

A light gray silhouette of the state of Maine serves as the background for the upper half of the poster.

FIX the **SYSTEM**

Freeing Maine families
from welfare dependency



THE MAINE HERITAGE POLICY CENTER
www.mainepolicy.org

Fix the System

Freeing Maine Families from Welfare Dependency

J. Scott Moody and Kyle Pomerleau

2012 Edition

“Maine’s welfare system undermines hard work
and traps parents and children in poverty.”

“We must fix the system to free families from
dependency through accountability and hard work.”

wel·fare (wel'fâr'), *n.*

Financial or other aid provided, especially by the government, to people in need.

Merriam Webster's Dictionary

Overview

The Welfare System is Broken

In the past decade, the number of people trapped in Maine's welfare system has skyrocketed:

- From 2003 to 2010, welfare enrollment grew to 402,000 from 226,000 recipients
- Maine has some of the most liberal eligibility requirements in the nation
- In the past 15 years, spending on welfare has nearly doubled, while Maine's poverty rate has remained constant
- Maine ranks in the top 6 in food stamp, Medicaid and TANF participation, an honor not bestowed to any other state

A Number of Important Reforms since 2010:

- A five-year cap on welfare receipt
- Stricter sanctions for non-compliance to welfare rules
- Medicaid income eligibility tightened to 133 percent from 200 percent of the federal poverty level
- Improved Fraud Prevention
- Streamlined the Department of Health and Human Services
- Disqualification of eligibility for drug felons and non-citizens

Fix the System

Focus aid on the truly needy

- Further tighten income eligibility requirements

Encourage Independence over Dependency

- Help people toward work and self-sufficiency first, with welfare as a last resort
- Create real and enforceable work and job search requirements

Continue to Overhaul Maine's Welfare Bureaucracy

- Simplify and streamline the system in order to provide a clear path to self-sufficiency
- Set work and self-sufficiency goals for recipients, and report total results to taxpayers each month

Create an economic environment conducive to self-sufficiency and success

- Reduce the burden of high taxes, healthcare and energy costs on low-income families
- Create a business-friendly environment that promotes hard work and self-sufficiency

Introduction

As we enter the final months of 2012, Maine is slowly recovering from the “Great Recession.” Although recovering from a high of around 8%, Maine’s unemployment rate still remains above 7%. This has placed additional pressures on an already expansive welfare state. Since the last report, the economy has worsened, the state continues to spend more money each year on welfare and more families are being trapped in the welfare system.

Even in this bad economy, important reforms have been made to the system. When Governor Paul LePage entered office in 2010, he promised to reform welfare into a “work-first” system. And he has. His reforms have moved Maine’s system more in line with the rest of the country with time limits on welfare receipt, waiting periods for non-citizens and stricter sanctions for not meeting the requirements of the program. These important changes will help Maine people move from dependence to self-reliance.

Even with the significant changes that the LePage administration made to the welfare system, Maine still requires reforms to move people from dependence. Maine still lacks policies that keep Maine families independent and ensure prosperity. Maine’s Medicaid and Food Stamp programs are still among the most generous and liberal in the country, causing Maine to continue to have one of the highest levels of dependence in America, trapping more families in this system than any other state.

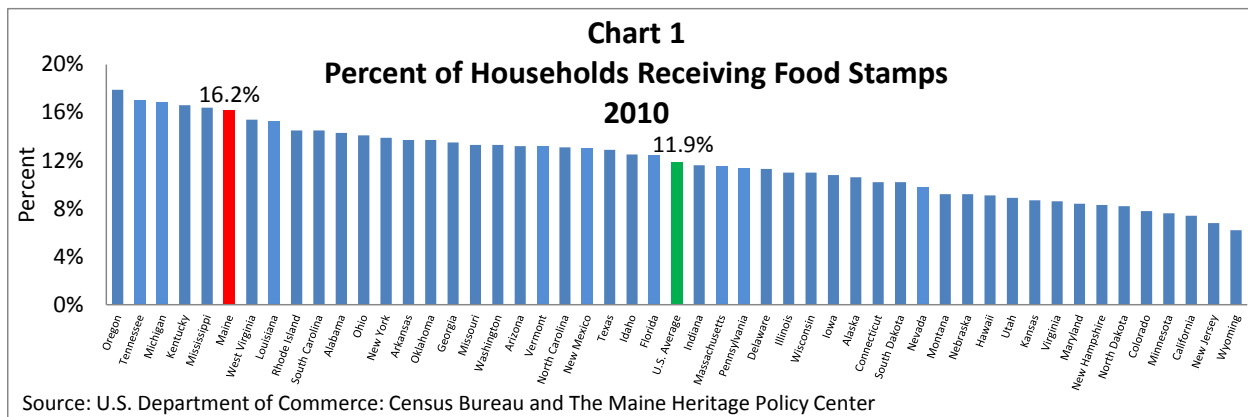
The state has made some steps in the right direction, but still has work to do to bring the state’s welfare system in line with the rest of the nation. Holding to the original principles of the 1996 welfare reform, Maine should make welfare less of a way of life and direct help to the truly needy.

This study will highlight where Maine stands today after the recession and a number of welfare reforms and what Maine’s legislature and governor can further do to *fix the system*.

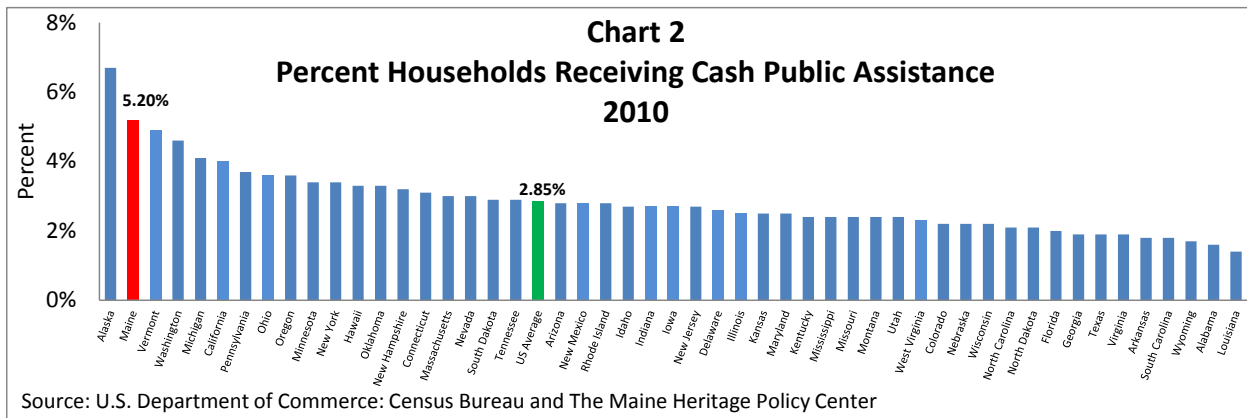
Changes since Last Study

Since the release of the “Fix the System” study, the 2008 recession has continued to cause welfare systems throughout the country to explode. However, even with the increase of need throughout the country, Maine, which ranked top in participation in 2010, still holds top spots in 3 key programs.

