in the 1996 welfare reform, nationwide less than 42 percent of adult welfare recipients are actually working. The actual work participation may be much lower than that. Many recipients credited as working do not have jobs, but are participating in other "work activities" such as job training or job search. In fact, less than 20 percent of recipients have unsubsidized private-sector jobs.

Many welfare recipients, particularly long-term recipients, lack the skills and attachment to the job market necessary to obtain the types of jobs that pay average or above-average wages. Individuals who do leave welfare for work most often start employment in the service or retail industries, in positions such as clerks, secretaries, cleaning persons, sales help, and waitresses. Although it would be nice to raise the wages of

Figure 1
Unemployment Rate and Enrollment in the Temporary Assistance for Needy Families (TANF) Program



Sources: Bureau of Labor Statistics; Office of Family Assistance.

entry-level service workers, government has no ability to do so—attempts to mandate wage increases, such as increases in the minimum wage, primarily result in increased unemployment for the lowest-skilled workers.[3]

Therefore, it seems likely that it will continue to be difficult to move individuals from welfare to work as long as the level of welfare benefits makes the choice not to work a rational alternative.

The Value of Welfare

Most reports on welfare focus on only a single program, the cash-benefit program Temporary Assistance for Needy Families (TANF). But this focus leaves a misimpression that welfare benefits are quite low, providing a bare subsistence level of income. In reality, the federal government currently funds 126 separate programs targeted toward low-income people, 72 of which provide either cash or in-kind benefits to individuals. (The remainder fund communitywide programs for low-income neighborhoods, but do not provide benefits directly to individual recipients.) State, county, and municipal governments operate additional welfare programs. Of course, no individual or family receives benefits from all 72 programs, but many recipients do receive aid from a number of the programs at any given time. The total value of welfare received, therefore, is likely to be far higher than simply the level of TANF benefits.

In 1995, the Cato Institute examined the value of the full package of welfare benefits available to a typical recipient in each of the 50 states and the District of Columbia.[4] *The Work vs. Welfare Trade-Off* found that not only did the value of such benefits greatly exceed the poverty level, but because welfare benefits are tax free, their dollar value was greater than the amount of take-home income a worker would receive from an entry-level job. Since that study was published, however, many welfare programs have undergone significant change, including the 1996 welfare reform legislation that ended the Aid to Families with Dependent Children (AFDC) program and replaced it with TANF.

We have therefore reexamined the issue in light of current benefits. In particular, this study seeks to determine the approximate level of benefits that a typical welfare family, consisting of a single mother with two children, might receive, and to compare those benefits with the wages that a recipient would need to earn in order to take home an equivalent income.

Among our key findings:

- In 18 states, the total value of welfare benefits has declined in inflation adjusted terms since 1995. However, this is due to the changing composition of what we included in the package of benefits (largely reflecting a reduction in the number of people on welfare who receive public housing assistance) rather than a real decline in the value of components.
- Despite this decline, welfare currently pays more than a minimum wage job in 35 states, even after accounting for the Earned Income Tax Credit.
- Because of increases in the Earned Income Tax Credit (EITC) and the creation of the Child Tax Credit (CTC), as well as the adoption of state-level equivalents of the EITC, it is possible for an individual leaving welfare to take a job paying slightly less than welfare without a loss of income in 39 states. However, that difference is small and not likely to offset the value of leisure.
- In another 12 states, an individual leaving welfare for a job paying the same amount as welfare would see a decline in actual income.
- In 33 states, the equivalent wage value of welfare has increased since 1995. The state seeing the largest increase, by a large margin, was Vermont. Other states with significant increases include Hawaii and New Hampshire, as well as the District of Columbia.
- In fact, in 13 states, welfare pays more than $15 per hour. The most generous benefit package was in Hawaii, although that may be distorted by the state's high cost of living. The second

The federal government currently funds 126 separate programs targeted toward low-income people.

highest level of benefits was in the District of Columbia, followed by Massachusetts.

- In 11 states, welfare pays more than the average pre-tax first year wage for a teacher. In 39 states it pays more than the starting wage for a secretary. And, in the 3 most generous states a person on welfare can take home more money than an entry-level computer programmer.

Table 1 shows the total value of welfare benefits by state, as well as the relative change since 1995. In 18 states, the total value of welfare benefits has declined in inflation-adjusted terms since our previous study, while it has risen in the other 32 states and the District of Columbia.

Moreover, a recipient who leaves welfare for work will have to pay taxes on his or her wages. To some degree, those taxes are offset by tax credits such as the Earned Income Tax Credit

Table 1
Comparing Welfare Benefits Packages, 1995 vs. 2013

Rank	Jurisdiction	1995 Package Adjusted for Inflation ($)	2013 ($)	Increase (Decrease) ($)
1	Hawaii	41,910	49,175	7,265
2	District of Columbia	34,368	43,099	8,730
3	Massachusetts	37,346	42,515	5,169
4	Connecticut	36,981	38,761	1,781
5	New Jersey	33,194	38,728	5,533
6	Rhode Island	32,549	38,632	6,083
7	New York	33,430	38,004	4,574
8	Vermont	28,338	37,705	9,367
9	New Hampshire	30,166	37,160	6,994
10	Maryland	29,448	5,672	6,224
11	California	31,259	35,287	4,029
12	Wyoming	26,866	33,119	6,253
13	Oregon	25,625	31,674	6,049
14	Minnesota	27,865	31,603	3,738
15	Nevada	27,887	31,409	3,521
16	Washington	28,301	30,816	2,514
17	North Dakota	25,403	30,681	5,278
18	New Mexico	26,243	30,435	4,191
19	Delaware	27,933	30,375	2,442
20	Pennsylvania	26,555	29,817	3,263
21	South Dakota	25,216	29,439	4,223
22	Kansas	25,214	29,396	4,182

Table 1 ***Continued***

Rank	Jurisdiction	1995 Package Adjusted for Inflation ($)	2013 ($)	Increase (Decrease) ($)
23	Alaska	40,569	29,275	(11,295)
24	Montana	23,895	29,123	5,227
25	Michigan	26,534	28,872	2,338
26	Ohio	25,009	28,723	3,714
27	North Carolina	24,187	28,142	3,955
28	West Virginia	22,971	27,727	4,756
29	Indiana	25,978	26,891	913
30	Missouri	22,819	26,837	4,018
31	Oklahoma	25,146	26,784	1,637
32	Alabama	20,878	26,638	5,760
33	Louisiana	24,615	26,538	1,923
34	South Carolina	24,105	26,536	2,431
35	Wisconsin	26,275	21,483	(4,792)
36	Arizona	22,366	21,364	(1,002)
37	Virginia	29,291	20,884	(8,407)
38	Nebraska	23,761	20,798	(2,963)
39	Colorado	27,889	20,750	(7,139)
40	Iowa	26,194	20,101	(6,092)
41	Maine	28,737	19,871	(8,865)
42	Georgia	24,788	19,797	(4,991)
43	Utah	26,954	19,612	(7,342)
44	Illinois	26,431	19,442	(6,989)
45	Kentucky	23,885	18,763	(5,122)
46	Florida	26,092	18,121	(7,971)
47	Texas	23,376	18,037	(5,338)
48	Idaho	25,730	17,766	(7,964)
49	Arkansas	21,287	17,423	(3,864)
50	Tennessee	22,034	17,413	(4,621)
51	Mississippi	19,693	16,984	(2,709)

Sources: Michael Tanner et al., "The Work Versus Welfare Trade-Off: An Analysis of the Total Level of Welfare Benefits by State," Cato Institute Policy Analysis no. 240, September 19, 1995, and authors' calculations.

(EITC), the Child Tax Credit (CTC), and state-level equivalents of the EITC. In fact, in 39 states, the combination of those tax credits exceeds the amount of taxes that the individual would have to pay. Because these credits are refundable (that is, payable even if they exceed the value of taxes paid),[5] they would enable an individual to take a job paying slightly less than the value of welfare benefits without a loss of overall income. However, in 12 other states, taxes still exceed the value of any tax credits available, meaning the worker would actually have to earn more than the value of welfare in order to receive an equivalent level of income. Table 2 shows the equivalent wages needed to be earned in each state to equal welfare, as well as any change since 1995.

Table 2
Comparing Pretax Wage Equivalents, 1995 vs. 2013

Rank	Jurisdiction	Original Inflation Adjusted ($)	2013 ($)	Increase (Decrease) ($)
1	Hawaii	55,001	60,590	5,589
2	District of Columbia	43,970	50,820	6,850
3	Massachusetts	46,086	50,540	4,454
4	Connecticut	44,726	44,370	(356)
5	New York	41,251	43,700	2,449
6	New Jersey	40,042	43,450	3,408
7	Rhode Island	39,438	43,330	3,892
8	Vermont	31,580	42,350	10,770
9	New Hampshire	34,451	39,750	5,299
10	Maryland	34,451	38,160	3,709
11	California	36,416	37,160	744
12	Oregon	29,012	34,300	5,288
13	Wyoming	28,861	32,620	3,759
14	Nevada	30,523	29,820	(703)
15	Minnesota	31,429	29,350	(2,079)
16	Delaware	32,487	29,220	(3,267)
17	Washington	31,278	28,840	(2,438)
18	North Dakota	26,594	28,830	2,236
19	Pennsylvania	29,767	28,670	(1,097)
20	New Mexico	28,105	27,900	(205)
21	Montana	24,630	26,930	2,300
22	South Dakota	26,141	26,610	469
23	Kansas	26,594	26,490	(104)
24	Michigan	29,767	26,430	(3,337)

Table 2 ***Continued***

Rank	Jurisdiction	Original Inflation Adjusted ($)	2013 ($)	Increase (Decrease) ($)
25	Alaska	48,655	26,400	(22,255)
26	Ohio	26,292	26,200	(92)
27	North Carolina	25,385	25,760	375
28	West Virginia	22,968	24,900	1,932
29	Alabama	19,643	23,310	3,667
30	Indiana	28,709	22,900	(5,809)
31	Missouri	22,514	22,800	286
32	Oklahoma	26,745	22,480	(4,265)
33	Louisiana	25,687	22,250	(3,437)
34	South Carolina	24,479	21,910	(2,569)
35	Arizona	21,305	15,320	(5,985)
36	Wisconsin	29,314	14,890	(14,424)
37	Virginia	34,905	14,870	(20,035)
38	Colorado	31,580	14,750	(16,830)
39	Nebraska	24,025	14,420	(9,605)
40	Iowa	28,709	14,200	(14,509)
41	Georgia	26,292	14,060	(12,232)
42	Utah	30,069	13,950	(16,119)
43	Maine	32,638	13,920	(18,718)
44	Illinois	29,314	13,580	(15,734)
45	Kentucky	25,385	13,350	(12,035)
46	Florida	27,501	12,600	(14,901)
47	Texas	22,968	12,550	(10,418)
48	Tennessee	20,701	12,120	(8,581)
49	Arkansas	19,946	12,230	(7,716)
50	Mississippi	17,377	11,830	(5,547)
51	Idaho	27,198	11,150	(16,048)

Sources: Michael Tanner et al., "The Work Versus Welfare Trade-Off: An Analysis of the Total Level of Welfare Benefits by State," Cato Institute Policy Analysis no. 240, September 19, 1995; authors' calculation using C. Scott, "The Earned Income Tax Credit (EITC): Changes for 2012 and 2013," Congressional Research Service, January 2013; Internal Revenue Service, "Earned Income Credit (EIC)," Publication No. 596 1996; Social Security Administration, "Social Security and Medicare Tax Rates," March 2013; Tax Foundation, "State Individual Income Tax Rates 2000–2013," April 2013.

