Independent Women®

Testimony to the United States House of Representatives
Committee on Oversight and Government Reform
Subcommittee on Health Care and Financial Services

Hearing: "Examining the Growth of the Welfare State, Part I"

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Washington, D.C.
February 11, 2025

Chairman Grothman, Ranking Member Krishnamoorthi, and Members of the Committee, thank you for inviting me to appear today.

My name is Patrice Onwuka, and I am the director of the Center for Economic Opportunity at Independent Women. We advance policies that enhance people's freedom, opportunities, and well-being.

President Johnson declared an "unconditional war on poverty" in 1964 in hopes that the richest nation could solve an intractable problem by spreading the blessings of prosperity to every doorstep. Sixty years later, our social safety has expanded, and we've made significant strides in lifting individuals onto surer footing, but the war against poverty is not won.

The government's footprint has ballooned into a dizzying maze of dozens of agencies providing support to low-income Americans. The federal government spends more than $1 trillion on over 80 welfare programs each year, some of which are overlapping, creating duplication and opportunities for waste, fraud, and abuse.[1]

Millions of people, including children, still remain locked in poverty despite so much spending because the federal and state governments are creating disincentives not to work or follow time-tested strategies out of poverty. Our social safety net is a sticky spider web trapping people in poverty rather than a springboard into independence and mobility.

I believe that we can overcome some of these challenges by:

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[1] Matthew Dickerson. "EPIC Explainer: The $1 Trillion Welfare Bureaucracy," *Economy Policy Innovation Center*, April 9, 2024, *available at*: https://epicforamerica.org/social-programs/epic-explainers-the-1-trillion-welfare-bureaucracy/.

- Closing the loopholes that federal agencies and states exploit to grow program enrollment.
- Reforming eligibility to rightsize federal welfare programs.
- Targeting improper payments.
- Introducing and funding better tracking systems to find and root out fraud.
- Promoting work and marriage.

I look forward to sharing more of this today with you.

The Growth of Welfare Programs

In 2023, 36.8 million people were living in poverty, according to the U.S. Census Bureau's official measure of poverty (OPM).[2] The poverty rate is 11%, down from 20% in 1964.[3] While halving the poverty rate should be celebrated, it has never fallen below 10% despite the proliferation of spending on antipoverty programs.

We should also recognize that poverty levels may actually be lower than what is reported by the Census, warranting us to reassess just how much we spend on poverty reduction. The OPM is flawed. The official poverty measure counts cash earnings such as salaries and cash benefits (Social Security and welfare cash) but excludes noncash benefits and tax code benefits for low-income Americans. The OPM does not count the Supplemental Nutrition Assistance Program (SNAP or food stamps), housing assistance, Medicaid, the value of the Earned Income Tax Credit (EITC), and the refundable portion of the Child Tax Credit (CTC). When counting all of these financial supports, there are likely millions fewer Americans living in poverty today.[4]

This has real public policy implications. Eligibility thresholds for poverty programs are set as a multiple of the OPM. For example, eligibility is 138% for SNAP, 138% to 380% for Medicaid, and 185% for WIC.[5] It so happens that the fastest-growing welfare programs are those not counted by the OPM.

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[2] U.S. Census Bureau, Figure 1: Number in Poverty and Poverty Rate Using the Official Poverty Measure: 1959 to 2023," *Current Population Survey*, 1960 to 2024 Annual Social and Economic Supplements (CPS ASEC), *available at:* https://www.census.gov/content/dam/Census/library/visualizations/2024/demo/p60-283/figure1.pdf.

[3] Ibid.

[4] "Matt Weidinger, "To Really Determine Who Is Poor in the US, Count All Anti-poverty Spending," *RealClear Policy,* September 12, 2019, *available at:* https://www.aei.org/op-eds/to-really-determine-who-is-poor-in-the-us-count-all-anti-poverty-spending/.

[5] Douglas J. Besharov, "Testimony to the Subcommittee on Work and Welfare," *Committee on Ways and Means,* October 24, 2023, *available at:* https://gop-waysandmeans.house.gov/wp-content/uploads/2023/10/Besharov-Testimony.pdf.

This is a situation Congress must fix.