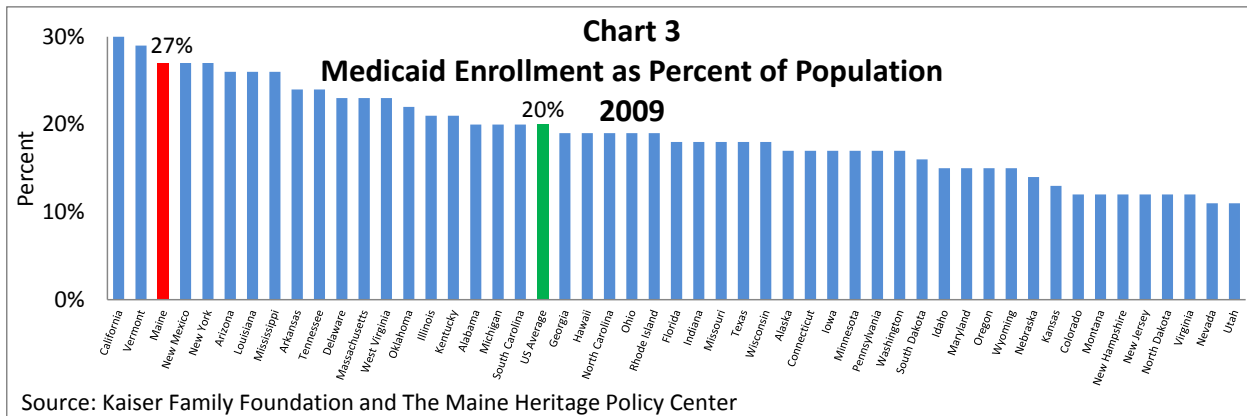
As shown in Chart 1, the U.S. Census Bureau reports that Maine ranks 6th in the percent of households receiving food stamps in 2010, with an increase of household participation to 16.2 percent in 2010 from 13.8 percent in 2008.¹



As shown in Chart 2, the U.S. Census Bureau also reports that the percent of households receiving Cash Public Assistance has grown to 5.2 percent in 2010 from 4.8 percent in 2008. Maine still has the second highest participation of households in the nation which is almost double the participation rate of the national average.²



As shown in Chart 3, in 2009, Maine's Medicaid program also remains one of the largest in the nation with more than 27 percent of the state's population or 322,000 people participating in the program, only lagging behind Vermont and California.³



Another major portion of Maine's welfare system is the federal and state Earned Income Tax Credit. In 2010, a little more than 100,000 Mainers received the federal EITC, or benefits equal to 188 million dollars, or about 1,871 dollars in benefits per person.⁴

Maine is also one of 24 states that also have a state-level EITC. This non-refundable tax credit reduces the tax burden of low-income Mainers by 5 percent of the value of the federal EITC. More than 50,000 Mainers participated in the program in 2009, representing a tax expenditure of 4.1 million dollars.⁵

Maine's welfare system remains out of the mainstream, fostering the most dependence of all the states. As shown in Table 1, even after the recession, no other state, other than Maine, ranks in the top 10 in all 3 categories of welfare participation and Maine continues to surpass the national average in all 3 categories of welfare participation.

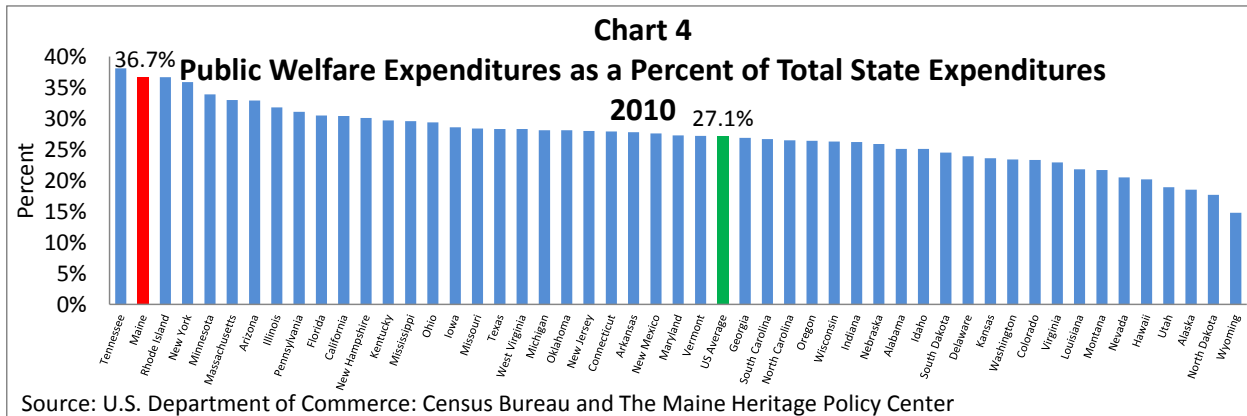
Table 1

Percent of Households receiving Food Stamps, 2010			Percent of Households with Cash Public Assistance, 2010			Medicaid Enrollment as a Percent of Total Population, 2009		
Rank	State	Percent	Rank	State	Percent	Rank	State	Percent
1	Oregon	17.9%	1	Alaska	6.7%	1	California	30%
2	Tennessee	17.0%	2	Maine	5.2%	2	Vermont	29%
3	Michigan	16.9%	3	Vermont	4.9%	3	Maine	27%
4	Kentucky	16.6%	4	Washington	4.6%	4	New Mexico	27%
5	Mississippi	16.4%	5	Michigan	4.1%	5	New York	27%
6	Maine	16.2%	6	California	4.0%	6	Arizona	26%
7	West Virginia	15.4%	7	Pennsylvania	3.7%	7	Louisiana	26%
8	Louisiana	15.3%	8	Ohio	3.6%	8	Mississippi	26%
9	Rhode Island	14.5%	9	Oregon	3.6%	9	Arkansas	24%
10	South Carolina	14.5%	10	Minnesota	3.4%	10	Tennessee	24%

Source: U.S. Department of Commerce: Census Bureau, Kaiser Family Foundation, and The Maine Heritage Policy Center

Welfare Spending

This dependence still takes a huge fiscal toll. As shown in Chart 4, the percent of the budget devoted to public welfare has grown to 36.7 percent in 2010 from 30 percent in 2008, almost 10 percentage points higher than the national average and only lower than one other state. This is a higher proportion of money than the state of Maine spends on Education, roads, hospitals and police protection combined.⁶

