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Increasing Work Opportunities and Incentives in Rural Georgia

Presentation to the Georgia Rural Development Council

Eric Cochling, Buzz Brockway, and Erik Randolph / October 23, 2018



Contents

- **Introduction**
- Cliffs and Penalties
- The Vision
- Achieving the Vision
- Summary

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Preview of Presentation

- Our research shows where the cliffs and penalties exist within the current welfare system.
- Our vision is a redesign that eliminates or significantly reduces the cliffs and penalties.
- Achieving the vision can be achieved modularly, i.e., piece by piece, one step at a time, or in one package.
- Georgia leads among the states in streamlining welfare eligibility systems.
- The Georgia Legislature can take important steps to advance the vision in Georgia.
- Goals are better economy, more opportunity, reduced poverty, better government fiscal situation, and more contentment.

Increasing Work Opportunities and Incentives in Rural Georgia



The Georgia Center of Opportunity

focuses on creating opportunities for:

a quality education,

fulfilling work, and

a healthy family life

for *all* Georgians.

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The Presenters

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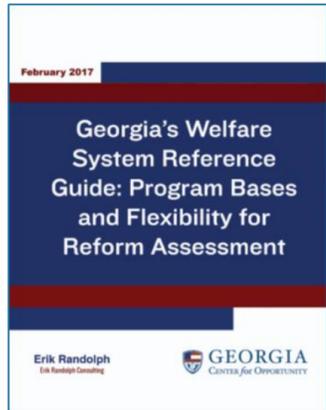


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Recent Research on Increasing Work Incentives



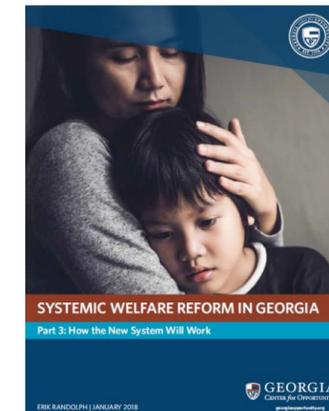
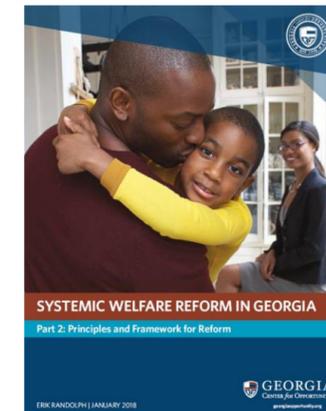
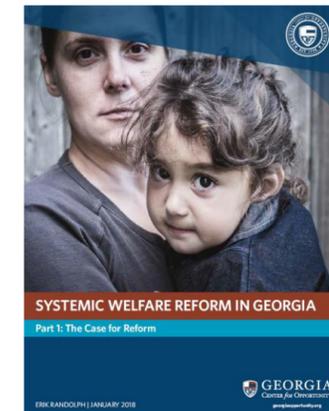
Reference Guide:
Georgia's Welfare System Reference Guide Program Bases and Flexibility for Reform Assessment
September 2016, revised March 2017



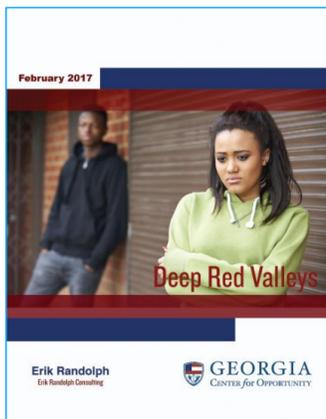
On Health Insurance:
A Real Solution for Health Insurance and Medical Assistance Reform
January 2018



The welfare cliff:
Disincentives for Work and Marriage in Georgia's Welfare System,
September 2016, revised March 2017



Systemic Welfare Reform:
Three part series: (1) The Case for Reform, (2) Principles and Framework for Reform, and (3) How the New System Will Work
January 2018



Marriage penalties:
Deep Red Valleys
February 2017

These reports are available online:

<https://georgiaopportunity.org/employment/welfare-reform>

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Personal observations supported by our research

Welfare Cliffs come about in two ways:

1. Individual welfare programs can have cliffs.

Examples:

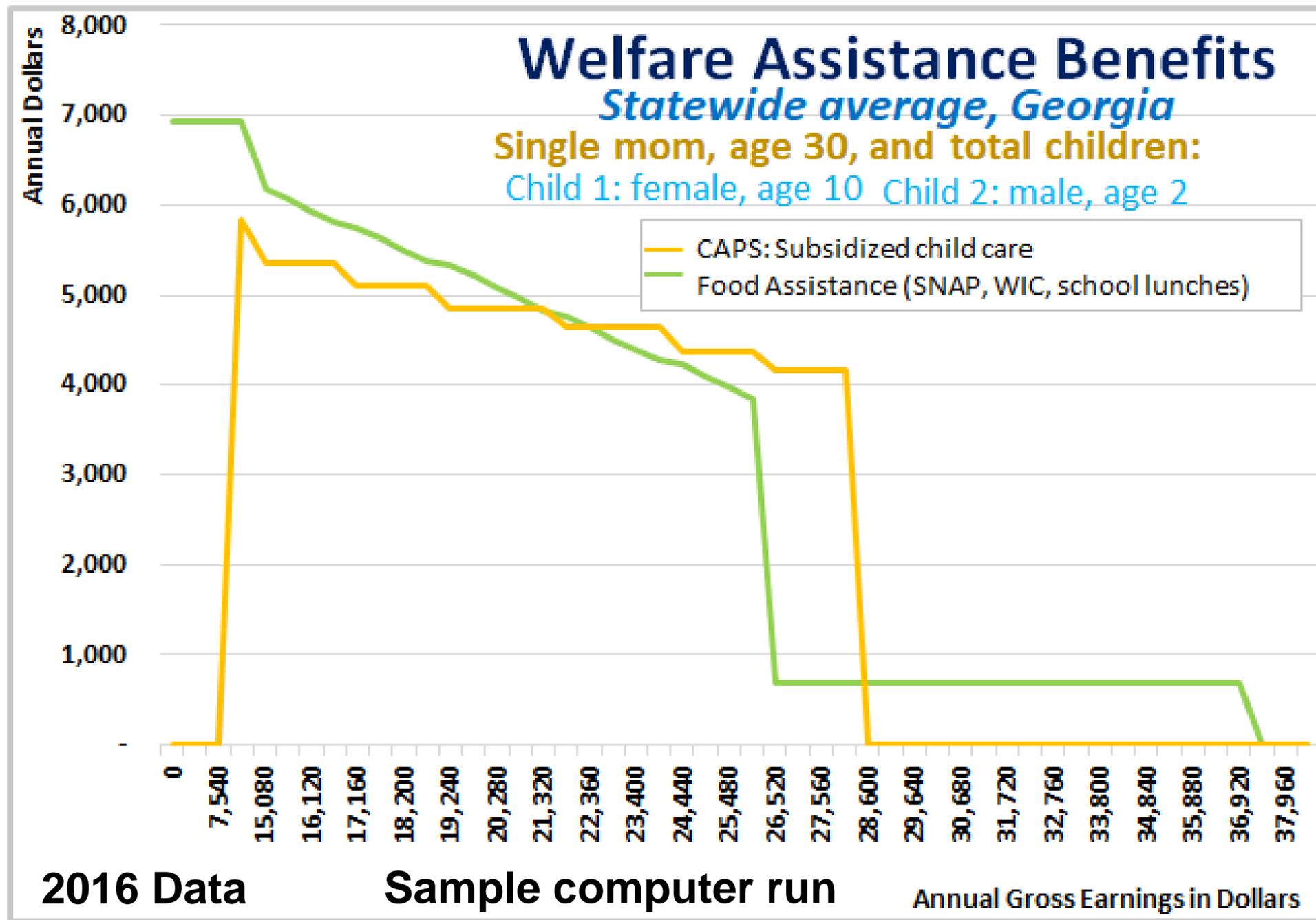
- food stamps (SNAP)
- subsidized school meals and WIC
- subsidized child care (CAPS program)
- Medicaid

2. Stacking of welfare programs

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Food Assistance and Child Care Cliffs Illustration



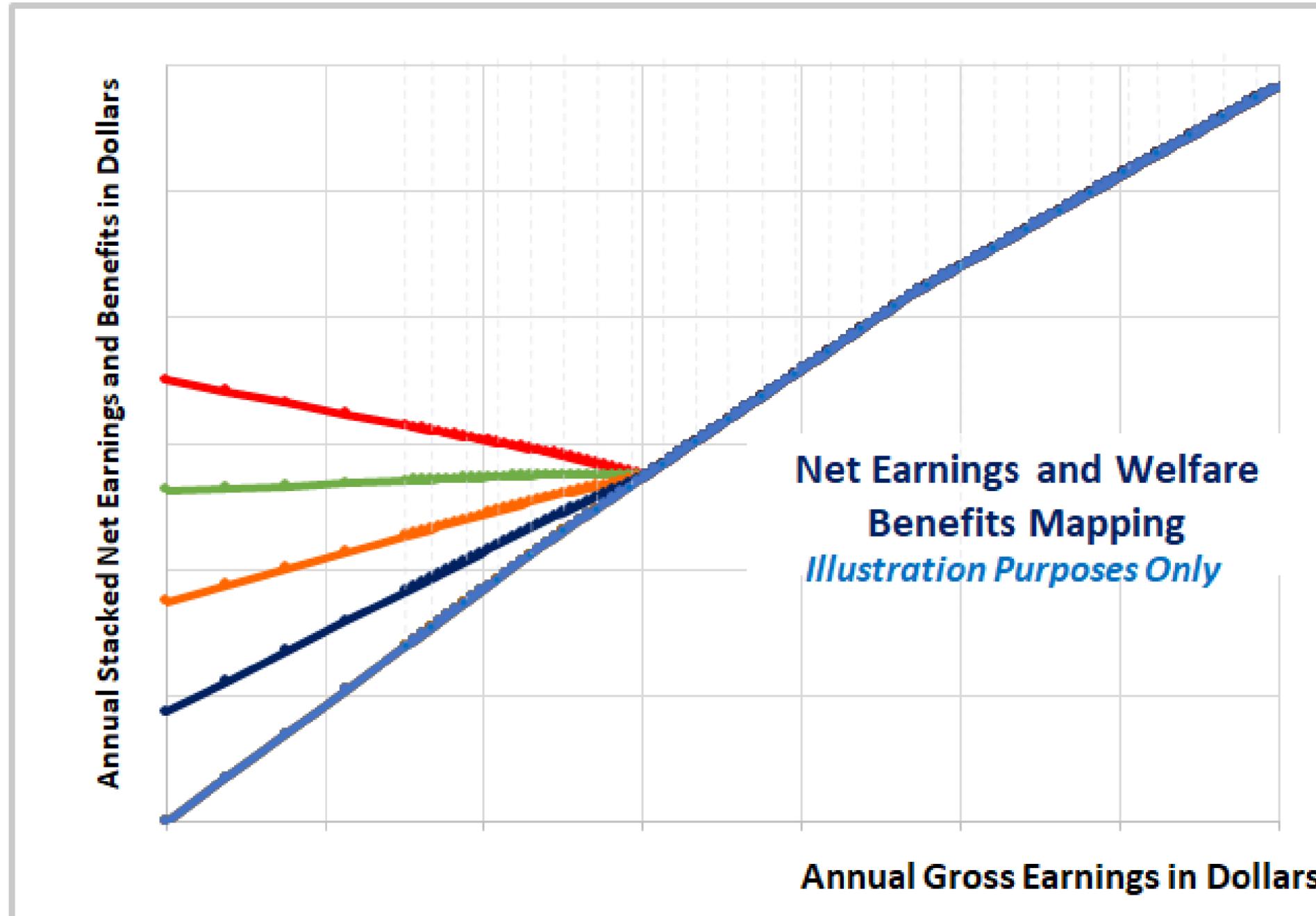
Do these programs always have cliffs?