The U.S. spends $1 trillion on over 80 anti-poverty programs.[6] This has created an environment for duplication, waste, fraud, and abuse. The Congressional Research Services found that 15 different agencies provide food aid, 13 housing, 12 health care, and five cash aid.[7] During recessions, welfare programs increased to serve those who lost jobs but never returned to precession levels. The COVID pandemic and four years of the Biden administration spending have only grown welfare rolls despite job openings reaching record-breaking levels in 2022.[8]

Health care is the single largest expenditure category. Accounting for just over half of all spending since FY2015, health care has seen a 134% nominal increase in spending since FY2008.[9] The next largest categories are cash aid and food assistance—growing by 36% and 125%, respectively, over the same 13-year period. Refundable tax credits, specifically the EITC and CTC, are drivers of cash aid spending.

Just 15% of these programs are classified as discretionary spending or managed by Congress through the appropriations process. Four out of five dollars of welfare spending is classified as mandatory. Congress can focus on reforming eligibility and participation to rightsize these mandatory spending welfare programs.

Eligibility

The federal government and states have grown welfare programs by relaxing eligibility requirements or expanding the definitions of the needy. In the latter, states provide benefits to individuals earning far above—two or even five times over—the federal poverty line.

Federal statute sets income eligibility and asset limits. States must verify liquid financial assets (cash or money deposited in a bank account) of those applying for food benefits.

SNAP grants categorical eligibility to TANF enrollees, exempting them from the program's income and asset limits. States exploit this loophole to provide outreach describing the welfare programs such as brochures, websites, or toll-free phone

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[6] Patrick A. Landers, Karen E. Lynch, Jessica Tollestrup, Gene Falk, and Conor F. Boyle, "Federal Spending on Benefits and Services for People with Low Income: FY2008-FY2020," *Congressional Research Service,* December 8, 2021, *available at:* https://crsreports.congress.gov/product/pdf/R/R46986.
[7] Ibid.
[8] "Job Openings: Total Nonfarm," *St. Louis Federal Reserve*, February 4, 2024, accessed February 7, 2025, *available at:* https://fred.stlouisfed.org/graph/?g=1Dsn9.
[9] Patrick A. Landers, Karen E. Lynch, Jessica Tollestrup, Gene Falk, and Conor F. Boyle, "Federal Spending on Benefits and Services for People with Low Income: FY2008-FY2020," *Congressional Research Service,* December 8, 2021, *available at:* https://crsreports.congress.gov/product/pdf/R/R46986.

numbers, and claim that anyone who receives them is categorically eligible for SNAP, bypassing federal eligibility standards. At an expected cost to taxpayers of $111 billion over the next decade, this loophole adds more than 5.4 million ineligible enrollees to the food stamp program each year.[10]

Congress should eliminate this loophole by restricting benefits to individuals with incomes and assets below the program's limits.

Able-Bodied Americans

Promoting work was an essential element of welfare reform in 1996 that moved 8 million people from welfare rolls and families out of poverty.[11] Unfortunately, in recent years, federal policy has shifted away from conditioning aid on work or skills development. This has an impact on both individuals' economic mobility and the economy. According to one analysis, two million individuals are missing from the workforce, compared to just before the COVID-19 pandemic.[12] Many missing workers are young people in the formative years of their careers missing out on valuable work experience and income-building potential.

Able-bodied adults, both without children and even those with children, make up a significant portion of poverty programs, yet are not participating in the labor force. The problem is acute in different welfare programs.

- **Medicaid:** Medicaid was created to provide for the healthcare needs of vulnerable populations such as pregnant women, the disabled, low-income children, and the elderly. The Affordable Care Act added a new class of individuals to Medicaid: able-bodied adults. Typically, applicants must demonstrate true need. However, some states qualify able-bodied adults solely on their income without consideration of their assets. Also, there is no federally-mandated work requirement for the Medicaid program.

  Consequently, Medicaid enrollment has exploded with able-bodied adults most of whom are not working despite receiving benefits. According to a Foundation for Government Accountability (FGA) analysis of state Medicaid

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[10] Paige Terryberry, "How Congress Can Protect the Truly Needy and Restore Program Integrity to Food Stamps by Ending Broad-Based Categorical Eligibility," *Foundation for Government Accountability,* August 14, 2023, *available at:* https://thefga.org/research/how-congress-can-protect-needy-by-ending-bbce/.