If one looks at this as an hourly wage (as shown in Table 3), it is easy to see that welfare pays more than a minimum-wage job in 33 states—in many cases, significantly more. In fact, in a dozen states and the District of Columbia, welfare pays more than $15 per hour. If one compares the wage-equivalent value of welfare to median work-related income

Table 3
Hourly Wage Equivalents

Rank	Jurisdiction	Pre-tax Equivalent ($)	Hourly Wage Equivalent ($)*
1	Hawaii	60,590	29.13
2	District of Columbia	50,820	24.43
3	Massachusetts	50,540	24.30
4	Connecticut	44,370	21.33
5	New York	43,700	21.01
6	New Jersey	43,450	20.89
7	Rhode Island	43,330	20.83
8	Vermont	42,350	20.36
9	New Hampshire	39,750	19.11
10	Maryland	38,160	18.35
11	California	37,160	17.87
12	Oregon	34,300	16.49
13	Wyoming	32,620	15.68
14	Nevada	29,820	14.34
15	Minnesota	29,350	14.11
16	Delaware	29,220	14.05
17	Washington	28,840	13.87
18	North Dakota	28,830	13.86
19	Pennsylvania	28,670	13.78
20	New Mexico	27,900	13.41
21	Montana	26,930	12.95
22	South Dakota	26,610	12.79
23	Kansas	26,490	12.74
24	Michigan	26,430	12.71
25	Alaska	26,400	12.69

Table 3 *Continued*

Rank	Jurisdiction	Pre-tax Equivalent ($)	Hourly Wage Equivalent ($)*
26	Ohio	26,200	12.60
27	North Carolina	25,760	12.38
28	West Virginia	24,900	11.97
29	Alabama	23,310	11.21
30	Indiana	22,900	11.01
31	Missouri	22,800	10.96
32	Oklahoma	22,480	10.81
33	Louisiana	22,250	10.70
34	South Carolina	21,910	10.53
35	Arizona	15,320	7.37
36	Wisconsin	14,890	7.16
37	Virginia	14,870	7.15
38	Colorado	14,750	7.09
39	Nebraska	14,420	6.93
40	Iowa	14,200	6.83
41	Georgia	14,060	6.76
42	Utah	13,950	6.71
43	Maine	13,920	6.69
44	Illinois	13,580	6.53
45	Kentucky	13,350	6.42
46	Florida	12,600	6.06
47	Texas	12,550	6.03
48	Arkansas	12,230	5.88
49	Tennessee	12,120	5.83
50	Mississippi	11,830	5.69
51	Idaho	11,150	5.36

Source: Authors' calculations using C. Scott, "The Earned Income Tax Credit (EITC): Changes for 2012 and 2013," Congressional Research Service, January 2013; Internal Revenue Service, "Earned Income Credit (EIC)," Publication No. 596 1996; Social Security Administration, "Social Security and Medicare Tax Rates," March 2013; Tax Foundation, "State Individual Income Tax Rates 2000–2013," April 2013.

*Based on 2,080-hour work year.

(as shown in Table 4), welfare actually pays better in eight states, and nearly as well in numerous other states.

Indeed, in 11 states, welfare pays more than the average pre-tax first-year wage for a teacher. In 39 states it pays more than the starting wage for a secretary. And, in the three most generous states, a person on welfare can take home more money than an entry-level computer programmer.[6]

Table 4
Pretax Wage Equivalents Compared to Median Salaries

Rank	Jurisdiction	Pretax Wage Equivalent ($)	Median Salary ($)	Percentage of Median Salary (%)
1	Hawaii	60,590	36,275	167.0
2	Vermont	42,350	34,029	124.5
3	Massachusetts	50,540	42,723	118.3
4	Rhode Island	43,330	36,858	117.6
5	New Hampshire	39,750	35,339	112.5
6	New York	43,700	39,562	110.5
7	New Jersey	43,450	39,541	109.9
8	Connecticut	44,370	41,330	107.4
9	Oregon	34,300	35,152	97.6
10	California	37,160	38,522	96.5
11	Maryland	38,160	40,456	94.3
12	New Mexico	28,840	31,034	92.9
13	South Dakota	26,610	28,662	92.8
14	Montana	26,930	29,390	91.6
15	Nevada	29,820	32,656	91.3
16	Wyoming	32,620	36,130	90.3
17	North Dakota	28,830	32,032	90.0
18	West Virginia	24,900	27,997	88.9
19	Kansas	26,490	30,826	85.9
20	District of Columbia	50,820	61,173	83.1
21	Pennsylvania	28,670	34,757	82.5
22	North Carolina	25,760	31,533	81.7
23	Delaware	29,220	36,192	80.7
24	Ohio	26,200	32,594	80.4

Table 4 ***Continued***

Rank	Jurisdiction	Pretax Wage Equivalent ($)	Median Salary ($)	Percentage of Median Salary (%)
25	Minnesota	29,350	36,483	80.4
26	Alabama	23,310	29,848	78.1
27	Michigan	26,430	34,258	77.2
28	Oklahoma	22,480	29,661	75.8
29	Indiana	22,900	31,283	73.2
30	Missouri	22,800	31,179	73.1
31	South Carolina	21,910	30,056	72.9
32	Louisiana	22,250	30,722	72.4
33	Washington	28,840	40,144	71.8
34	Alaska	26,400	42,952	61.5
35	Nebraska	14,420	30,826	46.8
36	Iowa	14,200	31,179	45.5
37	Arizona	15,320	34,112	44.9
38	Wisconsin	14,890	33,363	44.6
39	Georgia	14,060	31,720	44.3
40	Kentucky	13,350	30,410	43.9
41	Utah	13,950	32,053	43.5
42	Mississippi	11,830	27,269	43.4
43	Arkansas	12,230	28,454	43.0
44	Maine	13,920	32,510	42.8
45	Florida	12,600	30,659	41.1
46	Virginia	14,870	36,296	41.0
47	Tennessee	12,120	30,285	40.0
48	Colorado	14,750	37,066	39.8
49	Texas	12,550	32,115	39.1
50	Illinois	13,580	35,256	38.5
51	Idaho	11,150	30,181	36.9

Source: Authors' calculations and Bureau of Labor Statistics, "May 2012 Occupational Employment and Wage Estimates," Occupational Employment Statistics, April 2013.

Table 5
Welfare Benefits Packages as Percentage of Federal Poverty Level (FPL)

Rank	Jurisdiction	Welfare Benefit ($)	Percent of FPL (%)
1	District of Columbia	43,099	220.7
2	Hawaii	49,175	218.8
3	Massachusetts	42,515	217.7
4	New Jersey	38,728	198.3
5	Connecticut	38,761	198.5
6	Rhode Island	38,632	197.8
7	New York	38,004	194.6
8	Vermont	37,705	193.1
9	New Hampshire	37,160	190.3
10	Maryland	35,672	182.7
11	California	35,287	180.7
12	Wyoming	33,119	169.6
13	Minnesota	31,603	161.8
14	Oregon	31,674	162.2
15	Nevada	31,409	160.8
16	Washington	30,816	157.8
17	North Dakota	30,681	157.1
18	New Mexico	30,435	155.8
19	Delaware	30,375	155.5
20	Pennsylvania	29,817	152.7
21	South Dakota	29,439	150.7
22	Kansas	29,396	150.5
23	Montana	29,123	149.1
24	Michigan	28,872	147.8
25	Ohio	28,723	147.1
26	North Carolina	28,142	144.1
27	West Virginia	27,727	142.0
28	Indiana	26,891	137.7
29	Missouri	26,837	137.4
30	Oklahoma	26,784	137.1
31	Alabama	26,638	136.4

Table 5 *Continued*

Rank	Jurisdiction	Welfare Benefit ($)	Percent of FPL (%)
32	Louisiana	26,538	135.9
33	South Carolina	26,536	135.9
34	Alaska	29,275	119.9
35	Wisconsin	21,483	110.0
36	Arizona	21,364	109.4
37	Virginia	20,884	106.9
38	Nebraska	20,798	106.5
39	Colorado	20,750	106.2
40	Iowa	20,101	102.9
41	Maine	19,871	101.7
42	Georgia	19,797	101.4
43	Utah	19,612	100.4
44	Illinois	19,442	99.6
45	Kentucky	18,763	96.1
46	Florida	18,121	92.8
47	Texas	18,037	92.4
48	Idaho	17,766	91.0
49	Arkansas	17,423	89.2
50	Tennessee	17,413	89.2
51	Mississippi	16,984	87.0

Source: Authors' calculations and Office of the Assistant Secretary of Planning and Evaluation, "2013 Poverty Guidelines," U.S. Department of Health and Human Services.
Note: Alaska and Hawaii have a higher FPL than the 48 contiguous states.

Far from condemning welfare recipients to a life of poverty, welfare actually exceeds the FPL in 42 states and the District of Columbia (as show in Table 5). In fact, in the District of Columbia, Hawaii, and Massachusetts, welfare pays more than twice the poverty level.[7]

Methodology

There are currently 126 separate federal anti-poverty programs, defined as either means-tested assistance or programs that are explicitly identified as intended to fight poverty.[8] Most welfare programs are means-tested programs that provide aid directly to low-income persons in the form of cash, food, housing, medical care, and so forth, with eligibility based on the recipients' income. The remaining programs are either community-targeted programs, which provide aid to communities that have large numbers of poor people or are economically distressed, or categorical programs, which base eligibility for benefits on belonging to a needy or disadvantaged group such as migrant workers

Some welfare programs are well known; others are barely heard of even in Washington.

or the homeless. Some welfare programs are well known; others are barely heard of even in Washington. Overall, these programs cost roughly $668.2 billion annually. In addition, state and local programs spend an additional $284 billion fighting poverty.

Clearly no one receives benefits from all of these programs. Indeed, many federal welfare programs are so small or so narrowly targeted that few receive benefits. Yet many recipients do receive benefits from multiple programs. For purposes of this study, we assumed that our profile family receives the following benefits:

Temporary Assistance for Needy Families

TANF is the primary U.S. cash benefit program for the poor, and is the program that is most often associated with "welfare." Created in 1996 as part of the Personal Responsibility and Work Opportunity Reconciliation Act (better known as welfare reform), TANF is the successor to AFDC. The program provides cash payments and other supportive services to needy families (see note under Table 6). The program is financed through a combination of federal funds (in the form of block grants to states) and state funds. Each state determines its benefit levels and (within certain federal guidelines) eligibility levels.

Our hypothetical family would be eligible for TANF in all 50 states and the District of Columbia. As Table 6 shows, the most generous TANF benefits are available in Alaska ($923 per month), followed by California. Mississippi is the least generous TANF state ($170).[9]

Comparing these benefit levels with AFDC benefits in 1995 shows that Maryland was the only state in which cash benefits increased on an inflation-adjusted basis, while they declined in the rest.