- CAPS (yes)
- School Meals (yes)
- WIC (yes)
- Food Stamps (Sometimes yes and sometimes no. Depends on deductions and classification.)

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Illustration of Stacking Impact



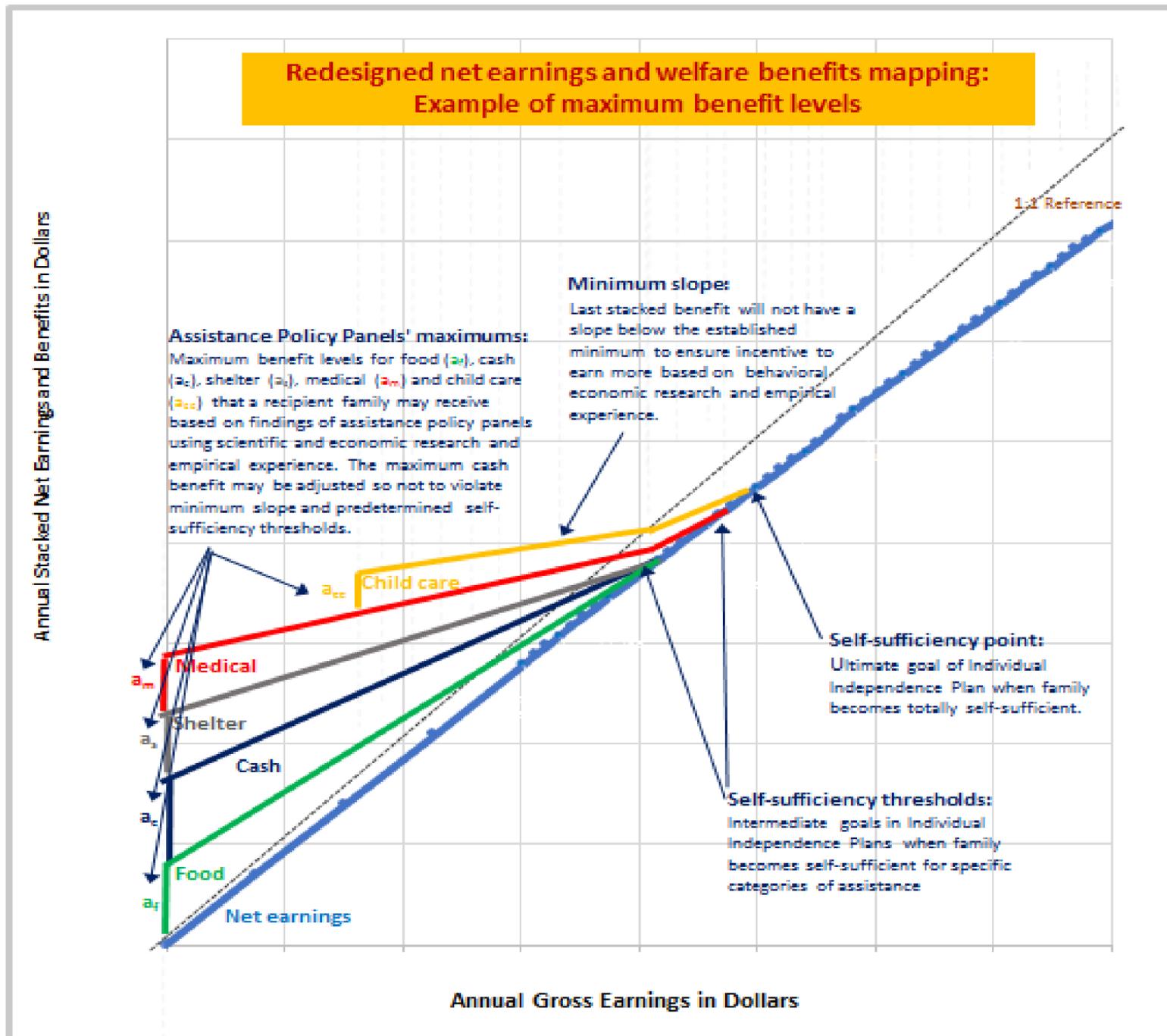
Even if each welfare program perfectly tapers with earnings to avoid cliffs, they still can in combination create disincentives for work

The problem is fixed by coordinating the benefit amounts so they do not start too high, always taper off, and that someone always is better off when earning more money.

