



**Prepared Statement on
Kansas Senate Bill 372**

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submitted to the

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Chairperson Pilcher-Cook and Vice-Chairperson Bowers, thank you for the opportunity to submit testimony on Senate Bill 372, the Kansas HOPE Act of 2016. FGA Action improves the lives of families and taxpayers by advocating for public policies based on the principles of free enterprise, individual liberty, and a limited, accountable government.

Kansas' Welfare Reforms Are a Success, But The Work Is Not Done

FGA Action commends Kansas for considering the provisions of Senate Bill 372, which would implement strategies that encourage work and focus aid to the truly needy by reducing waste fraud and abuse.

For example, crosschecking lottery winners with your welfare enrollees is common sense. Enrollees need to report any form of income. When they don't, they are not living up to their end of the bargain, and the state runs the risk of spending valuable resources on individuals that are no longer eligible.

Recently Maine did a similar crosschecking and found that welfare enrollees had won \$22 million dollars in a four year period. Of those, 11 individuals each won \$1,000 or more-- 10 or more times, and eight individuals on welfare won single prize winnings of \$500,000 or more since 2010.

Additional efforts such as verifying the identity of *every* adult in a household is helpful to cut down on potential fraud. Making sure that enrollees understand they must participate in a fraud investigate, and conducting an examination of the number of replacement cards is so important to cut down on trafficking, especially for drugs.

Passing changes like the ones considered in this bill are prudent, and important to protecting the integrity of the food assistance program. Importantly, Senate Bill 372 would build on Kansas' track record of success of empowering Kansans to self-sufficiency.

For example, Kansas led a new trend of restoring the work requirement for able-bodied adults without dependent on food assistance. The results are exciting.

Within the first three months, roughly half of the able-bodied adults subject to Kansas' work requirements cycled off of food stamps. The work participation rate among those who remained nearly tripled and average incomes rose significantly.

Perhaps even more impressive is what happened to those who cycled off of the program. These able-bodied adults increased their earnings by an average of 127% in the year after leaving the program, which more than offset lost benefits. Better still, these working able-bodied adults now have incomes that put them above the poverty line. Instead of being a liability to taxpayers, these adults are adding millions of dollars to the Kansas economy.

While the way Kansas is looking at the data is new, the results should surprise no one. When states first adopted work-first welfare reforms, millions of welfare recipients moved into the labor force, spurring greater economic growth, lower caseloads, higher employment, and lower poverty rates, particularly among the most at-risk populations. Better still, numerous studies have

found that re-entering the workforce improves workers' health and well-being, personal satisfaction, and financial stability.

Conclusion

Policymakers in Kansas are wise to consider Senate Bill 372 as you all work toward delivering as many Kansans from dependency to financial freedom, and you fight to help preserve taxpayer dollars to help the truly needy—not those fraudulently collecting welfare benefits.

Maine Welfare Lottery Winners from 2010 – 2014

Overview

In early 2015, the Maine Department of Health and Human Services (“DHHS”) formally requested and received from the Bureau of Alcohol and Beverage and Lottery Operations (“BABLO”) a list of all individuals that have won a Maine lottery prize of \$1,000 or more for the years of 2010 through 2014.

This list of winners was data matched against an internal DHHS list which contained the following fields:

1. Open on Temporary Assistance for Needy Families (“TANF”) at the time of their win.
2. Open on MaineCare at the time of their win.
3. Open on Supplemental Nutrition Assistance Program (“SNAP”) at the time of their win.
4. Open on a combination of any of the three program listed above at the time of their win.

Based on the results of this data match and subsequent analysis of winnings, it was determined that over the course of the last five years, there were thousands of welfare recipients who have won a total of \$1,000 or more. In total, there was \$22,401,826 in lottery winnings by individuals receiving welfare at the time of the winnings.

Since 2010, 4,865 winning tickets of \$1,000 or more were cashed in by 3,685 individuals who were receiving SNAP, TANF or MaineCare, or some combination of those benefits at the time they won.