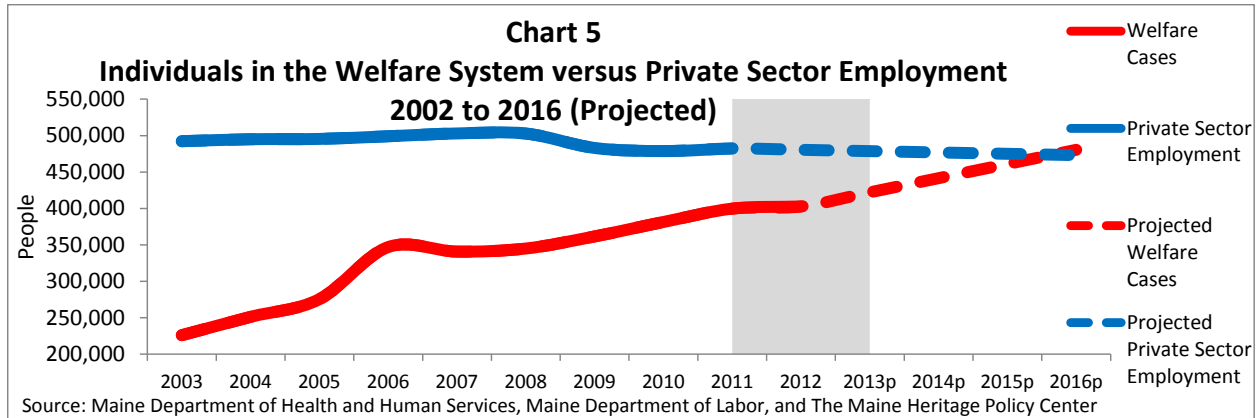


As of June 2012, 402,722 people are enrolled on Medicaid, TANF or Food Stamps in the state of Maine, representing an increase in the participation rate to 30.5 percent from 29 percent.⁷ Medicaid participation has increased to 330,474 from just fewer than 300,000.⁸

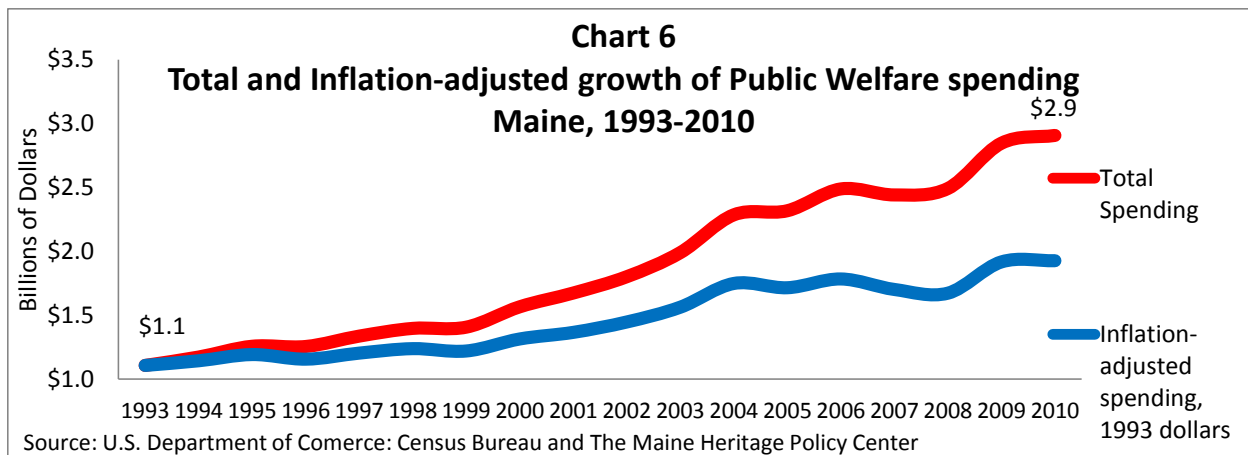
Food stamp participation also continues to climb even as the economy slowly recovers from the recession. This means nearly 1 in 3 people in the state are still on some sort of public assistance.

The continuous growth of the welfare system has been the conscious design of policymakers. As shown in Chart 5, this trend has been heading towards a situation where there will be more Mainers enrolled in welfare than are working jobs in the state's private sector by 2016.

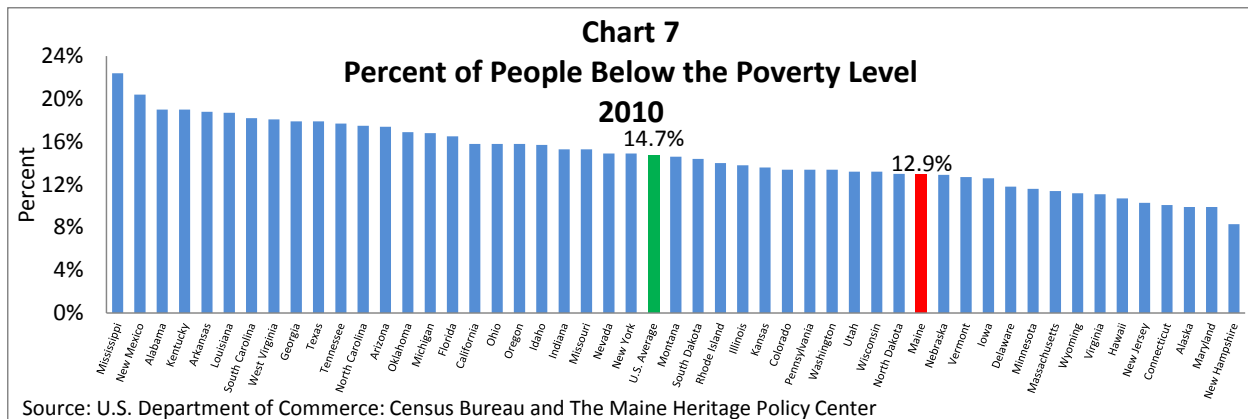
It is reasonable to assume, from other states' experiences, this trend will not actually come to fruition as Governor LePage's reforms are phased-in. Data from the Maine Department of Health and Human Services suggest that in more than a dozen Maine towns, more than half the population is already dependent on TANF, Food Stamps or Medicaid.⁹