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Illustration of solution



OFI determines parameters and will have flexibility to make adjustments

- ✓ Benefits for consolidated programs areas determined separately based on need:
 - ❖ Cash assistance
 - ❖ Food assistance
 - ❖ Shelter assistance
 - ❖ Child care assistance
 - ❖ Medical assistance
- ✓ Maximum benefit levels determined for each program area separately that provide truly minimal but essential assistance
- ✓ Minimum slope determined to ensure positive incentives for earning more money
- ✓ Self-sufficiency thresholds and points based are goals set forth in individual independence plans
- ✓ OFI may adjust any and all parameters due to fiscal constraints.

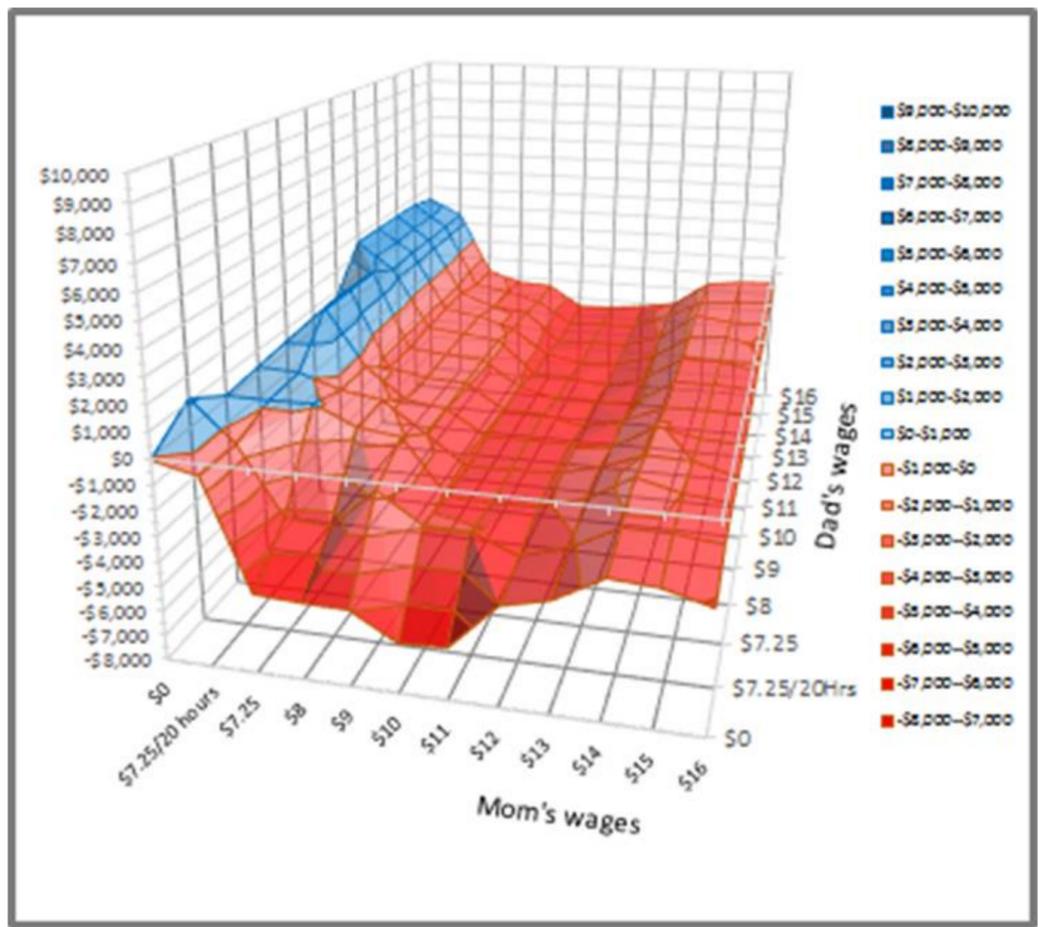
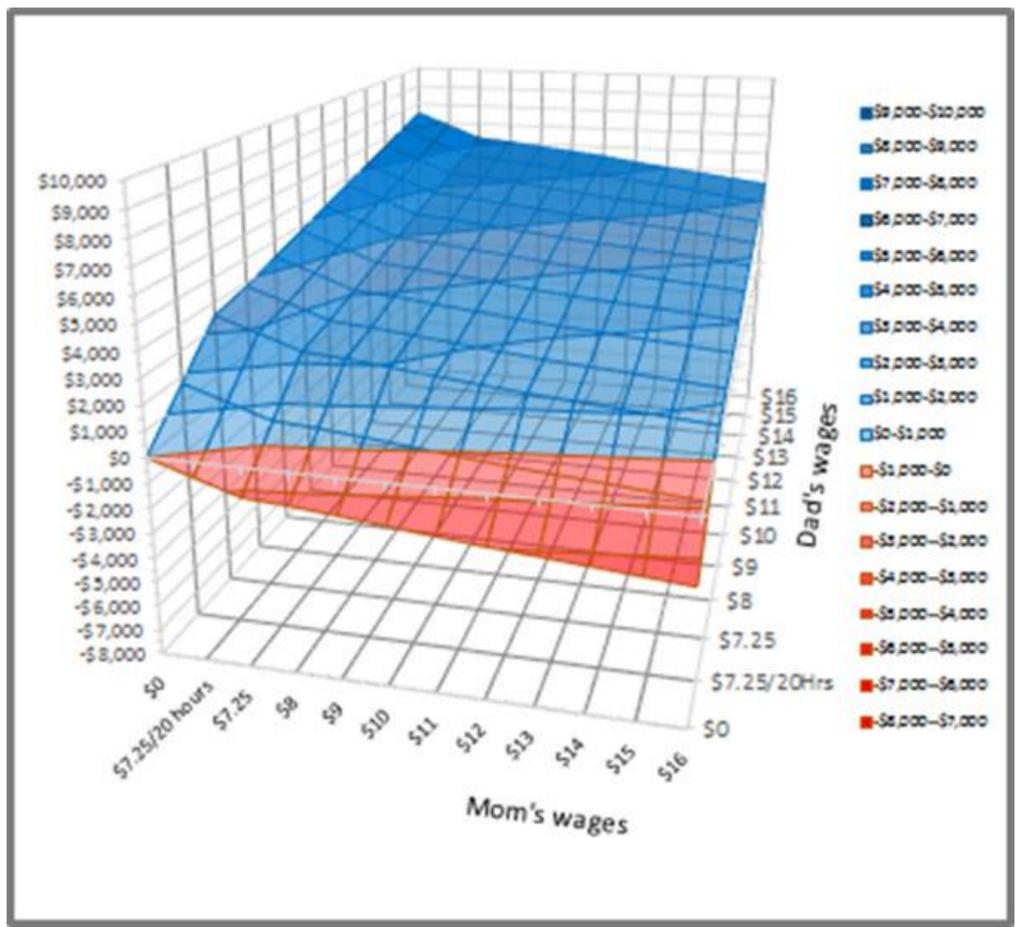
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Marriage Penalties (Illustration from computer model)