[11] "The Clinton Presidency: Strengthening American Families," *The Clinton White House, available at:* https://clintonwhitehouse5.archives.gov/WH/Accomplishments/eightyears-04.html.

[12] Rachel Greszler, "More Than 2 Million Worker Are Missing. Who Are They, and How Are They Affecting the Economy?," *The Heritage Foundation,* April 26, 2024, *available at:* https://www.heritage.org/jobs-and-labor/commentary/more-2-million-workers-are-missing-who-are-they-and-how-are-they.

agencies, 60% of able-bodied adults on Medicaid—an estimated 24.6 million people—reported no earned income.[13] Some states that sought to implement work requirements in their Medicaid programs, had their waivers revoked by the Biden administration.

This explosion in benefits is not just a financial disaster for the government but creates real hardship for those in need of care. The overburdened Medicaid system often leaves people unable to get appointments and the care they need.

- **SNAP:** Roughly 42 million people are enrolled in the Supplemental Nutrition Assistance Program (SNAP or food assistance), and most able-bodied adults on SNAP do not work. According to an analysis of U.S. Department of Agriculture data by the Foundation for Government Accountability, 64% of non-disabled adults between the ages of 18 to 64 enrolled in the food stamp program are not working at all.[14] Either they do not have a work requirement (parents) or that requirement has been waived by states (childless adults).

  Expanding the minimal work requirement and age limits, instituting common-sense work requirements for parents, and ending waivers for childless adults can help move Americans back into the workforce and long-term independence.

- **TANF:** More than a million families—2.8 million individuals—receive TANF benefits each year.[15] Some $16.8 billion annually is block granted to states for TANF and is supplemented by $14.5 billion in state funding called maintenance of effort (MOE) expenditures.[16] This direct cash program has federally mandated work requirements, yet only 21% of adult TANF recipients are working today, due to loopholes that states exploit and other inefficiencies.[17] States can game work participation standards, enroll employed able-bodied adults in programs despite a lack of need, and others. They also

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[13] Jonathan Bain, "The X Factor: How the Labor Force Continues to Be Decimated by Skyrocketing Medicaid Enrollment," *Foundation for Government Accountability,* July 19, 2024, *available at:* https://thefga.org/research/the-x-factor-labor-force-decimated-skyrocketing-medicaid-enrollment/.

[14] Jonathan Bain, "Work Requirements Work: How Expanding Food Stamp Work Requirements Can Continue to Break the Cycle of Dependency," *Foundation for Government Accountability,* October 3, 2023, *available at:* https://thefga.org/research/work-requirements-work-break-cycle-dependency/.

[15] Gene Falk and Patrick A. Landers, "The Temporary Assistance for Needy Families (TANF) Block Grant: Reponses to Frequently Asked Questions," *Congressional Research Service,* November 5, 2024, *available at:* https://crsreports.congress.gov/product/pdf/RL/RL32760#:~:text=The%20TANF%20Assistance%20Caseload.1.9%20million%20in%20that%20month.

[16] Ibid.

[17] Paige Terryberry, "With Reform, TANF Can Lift American Families Out of Dependency," *Foundation for Government Accountability,* September 23, 2024, *available at:* https://thefga.org/research/with-reform-tanf-can-lift-american-families-out-of-dependency/.

divert funds away from work, education, and training programs toward other expenditures such as Head Start, Pre-K, and even college tuition.

Congress should close loopholes in TANF that allow states to expand eligibility. Also, conditioning MOE spending more directly to reward work and retention can prevent TANF funds from being used as a slush fund for non-work-related expenditures. The TANF to Families in Need Act (H.R. 7426), introduced by Rep. Adrian Smith (NE-03), would restrict TANF eligibility to those at or below 200 percent of the federal poverty line to ensure funds are used to help the neediest Americans. The Reduce Duplication and Improve Access to Work Act (H.R. 7446) is an example of a bill that allows TANF funds to be directed toward workforce training programs organized under the Workforce Innovation and Opportunity Act (WIOA).