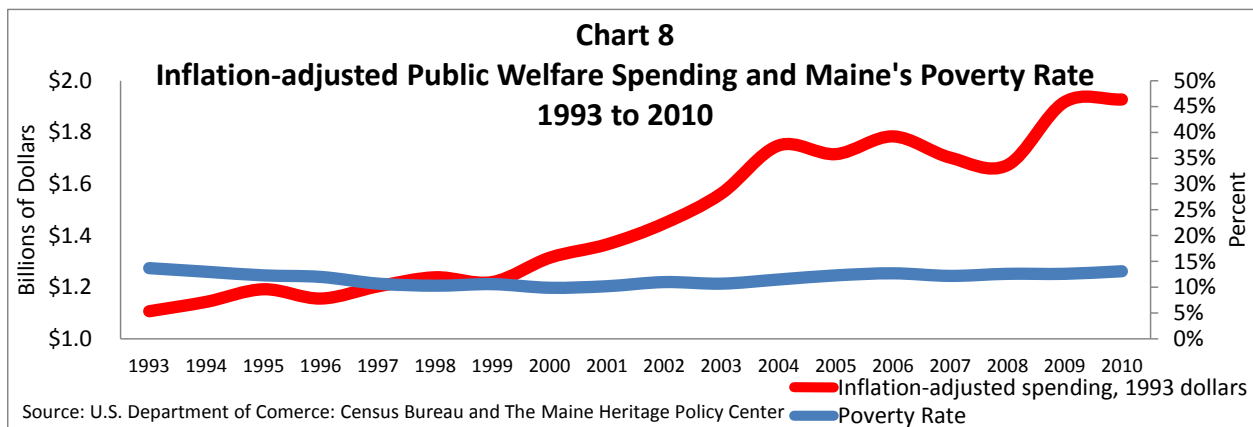
The level of dependence in Maine comes at an astonishing cost. As shown in Chart 6, data from the U.S. Census Bureau shows that Maine spends more than \$2.9 billion a year on its welfare system, up from \$1.5 billion a decade earlier. Even in constant, inflation-adjusted dollars, welfare spending in Maine rose almost 50 percent from 2000 to 2010.¹⁰



Although Maine spends billions on welfare, it is not because the population is needier than in other states. Maine, even after the recession, is not even close to being the poorest state. As shown in Chart 7, data from the U.S. Census Bureau shows that Maine's poverty rate is only 12.9 percent, a rate that is well below the national average of 14.7 percent.¹¹



In fact, it doesn't seem as though spending by the state's welfare system has an association whatsoever with poverty rates. As indicated in chart 8, real, inflation-adjusted spending by Maine's welfare system has significantly increased, but Maine's poverty rate has remained constant for the last 19 years.¹²



Clearly, poverty is not the driving force behind the exploding growth of Maine's welfare system. As this study demonstrates, Maine people are among the nation's most dependent not because of economic misfortunes unique to the state, but because state policymakers have consciously enacted policies that make it too easy to become trapped by the welfare system—and too difficult to escape it.

Maine's Welfare System: Designed for Dependence

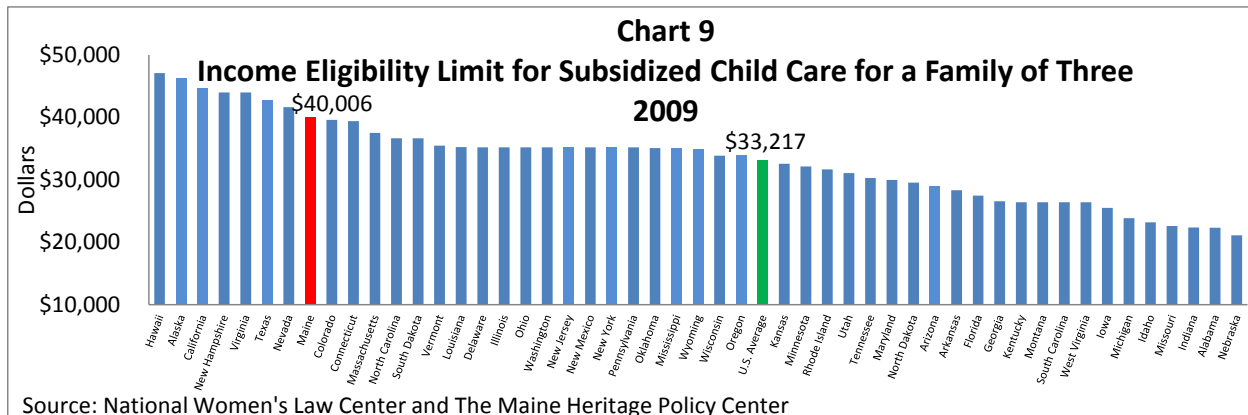
In a September 2009 *Portland Press Herald* article on Maine's Food Stamp enrollment rates, John Martins, a Department of Health and Human Services spokesman, explained why 13.8 percent of Mainers receive Food Stamps, well above the national average of 8.6 percent. The state's screening system, he said, is "so well integrated" that "when someone goes to one of the regional offices, the staff will check eligibility for 22 support programs."¹³ Maine's welfare system is designed, in other words, to maximize dependence.

Eligibility Requirements are Among the Most Liberal in the Nation

The most effective way for the state to maximize welfare dependency is to relax eligibility requirements so more people can enroll in the welfare system. According to the Urban Institute's Welfare Rules database, for instance, a family in Maine can earn as much as 1,023 dollars a month and still qualify for

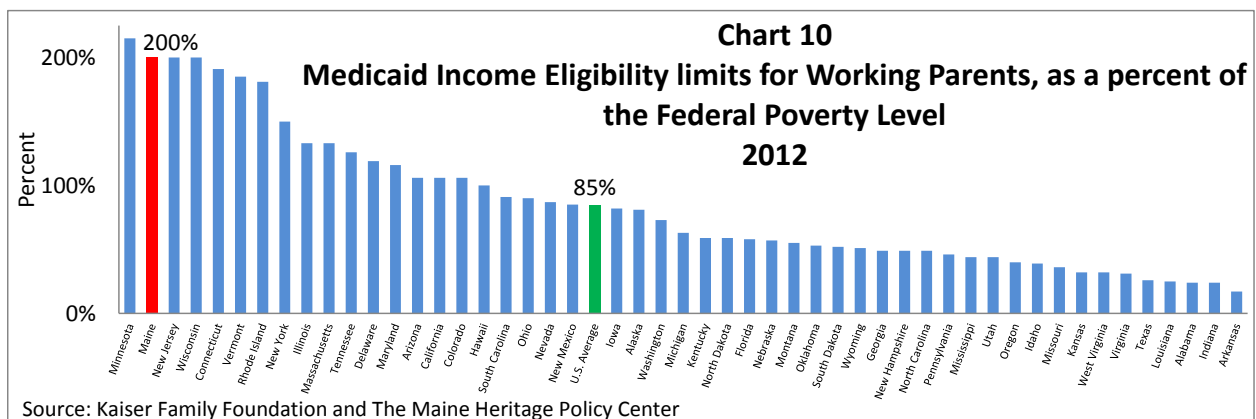
cash assistance.¹⁴ Only 12 other states allow incomes that high to qualify. Many of those states, such as Massachusetts, Connecticut, New York and New Jersey, have far higher costs of living than Maine.