Supplemental Nutrition Assistance Program

The Supplemental Nutrition Assistance Program (SNAP) provides a voucher to low-income families for the purchase of food. Long known as "food stamps," the program was renamed in 2008, in part because paper vouchers (or stamps) had been discontinued in favor of electronic debit cards. The program is fully financed by the federal government and benefit levels are uniform nationally, with the exception of Alaska and Hawaii where benefits are higher to reflect the higher cost of food. Those benefits are set so that eligible families should not have to pay more than 30 percent of their net income on a food package equal to the Agriculture Department's "Thrifty Food Plan," adjusted for household size and inflation.

Because eligibility for TANF conveys automatic eligibility for SNAP, our hypothetical family would be eligible for the program in all 50 states. However, because the family's cash benefits vary widely by state under TANF, the amount that they receive in SNAP benefits also varies by state.[10] A lower TANF benefit means higher SNAP benefits. Therefore, excluding the special cases of Alaska and Hawaii, the highest level of SNAP benefits were in states with low TANF benefits, such as Texas, Arkansas, and Tennessee. Conversely, the lowest SNAP benefits are in states with high TANF benefits, like New Hampshire, Vermont, and California (see Table 7).[11]

Medicaid

Medicaid, Title XIX of the Social Security Act, was started in 1965 and is the nation's primary program for providing health care to the poor. Adults and children in low-income families make up about three-quarters of Medicaid recipients, but the remaining quarter—primarily elderly patients receiving long-term care and disabled individuals—accounts for a majority (almost 64 percent) of Medicaid spending.[12] This study includes only spending on low-income individuals and families, not long-term care expenditures.

As with TANF, Medicaid is administered by the states under broad federal guidelines, and is jointly funded by federal and state governments. Federal funding averages 59.4 percent of states' program costs, but ranges from 50 to 73.14 percent in 2013, depending on the specific state. Minimum eligibility

Table 6
Changes in TANF/AFDC Benefits

Rank	Jurisdiction	1995 Inflation-adjusted Monthly TANF ($)	Current Monthly TANF ($)	Change (%)
1	Alaska	1394	923	–34
2	California	917	723	–21
3	New York	1062	691	–35
4	Vermont	964	665	–31
5	Hawaii	1075	636	–41
6	Wisconsin	781	628	–20
7	New Hampshire	831	625	–25
8	Massachusetts	874	618	–29
9	Connecticut	1027	567	–45
10	Maryland	553	565	2
11	Washington	825	562	–32
12	Rhode Island	837	554	–34
13	South Dakota	630	539	–14
14	Minnesota	803	532	–34
15	Michigan	739	489	–34
16	Maine	631	485	–23
17	North Dakota	618	477	–23
18	Utah	625	474	–24
19	Montana	606	472	–22
20	Oregon	695	471	–32
21	Colorado	538	462	–14
22	New Mexico	539	447	–17
23	Illinois	555	432	–22
24	District of Columbia	635	428	–33
25	Iowa	643	426	–34
26	New Jersey	641	424	–34
27	Ohio	515	410	–20
28	Kansas	648	403	–38
29	Pennsylvania	636	403	–37

Table 6 *Continued*

Rank	Jurisdiction	1995 Inflation-adjusted Monthly TANF ($)	Current Monthly TANF ($)	Change (%)
30	Virginia	535	389	–27
31	Nevada	525	383	27
32	Nebraska	550	364	–34
33	Arizona	524	347	–34
34	West Virginia	376	340	–10
35	Wyoming	544	340	–38
36	Delaware	511	338	–34
37	Idaho	479	309	–35
38	Florida	458	303	–34
39	Missouri	441	292	–34
40	Oklahoma	490	292	–40
41	Indiana	435	288	–34
42	Georgia	423	280	–34
43	North Carolina	411	272	–34
44	South Carolina	303	263	–13
45	Texas	271	263	–3
46	Kentucky	345	262	–24
47	Louisiana	287	240	–16
48	Alabama	248	215	–13
49	Arkansas	308	204	–34
50	Tennessee	280	185	–34
51	Mississippi	181	170	–6

Sources: Michael Tanner et al., “The Work Versus Welfare Trade-Off: An Analysis of the Total Level of Welfare Benefits by State,” Cato Institute Policy Analysis no. 240, September 19, 1995; Gene Falk, “The Temporary Assistance for Needy Families (TANF) Block Grant: Responses to Frequently Asked Questions,” Congressional Research Service, January 2013.

Note: In addition to the direct cash assistance to needy families, states can use federal TANF funds to meet any of the four goals set out in the 1996 reform: (1) provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives; (2) end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage; (3) prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and (4) encourage the formation and maintenance of two-parent families.

Table 7
Supplemental Nutrition Assistance Program (SNAP) Benefits

Rank	Jurisdiction	Monthly Benefit ($)	Annual Benefit ($)
1	Hawaii	736	8,832
2	Alaska	585	7,020
3	Alabama	526	6,312
4	Arizona	526	6,312
5	Arkansas	526	6,312
6	Colorado	526	6,312
7	Connecticut	526	6,312
8	Delaware	526	6,312
9	Florida	526	6,312
10	Georgia	526	6,312
11	Idaho	526	6,312
12	Indiana	526	6,312
13	Kansas	526	6,312
14	Kentucky	526	6,312
15	Louisiana	526	6,312
16	Maine	526	6,312
17	Michigan	526	6,312
18	Mississippi	526	6,312
19	Missouri	526	6,312
20	Montana	526	6,312
21	Nebraska	526	6,312
22	Nevada	526	6,312
23	New Mexico	526	6,312
24	North Carolina	526	6,312
25	North Dakota	526	6,312
26	Ohio	526	6,312
27	Oklahoma	526	6,312
28	Oregon	526	6,312
29	South Carolina	526	6,312

Table 7 ***Continued***

Rank	Jurisdiction	Monthly Benefit ($)	Annual Benefit ($)
30	Tennessee	526	6,312
31	Texas	526	6,312
32	Utah	526	6,312
33	Virginia	526	6,312
34	West Virginia	526	6,312
35	Wyoming	526	6,312
36	Illinois	525	6,300
37	Iowa	522	6,264
38	Massachusetts	521	6,252
39	Minnesota	521	6,252
40	Rhode Island	521	6,252
41	Pennsylvania	514	6,168
42	New Jersey	512	6,144
43	District of Columbia	507	6,084
44	Wisconsin	493	5,916
45	Maryland	490	5,880
46	South Dakota	471	5,652
47	New York	438	5,256
48	Washington	430	5,160
49	Vermont	417	5,004
50	California	416	4,992
51	New Hampshire	403	4,836

Sources: Authors' calculations using Food and Nutrition Services, "Supplemental Nutrition Assistance Program: Standard Utility Allowance Charts," U.S. Department of Agriculture, February 2013; Food and Nutrition Services, "Fact Sheet on Resources, Income and Benefits," U.S. Department of Agriculture, January 2013.

levels are set by the federal government, but states have the option to expand that eligibility. The federal minimum ensures that individuals eligible for TANF, including our hypothetical family, are also eligible for Medicaid in all 50 states and the District of Columbia.

There are several difficulties in measuring the value of Medicaid to an individual recipient. First, per-recipient Medicaid spending varies widely by state, in part because of variations in the actual benefits provided by state. That is, the federal government requires Medicaid to cover certain medical services; however, states have the option to cover other services as well. In addition, states have wide discretion in determining the amount that health care providers are reimbursed for those services. Most important, the actual benefit is not paid to the recipient, but directly to the provider. It would be unfair, therefore, to assume that the benefit to the recipient is simply equal to the per-recipient cost of the program. In calculating the value of Medicaid benefits for our hypothetical family, we capped the value of those benefits at a level equal to the premium cost for an insurance policy that provides equivalent benefits.[13] As Table 8 shows, in 21 states the per-recipient cost of Medicaid exceeds that cap.

Housing Assistance

Housing assistance is provided through many programs, three of which are included in this study: public housing, Housing Assistance Payments (better known as "Section 8"), and other rent subsidies. The amount of assistance varies not just by state but within states, with higher amounts available in urban regions where rents and housing prices are higher. In making our calculations, we have chosen the average assistance level in each state, rather than either the high (urban) or low (non-urban) assistance levels (see Table 9).[14]

In several states, housing benefits have been limited in recent years for recipients of other welfare benefits. In part, this has been a reaction to reduced federal housing funds. However, it has also been a policy decision on the part of state lawmakers to require recipients of benefits such as TANF to use their cash benefits to pay for their own housing.

On a state-by-state basis, housing participation rates varied widely, from a high of 81.8 percent in North Dakota, to states like Virginia, Arkansas, and Idaho, where virtually no TANF families receive housing assistance. Participation in each type of assistance also varies widely. North Dakota had the highest participation under rental assistance, at 68.7 percent, while the highest participation in public housing was in South Dakota, at 34.2 percent.[15] Table 10 shows the percentage of welfare recipients receiving housing assistance in each state, as well as the change in participation rates since 1995. As a result, we have chosen not to include housing assistance in the benefits package for our hypothetical family in any state where fewer than 10 percent of the welfare population received such benefits.

It is worth noting, however, that except in states that have made a decision to exclude TANF recipients from most housing assistance, housing assistance is generally allocated through a waiting list. That means that the longer a person is on welfare, the more likely that person is to receive housing. Thus, participation rates are reduced by people who may be on welfare for only a few weeks or months. Among long-term welfare recipients, which is the group most important for us to analyze, participation rates are likely to be far higher than the nationwide average. Table 11 shows the value of welfare for those recipients who receive housing benefits for all 50 states, regardless of participation levels.

Utilities Assistance

There are several programs at both the federal and state level designed to help low-income households pay for heating oil, electricity, and other utilities. In 2013 our profile household would have been eligible for utilities assistance, such as the federal Low Income Home Energy Assistance Program (LIHEAP). While not all low-income households receive utilities assistance, participation levels for households with income comparable to our profile family averaged almost 50 percent, sufficient for inclusion in the hypothetical benefits package.[16] In addition, the actual benefit a household receives varies according to availability and prioritization of need. Therefore, the benefit included in this study is the average benefit per recipient household in each jurisdiction, excluding crisis assistance. These benefits are shown in Table 12.

Women, Infants, and Children Program

The Women, Infants, and Children (WIC) program provides federal grants to states

Among long-term welfare recipients . . . participation rates are likely to be far higher.