Loopholes and Disincentives to Promoting Work

Federal policies have created loopholes that states abuse to bypass time limits, income or resource limits, and work requirements. They have also created perverse incentives encouraging states to circumvent the goal of reducing government dependency. For example, SNAP aid flows to states based on program headcounts, which incentivizes enrollment regardless of need or evidence of work. Or, states have increasingly been shifting people from TANF to Supplemental Security Income Program (SSI), which pays out more substantial cash benefits and allows states to divert TANF funds for other uses.[18]

One of the most disconcerting recent efforts to eliminate work requirements from public support programs occurred in 2021. Former President Joe Biden and Democrats in Congress temporarily eliminated the requirement that Child Tax Credit recipients earn at least a modest income to receive the tax benefit. In addition, for six months, the increased CTC was paid out in monthly installments to recipients—a departure from its standard disbursement, which is being claimed when filing tax returns. This effort undermined the work requirement for this tax benefit and, effectively, piloted a universal basic income payment for millions of families.

Congress should consider incentivizing states to focus on outcomes such as job entry, job retention, and earnings increases by offering high-performance bonuses. States would be encouraged to continue to work with those who find jobs to improve their economic mobility.

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[18] Mark Nadel, Steve Wamhoff, and Michael Wiseman, "Disability, Welfare Reform, and Supplemental Security Income," *Social Security Bulletin,* Vol. 65, No. 3, 2003/2004 (released January 2005), *available at:* https://www.ssa.gov/policy/docs/ssb/v65n3/v65n3p14.html#:~:text=Welfare%20reform%20has%20increased%20the,to%20Families%20with%20Dependent%20Children..

In addition, individuals face a benefits cliff of losing cash and non-cash assistance if their income increases beyond program limits. Case managers have heard from employers that employees turn down promotions and raises because of the risk of losing their benefits. Congress could encourage states to consider a gradual reduction or a small income deferral period when individuals are transitioning to work and the delays that may occur before the first paycheck.

Fraud and Improper Payments

Fraud and improper payments are perennial problems with federal spending, but the scope of these problems is unknown because of data limitations and other challenges. The U.S. Government Accountability Office estimated that taxpayers have lost $2.7 trillion since fiscal year 2003, or between $233 billion and $521 billion annually, on fraudulent payments.[19] Some programs are particularly susceptible:

> Agencies reported estimated improper payment rates of 10 percent or higher for 16 of the 71 programs with reported estimates for fiscal year 2023. The reported rates for 10 of these programs have exceeded 10 percent for at least 2 consecutive years.[20]

Concerningly, the Department of Health and Human Services (HHS) does not collect information or monitor improper TANF payments. For example, a 2007 inspector general audit of Michigan rolls estimated that 40% of TANF cash welfare spending was flagged as improper.[21] In New York, an audit found that the improper payment rate was even higher (46%).[22]

The Government Accountability Office has provided Congress with action items to help reduce fraud and abuse,[23] including:

- **Better reporting** on their antifraud controls and fraud risk management or improper payments.

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[19] "Improper Payments: Key Concepts and Information on Programs with High Rates or Lacking Estimates," *U.S. Government Accountability Office,* June 27, 2024, *available at:* https://www.gao.gov/assets/gao-24-107482.pdf.
[20] Ibid.
[21] Daniel R. Levinson, "Review of Improper Temporary Assistance for Needy Families Basic Assistance Payments in Michigan for July 1 Through December 31, 2005 (A-05-06-00068)," *Department of Health and Human Services Office of Inspector General,* November 9, 2007, *available at:* https://oig.hhs.gov/documents/audit/4646/A-05-06-00068-Complete%20Report.pdf.
[22] "Review of Improper Temporary Assistance for Needy Families Basic Assistance Payments in New York State for July 1 Through December 31, 2005," *Department of Health and Human Services Office of Inspector General,* October 31, 2007, *available at:* https://oig.hhs.gov/reports/all/2007/review-of-improper-temporary-assistance-for-needy-families-basic-assistance-payments-in-new-york-state-for-july-1-through-december-31-2005/.
[23] "Fraud and Improper Payments," *U.S. Government Accountability Office*, *available at:* https://www.gao.gov/fraud-and-improper-payments.

- **Better emergency preparedness** to mitigate the risk of payment errors and fraud before emergencies occur.
- **Better oversight** to avoid funds being paid to ineligible recipients.
- **Better data collection** on grantees and subrecipients.