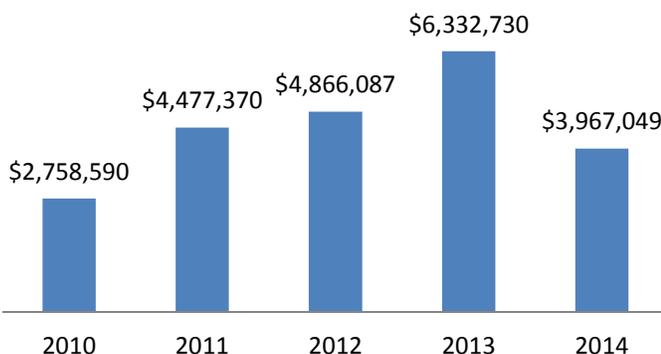
Quick Facts

- \$22,401,826 in winnings by individuals on benefits at the time of winning
- Total “check amounts” of \$17,147,014
- 11 individuals each won \$1,000 or more 10 or more times
- Eight individuals on welfare won single prize winnings of \$500,000 or more since 2010

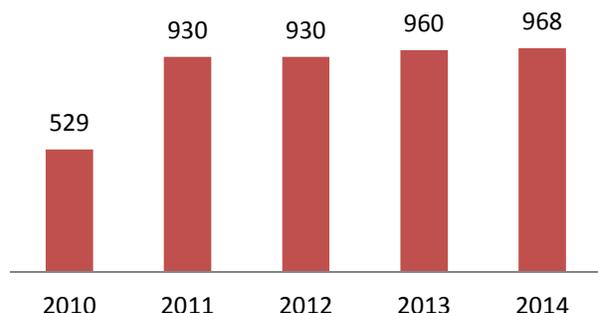
Program Integrity

Welfare benefits are meant to go to the neediest and most vulnerable populations in Maine. Subsidizing recreational and problem gambling goes against the long-term objectives of TANF, SNAP and MaineCare.

Total Winnings by welfare recipients



Total individuals on welfare when they won more than \$1,000



2014 Agricultural Act

Section 4009 of the Agricultural Act of 2014 states that:

- a. Households that receive “substantial lottery or gambling winnings (as determined by USDA) are ineligible for SNAP until the household meets the SNAP resources (assets) and income eligibility limits.”
 - b. States must also “establish agreements with entities such as BABLO to determine whether individuals participating in SNAP have received substantial lottery or gambling winnings.”
- 1) Maine should introduce legislation which requires that within 7 days after paying a prize of \$1,000.00 or more, BABLO shall notify DHHS of the name of and other available identifying information regarding the winner of the prize and the amount of the prize.
 - 2) The Secretary for the U.S. Department of Agriculture has yet to define “substantial lottery or gambling winnings.” The common sense approach, which Maine DHHS could use, would be to define this as the proposed asset test amount or \$5,000.00, and close any individual that has a lottery winning that meets this threshold. The Secretary’s failure to define “substantial” has left states in the lurch in regards to implementation of this rule.

Looking at Michigan’s closures (roughly 10% of the identified winners were immediately closed) and applying this to Maine, it would result in approximately 100 people being removed from the program immediately. This would result in a cost avoidance of roughly \$24,000 per month, or \$291,600 per year (using the average SNAP benefit per household).

Traditional Categorically Eligible Groups

Under 7 USC 2014(a), traditional categorically eligible groups are established when all members of a household receive one of the following: social security benefits; state disability benefits; or benefits under a general assistance program which is administered by the State or a local government. In Maine, the State administers a cash assistance program called TANF (Family Independence Program in Michigan) that grants categorical eligibility for SNAP. Traditional categorically eligible groups cannot contain any members who are disqualified because of: an intentional program violation; an employment-related activity.

7 USC 2014(j) allows for “resource exemption for otherwise exempt households” as it provides that a household member who receives social security benefits under Title XVI of the Social Security Act (SSA), aid to the aged, blind, or disabled under Titles I, II, X, IXV, or XVI of the SSA, or who receives state benefits funded under Part A of Title IV of the SSA is considered “to have satisfied the resource limitations prescribed under subsection (g).” 7 USC 2014(g) prevents Maine from applying an asset test to these traditional categorically eligible groups for purposes of SNAP. For example, subsection(j) allows an individual that wins a million dollars to remain on the SNAP rolls until her SSI closes, even though

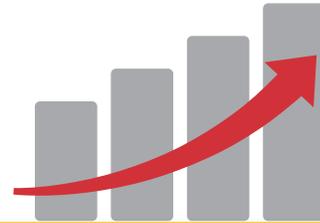
Maine will have a \$5,000 asset limit. According to SNAP regulations, lottery winnings are considered to be liquid assets in the form of non-recurring lump sum payments, which are excluded from income and counted as assets in the month received. If the person is not subject to an asset test, the winnings wouldn't be counted towards income or asset.