No welfare benefits

Complete welfare package*



Key to Charts: **Blue = Financial Advantage for Marriage** **Red = Marriage Penalty**

Charts show wage combinations. Left-to-right axis: Mom's wages; Front-to-back axis: potential husband's wages. Assumes mom with two children who wants to marry.

* Complete welfare package includes EITC, ACTC, TANF Cash, SNAP, NSLP, WIC food packages, Section 8 Housing Choice Vouchers, CAPS, Low-income Medicaid, PeachCare, and ACA HIX subsidies.

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Bottomline Reason for Cliffs and Penalties:

It's the *design* of the programs themselves.

- Program benefits fail to taper adequately.
- Poor design of factors used to calculate benefits.
- The magnitude of the benefits can be too high.

Other reasons:

- Lack of coordination among programs.
- Work requirements not enforced.
- Excess resource tests not always utilized.

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Why should we care?

1. People become trapped in low-income living, which means loss of economic opportunity and they tend to be less happy.
2. Loss of labor force participation, which means smaller economy
 - estimated to be at least \$2 billion less in rural Georgia
3. Loss of tax revenue for state and local government, which means higher tax rates and/or less services
 - estimated \$53 million in lost state income taxes from rural Georgians alone

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Goal: Align economic incentives with welfare policy

1. Welfare cliffs are eliminated.
2. Marriage penalties are eliminated or greatly reduced.
3. Work is encouraged.
4. Reliance on government support is reduced.
5. Safety-net is preserved.

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Redesign of System

1. Streamline the process administratively
2. Consolidate welfare programs into 5 modules
3. Single agency (Office of Family Independence of the Division of Family and Children Services) coordinates all welfare benefits *and* eligibility rules

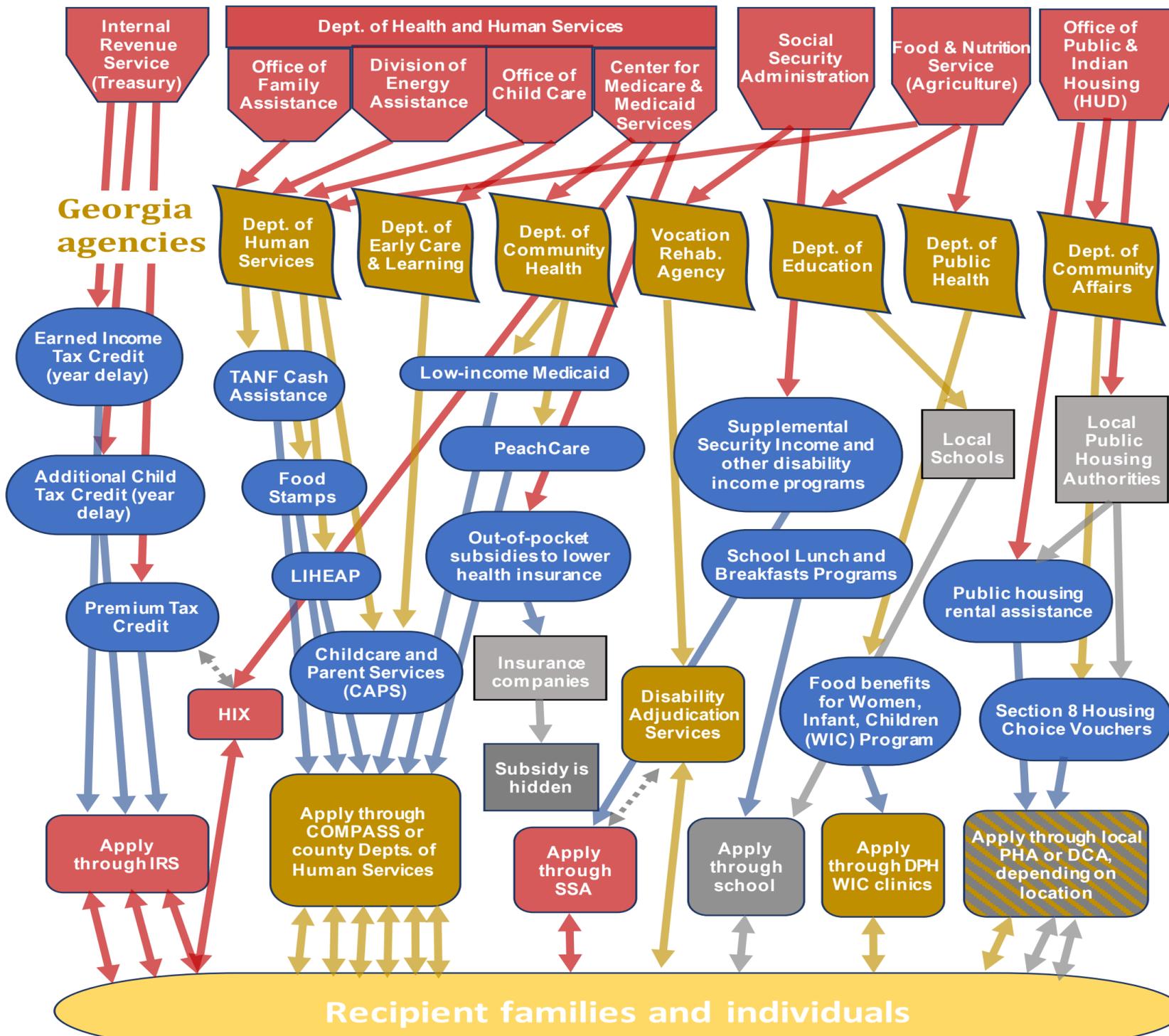
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The Vision