Table 8
Medicaid Benefits

Rank	Jurisdiction	Annual Expenditure Per Household* ($)	Equivalent Insurance Premium ($)
1	Alaska	16,547	8,467
2	Wyoming	12,334	9,612
3	Maryland	11,409	7,884
4	Rhode Island	11,302	12,384
5	Delaware	10,689	6,084
6	Minnesota	10,663	9,000
7	New York	10,464	12,852
8	District of Columbia	10,361	8,136
9	New Mexico	10,324	8,467
10	Arizona	10,301	8,676
11	New Hampshire	10,044	10,584
12	Vermont	9,988	14,436
13	Massachusetts	9,920	15,732
14	Montana	9,895	6,876
15	Kentucky	9,847	7,560
16	Virginia	9,794	8,640
17	Connecticut	9,175	11,016
18	Tennessee	9,048	7,344
19	Nebraska	8,914	8,388
20	Georgia	8,795	7,920
21	Pennsylvania	8,727	8,100
22	North Dakota	8,716	8,280
23	North Carolina	8,567	7,452
24	Idaho	8,560	6,012
25	Oregon	8,531	7,452
26	Kansas	8,309	8,467
27	South Dakota	8,261	8,467
28	New Jersey	8,153	8,467

Table 8 ***Continued***

Rank	Jurisdiction	Annual Expenditure Per Household* ($)	Equivalent Insurance Premium ($)
29	Missouri	8,054	7,092
30	Ohio	7,857	8,467
31	West Virginia	7,742	11,988
32	Oklahoma	7,342	8,467
33	Texas	7,337	8,467
34	South Carolina	7,063	7,596
35	Iowa	7,024	7,560
36	Mississippi	6,909	7,632
37	Colorado	6,901	6,984
38	Hawaii	6,776	8,352
39	Louisiana	6,776	7,416
40	Michigan	6,618	7,344
41	Utah	6,603	6,228
42	Alabama	6,560	8,467
43	Wisconsin	6,540	7,236
44	Indiana	6,534	7,704
45	Nevada	6,455	8,467
46	Washington	6,400	8,316
47	Arkansas	6,377	8,467
48	Florida	6,196	6,408
49	Maine	6,000	10,152
50	Illinois	5,961	7,308
51	California	4,459	5,652

Sources: Center for Medicare and Medicaid Services, "Medicare and Medicaid Statistical Supplement: 2011 Edition," Table 13.24; Kaiser Family Foundation, "Mapping Premium Variation in the Individual Market," Chart 1: Average per Person Monthly Premiums in the Individual Market, August 2011.

*At the time this was being written, the Medicaid tables for the 2012 edition were not yet released, so the 2011 tables were the most recent available.

Table 9
Housing Assistance

Rank	Jurisdiction	Urban ($)	Non-urban ($)	Average Monthly ($)	Average Annual ($)
1	Hawaii	2,373	1,593	1,983	23,798
2	New Jersey	1,452	N/A	1,452	17,428
3	Massachusetts	1,112	1,756	1,434	17,203
4	California	1,472	998	1,235	14,821
5	Connecticut	1,234	1,140	1,187	14,243
6	New Hampshire	1,212	1,005	1,108	13,296
7	Vermont	1,240	941	1,090	13,083
8	Maryland	1,211	966	1,088	13,056
9	Rhode Island	1,058	N/A	1,058	12,702
10	Nevada	1,227	852	1,040	12,475
11	Alaska	1,121	927	1,024	12,289
12	New York	1,258	750	1,004	12,044
13	Delaware	1,013	848	999	11,989
14	District of Columbia	1,815	1,815	1,815	11,989
15	Arizona	1,064	857	960	11,525
16	Florida	1,095	814	955	11,455
17	Washington	1,028	812	920	11,040
18	Oregon	1,045	739	892	10,701
19	Colorado	959	819	889	10,673
20	Maine	921	726	823	9,876
21	Texas	895	749	822	9,863
22	Virginia	933	678	805	9,663
23	Utah	876	733	804	9,650
24	North Carolina	829	736	783	9,393
25	Arkansas	832	722	777	9,324
26	Wyoming	775	733	754	9,044

Table 9 *Continued*

Rank	Jurisdiction	Urban ($)	Non-urban ($)	Average Monthly ($)	Average Annual ($)
27	Illinois	835	658	747	8,963
28	Pennsylvania	862	629	746	8,947
29	Indiana	780	692	736	8,827
30	Mississippi	828	642	735	8,820
31	Nebraska	796	668	732	8,785
32	New Mexico	820	632	726	8,711
33	North Dakota	744	684	714	8,568
34	Louisiana	835	591	713	8,556
35	Montana	782	643	713	8,551
36	Georgia	781	622	702	8,418
37	Michigan	740	650	695	8,344
38	South Carolina	766	624	695	8,337
39	Missouri	72	650	691	8,295
40	Tennessee	749	620	684	8,211
41	Minnesota	757	610	684	8,207
42	Kansas	768	598	683	8,197
43	Alabama	761	606	683	8,196
44	Ohio	713	646	679	8,152
45	Kentucky	784	570	677	8,129
46	West Virginia	792	553	672	8,070
47	Oklahoma	718	626	672	8,061
48	Idaho	719	626	672	8,064
49	Wisconsin	742	600	671	8,054
50	Iowa	720	568	644	7,730
51	South Dakota	679	559	619	7,428

Source: Authors' calculations using U.S. Department of Housing and Urban Development, "Final Fair Market Rents for Existing Housing."

Table 10
Percent of TANF Households Receiving Housing Assistance

	1995 (%)	Current* (%)	Change (percentage points of participation %)
North Dakota	54.5	81.8	27.3
New Jersey	18.8	22.9	4.1
Massachusetts	42.0	44.0	2.0
California	9.8	11.4	1.6
Vermont	22.2	23.1	0.9
New Hampshire	20.7	20.1	(0.6)
Maryland	27.5	26.5	(1.0)
Michigan	13.0	10.8	(2.2)
Kansas	16.1	12.8	(3.3)
Pennsylvania	20.0	16.2	(3.8)
Rhode Island	30.0	24.5	(5.5)
South Carolina	26.0	19.9	(6.1)
North Carolina	24.8	18.7	(6.1)
Oregon	24.2	17.7	(6.5)
Washington	22.9	15.5	(7.4)
New York	28.6	20.6	(8.0)
Connecticut	40.5	31.9	(8.6)
South Dakota	43.4	34.2	(9.2)
Florida	17.4	7.7	(9.7)
West Virginia	24.2	14.0	(10.2)
Missouri	24.4	13.3	(11.1)
Nevada	25.6	14.0	(11.6)
Oklahoma	30.1	17.7	(12.4)
Minnesota	37.6	24.0	(13.6)
Wisconsin	17.9	3.8	(14.1)
Louisiana	32.7	18.2	(14.5)
Hawaii	31.4	15.4	(16.0)
Indiana	27.9	11.9	(16.0)

Table 10 *Continued*

	1995 (%)	Current* (%)	Change (percentage points of participation %)
Ohio	26.7	10.2	(16.5)
Arizona	17.7	0.2	(17.5)
Texas	26.6	8.2	(18.4)
Alabama	34.0	15.2	(18.8)
Kentucky	22.7	3.7	(19.0)
Illinois	19.5	0.0	(19.5)
Delaware	36.4	16.7	(19.7)
Alaska	29.3	9.6	(19.7)
Utah	26.6	5.7	(20.9)
New Mexico	34.6	12.5	(22.1)
Mississippi	26.8	4.1	(22.7)
Georgia	31.1	7.9	(23.2)
Wyoming	38.2	11.4	(26.8)
Iowa	28.4	1.1	(27.3)
Virginia	27.7	0.0	(27.7)
Tennessee	28.7	0.0	(28.7)
District of Columbia	50.1	20.9	(29.2)
Montana	48.3	18.2	(30.1)
Colorado	31.3	0.2	(31.1)
Idaho	33.3	0.0	(33.3)
Nebraska	37.6	3.6	(34.0)
Maine	40.8	6.7	(34.1)
Arkansas	34.1	0.0	(34.1)
U.S. Total	**29.1**	**14.7**	**(14.4)**

Source: Michael Tanner et al., "The Work Versus Welfare Trade-Off: An Analysis of the Total Level of Welfare Benefits by State," Cato Institute Policy Analysis no. 240, September 19, 1995; Office of Family Assistance, "Characteristics and Financial Circumstances of TANF Recipients, Fiscal Year 2010," Administration for Children and Families, Table 13.

Note: The U.S. total differs from those in the Office of Family Assistance report because Guam, Puerto Rico, and the Virgin Islands are excluded here.

*Data are from 2010, which are the most recent available.

**Numbers in parenthesis are negative numbers.

Table 11
Welfare Benefits Packages with Housing Included for All States

Rank	Jurisdiction	Original Inflation Adjusted ($)	2013 ($)	Increase ($)
1	Hawaii	41,910	49,175	7,265
2	District of Columbia	34,368	43,099	8,730
3	Massachusetts	37,346	42,515	5,169
4	Alaska	40,569	41,564	995
5	Connecticut	36,981	38,761	1,781
6	New Jersey	33,194	38,728	5,533
7	Rhode Island	32,549	38,632	6,083
8	New York	33,430	38,004	4,574
9	Vermont	28,338	37,705	9,367
10	New Hampshire	30,166	37,160	6,994
11	Maryland	29,448	35,672	6,224
12	California	31,259	35,287	4,029
13	Wyoming	26,866	33,119	6,253
14	Arizona	22,366	32,889	10,522
15	Oregon	25,625	31,674	6,049
16	Minnesota	27,865	31,603	3,738
17	Colorado	27,889	31,423	3,534
18	Nevada	27,887	31,409	3,521
19	Washington	28,301	30,816	2,514
20	North Dakota	25,403	30,681	5,278
21	Virginia	29,291	30,547	1,256
22	New Mexico	26,243	30,435	4,191
23	Delaware	27,933	30,375	2,442
24	Pennsylvania	26,555	29,817	3,263
25	Maine	28,737	29,747	1,011
26	Florida	26,092	29,576	3,484
27	Wisconsin	26,275	29,537	3,262
28	Utah	26,954	29,262	2,308
29	Michigan	26,534	28,872	2,338

Table 11 *Continued*

Rank	Jurisdiction	Original Inflation Adjusted ($)	2013 ($)	Increase ($)
30	Nebraska	23,761	29,583	5,822
31	South Dakota	25,216	29,439	4,223
32	Kansas	25,214	29,396	4,182
33	Montana	23,895	29,123	5,227
34	Ohio	25,009	28,723	3,714
35	Illinois	26,431	28,405	1,974
36	Georgia	24,788	28,215	3,427
37	North Carolina	24,187	28,142	3,955
38	Texas	23,376	27,901	4,525
39	Iowa	26,194	27,832	1,638
40	West Virginia	22,971	27,727	4,756
41	Idaho	25,730	27,094	1,364
42	South Carolina	24,105	26,536	2,431
43	Kentucky	23,885	26,892	3,007
44	Louisiana	24,615	26,538	1,923
45	Missouri	22,819	26,837	4,018
46	Indiana	25,978	26,891	913
47	Oklahoma	25,146	26,784	1,637
48	Alabama	20,878	26,638	5,760
49	Mississippi	19,693	25,804	6,111
50	Tennessee	22,034	25,624	3,590
51	Arkansas	21,287	25,491	4,203

Source: Michael Tanner et al., "The Work Versus Welfare Trade-Off: An Analysis of the Total Level of Welfare Benefits by State," Cato Institute Policy Analysis no. 240, September 19, 1995.

for supplemental foods, health care referrals, and nutrition education for low-income pregnant, breastfeeding, and nonbreastfeeding postpartum women, and to infants and children up to age 5 who are found to be at nutritional risk.[17] In most WIC state agencies, beneficiaries receive checks or vouchers to purchase specific foods each month that are designed to supplement their diets (or occasionally actual foodstuffs). The actual food package depends on the ages of the children, whether the mother is pregnant, and whether a postpartum mother is nursing. Food packages generally include milk, cheese, eggs, infant formula, cereals, fruit, and vegetable juices.