High eligibility levels apply to Maine's child care assistance as well. According to the National Women's Law Center, a family of three in Maine can earn more than 40,000 dollars and still receive taxpayer-funded child care. Only six other states allow families with such high incomes to receive costly benefits of this kind.¹⁵



Maine's Medicaid program also has some of the most liberal eligibility requirements in the country. As The Maine Heritage Policy Center concluded in a 2008 study, Medicaid has largely become a middle class entitlement. Forty-six other states, the report found, have "lower Medicaid income eligibility limits for working and non-working parents." "Maine Medicaid income limits for working parents," the report continues, are "more than three times the US average," while income limits for non-working parents "are almost five times the US average."¹⁶ Maine's Medicaid even covers non-disabled adults without children—thirty other states do not provide any Medicaid coverage to this segment of the population.¹⁷

Since the publication of the previous *Fix the System* report in 2010, Maine's Medicaid eligibility limits for working parents have declined slightly and are set to drop even farther to 133 percent of the federal poverty level, but today it is still one of the highest in the nation. As shown in Chart 10, data from the Kaiser Family Foundation's most recent survey, Maine provides Medicaid coverage to working parents earning 200 percent of the Federal Poverty Level.¹⁸



One of the primary reasons Maine has such a high level of welfare dependence is that it has some of the most—if not the most—liberal eligibility standards in the country. Freeing Mainers from dependency on welfare means policymakers must deal, first and foremost, with eligibility.

The State's Rich Benefits Package Encourages Dependence

Another reason so many Mainers are enrolled in one or more of the state's welfare programs is that the benefits available from the system are so wide-ranging.

Maine's welfare system offers enrollees cash, health care, food supplements, rental assistance, transportation benefits, child care, job training, and subsidies for electricity and heating oil—all funded by Maine taxpayers.

According to Maine Equal Justice Partners, Mainers who are enrolled in the state's ASPIRE jobs program are entitled to "the services needed" to hold down a job. Those services include, but are not limited to, child care for children under 13 years old, dental care, eye care, reimbursements for travel costs (including costs for car repairs and car insurance), tuition and school supplies, clothing and uniforms for work, and occupational expenses such as license fees.¹⁹

Under the Maine State Housing Authority's Weatherization and Central Heating Improvement Program, grants are available to "low income homeowners and renters" for "home energy efficiency" improvements such as "insulation, weather-stripping, and caulking," and "repair or replacement of central heating systems."²⁰

Those enrolled in the SafeLink program, which is automatically available to those receiving TANF cash assistance and Food Stamps, are given a free cell phone and 68 minutes per month in free call time.²¹

Maine also has a taxpayer-funded program called "Alternative Aid" which provides eligible non-TANF recipients with vouchers for services such as "car repairs, childcare, uniforms, housing-related emergencies, or even dental work if those things are needed to help them get or keep a job."²² Vouchers of this kind have a maximum value equal to three months of cash assistance under TANF (about 1,450 dollars), but since enrollment in TANF is not required to receive the voucher, none of TANF's work requirements apply. And because the benefit is in the form of a voucher, it does not affect cash income and thus has no impact on the receipt of other benefits such as Food Stamps.²³

Alternative Aid used to be a one-time benefit. As a result of legislation enacted in Maine in 1996, however, those who qualify can apply for Alternative Aid once a year every year and receive the equivalent of three months of cash assistance without having to comply with any of TANF's work requirements or face reductions in any of their other benefits.²⁴

Even for those Mainers who might be reluctant to enroll in Maine's welfare system, this extensive list of benefits is tempting. When such a rich a benefits package is combined with liberal eligibility requirements, limited work requirements, and lax enforcement of the rules, it is no wonder enrollment in the welfare system is skyrocketing across Maine.

Maine's dependency crisis did not come about because of the extraordinary needs of Maine people. Rather, it was the result of deliberate state policy that increased reliance on government. Compared to most states, Maine enrolls more people in its welfare system in the first place, requires less of them once they are in the system, lets them stay in the system longer, does less to hold them accountable for noncompliance, and offers them a far more wide-ranging package of benefits. It should therefore come as no surprise that dependence on Maine's welfare system has exploded.

Program Design Changes

Fortunately, there have been positive changes to the welfare system since the first *Fix the System* study. Both the Republican-led Legislature and the LePage administration have put through a number of important welfare reforms that have put Maine more in line with the rest of the nation. All of them were featured as necessary reforms in our previous study.

Placed a 5-Year Limit on Welfare Benefits

The welfare reform bill that created TANF imposed a five-year time limit for receiving TANF cash assistance. However, Maine, from 1996 to 2011, had no real time limit on TANF benefits. Because of this, Maine had one of the highest percentages of long-term TANF participation at 11.5 percent in 2005.²⁵

Maine now has a five-year limit on those who are receiving TANF benefits. In addition, any family already on the program for more than 5 years will have a 6-month grace period.²⁶ The evidence that this policy is a positive change for Maine's families is overwhelming:

- According to a 2008 study that the Lewin Group and MDRC prepared for the U.S. Department of Health and Human Services, "evidence that time limits can encourage welfare recipients to find jobs and leave welfare more quickly, even before reaching the limit." In some states, the study found, work rates were higher for those who left welfare as a result of reaching time limits than they were for those leaving welfare for other reasons.²⁷
- A 2006 report by the Urban Institute found that "stricter time limit policies may lead to lower deep poverty rates among mothers and children," especially "if they encourage individuals to enter the labor force and thereby increase their earnings." It also found that time limits "increase employment."²⁸
- A 2003 study published in the Review of Economics & Statistics found that "time limits had important effects on welfare use and work, accounting for about one-either of the decline in welfare use and about 7 percent of the rise in employment since 1993."²⁹

Before the passage of this reform, Maine was one of only 7 states that did not have strict five-year limits. Enforcement of this policy will drastically reduce dependence, lower poverty and increase employment in Maine as it has done throughout the country.

Stricter Sanctions for Violation of Program Requirements

The federal law states that TANF programs must have a work component in order to promote independence. Maine, however, was well known for having some of the weakest sanctions for non-compliance. In 2008, Maine had a work participation rate of 11.4 percent, far lower than New Hampshire's 47.4 percent, which has work requirements.³⁰

The reform in the 2012 - 2013 budget requires that individuals meet ASPIRE job search requirements or their benefits are withheld.³¹ This reform, although not the strictest sanction, is a step in the right direction towards self-sufficiency.

