



# CENTER ON BUDGET AND POLICY PRIORITIES

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## **MODIFYING THE ARBITRARY CUT-OFF FOR POOR CHILDLESS ADULTS**

**Issue:** One of the harshest provisions of the 1996 welfare law limits the receipt of food stamps for most people aged 18 through 49 who are not disabled or living with minor children to three months while unemployed out of each three-year period. Only those working or participating in a work or training program at least half-time (or participating in a food stamp workfare program that provides food stamp benefits in exchange for work activities) can continue to receive benefits beyond the three-month period. Most areas do not offer work or training programs for these individuals, as they concentrate the limited number of work or training slots they can create on other groups, such as mothers with children who are receiving cash welfare benefits and laid-off workers who have higher levels of education and skills and can use training to move to a different profession. Some individuals who exhaust their three months of benefits, become employed, and subsequently lose their jobs can qualify for a second three months of benefits under a very complicated component of this provision.

Past work history is not taken into account. As a result, the provision results in the termination of food stamp benefits for people who have been working but have lost their jobs, cannot find employment within a few months, and cannot secure a slot in a work or training program. In other words, the provision results in the cut off of food stamps after three months to people who want to work and are prepared to participate in a workfare or other work program but cannot find employment or a work slot within three months due to no fault of their own and no lack of effort on their part.

**House Bill:** No provision.

**Senate Bill:** The Senate bill would merge the two three-month periods allowed under current law into one *six*-month period of eligibility within any *24-month* period. This is closer to (although still considerably harsher than) a more moderate version of this provision that the Senate approved with bipartisan support in both 1995 and 1996. (The earlier Senate provision allowed six months of benefits out of every *twelve* months.) The current Senate bill also would allow states to impose rigorous job search requirements on unemployed persons and to provide food stamps to these individuals while they are complying with these requirements.

### **Rationale**

The Senate provision would both ease administrative burdens on states, which find the current provision complex and burdensome to administer, and provide a more reasonable approach to this issue than the current, severe provision that denies food stamps to some of the nation's poorest individuals even if they want to work but can't find a job or work slot.

### **Complexities of Administering the Current Provision**

The current requirements on states to track the food stamp eligibility of unemployed childless adults are exceedingly complex. People subject to this provision may initially receive up to three months of food stamps within a 36-month period. Months in which an individual works at least 20 hours per week do not count against the three-month limit.

Adding significantly to the complexity, an individual who has exhausted his or her initial three months of benefits may qualify for up to an additional three months of benefits while out of work if he or she works at least 80 hours during any 30 day period. If the individual's hours of work subsequently fall below an average of 20 per week, he or she may qualify for an additional three months of food stamps while out of work. Unlike the initial three months, however, this second three months of benefits must be consecutive. An individual who exhausts this second three-month period is again terminated. Such an individual may again requalify after working at least 80 hours in a 30 day period and could receive further food stamp benefits during the 36-month period only during months in which he or she works at least 20 hours per week.

*States find the current rule too complex.* This provision is one of the most administratively complex aspects of the entire Food Stamp Program. It requires states to follow a series of difficult and sometimes inconsistent time-keeping rules. (See the box at the top of this page for a description of these rules.) The Senate bill would eliminate the extremely complicated second three-month period of eligibility currently available to people who find and then lose a job after exhausting their original three months of eligibility. Under current law, the second three-month period operates under a different set of rules than the first three-month period. The Senate bill would combine these two, disconnected three-month periods into a single six-month period that operates under a single set of rules. In addition, by requiring states to track applicants' benefit receipt over the prior 24-month period rather than the prior 36-month period, this approach would reduce record-keeping burdens on states. It also would recognize that poor workers who dutifully seek to work but have very low job skills are likely to lose their jobs from time to time, and that assuming they will face a jobless stretch only once every three years (rather than every two years) is unrealistic.

*Unemployment has climbed, making this provision harsher.* The changes that the Senate provision would make are particularly important now, with unemployment at a higher level. Although current law allows waivers of the three-month cut-off rule for areas with high unemployment, the data used to determine whether an area qualifies for such a waiver is several years old. For example, USDA is currently determining the eligibility of local areas for these waivers based primarily on unemployment during calendar years 1999 and 2000. Many areas that have been hard-hit by the economic downturn cannot receive waivers for at least a year. Giving unemployed workers in these areas six months to get back on their feet is a modest but important step to ease the pain of the recession; many individuals are out of work now due to no fault of their own.

A six-month period of eligibility would give unemployed workers a more reasonable amount of time in which to find a job. Indeed, even in periods of *low* unemployment, the unemployment insurance program allows workers who qualify for it — most of whom have greater skills, education and job experience — six months to secure new employment.