Table 12
Utilities Assistance

Rank	Jurisdiction	Monthly Benefit ($)	Average Annual Benefit ($)
1	Alaska	124	1,493
2	South Dakota	97	1,159
3	Vermont	75	900
4	Wyoming	73	873
5	North Dakota	72	868
6	New Hampshire	60	720
7	District of Columbia	56	675
8	Montana	53	633
9	Connecticut	50	600
10	Texas	50	600
11	Iowa	47	560
12	Hawaii	46	553
13	Massachusetts	46	550
14	Nevada	46	550
15	Pennsylvania	46	550
16	Delaware	43	516
17	Maine	40	480
18	Maryland	40	474
19	Kansas	39	467
20	Illinois	38	450
21	Mississippi	38	450
22	Tennessee	38	450
23	Washington	38	450
24	California	35	424
25	Minnesota	33	400
26	Oregon	33	400
27	Rhode Island	33	390
28	Louisiana	31	375
29	South Carolina	30	363
30	Arizona	30	358
31	Wisconsin	29	348
32	Georgia	29	345
33	Colorado	29	344

Table 12 *Continued*

Rank	Jurisdiction	Monthly Benefit ($)	Average Annual Benefit ($)
34	New York	28	338
35	Alabama	28	335
36	Utah	26	317
37	Virginia	26	306
38	North Carolina	25	300
39	Idaho	24	286
40	New Jersey	23	275
41	Kentucky	21	250
42	Indiana	19	233
43	Nebraska	19	231
44	West Virginia	19	229
45	Florida	19	225
46	Oklahoma	17	200
47	Ohio	15	178
48	Michigan	14	169
49	Missouri	14	167
50	Arkansas	13	153
51	New Mexico	11	128

Source: Low Income Home Energy Assistance Program Clearinghouse, "State Snapshots," U.S. Department of Health and Human Services, Administration of Children and Families.

The children in our profile household would have qualified for WIC in 2013. While not all eligible low-income households receive WIC benefits, approximately 61 percent of eligible families participate in the program nationwide, which justifies including WIC in the hypothetical benefits package.[18] The actual benefit a household receives varies on the basis of availability and prioritization of need. Therefore, the benefit included in this study is the average benefit for a two-child household in each jurisdiction, as shown in Table 13.

The Emergency Food Assistance Program

The Emergency Food Assistance Program (TEFAP) provides food to low-income individuals, both directly to families for home consumption and to agencies that distribute prepared meals. Each state sets criteria to determine eligibility for home consumption, with most states using an income threshold or else granting eligibility if the applicant participates in other means-tested programs like SNAP. Our profile household would qualify for TEFAP in all 50 states.

Total Value of Benefits

In computing the total value of the benefits package that our hypothetical family receives, it is necessary to adjust those benefits to reflect the fact that receipt of one type of benefit may reduce the amount received under another program. After making all the

Table 13
Women, Infants, and Children Program

Rank	Jurisdiction	Monthly Benefit ($)	Annual Benefit ($)
1	Georgia	112	1,345
2	Maryland	110	1,320
3	New York	109	1,309
4	Hawaii	107	1,289
5	New Jersey	105	1,265
6	Alaska	105	1,256
7	Connecticut	104	1,253
8	Louisiana	104	1,247
9	Alabama	100	1,197
10	Pennsylvania	99	1,184
11	California	97	1,170
12	North Dakota	97	1,163
13	Rhode Island	96	1,156
14	Vermont	96	1,154
15	Illinois	96	1,146
16	South Carolina	93	1,118
17	Arkansas	93	1,113
18	South Dakota	92	1,100
19	North Carolina	90	1,083
20	Florida	90	1,077
21	District of Columbia	89	1,071
22	West Virginia	88	1,056
23	Nebraska	88	1,055
24	Minnesota	87	1,041
25	Wisconsin	86	1,035
26	Montana	86	1,030
27	Mississippi	85	1,023
28	Arizona	84	1,012
29	Tennessee	84	1,006
30	Delaware	83	1,001
31	Washington	83	999

Table 13 ***Continued***

Rank	Jurisdiction	Monthly Benefit ($)	Annual Benefit ($)
32	Maine	82	989
33	Michigan	82	980
34	Massachusetts	82	979
35	Colorado	81	973
36	Kentucky	81	973
37	Kansas	80	962
38	Oklahoma	80	959
39	Oregon	80	957
40	New Mexico	78	936
41	Missouri	78	935
42	Indiana	76	912
43	Nevada	76	908
44	Idaho	74	884
45	Iowa	74	883
46	Ohio	72	864
47	Utah	72	859
48	New Hampshire	69	825
49	Wyoming	67	799
50	Virginia	66	786
51	Texas	59	703

Source: Food and Nutrition Services, "WIC Program: Average Monthly Benefit per Person," U.S. Department of Agriculture.

necessary calculations, the results are summarized in Table 14.

Comparing Welfare to Work

It was once said that the highest marginal tax rate for anyone in the United States was for a person leaving welfare for work. While the growth of refundable tax credits has meant that this is no longer true for every situation, it remains the case that welfare benefits have a distinct advantage over wages in that they are tax-free. Wages, on the other hand, are subject to a variety of federal, state, and local taxes.

In some states, this tax liability is offset by the EITC, CTC, and state-level EITC equivalents. In other states, taxes still exceed the value of any available credits. Any comparison between the value of welfare and the value of work must take into account both the taxes an individual would have to pay and the credits the individual would receive.

Table 14
Total Value of Welfare Benefits

Rank	Jurisdiction	TANF ($)	SNAP ($)	Housing ($)	Medicaid ($)	WIC ($)	LIHEAP ($)	TEFAP ($)	Total ($)
1	Hawaii	7,632	8,827	23,798	6,776	1,289	553	300	49,175
2	District of Columbia	5,136	6,081	21,775	8,136	1,071	600	300	43,099
3	Massachusetts	7,416	6,247	17,203	9,920	979	450	300	42,515
4	Connecticut	6,804	6,312	14,243	9,175	1,253	675	300	38,761
5	New Jersey	5,088	6,145	17,428	8,153	1,265	348	300	38,728
6	Rhode Island	6,648	6,249	12,702	11,302	1,156	275	300	38,632
7	New York	8,292	5,251	12,044	10,464	1,309	344	300	38,004
8	Vermont	7,980	4,999	13,083	9,988	1,154	200	300	37,705
9	New Hampshire	7,500	4,837	13,296	10,044	825	358	300	37,160
10	Maryland	6,780	5,881	13,056	7,884	1,320	450	300	35,672
11	California	8,676	4,994	14,821	4,459	1,170	868	300	35,287
12	Wyoming	6,924	6,312	9,044	9,612	799	128	300	33,119
13	Oregon	5,652	6,312	10,701	7,452	957	300	300	31,674
14	Minnesota	6,384	6,247	8,207	9,000	1,041	424	300	31,603
15	Nevada	4,596	6,312	12,475	6,455	908	363	300	31,409
16	Washington	6,744	5,164	11,040	6,400	999	169	300	30,816
17	North Dakota	5,724	6,312	8,568	8,280	1,163	335	300	30,681
18	New Mexico	5,364	6,312	8,711	8,467	936	345	300	30,435
19	Delaware	4,056	6,312	11,989	6,084	1,001	633	300	30,375
20	Pennsylvania	4,836	6,164	8,947	8,100	1,184	286	300	29,817
21	South Dakota	6,468	5,648	7,428	8,261	1,100	233	300	29,439
22	Kansas	4,836	6,312	8,197	8,309	962	480	300	29,396
23	Alaska	11,076	7,017	–	8,467	1,256	1,159	300	29,275
24	Montana	5,664	6,312	8,551	6,876	1,030	390	300	29,123
25	Michigan	5,868	6,312	8,344	6,618	980	450	300	28,872
26	Ohio	4,920	6,312	8,152	7,857	864	317	300	28,723
27	North Carolina	3,264	6,312	9,393	7,452	1,083	338	300	28,142
28	West Virginia	4,080	6,312	8,070	7,742	1,056	167	300	27,727
29	Indiana	3,456	6,312	8,827	6,534	912	550	300	26,891
30	Missouri	3,504	6,312	8,295	7,092	935	400	300	26,837
31	Oklahoma	3,504	6,312	8,061	7,342	959	306	300	26,784
32	Alabama	2,580	6,312	8,196	6,560	1,197	1,493	300	26,638
33	Louisiana	2,880	6,312	8,556	6,776	1,247	467	300	26,538
34	South Carolina	3,156	6,312	8,337	7,063	1,118	250	300	26,536

Table 14 ***Continued***

Rank	Jurisdiction	TANF ($)	SNAP ($)	Housing ($)	Medicaid ($)	WIC ($)	LIHEAP ($)	TEFAP ($)	Total ($)
35	Wisconsin	7,536	5,919	–	6,540	1,035	153	300	21,483
36	Arizona	4,164	6,312	–	8,676	1,012	900	300	21,364
37	Virginia	4,668	6,312	–	8,640	786	178	300	20,884
38	Nebraska	4,368	6,312	–	8,388	1,055	375	300	20,798
39	Colorado	5,544	6,312	–	6,901	973	720	300	20,750
40	Iowa	5,112	6,266	–	7,024	883	516	300	20,101
41	Maine	5,820	6,312	–	6,000	989	450	300	19,871
42	Georgia	3,360	6,312	–	7,920	1,345	560	300	19,797
43	Utah	5,688	6,312	–	6,228	859	225	300	19,612
44	Illinois	5,184	6,301	–	5,961	1,146	550	300	19,442
45	Kentucky	3,144	6,312	–	7,560	973	474	300	18,763
46	Florida	3,636	6,312	–	6,196	1,077	600	300	18,121
47	Texas	3,156	6,312	–	7,337	703	229	300	18,037
48	Idaho	3,708	6,312	–	6,012	884	550	300	17,766
49	Arkansas	2,448	6,312	–	6,377	1,113	873	300	17,423
50	Tennessee	2,220	6,312	–	7,344	1,006	231	300	17,413
51	Mississippi	2,040	6,312	–	6,909	1,023	400	300	16,984

Sources: Author's calculations using Center for Medicare and Medicaid Services, "Medicare and Medicaid Statistical Supplement: 2011 Edition," Table 13.24; Kaiser Family Foundation, "Mapping Premium Variation in the Individual Market," Chart 1: Average per Person Monthly Premiums in the Individual Market, August 2011; Food and Nutrition Services, "WIC Program: Average Monthly Benefit per Person," U.S. Department of Agriculture; Low Income Home Energy Assistance Program Clearinghouse, "State Snapshots," U.S. Department of Health and Human Services, Administration of Children and Families; U.S. Department of Housing and Urban Development, "Final Fair Market Rents for Existing Housing."; Food and Nutrition Services, "Supplemental Nutrition Assistance Program: Standard Utility Allowance Charts" U.S. Department of Agriculture, February 2013; Food and Nutrition Services, "Fact Sheet on Resources, Income and Benefits," U.S. Department of Agriculture, January 2013; Gene Falk, "The Temporary Assistance for Needy Families (TANF) Block Grant: Responses to Frequently Asked Questions," Congressional Research Service, January 2013.