The benefits of this reform are clear:

- A 1999 study by the federal Council of Economic Advisors concluded: “policies that sanction recipients who do not go to work are associated with large declines in welfare participation.”³² That was also the finding of 2002 Cato Institute report, which found that on average, the states with the toughest sanctions “experienced larger caseload declines” than states with weaker sanctions. States with sanction policies that withheld the full welfare benefit saw their caseloads drop 60 percent, compared with a 40 percent caseload drop among states with the kind of partial sanctions that Maine imposes today. The Cato study concluded “that strength of state sanctioning policies had the largest impact on caseload declines between 1996 and 2000.”³³
- A 2009 study of California’s welfare system found that “states with stricter sanction policies have substantially higher work participation rates and lower caseloads than states with a California-like sanction policy.” Additionally, this California study found that moving to “stricter sanction policies” would “substantially increase the state’s work participation rate, and slightly reduce poverty among children living with single mothers.”³⁴

Tightened Medicaid Eligibility Requirements

During the past decade, Maine has had one of the highest Medicaid income eligibility requirements in the country. In 2009, the requirement was 206 percent of the federal poverty level, and in 2011 it was 200%.³⁵ Both levels were far above the national average, which is only 88 percent of the federal poverty level.

The DHHS 2012 supplemental budget will lower the income eligibility level from 200 percent in 2012 to 133 percent in 2013.³⁶ And with the Supreme Court’s ruling on *National Federation of Independent Business et al. v. Sebelius*, Secretary of Health and Human Services, et al., Maine could bring the eligibility limit further in line with the nation.³⁷

This reform was vital for Maine, which has one of the highest levels of Medicaid participation in the country.

Improvement of Fraud Detection

Maine’s welfare system for many years has been featured in news stories with instances of fraud.

- An April 2010 story in the *Lewiston Sun Journal* described half-dozen cases of welfare fraud, ranging from a misreporting of income to the use of multiple names and addresses. The most common way fraud is found, according to the article, is “a tip from a friend, neighbor or relative,” rather than detection by state officials.³⁸
- In a July 2010 article in the *Bangor Daily News*, Maine lawmakers expressed concern about the fraudulent use of cash benefits available under the state’s TANF cash assistance program. Barbara Van Burgel, who directed the office that oversees Maine’s TANF program, told legislators that her office doesn’t investigate “where people use their benefits” and that if someone wanted to “get cash for something improper” there was nothing to stop them from simply getting cash at “any bank or ATM.” She assured them, though, that “most people use this benefit as intended,” and besides, the 383 dollars in cash that the average TANF household receives each month is not, she told legislators, “a lot of money.”³⁹

- An August 2010 report in the *Bangor Daily News* described how, on a Tuesday morning, two evidently able-bodied men bought 20 cases of bottled water using their Food Stamps then poured out the water in the parking lot and redeemed the bottles for \$24 worth of five-cent deposits. In this way, they turned their Food Stamps into \$24 of untraceable cash. The employees of the store where this occurred described the fraudulent practice as both “common” and “a recurring problem.” Employees who oversee the City of Bangor’s General Assistance program also described the practice as a “recurring problem” and enacted a rule change forbidding the use of General Assistance funds for bottle deposits.⁴⁰

A recent bill to improve welfare fraud detection, LD 1888, is a law that gets to the center of this huge flaw in Maine’s welfare system. The law now allows DHHS to recover General Assistance and Medicaid benefits that were paid in error, bans the use of EBT cards at liquor stores and casinos, and conforms Maine law to federal requirements to suspend benefits to anyone who is convicted of fraud.⁴¹

Streamlined DHHS to Reduce Complexity and Cost

According to the Maine Legislature’s Office of Fiscal and Program Review, the Maine Department of Health and Human Services (DHHS) spent more than 2 million dollars in 2010 just to administer the Food Stamp program. The central office budget for the Department’s Office of Integrated Access and Support, which oversees parts of the welfare system like TANF, exceeded 3.5 million dollars the same year.⁴²

Despite these high levels of spending on administration and oversight, Maine’s welfare system was one of the most poorly managed in the nation. According to the *Portland Press Herald*, DHHS was chastised by the federal government in 2007 for having, by that point, the “highest error rate in the country” for two years running.⁴³

The 2012 and 2013 DHHS supplemental budget aimed at fixing many of the overwhelming administrative costs that plagued the department. It eliminated unnecessary staff positions, cut salaries and reorganized the department. These changes will save the state of Maine more than 25 million dollars.⁴⁴

Other Important Reforms

1. Drug testing for welfare recipients accused of drug crimes

Before the passage of the LePage Administration reforms, Maine was one of 9 states that allowed access to Food Stamps and TANF if the participant was convicted of a drug crime. The reforms enacted, again, bring Maine more in line with the nation and federal law. The law now requires regular drug testing and/or addiction treatment for welfare recipients who have been convicted of drug crimes.⁴⁵ This reform, which has been the center of many recent welfare reforms in states such as Florida, will help ensure benefits go to the truly needy.⁴⁶

2. Legal non-citizens waiting period

The 1996 federal welfare reform bill puts a five-year waiting period for legal non-citizens to receive welfare benefits. States, however, can opt to create 100 percent state-funded welfare programs for non-citizens. Before the LePage Administration’s reforms, Maine was one of 5 states that offered state-funded Food Stamp, Medical and TANF benefits to non-citizens.⁴⁷ Now Maine is in line with the rest of the nation and federal law, with a waiting period for legal non-citizens to receive welfare benefits.

- LePage's budget also included a symbolic reform that our previous study advocated for. The Office of Integrated Access and Support was renamed to the Office of Family Independence to better reflect the new mission of Maine's welfare system.⁴⁸

What Still Needs to Be Done

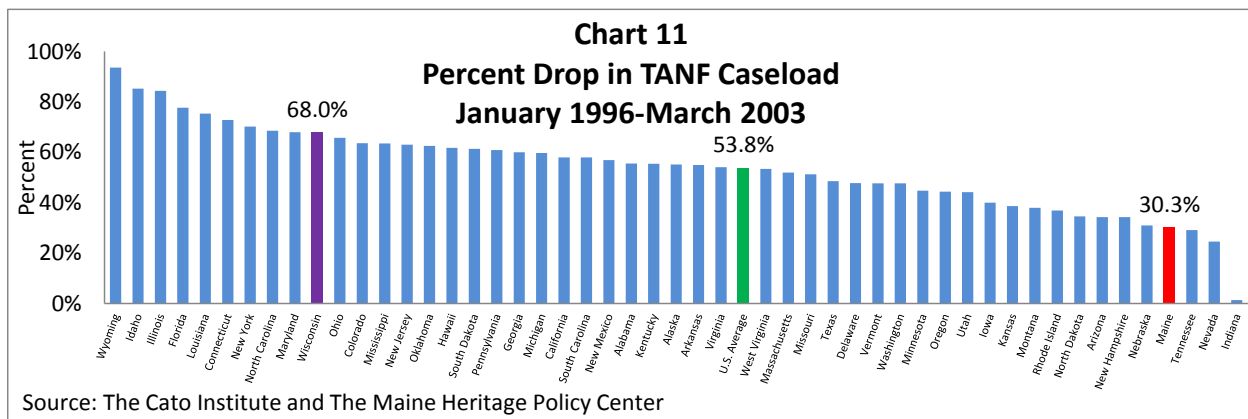
The reforms under the LePage administration are important steps in the right direction. Maine is now, for the first time, moving from a state that fosters dependence to a state that nurtures self-sufficiency. How do we continue to reform Maine's welfare system to one of self-sufficiency? Wisconsin remains a model for reform for Maine.