Ending Marriage Penalty

Marriage is an important tool in fighting poverty. Poverty is concentrated among single-parent families, as 32% of single-parent families are poor compared to only 7% of families headed by two married parents.[24] Studies demonstrate that marriage can reduce poverty, especially for children. A Brookings Institute simulation found that marriage "reduces the poverty rate among families with children by 3.5 percentage points, from 13 to 9.5 percent."[25] Furthermore, doubling cash assistance does less for poverty alleviation than marriage, education, and work.

The well-known success series—graduating high school, working full-time, and marrying before having children—has been proven exhaustively to reduce poverty significantly and ensure a young person gains and can sustain independence.[26]

Furthermore, recent research finds that poverty rates for single mothers who married were half that of poverty rates for those who remained single at each survey wave.[27] Welfare programs can support the goal of strengthening families by ensuring that benefits do not disincentivize marriage. Marriage penalties occur when benefits are reduced or eliminated because of an increase in earnings or assets due to a change in marital status. Historically, low-income households have faced onerous marriage penalties, but as means-tested programs have been expanded to middle-class households, these penalties are reaching more Americans.

In programs such as Medicaid and Section 8 vouchers, applicants are supposed to report the income of a biological parent co-residing with them. SNAP enrollees are

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[24] Isabel V. Sawhill and Rob Haskins, "Work and Marriage: The Way to End Poverty and Welfare," *The Brookings Institution,* September 1, 2003, *available at:* https://www.brookings.edu/articles/work-and-marriage-the-way-to-end-poverty-and-welfare/#:~:text=Poverty%20is%20concentrated%20among%20single,among%20single%20parents%20is%20controversial..
[25] Ibid.
[26] Brian Goesling, Hande Inanc, and Angela Rachidi, "Success Sequence: A Synthesis of the Literature," *Office of Planning, Research and Evaluation*, December 2020, *available at:* https://www.acf.hhs.gov/sites/default/files/documents/opre/Success_sequence_review_2020_508_0.pdf.
[27] Angela Rachidi, "The Success Sequence For Unmarried Mothers," *Institute for Family Studies,* January 9, 2024, *available at:* https://ifstudies.org/blog/the-success-sequence-for-unmarried-mothers#:~:text=As%20covered%20on%20these%20pages,helped%20these%20mothers%20avoid%20poverty..

supposed to report the income of a biological parent co-residing with them or any other adults living with them—including a cohabiting partner.

Unlike these other programs, applicants for the EITC only report the income of spouses. The EITC is usually more generous for two cohabitating parents than for a married couple with children. A cohabitating couple stands to lose thousands of EITC dollars if they choose to marry.

Experts suggest that "One way to address the marriage penalty is to increase the income at which the EITC starts to phase out for married couples relative to single parents."[28] Another option: "Change the EITC schedule so at any level of earnings, the credit is substantially larger for married parents than for single parents with the same number of children."

Several bills have also been introduced in the previous session of Congress aimed at eliminating marriage penalties:

- H.R.6640 – Marriage Equality for Disabled Adults Act would allow DAC recipients to marry without losing benefits, and it eliminates penalties for SSI recipients who marry DAC recipients.
- S.2767 & H.R.5408 – SSI Savings Penalty Elimination Act would eliminate the 25% asset penalty for married people receiving SSI.
- H.R. 7055 – Eliminating the Marriage Penalty in SSI Act (EMPSA) would eliminate the 25% income and asset penalties and spousal deeming of income and assets for people diagnosed with an intellectual or developmental disability receiving SSI.
- H.R.7138 – Supplemental Security Income Restoration Act of 2024 would eliminate the 25% asset penalty for married people receiving SSI.

Additionally, Congress should consider expanding the federal apprenticeships to include new industries. The Apprenticeship Freedom Act and Training America's Workforce Act would be a great place to start.

Conclusion

Our social safety net should be limited to the truly poor and vulnerable. For able-bodied individuals who need a hand up, welfare programs should be temporary supports that prioritize helping individuals gain the skills and experience to find gainful employment. Work, training or education, and marriage are all important forces that our welfare system should build up, not undermine. Success should not

[28] Angela Rachidi, Matt Widinger, and Scott Winship, "American Renewal / A Safety Net for the Future: Overcoming the Root Causes of Poverty," *American Enterprise Institute,* 2022, *available at:* https://www.americanrenewalbook.com/a-safety-net-for-the-future-overcoming-the-root-causes-of-poverty/.

be measured by how many more individuals are on public assistance programs, but how many move off of them into independence.