In this study, we took the following taxes into account:

Federal Income Tax

In calculating the federal income tax due, we assumed that the profile household would have been eligible for the standard deduction of $8,900 and three personal exemptions totaling $11,700.

State Income Tax

As with federal taxes, state taxes were calculated on the basis of one adult with two dependents. Eligibility for and value of deductions, exemptions, and credits varied widely from state to state. Nine states (Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington, and Wyoming) do not have a state income tax. Twenty-three states have their own version of the EITC or another form of tax credit designed to assist the working poor (Connecticut, Delaware, District of Columbia, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Nebraska, New Jersey, New Mexico, New York, North Carolina, Oklahoma, Oregon, Rhode Island, Vermont, Virginia, and Wisconsin).[19]

We believe it is proper to include the full package of benefits because at least some recipients in every state do receive them.

Federal Insurance Contributions Act Payroll Tax

The profile household would be required to pay the 7.65 percent Social Security and Medicare payroll tax, also known as the Federal Insurance Contributions Act (FICA) tax.[20] The employer also must pay a payroll tax to these programs equal to 7.65 percent of pay, and most economists believe that this employer's "share" is actually borne by the worker in the form of reduced wages. However, for the purpose of this study, that portion of the tax is not included in our calculations.

Earned Income Tax Credit

As previously noted, the federal EITC is a refundable tax credit available to lower-income working families and individuals.[21] The EITC is intended to provide those families and families in transition from welfare to work with a financial incentive for working. The maximum available credit in 2013 for the profile household was $5,372. The credit is phased in when annual income is below $13,450 and phased out starting at $17,500. A credit would not be available to the profile family when its annual income exceeded $43,083.

Child Tax Credit

The CTC was enacted as part of the Taxpayer Relief Act of 1997, and provides a maximum credit of $1,000 for each qualifying child. A child must be claimed as a dependent, must pass a relationship test, and must reside in the household for at least half of the year. Our profile family meets all of those qualifications and is eligible for the CTC. The credit lowers the amount of federal income tax paid. In many states, the CTC exceeds the total federal income tax liability. Initially, the CTC was only refundable for families with three or more children, but it has since been extended to families with fewer than three children. Our profile family would qualify for the refundable portion, which is sometimes referred to as the Additional Child Tax Credit.

As Figure 2 shows, the impact of the EITC and CTC tax credits has grown significantly since the 1995 paper was written.[22] The interaction of these two credits, combined with the proliferation of state level EITCs, has caused the number of states with negative total tax liability to drastically increase from the original paper. However, despite the EITC and CTC, there remains a significant tax penalty for those leaving welfare for work. The results are reflected in Table 15.

A Prebuttal to Critics

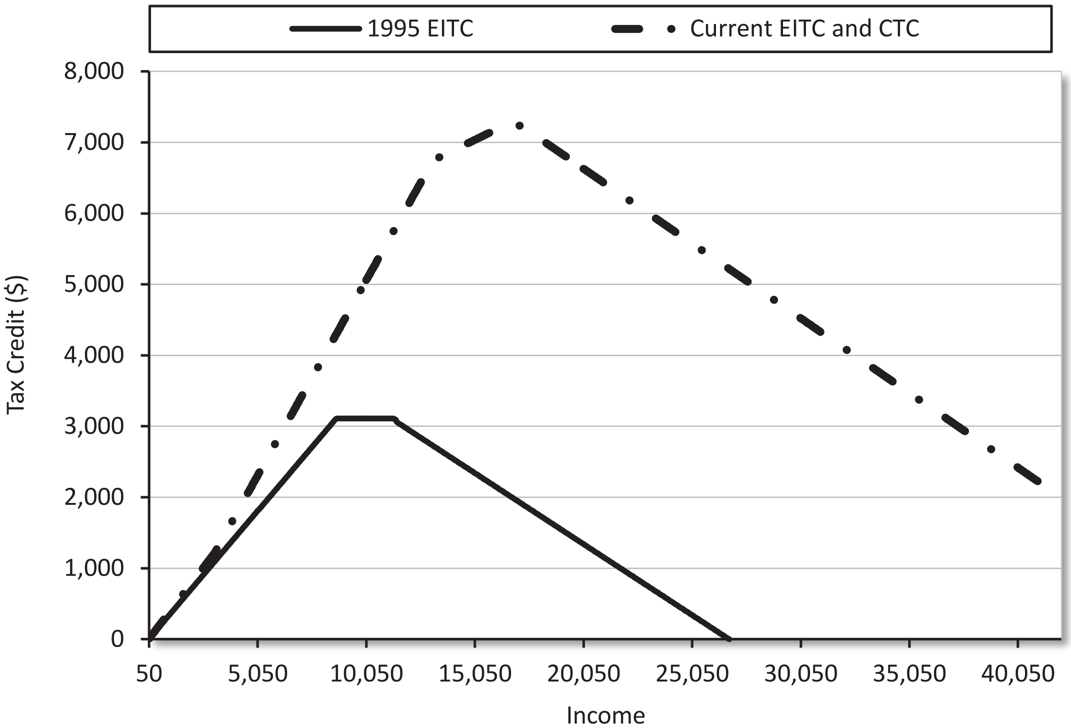
Critics of Cato's 1995 study pointed out, correctly, that not all welfare recipients actually receive all the benefits to which they are entitled. That is particularly true of housing benefits, as we have discussed above. Similar arguments can be made regarding utilities assistance, WIC, and free commodities. Still, with the exception of housing in states with less than a 10 percent participation rate, we believe it is proper to include the full package of benefits in our calculations because at least some recipients in every state do receive them. Moreover, the likelihood of receiving those additional benefits is primarily a function of the length of a family's stay on welfare. That means that hard-core welfare recipients, who spend long periods on welfare, are likely to be receiving those benefits.

Still, since not every observer will agree with our approach, we offer Table 16, which shows the value of a welfare benefits package that includes only those benefits received by nearly all welfare recipients: TANF, SNAP, and Medicaid. Even with this limited array of benefits, welfare exceeds the value of a minimum-wage job in eight states.

We also acknowledge that moving from welfare to work does not automatically mean that an individual loses all welfare benefits. In those states where the wage equivalent of welfare remains relatively low, an individual taking a job at that wage could still retain eligibility for some benefits.

Continuation of benefits varies considerably from state to state and was time-limited for many programs. However, it is

Figure 2
Combined EITC and CTC Schedule: 1995 vs. 2013



Source: C. Scott, "The Earned Income Tax Credit (EITC): Changes for 2012 and 2013," Congressional Research Service, January 2013; Internal Revenue Service, "Earned Income Credit (EIC)," Publication No. 596 (1996).

generally agreed, regardless of eligibility, that actual participation rates for all programs drop once an individual enters the workforce. In part, this may be because an individual often must reapply for benefits. Secondly, available funding for programs such as WIC, utilities assistance, and free commodities are prioritized on the basis of need. Therefore, benefits may not be available for an individual who remains technically eligible.

In addition, any additional benefits are likely to be at least partially offset by additional costs associated with going to work, such as child care, transportation, and clothing. Finally, it should be noted that even if the final income level remains unchanged, an individual moving from welfare to work will perceive some form of loss: a reduction in leisure as opposed to work. As the Congressional Research Service has pointed out:

> Leisure is believed to be a "normal good." That is, with a rise in income, people will "purchase" more leisure by reducing their work effort. . . . Thus, the increase in [the value of welfare benefits] is expected to cause people to reduce work hours.[23]

This study does not examine whether it is better to both work and receive welfare; however, theory indicates that would almost certainly be the case at any income level. Rather, this study simply asks whether an individual would be better off if he or she were self-supporting through work or dependent on the state through welfare.

The increase in [the value of welfare benefits] is expected to reduce work hours.

Table 15
Welfare Benefits, Taxes and Pretax Wage Equivalents

Rank	Jurisdiction	Total Welfare Benefits Package ($)	Pretax Wage Equivalent ($)	Payroll Tax ($)	Federal Income Tax ($)	State Income Tax ($)	Total Tax Liability ($)	After-Tax Income ($)
1	Hawaii	49,175	60,590	4,635	3,354	3,438	11,426	49,164
2	Dist. of Columbia	43,099	50,820	3,888	1,888	1,953	7,728	43,092
3	Massachusetts	42,515	50,540	3,866	1,846	2,317	8,030	42,510
4	Connecticut	38,761	44,370	3,394	921	1,299	5,613	38,757
5	New York	38,004	43,700	3,343	820	1,530	5,693	38,007
6	New Jersey	38,728	43,450	3,324	783	620	4,727	38,723
7	Rhode Island	38,632	43,330	3,315	765	620	4,700	38,630
8	Vermont	37,705	42,350	3,240	130	790	4,159	38,191
9	New Hampshire	37,160	39,750	3,041	(460)	N/A	2,581	37,169
10	Maryland	35,672	38,160	2,919	(1,035)	602	2,486	35,674
11	California	35,287	37,160	2,843	(1,395)	425	1,873	35,287
12	Oregon	31,674	34,300	2,624	(2,425)	2,412	2,611	31,689
13	Wyoming	33,119	32,620	2,495	(2,996)	N/A	(501)	33,121
14	Nevada	31,409	29,820	2,281	(3,866)	N/A	(1,585)	31,405
15	Minnesota	31,603	29,350	2,245	(4,008)	(484)	(2,247)	31,597
16	Delaware	30,375	29,220	2,235	(4,053)	660	(1,158)	30,378
17	Washington	30,816	28,840	2,206	(4,174)	N/A	(1,968)	30,808
18	North Dakota	30,681	28,830	2,205	(4,175)	124	(1,846)	30,676
19	Pennsylvania	29,817	28,670	2,193	(4,222)	880	(1,149)	29,819
20	New Mexico	30,435	27,900	2,134	(4,458)	(206)	(2,530)	30,430
21	Montana	29,123	26,930	2,060	(4,765)	256	(2,194)	29,124
22	South Dakota	29,439	26,610	2,036	(4,861)	N/A	(2,825)	29,435
23	Kansas	29,396	26,490	2,026	(4,855)	(78)	(2,907)	29,397
24	Michigan	28,872	26,430	2,022	(4,921)	457	(2,442)	28,872
25	Alaska	29,275	26,400	2,020	(4,924)	N/A	(2,904)	29,304
26	Ohio	28,723	26,200	2,004	(4,986)	460	(2,522)	28,722
27	North Carolina	28,142	25,760	1,971	(5,124)	771	(2,382)	28,142
28	West Virginia	27,727	24,900	1,905	(5,390)	370	(2,829)	27,729
29	Alabama	26,638	23,310	1,783	(5,886)	463	(3,329)	26,639
30	Indiana	26,891	22,900	1,752	(6,011)	261	(3,998)	26,898
31	Missouri	26,837	22,800	1,744	(6,042)	249	(4,049)	26,849
32	Oklahoma	26,784	22,480	1,720	(6,148)	126	(4,303)	26,783