When Tommy Thompson took office to reform Wisconsin's out-of-control welfare system in the 1990's, he met with countless welfare recipients to hear their stories. What he heard was that "they wanted to work, but were concerned about being unable to afford healthcare for their children, to obtain quality childcare and to find transportation to and from their jobs."

Thompson's administration began to immediately "shift resources" into programs to promote work and self-sufficiency, and insisted that in exchange for these new expanded benefits, the state would "expect the people it helped to get up in the morning and go to work."⁴⁹

What Wisconsin achieved under Thompson's leadership was remarkable. From 1996 to 2003, the state's TANF caseload dropped by 68 percent. The poverty rate in Wisconsin fell to 9 percent in 2002 from 11.9 percent in 1996, one of the steepest drops in the nation during that period.

In Maine, by contrast, the TANF caseload dropped only 30.3 percent from 1996 to 2003 (the third lowest rate of decrease in the nation), and the poverty rate actually increased to 13.4 percent in 2002 from 11.2 percent in 1996. Only two other states had increases in poverty of this magnitude between 1996 and 2002.⁵⁰



Fixing Maine's welfare system still requires embracing a Wisconsin-style approach and keeping the system focused on promoting work and self-sufficiency. Although Maine is moving in the right direction, Maine still needs reforms to move families from being trapped in poverty and dependent on government.

Areas Maine can improve:

- Maine still has some of the most liberal eligibility limits in the country, allowing people to enroll in the state's welfare system who would be disqualified from enrolling in other states.

2. Maine still lacks aggressive work and job-search requirements for those enrolling in its welfare system and does not fully embrace alternative approaches that would help low-income Mainers avoid enrollment in the state's welfare program in the first place.
3. Although making improvements, Maine's welfare system is still poorly managed, with the state's Department of Health and Human Services repeatedly being cited by state and federal authorities for errors and poor performance.

Step 1: Further Tighten Eligibility Requirements

Maine must continue to bring its eligibility requirements in line with national averages. The reduction of Medicaid eligibility requirements was an important start, but more needs to be done. Maine falls in about the middle of all states in terms of the percent of its population in poverty, yet has eligibility limits so high that programs designed to meet the needs of the truly needy have become middle class entitlements. Tightening eligibility standards preserves resources for those in need while discouraging welfare dependence among those with higher incomes.

Table 2 Maximum Eligibility Level for Selected Welfare Programs Maine vs. Peer States				
	Medicaid, working parents, percent of Federal Poverty Limit, 2012	Medicaid waiver, non-disabled childless adults, percent of Federal Poverty Level, 2012	Subsidized child care annual income limit, percent of State Poverty Level, 2009	Monthly income limit for TANF applicants, single parent family of three, July 2010
Maine	200%		218%	\$1,023
Rural Peer States				
Arkansas	17%	N/A	155%	\$279
Iowa	82%	N/A	139%	\$1,061
Mississippi	44%	N/A	191%	\$458
Montana	55%	N/A	144%	\$811
New Hampshire	49%	N/A	240%	\$844
North Dakota	59%	N/A	161%	\$1,306
South Dakota	52%	N/A	200%	\$782
Vermont	185%	150%	194%	\$1,053
West Virginia	32%	N/A	144%	\$565
Wyoming	51%	N/A	191%	\$760
Rural Peer State Average	63%		176%	\$792
Source: Kaiser Family Foundation, National Women's Law Center, Urban Institute, and The Maine Heritage Policy Center				

For guidance on establishing more reasonable eligibility standards, Maine should look to similarly rural states. As indicated in Table 2, Maine's eligibility limits are higher than the rural peer state average for all four welfare system programs for which an average could be calculated. For the fifth program, health coverage for non-disabled childless adults, only Vermont provides this benefit. The states used in the comparisons are those that were used by the Brookings Institution in its 2006 Charting Maine's Future report.⁵¹

The Solution:

Maine should undertake a comprehensive effort to bring welfare eligibility levels more in line with rural state averages. Even adopting the eligibility standards of neighboring New Hampshire would represent a significant step toward ensuring that Maine's welfare programs are available exclusively to the truly needy.

Step 2: Discourage Enrollment through More Effective Use of Diversion Programs

For those eligible to enroll in the state's welfare system, the first step should not be the near-automatic enrollment that is the case today. Maine should use what are known as "diversion programs." These programs are intended, as the name suggests, to deter welfare applicants from entering the system in the first place.

In a 2008 report for the federal Administration for Children and Families, Mathematica Policy Research identified 3 different diversion approaches used by states today. In some programs, lump sum payments are made to the needy as a way of assisting them with short-term financial problems—such as costly car repairs—that do not require full enrollment in the welfare system.

Other diversion approaches utilize work or job search requirements to deter potential enrollees from entering the welfare system in the first place. Lastly, a number of states blend these two approaches in some way, requiring job searches or job training, but providing three or four months of cash assistance to help during this temporary transitional period.⁵²

Maine's Alternative Aid program, discussed previously, could be described as a diversion program. But, if anything, that program's design encourages dependence. Those who qualify can get the equivalent of three months of TANF cash assistance each and every year without any work requirements and without jeopardizing any other benefit such as Food Stamps. By providing an annual benefit with virtually no accountability and no strings attached, the Alternative Aid program's very design discourages families from learning to live independently.

Maine's Alternative Aid program stands in stark contrast to Georgia's diversion strategy, which Mathematica highlights in the report cited above. In DeKalb County, Georgia, for instance, "applicants are required to attend an orientation, develop a TANF Family Service Plan based on a comprehensive assessment and, for those deemed ready for work, complete an up-front job search period as a condition of program eligibility." The program's intake meeting is "an hour long" and utilizes a "standardized assessment tool developed by the state to explore the applicant's job skills, work interests, educational attainment, and personal and family challenges."

Applicants considered work-ready "participate in a four-week structured job search program for 40 hours per week," which includes "a series of workshops and group job search sessions to prepare for

employment,” as well as time spent “contacting employers, completing resumes, and participating in job interviews.”⁵³

Georgia’s diversion program is remarkably successful. Out of every 100 TANF applicants, “25 to 50 percent complete the program and receive TANF,” with the remainder either finding employment or dropping out of the application process.⁵⁴ According to the U.S. Census, only 1.3 percent of Georgians received cash public assistance in 2008, the second-lowest rate in the nation. Maine, by contrast, had the nation’s second highest rate of cash public assistance in 2008, at 4.8 percent.⁵⁵

The Solution:

Maine must implement a more robust and carefully structured diversion program based on Georgia’s model. Those seeking enrollment in the welfare system should undertake an extensive application and enrollment process which involves a series of steps designed to encourage employment and self-sufficiency in place of welfare dependency. Enrollment in TANF and other programs should be seen as a last, not first, resort. The state’s Alternative Aid program should be abolished and those facing a temporary financial challenge should be directed to the state’s General Assistance program, which is run by Maine’s municipalities.