However, 7 USC 2015(a) states that “[i]n addition to meeting the standards of eligibility prescribed in section 5 of this Act [7 USC 2014], households and individuals who are members of eligible households *must also meet and comply* with the specific requirements of this section to be eligible for participation in the supplemental nutrition assistance program.” (Emphasis added.) The new lottery provision found in section 4009 of the Agricultural Act of 2014 was inserted into 7 USC 2015 as subsection 2015(s). Therefore, presumably, lottery and casino gambling winners with “substantial” lottery winnings will immediately lose their SNAP benefits, whether or not the household is categorically eligible, at least for the month in which the winning occurred.



The Welfare & Unemployment Trap is Worse Than You Think

Welfare growth is out of control.



35% of Americans live in households receiving benefits from one or more welfare programs

Medicaid enrollment has **more than doubled** since 2000

Food stamps are the gateway to long-term government dependency.

The number of Americans dependent on food stamps has **nearly tripled** since 2000
86% of households on food stamps are also receiving other types of welfare

WELFARE DISCOURAGES WORK
57% of able-bodied adult households on food stamps have no earned income

WELFARE TRAPS FAMILIES IN POVERTY
Individuals stay on food stamps for an average of **8+ years**

WELFARE DISCOURAGES MARRIAGE
84% of mothers on welfare don't marry within 5 years

Unemployment Encourages Out-of-Wedlock Births

Unemployed, single men are **2.5X** more likely to become fathers

Unemployed, single women are **3X** more likely to become mothers than their married peers

What happens when you don't work?

- Lower self-esteem
- Worse health
- Higher mortality risks





The Welfare & Unemployment Trap is Worse Than You Think

Moving People from Welfare to Work Transforms Lives



Independence

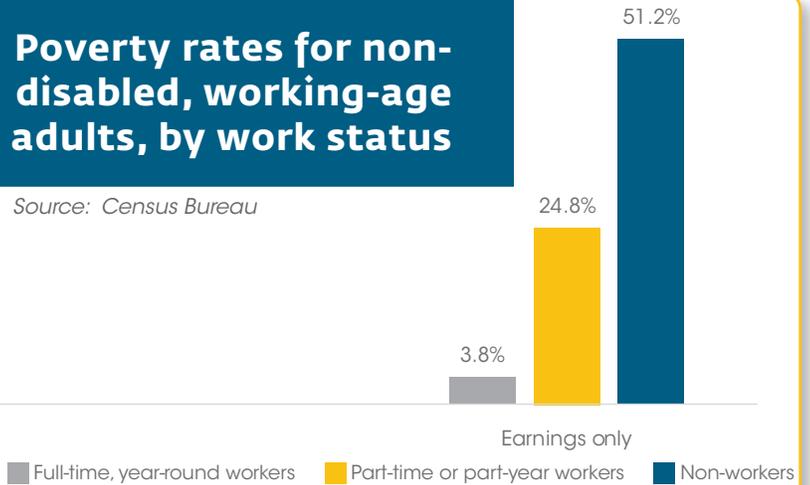


Poverty

Working full-time raises most able-bodied adults out of poverty

Poverty rates for non-disabled, working-age adults, by work status

Source: Census Bureau



That's why Voters Support Welfare Reform:

WELFARE REFORM IS POPULAR

WORK REQUIREMENTS



SUSPEND BENEFITS FOR REFUSAL TO PAY CHILD SUPPORT



ASSET TESTS



TIME LIMITS (12 MONTHS)



CASE STUDY: KANSAS

Restored welfare work requirements for able-bodied adults in 2013:

Higher Income
127% increase

in average income among those cycling off food stamps

Less Dependence
68% long-term reduction in childless adult enrollment
Out of Poverty

Majority worked their way out of poverty

More Marriage

2% increase in marriage rate

8% increase in number of African-American men marrying