Table 15 ***Continued***

Rank	Jurisdiction	Total Welfare Benefits Package ($)	Pretax Wage Equivalent ($)	Payroll Tax ($)	Federal Income Tax ($)	State Income Tax ($)	Total Tax Liability ($)	After-Tax Income ($)
33	Louisiana	26,538	22,250	1,702	(6,213)	227	(4,284)	26,534
34	South Carolina	26,536	21,910	1,676	(6,320)	23	(4,621)	26,531
35	Arizona	21,364	15,320	1,172	(7,220)	*	(6,048)	21,368
36	Wisconsin	21,483	14,890	1,139	(7,156)	(583)	(6,599)	21,489
37	Virginia	20,884	14,870	1,138	(7,153)	*	(6,015)	20,885
38	Colorado	20,750	14,750	1,128	(7,135)	*	(6,006)	20,756
39	Nebraska	20,798	14,420	1,103	(7,085)	(391)	(6,373)	20,793
40	Iowa	20,101	14,200	1,086	(7,052)	64	(5,902)	20,102
41	Georgia	19,797	14,060	1,076	(6,869)	57	(5,736)	19,796
42	Utah	19,612	13,950	1,067	(7,013)	281	(5,664)	19,614
43	Maine	19,871	13,920	1,065	(7,010)	*	(5,945)	19,865
44	Illinois	19,442	13,580	1,039	(6,959)	52	(5,868)	19,448
45	Kentucky	18,763	13,350	1,021	(6,883)	459	(5,403)	18,753
46	Florida	18,121	12,600	964	(6,490)	N/A	(5,526)	18,126
47	Texas	18,037	12,550	960	(6,443)	N/A	(5,482)	18,032
48	Arkansas	17,423	12,230	936	(6,275)	141	(5,198)	17,428
49	Tennessee	17,413	12,120	927	(6,218)	N/A	(5,291)	17,411
50	Mississippi	16,984	11,830	905	(6,055)	*	(5,150)	16,980
51	Idaho	17,766	11,150	853	(6,643)	(820)	(6,610)	17,760

*Earned Income is so low that there is no state taxable income after state deductions and exemptions.

We have made one exception to this rule: we have included the full value of the EITC, CTC, and state-level EITCs, even if the value of those credits exceeds the value of taxes paid. This is the case in 39 states (Alabama, Alaska, Arizona, Arkansas, Colorado, Delaware, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, Washington, West Virginia, Wisconsin, and Wyoming). We made this choice to illustrate the importance of such tax credits in offsetting the marginal tax cost of leaving welfare for work. It is important to understand, however, that to the degree that such tax credits exceed the amount of taxes paid, those credits do constitute a form of welfare.

Finally, some might ask whether the work versus welfare tradeoff remains relevant in light of welfare reform. Most welfare recipients today are required to either work or participate in some form of job search activities. However, actual work participation under this requirement varies widely by state. Some jurisdictions, such as California and the

Table 16
TANF, SNAP, and Medicaid

Rank	Jurisdiction	Benefit ($)	Pretax Wage Equivalent ($)	Hourly Wage Equivalent ($)	Percent of FPL (%)	Percent of Median Salary (%)
1	Alaska	26,560	21,940	10.55	89.9	51
2	Vermont	22,967	16,900	8.13	86.5	50
3	South Dakota	20,377	14,400	6.92	73.7	50
4	Hawaii	23,235	17,610	8.47	78.4	49
5	New York	24,007	18,490	8.89	94.7	47
6	Rhode Island	24,199	17,350	8.34	88.8	47
7	Wyoming	22,848	16,750	8.05	85.8	46
8	New Hampshire	22,381	16,270	7.82	83.3	46
9	North Dakota	20,316	14,340	6.89	73.4	45
10	Montana	18,852	13,130	6.31	67.2	45
11	West Virginia	18,134	12,500	6.01	64.0	45
12	New Mexico	20,143	13,680	6.58	70.0	44
13	Massachusetts	23,583	18,450	8.87	94.5	43
14	Nebraska	19,068	12,940	6.22	66.3	42
15	Kansas	19,457	12,900	6.20	66.1	42
16	Ohio	19,089	13,300	6.39	68.1	41
17	Iowa	18,402	12,675	6.09	64.9	41
18	Wisconsin	19,995	13,500	6.49	69.1	40
19	Utah	18,228	12,830	6.17	65.7	40
20	Kentucky	17,016	12,110	5.82	62.0	40
21	Oklahoma	17,158	11,790	5.67	60.4	40
22	Oregon	19,416	13,760	6.62	70.5	39
23	Pennsylvania	19,100	13,600	6.54	69.6	39
24	Arizona	19,152	13,300	6.39	68.1	39
25	Georgia	17,592	12,250	5.89	62.7	39
26	Mississippi	15,261	10,650	5.12	54.5	39
27	Minnesota	21,631	13,920	6.69	71.3	38
28	Virginia	19,620	13,700	6.59	70.1	38

Table 16 *Continued*

Rank	Jurisdiction	Benefit ($)	Pretax Wage Equivalent ($)	Hourly Wage Equivalent ($)	Percent of FPL (%)	Percent of Median Salary (%)
29	Michigan	18,798	12,900	6.20	66.1	38
30	Maine	18,132	12,440	5.98	63.7	38
31	Missouri	16,908	11,780	5.66	60.3	38
32	South Carolina	16,531	11,530	5.54	59.0	38
33	Nevada	17,363	12,080	5.81	61.9	37
34	North Carolina	17,028	11,700	5.63	59.9	37
35	Florida	16,144	11,260	5.41	57.7	37
36	Idaho	16,032	11,170	5.37	57.2	37
37	Tennessee	15,876	11,075	5.32	56.7	37
38	Arkansas	15,137	10,660	5.13	54.6	37
39	Connecticut	22,291	14,750	7.09	75.5	36
40	Texas	16,805	11,700	5.63	59.9	36
41	Indiana	16,302	11,250	5.41	57.6	36
42	Louisiana	15,968	11,100	5.34	56.8	36
43	Alabama	15,452	10,890	5.24	55.8	36
44	Colorado	18,757	13,040	6.27	66.8	35
45	Illinois	17,446	12,140	5.84	62.2	34
46	Maryland	20,545	13,320	6.40	68.2	33
47	California	18,129	12,630	6.07	64.7	33
48	New Jersey	19,386	12,840	6.17	65.7	32
49	Washington	18,308	12,730	6.12	65.2	32
50	Delaware	16,452	11,470	5.51	58.7	32
51	District of Columbia	19,353	12,200	5.87	62.5	20

Sources: Authors' calculations and Bureau of Labor Statistics, "May 2012 Occupational Employment and Wage Estimates," Occupational Employment Statistics, April 2013.

District of Columbia, use their own funds to continue benefits for recipients who do not meet federal work requirements. States are also able to exempt up to 20 percent of their recipients under "hardship" exemptions. Indeed, many of the states with the highest levels of welfare benefits, such as Massachusetts, Rhode Island, and Vermont, as well as the District of Columbia, have relatively few recipients participating in work activities.[24] Table 17 shows the percentage of adult TANF recipients in work activities in each state.

Table 17
Percent of TANF Adult Recipients Participating in Work Activities by State

Jurisdiction	Work Participation (%)
Idaho	87.9
Nebraska	77.0
Wisconsin	73.7
South Dakota	63.4
Montana	62.7
Wyoming	62.1
Georgia	61.6
Mississippi	61.2
Oklahoma	59.0
Illinois	58.8
North Carolina	58.3
Pennsylvania	55.8
Minnesota	55.7
Florida	54.2
Iowa	53.6
Tennessee	51.0
North Dakota	49.5
New Hampshire	49.3
Nevada	49.1
Hawaii	48.7
Louisiana	48.7
Utah	48.7
Colorado	47.8
Kentucky	47.1
Maryland	44.7
Arkansas	44.6
Texas	44.1
Oregon	43.1
Alabama	42.9
California	42.6
South Carolina	42.0

Table 17 ***Continued***

Jurisdiction	Work Participation (%)
New Mexico	41.9
United States	41.6
Connecticut	41.4
Delaware	40.7
Kansas	40.5
New York	40.5
West Virginia	40.0
Michigan	39.4
Alaska	38.4
Ohio	37.6
Washington	37.1
Virginia	36.3
Maine	35.2
Arizona	34.6
New Jersey	31.8
Indiana	31.2
Vermont	30.2
District of Columbia	28.9
Rhode Island	28.7
Massachusetts	18.0
Missouri	17.0

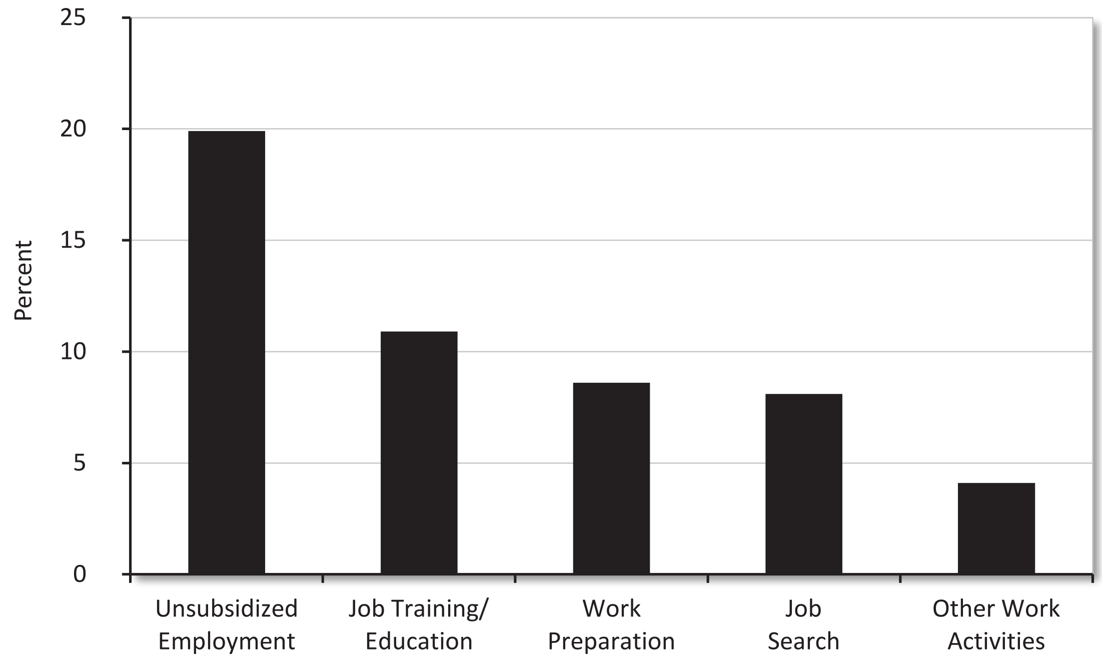
Source: Office of Family Assistance, "Characteristics and Financial Circumstances of TANF Recipients, Fiscal Year 2010," Office of the Administration for Children and Families, Table 27.

Moreover, as noted above, the "work activity" requirement is often satisfied by activities other than actual work. Less than 42 percent of welfare recipients are engaged in some form of work activity (though some of those recipients are engaged in more than one such activity). As Figure 3 shows, job training, continuing education, and even job search all meet the law's requirement for "work."