Pre-Gateway Systemic Organization

Federal agencies



Major welfare programs:

- ✓ 16 separate programs/subsidies
- ✓ Estimated \$22.7 billion* total cost
→ \$19.2 billion* in federal funds
- ✓ 80% of all federal welfare spending
- ✓ 95% federal spending in assistance areas of health, cash, child care, nutrition and housing.
- ✓ 9 federal agencies (HHS has 4)
- ✓ 7 state agencies
- ✓ 188 PHAs and all schools
- ✓ At least 8 points of application for benefits that varies by program
- ✓ No integrated plan/no coordination

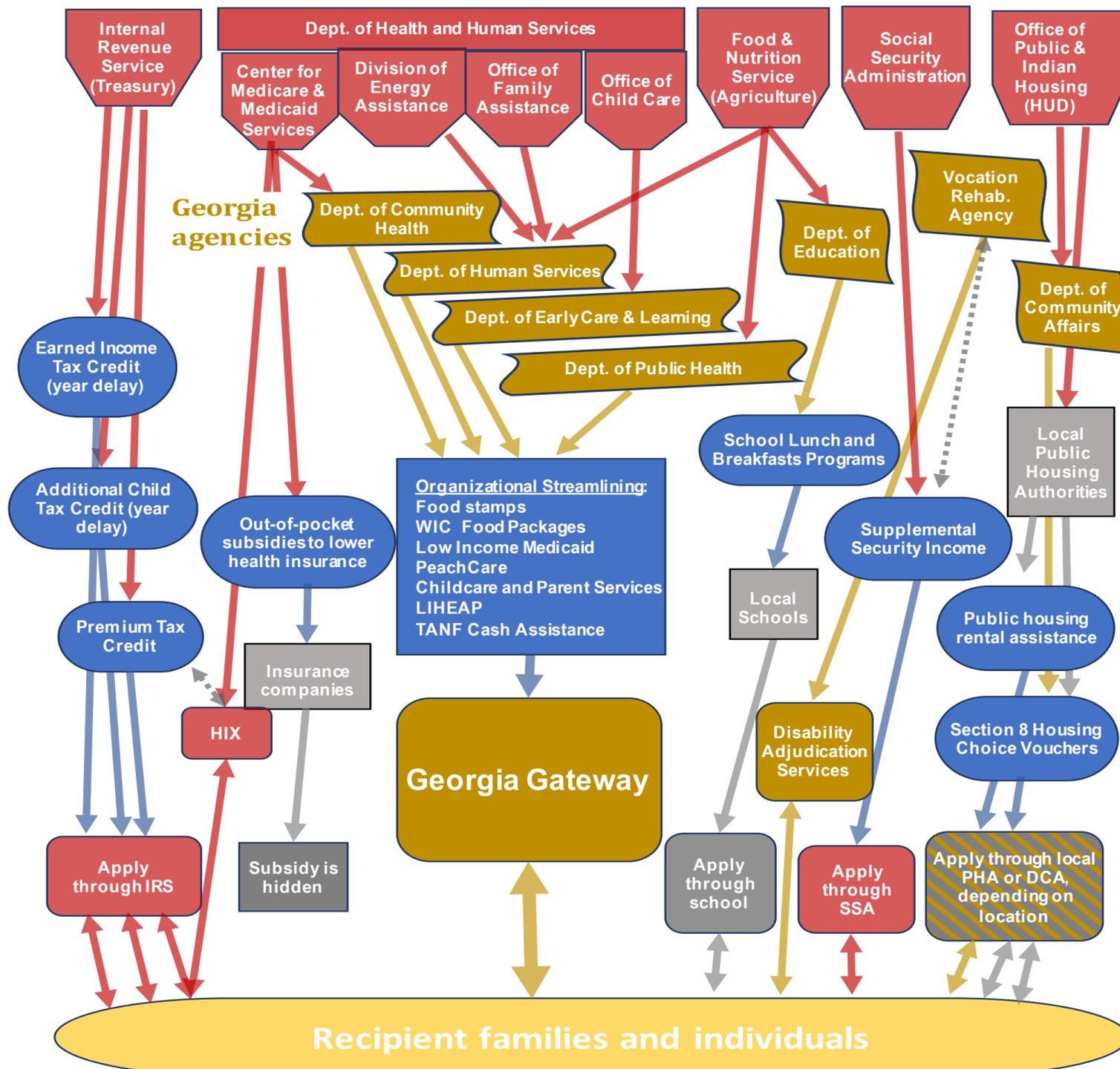
List of major welfare programs:

- ❖ EITC
- ❖ ACTC
- ❖ TANF Cash
- ❖ SSI
- ❖ LIHEAP
- ❖ SNAP
- ❖ NSLP
- ❖ SBP
- ❖ WIC food packages
- ❖ Section 8 Vouchers
- ❖ Public Housing
- ❖ CAPS
- ❖ Low-income Medicaid
- ❖ PeachCare
- ❖ ACA Premium Tax Credit
- ❖ ACA Insurer subsidies

Estimated using 2015 (Calendar, SFY or FFY), except 2016 for ACA estimates.

Systemic Organization with Gateway

Federal agencies



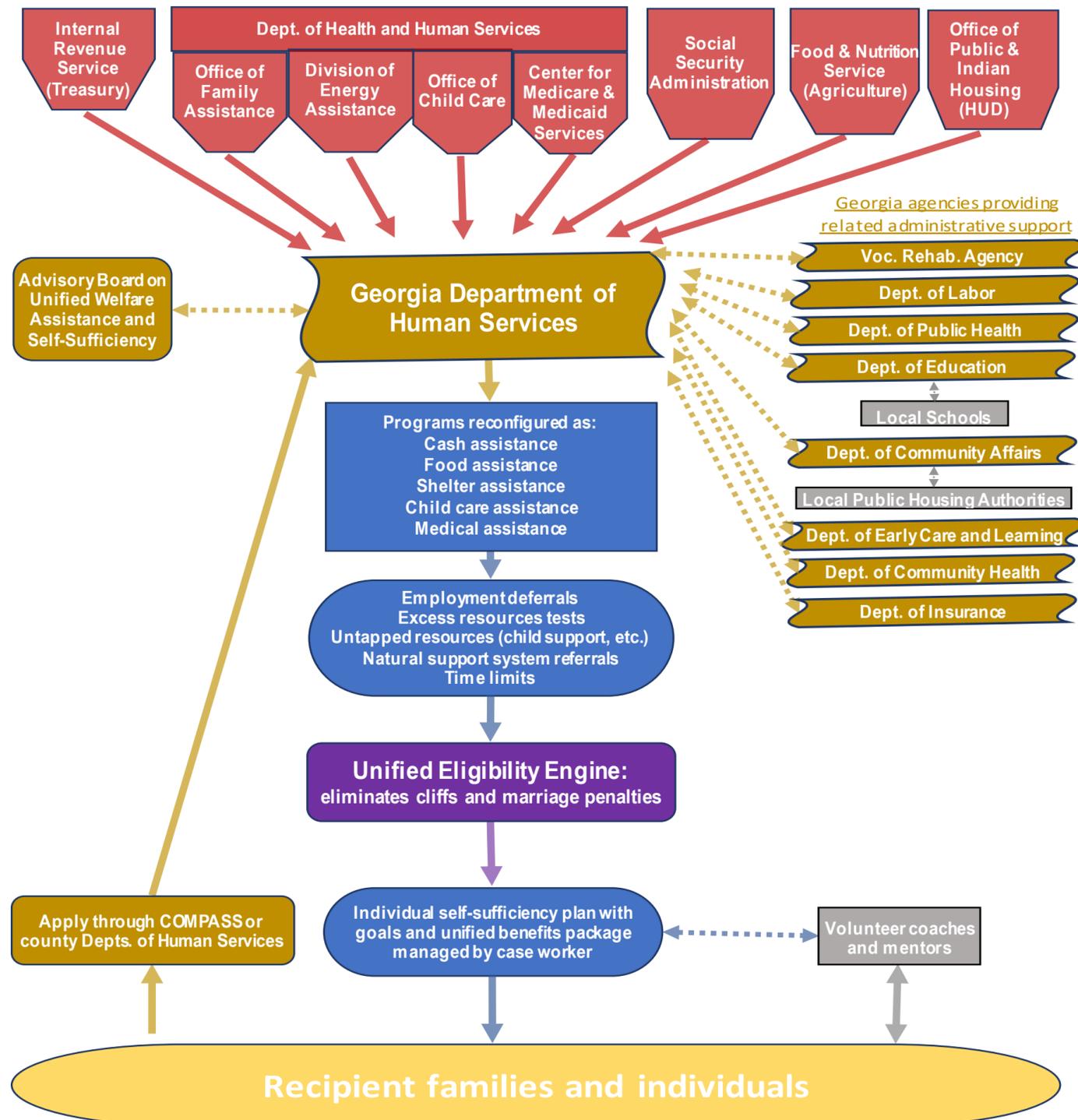
Major welfare programs:

- ✓ Application process streamlined for seven programs impacting four agencies:
 - Food Stamps (DHS)
 - WIC (DPH)
 - Medicaid (DCH)
 - PeachCare (DCH)
 - CAPS (DECAL)
 - LIHEAP (DHS)
 - TANF (DHS)
- ✓ Major step forward with IT system.
 - ✓ Eligibility parameters still controlled by individual agencies and law and regulations. No coordination to avoid cliffs and marriage penalties.

*Estimated using 2015 (Calendar, SFY or FFY), except 2016 for ACA estimates.