### Provision Assumed Work Slots that Do No Exist

The core of this provision of the Food Stamp Act was added to the welfare law on the House floor in July 1996 by an amendment offered by then-Rep. John Kasich and Rep. Bob Ney. In offering the amendment, Reps. Kaisch and Ney stressed that the amendment would not cause hardship because those subject to it would readily be able to find a job in the private sector or secure a food stamp workfare slot. They stated that people willing to work would not have their food stamps taken away. Examination of the floor debate makes clear that Kasich and Ney mistakenly thought that food stamp workfare slots would readily be available to anyone hitting the three-month point who could not find a job in the private sector.

For example, Rep. Kaisch declared on the floor: "...let me make clear that the amendment does so there is not confusion. If you are able-bodied, single, between the ages of 18 and 50, and you get food stamps, we are saying you have to work 20 hours a week. It is not more complicated than that. If you cannot get a job, you go to a workfare program."

Later in the debate, Rep. Kasich underscored this point: "So, if you are able-bodied, you go and you have to work 20 hours to get your food stamps. Then of course if you cannot find a job then you do workfare. That is what it is."

*Most of those affected are very poor and disadvantaged.* USDA data show that 82 percent of the people whom the three-month cut-off affects are part of a household with income below *half* of the poverty line (below \$358 a month for a single individual and \$484 a month for a couple). The same study found that 57 percent of these people live in households with virtually no income, apart from a food stamp benefit averaging about \$130 per month. In most states, they qualify for no other benefits because they are not raising minor children; food stamps is the only safety net they have. The data also show that *more than 40 percent of this group are women*. In addition, more than 40 percent of the group lacks a high school diploma. Given their extremely low incomes, it is quite likely that a sizable number of the individuals subject to this provision are homeless.

*States are not required to offer these individuals a work slot before cutting them off.* The sponsors of the original provision called it a work requirement and argued that unemployed workers could continue receiving food stamps beyond the initial three months simply by performing workfare (see box at the top of this page). But that has not been the way the provision has been implemented, since few states operate workfare programs that are available to childless adults. As a result, the great majority of individuals subject to this provision who are still unemployed after three months are cut off without any chance to work off their food stamps. Even after Congress provided states with increased federal funding for work slots for these individuals in 1997, most states did not create such slots. States have focused on establishing and operating work programs for TANF recipients, not for adults without children who reach the three-month food stamp cut-off. (See box on page 4.)

## Other Federal Policies Can Discourage Workers from Hiring These Individuals and States from Creating Work Slots for Them

Other federal policies give precedence to the creation of jobs and work slots for other low-income individuals, thereby pushing the people subject to the three-month food stamp cut-off to the back of the queue for both jobs and work slots.

- Under the 1996 welfare law, states must place specified percentages of TANF recipients in jobs or work programs. States that do not place a sufficient number of those people in jobs or work slots can face fiscal penalties. In the food stamp program, by contrast, states are under no requirement to provide work slots for childless adults subject to the three-month cut-off and face no fiscal penalty if they do not create such slots. Since there generally are limits to the number of work and training slots that states can create and administer, states tend to use these slots for families on TANF rather than for childless adults on food stamps.
- The Bush Administration's new welfare proposals, unveiled February 26, would sharply increase the pressure on states to place welfare recipients in jobs or work slots while providing no additional funding to states to meet this mandate. States falling short of meeting these stiff requirements would face penalties. This change in law could lead some of the states that do currently operate work programs for childless adults on food stamps to convert these to work programs for welfare recipients.
- Finally, the federal Work Opportunity Tax Credit provides employers a substantial tax credit for hiring individuals who fall into certain categories. The categories include welfare recipients but exclude most individuals subject to the food stamp cut-off.<sup>a</sup> This tax credit provides employers an incentive to hire welfare recipients ahead of other comparable job applicants. It thus has the effect of penalizing individuals subject to the food stamp three-month cut-off and making it harder for them to find work.

These developments have further clouded the employment prospects of this population. This group already faces significant problems in the labor market, as shown by the leading study of this matter, a book-length analysis by well-regarded economist Harry Holzer (now of Georgetown University) entitled *What Employers Want: Job Prospects for Less-Educated Workers*.<sup>b</sup> In this study, which is based on a detailed survey of 3,000 employers, Holzer found that workers with limited education and job skills tend to experience long periods of unemployment and can have difficulty in finding jobs even when the economy is strong. "Overall," Holzer wrote, "only 5-10 percent of the jobs in central-city areas for non-college graduates require very low competence skills or work credentials. In these same areas, it appears that a much larger percentage of residents lack at least one or more of the credentials required by employers." The result is competition for a limited number of these job opportunities, with federal and state policies disadvantaging those among this group who are single individuals not raising minor children. Holzer also reports that "these employment difficulties for minorities and the least-skilled are apparent at all points in the business cycle, even when the labor markets appear to be relatively tight."

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<sup>a</sup> Employers can get the tax credit for hiring some childless 18-24 year-old individuals subject to the food stamp cut-off, but many 18-24 year-old childless individuals and nearly all 25-49 year-old childless individuals do not qualify.

<sup>b</sup> Harry T. Holzer, *What Employers Want: Job Prospects for Less-Educated Workers*, Russell Sage Foundation, 1996.