Finally, we note that the Obama administration may have weakened work requirements in 2012. The administration issued an executive order giving those states that increased "employment exits" from welfare (that is, people who leave welfare for work) by 20 percent more flexibility in defining welfare-to-work activities.[25] The Obama administration denies that this change weakens work requirements. However, other observers disagree, pointing out that the definition of work activities is already extremely loose so that any increased latitude can only make the situation worse. Ron Haskins, who as a Republican committee aide helped draft the 1996 welfare reform and who now is an analyst for the Brookings Institution, says that

The Obama administration may have weakened work requirements in 2012.

Figure 3
Distribution of Types of Work Activity*



Source: Office of Family Assistance, "Characteristics and Financial Circumstances of TANF Recipients, Fiscal Year 2010," Office of the Administration for Children and Families, Table 27.

*Some TANF recipients participate in more than one kind of work activity, so the amounts in Figure 3 exceed the total percent of adult recipients participating in work activities.

The current welfare system acts as a disincentive for work.

if the administration "wanted to undermine the work requirement," the new policy "is a way to do it."[26]

Conclusion

It is, of course, possible to over-generalize from the above statistics. Not every welfare recipient fits the profile used in this study, and many who do fit it do not receive every benefit listed. Many welfare recipients, even those receiving the highest level of benefits, are doing everything they can to find employment and leave the welfare system.

Still, it is undeniable that for many recipients—especially long-term dependents—welfare pays more than the type of entry-level job that a typical welfare recipient can expect to find. As long as this is true, many recipients are likely to choose welfare over work.

This was true when Cato conducted its 1995 study, and it remains substantially true today. This is unfortunate for taxpayers who must foot the bill for such programs, but even more so for the recipients themselves. By making a rational short-term choice, recipients who forgo work for welfare may trap themselves and their families in long-term dependence.

The rapid expansion of refundable tax credits since Cato's 1995 study has reduced the tax penalty for leaving welfare for work in some states. While this is a step forward, such benefits are small, especially if one considers the value of leisure. Moreover, it is important to realize that to the degree that such credits exceed the value of taxes paid, they constitute a form of welfare themselves.

There should clearly be a public policy preference for work over welfare. The current welfare system provides such a high level of benefits that it acts as a disincentive for work. As a result, if Congress and state legislatures are serious about reducing welfare dependence and rewarding work, they should consider strengthening welfare work requirements, removing exemptions, and narrowing the list of activities that qualify as "work." Moreover, states should consider ways to shrink the gap between the value of welfare and work by reducing current benefit levels and tightening eligibility requirements.

Notes

1. U.S. Census Bureau, "Income, Poverty, and Health Insurance Coverage in the United States: 2010," Table 4, p. 15, http://www.census.gov/prod/2011pubs/p60-239.pdf.

2. Bureau of Labor Statistics, "Labor Force Statistics from the Current Population Survey," Unemployment Rate; Office of Family Assistance, "Caseload Data 1996–2012," Office of the Administration for Children and Families.

3. For a review of recent academic literature on the effects of the minimum wage, see David Neumark and William Wascher, "Minimum Wages and Employment: A Review of Evidence from the New Minimum Wage Research," National Bureau of Economic Research Working Paper no. 12663, November 2006, http://www.nber.org/papers/w12663.pdf.

4. Michael Tanner, Stephen Moore, and David Hartman, "The Work Versus Welfare Trade-Off: An Analysis of the Total Level of Welfare Benefits by State," Cato Institute Policy Analysis no. 240, September 19, 1995.

5. With the exception of the state EITC programs in Virginia and Delaware. Our calculations take these exceptions into account.

6. Bureau of Labor Statistics, "Occupational Outlook Handbook." Entry level salaries are approximated as the 10th percentile wage.

7. Federal Poverty Level data are from the Office of the Assistant Secretary of Planning and Evaluation, "2013 Poverty Guidelines," U.S. Department of Health and Human Services.

8. Michael Tanner "The American Welfare State: How We Spend Nearly $1 Trillion a Year Fighting Poverty—and Fail," Cato Institute Policy Analysis no. 694, April 11, 2012.

9. Michael Tanner, Stephen Moore, and David Hartman, "The Work Versus Welfare Trade-Off; An Analysis of the Total Level of Welfare Benefits by State," Cato Institute Policy Analysis no. 240, September 19, 1995; Gene Falk, "The Temporary Assistance for Needy Families (TANF) Block Grant: Responses to Frequently Asked Questions," Congressional Research Service, January 2013.

10. Food and Nutrition Service, "Characteristics of Supplemental Nutrition Assistance Program Households: Fiscal Year 2011," United States Department of Agriculture, Table B.14; and "Distribution of Participating Households by Use of Standard Utility Allowance and by State," November 2012. One factor that increases the amount of SNAP benefits received by our profile family in many states relative to some other calculations is the assumption that our family receives LIHEAP benefits. As explained by the Congressional Research Service, "a SNAP household can use a Low Income Home Energy Assistance Program (LIHEAP) payment (regardless of the amount of that payment) to document that the household has incurred heating and cooling costs. This documentation triggers a standard utility allowance (SUA), a figure that enters into the SNAP benefit calculation equation." These Standard Utility Allowances are generally higher than the actual utility expenses occurred, and have the effect of increasing SNAP payments. Even excluding the automatic qualification that comes from LIHEAP participation, a high proportion of SNAP households use the Standard Utility Allowance. Almost 72 percent of households use some form of SUA in their benefit calculation, ranging from a high of over 99 percent in Wisconsin to a low of 44 percent in Hawaii.

11. A recent study by the Center for Budget and Policy Priorities calculated SNAP benefits assuming that a family's shelter costs are the same as the median shelter costs for families with incomes at or below 80 percent of the poverty line. Using this calculation, they found that for over half of the states the estimated SNAP benefit used is the maximum monthly benefit for a family of three ($526). They point out that the SNAP benefit that an individual TANF family actually qualifies for, based on its particular circumstances, often could be lower because of actual excess shelter costs. Because our profile household used the Standard Utility Allowance, their shelter costs were higher, and in many of the states our profile family qualified for the maximum housing benefit. Source: I. Finch and L. Schott, "TANF Benefits Fell Further in 2011

and are Worth Much Less Than in 1996 in Most States," Center on Budget and Policy Priorities, November 2011, footnote 12.

12. Center for Medicare and Medicaid Services, "Medicare and Medicaid Statistical Supplement: 2011 Edition," Table 13.10, "Medicaid Payments, by Eligibility Group: Fiscal Years 1975–2009."

13. Medicare benefit amounts from Center for Medicare and Medicaid Services, "Medicare and Medicaid Statistical Supplement: 2011 Edition," Table 13.24, Medicaid Payments per Person Served (Beneficiary), by Basis of Eligibility and Area of Residence: Fiscal Year 2009; and Kaiser Family Foundation, "Mapping Premium Variation in the Individual Market," Chart 1: Average per Person Monthly Premiums in the Individual Market, August 2011.

14. U.S. Department of Housing and Urban Development, "Final Fair Market Rents for Existing Housing," October 2012.

15. U.S. Office of Family Assistance, "Characteristics and Financial Circumstances of TANF Recipients, Fiscal Year 2010," Table 13, Administration for Children and Families.

16. U.S. Department of Health and Human Services, "Low Income Home Energy Assistance Program: Report to Congress Fiscal Year 2008," Administration for Children and Families.

17. U.S. Department of Agriculture "WIC Eligibility Requirements," Food and Nutrition Services; and Food and Nutrition Services, "WIC Program: Average Monthly Benefit per Person," U.S. Department of Agriculture.

18. Michael Martinez-Schiferl, "WIC Participants and Their Growing Need for Coverage," Figure 5, Urban Institute, April 2012.

19. Washington also has a state earned income tax credit, but it has not been funded. See Internal Revenue Service, "State and Local Government Income Tax Credit," U.S. Department of the Treasury, http://www.irs.gov/Individuals/States-and-Local-Governments-with-Earned-Income-Tax-Credit.

20. Social Security Administration, "Social Security and Medicare Tax Rates," March 2013.

21. For a complete discussion of the EITC, see Internal Revenue Service, "Earned Income Credit," Catalog no. 15173A, Publication 596 (2012).

22. Christine Scott, "The Earned Income Tax Credit (EITC): Changes for 2012 and 2013," Congressional Research Service, January 2013; Internal Revenue Service, "Earned Income Credit (EIC)," Publication No. 596 (1996).

23. Gene Falk and Thomas Gabe, "Welfare: Work (Dis)Incentives in the Welfare System," Congressional Research Service, Report for Congress, 95-105 EPW, January 10, 1995.

24. Office of Family Assistance, "Characteristics and Financial Circumstances of TANF Recipients, Fiscal Year 2010," Office of the Administration for Children and Families, Table 27.

25. Office of Family Assistance, "TANF-ACF-IM-2012-03 (Guidance Concerning Waiver and Expenditure Authority under Section 1115)," Office of the Administration for Children and Families, July 12, 2012.

26. Quoted in Steve Chapman, "The Truth about Obama and Welfare," *Chicago Tribune*, August 26, 2012.

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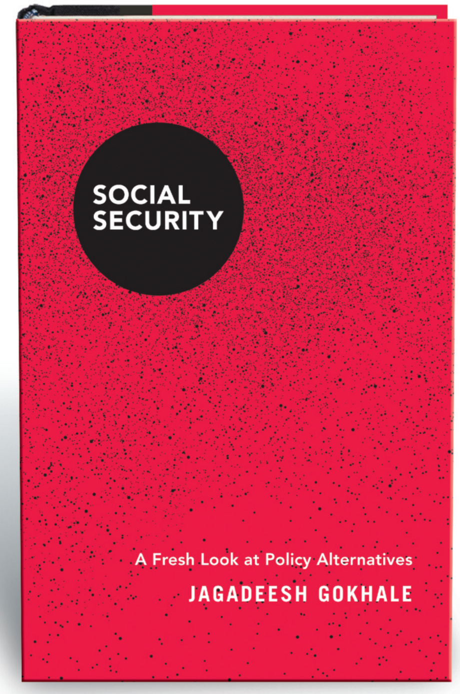

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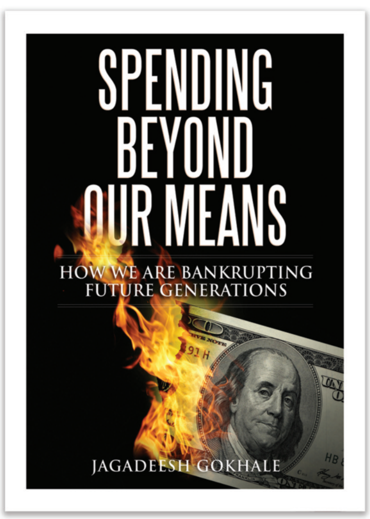

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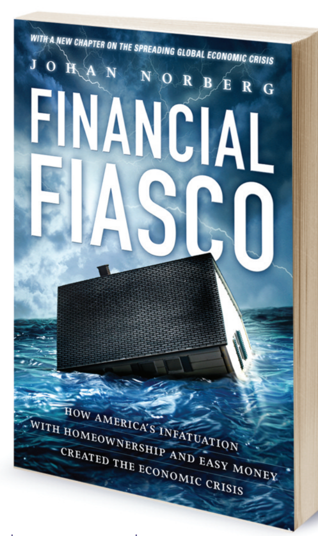

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