New Systemic Organization

Federal agencies



Reconfiguration:

- ✓ All federal funding flows to DHS DFCS OFI
- ✓ True single application through DFCS OFI
- ✓ DFCS OFI plays pivotal role in determining eligibility for *all* programs.
- ✓ Separate Advisory Board on Unified Welfare Assistance and Self-sufficiency
- ✓ Other agencies provide supporting roles
- ✓ Programs consolidated as follows:
 - ❖ Cash assistance
 - ❖ Food assistance
 - ❖ Shelter assistance
 - ❖ Child care assistance
 - ❖ Medical assistance
- ✓ Applicants screened for deferrals
 - ❖ Employment deferrals
 - ❖ Excess Resource test
 - ❖ Untapped Resources
 - ❖ Natural support system referrals
 - ❖ Time Limits
- ✓ Unified eligibility engine eliminates cliffs and marriage penalties
- ✓ Individual self-sufficiency plans required
- ✓ Volunteer coaches and mentors



Some Features of the Redesign

1. Relies on single-point-of-contact case management.
 - Utilizes professional staff from county assistance offices
2. Work-first policy
 - Default expectation is employment
3. Look-to-natural-supports policy
 - Encourage relying on family and community when feasible
4. Parental obligation policy
 - Absent parents must support their children
5. Excess resource and other income policy
 - Look to other income sources before spending taxpayer money

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Fulfilling the Goal

Work-first Policy:

- sets expectation of work.
- utilizes “work capable” definition
- proactive in emphasizing work

Economic Incentives:

- earning more money is never penalized
- marriage is financially advantageous even with welfare

Result of Alignment:

- greater labor force participation
- less poverty
- expanded economy
- less reliance on government for support

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The modular approach

1. Establish the framework
 - a. Ensuring the administrative structure is in place
 - b. The structure is set up to accommodate the modules
2. Consolidate *most* welfare programs into five modules:
 - a. food assistance
 - b. cash assistance
 - c. shelter assistance
 - d. medical assistance
 - e. child care assistance
3. Each module can be worked on independently.
 - a. allows vision to come together piece by piece

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Building on Georgia's Success

1. The Vision expands upon the Blueprint for Change of the Department of Human Services:

“Build stronger families for a stronger Georgia”

2. The Georgia Gateway makes Georgia a leader among states by integrating the eligibility systems as follows:

Food Stamps

Childcare and
Parent Services

Women, Infants,
and Children

Medical
Assistance
Programs

Temporary
Assistance for
Needy Families

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Five general steps that can be taken

1. Make the vision the policy of the State of Georgia
2. Direct the completion of the framework
3. Direct state agencies to implement pieces requiring no federal approval.
4. Direct state agencies to pursue federal waivers and pilot/demonstration projects
5. Actively support proposed changes in federal law

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Possible Legislative Actions

1. Enabling the vision
2. Mandate all welfare programs utilize the Gateway, and consolidate eligibility power with OFI of DFCS.
3. Legislation specific to each module

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Enabling the Vision (Granddaddy of all legislation)

1. Explicitly state the vision as the official policy of Georgia
2. Put in place a framework using the Gateway to enable the vision to succeed.
3. Create a Steering Committee to develop a timeline and oversee the project using established project management techniques
4. Direct state agencies to cooperate and work toward vision.
5. Require agencies to seek federal waivers and other opportunities to achieve vision.

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Mandate all welfare programs utilize the Gateway

1. Not all programs use the gateway.
2. Mandate that specific programs utilize the gateway
3. Give exclusive power over eligibility to the Office of Family Independence, Division of Family and Children Services.
4. Examples of welfare programs outside of Gateway:
 - a. Section 8 housing
 - b. Public housing
 - c. Subsidized school lunches
 - d. Earned Income Tax Credits

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Legislation Specific to Each Proposed Module

Pass legislation specific to each welfare module

For example, health insurance and medical assistance:

(most complex of the modules)

- Section 1332 of the Affordable Care Act provides a comprehensive waiver allowing states to craft their own system.
- Adopt a consumer-directed, market-based health insurance system similar to the Swiss and Dutch systems. (Best system in the world.)
- Direct the Department of Insurance to create a risk equalization fund as a type of reinsurance to equalize risk among insurers.
- Mandate that insurance be contracted directly with individuals.
- Actuarial costs shall be based on predefined gender and age cells.
- Convert Medicaid to subsidies for poor using private plans. (Georgia already uses private plans for Medicaid. Takes it to next level.)

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Medical Assistance Module *continued*

Advantages of Medical Assistance Module

- Will achieve universal coverage (based on Dutch and Swiss experience)
- Pre-existing conditions becomes irrelevant (i.e., the risk equalization fund)
- Insurance plans become portable (they stay with the person, not the employer)
- Costs are lowered (based on Dutch and Swiss experience)
- Very high quality care (based on Dutch and Swiss experience)
- Controlled exclusively by the State of Georgia (no role for feds, stays with traditional role for states.)

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SUMMARY

1. Cliffs and penalties of the welfare system are real
2. Economic incentives do matter
3. Therefore, align economic incentives with welfare policy
4. Anticipated benefits from the redesign
 - a. Greater participation in labor force
 - b. Expanded economy
 - c. Less poverty
 - d. More tax revenue potential for state and local government
 - e. More economic opportunities for individuals
 - f. Happier citizens

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QUESTIONS?

We are here to help.

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<https://georgiaopportunity.org/>

770-242-0001

The reports cited in this presentation are available online:

<https://georgiaopportunity.org/employment/welfare-reform>

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