Step 3: Further Strengthen Job Search and Work Requirements

Although the LePage administration has attached sanctions to non-compliance to the ASPIRE work program, Maine’s program remains relatively weak in promoting self-sufficiency. For those who do enroll in the state’s welfare system, the primary goal of state policy should be for them to secure employment and escape the system as soon as possible. One of the requirements for enrollees should be immediate participation in job search and employment activities.

The concept of tying work requirements to the receipt of taxpayer assistance was a centerpiece of the 1996 welfare reform law passed by Congress and signed by President Clinton. That effort was itself inspired, at least in part, by the work of Governor Tommy Thompson of Wisconsin, a welfare reform pioneer.

Thompson inherited a state welfare system that was out of control. In 1986, more than 100,000 Wisconsin residents were enrolled in the welfare system, and the state was struggling to keep welfare budgets under control. Thompson himself noted in a 1997 speech that his state “had continually raised taxes to pay for its ever-increasing welfare rolls,” with the result that “businesses were leaving, taxes were going up, and people across the state were really depressed.”⁵⁶

To get the welfare rolls under control, Thompson’s administration “rebuilt its welfare system around work,” with the centerpiece of the effort being its “Wisconsin Works” program, which made work a condition for taxpayer assistance. Prior to the implementation of Wisconsin Works, say researchers, the state’s welfare work programs had “little effect on caseload,” as Wisconsin “accepted growing dependency and showed limited commitment to work programs.”⁵⁷

Driven by the “simple premise” that “every person is capable of doing something,” the Wisconsin Works program required everyone in the system to work for the benefits he or she received.⁵⁸ In order to provide enrollees with the broad selection of work opportunities, the state developed a four-step employment support system:⁵⁹

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1. On the first step of the ladder, a job skills assessment is performed and the enrollee is directed to “the best available immediate job opportunity in the private sector.” Once employed, program enrollees may “receive additional services,” such as job training, and may be eligible for additional benefits, such as child care, but the immediate goal is to get the individual working in a private sector job.
2. For those individuals with basic skills but who “lack sufficient work experience to meet employer requirements,” the state offers to subsidize employee wages in exchange for on-the-job training. Through use of a “Trial Job Contract,” the employer “agrees to provide the participant with on-the-job work experience and training in exchange for a wage subsidy.” The expectation for both employee and employer is that this arrangement will “result in permanent employment.”
3. Individuals who not only lack job skills but have yet to develop the “basic skills and work habits” necessary to succeed in the workplace are placed in supported community service jobs. Enrollees in this program are carefully supervised and are only paid if they come to work and fulfill job requirements. The objective at this stage of the “ladder” is to introduce basic job habits, such as punctuality in a supportive environment, with the ultimate goal that enrollees then move up the employment ladder.
4. Lastly, the state provides a transitional program for those who, for whatever reason, are “unable to perform independent, self-sustaining work.” Participants in the transitional program are required to perform a limited amount of “work training or other employment-related activities each week,” for which they are paid a stipend. As with the other three levels of the ladder, support services, such as child care and Medicaid, are provided to those who qualify.

A critical component of the Wisconsin Works program is that enrollees must fulfill work requirements that mirror those in the real world in order to receive benefits. “Leisure without obligations was no longer an option,” wrote Jason Turner, one of the architects of the Wisconsin Works program. As the program was designed, cash benefits “were reduced at the rate of minimum wage for each hour of missed work in a community service or transitions job, to replicate the conditions of private employment.”

Additionally, after-tax income for program enrollees rose with every step up the employment ladder, giving recipients “every reason to accept the highest employment option they qualify for.” In this way, Wisconsin created a pathway to escape from the dependency trap of the welfare system through hard work and opportunity.⁶⁰

As previously noted, Wisconsin’s work reforms were a huge success, resulting in plunging welfare enrollment and declining poverty rates. Today, only 1.7 percent of Wisconsin households receive cash public assistance through the TANF program, compared with 4.8 percent in Maine. Wisconsin devotes only 20 percent of its total state expenditures to public welfare, while Maine devotes more than 30 percent.⁶¹

The Solution:

Maine should immediately implement a Wisconsin-style work program in place of the existing ASPIRE program. Specifically, the state should require that every welfare recipient perform some type of work in exchange for benefits, carefully structuring such a system to mirror, as close as is possible, the broader world of work.

Step 4: Continue to Increase Agency Accountability and Improve Program Management

As stated earlier, Maine has had a history of spending large amounts of money on administration and getting very little in return. The new reforms to DHHS will help, but there are still a number of shortcomings in Maine's welfare system. The reorganization reduced costs of the administration, but without a formal overhaul of the system, accountability will not improve.

The state's welfare system is a regular target of investigation by the state's own Department of Audit, which routinely finds accounting errors and "inadequate controls" over welfare system spending. In the 2009 Single Audit Report alone, state auditors found that oversight was "inadequate to ensure accurate financial reporting" in the TANF cash assistance program, that "income and eligibility verification system procedures" were "not followed" by managers of the Food Stamp program, and that the state's Medicaid program "does not have a method to verify whether services reimbursed by Medicaid were actually furnished to recipients." In all three instances, DHHS agreed with the auditor's findings.⁶²

Part of the problem is that Maine's welfare system is dizzying in its complexity. The state's Public Assistance Manual, which describes the rules by which Maine's TANF and related programs are operated, is 242 pages. The rulebook for the state's Food Stamp program is 239 pages. Throw in the state's 80-page rulebook for the ASPIRE jobs program and the 281-page Medicaid Eligibility Manual and you are left with more than 800 pages of rules and regulations to govern a half-dozen programs. The Medicaid manual alone has 30 pages of appendices.⁶³

Additionally, the recent explosion in welfare dependency has reportedly "overwhelmed" the system itself. State caseworkers report they are dealing with welfare caseloads more than twice the size they feel is reasonable if they are to do their jobs properly.⁶⁴ As a result, something of a "when in doubt, give it out" mentality has taken hold within the Department.⁶⁵

This mentality is so pervasive that an investigation into the screening procedures for public assistance revealed the ease of which potential beneficiaries can get assistance fraudulently. James O'Keefe produced a video that "showed footage from a video-recorded interaction between a Department of Health and Human Services employee and an individual." This individual revealed that he had access to private health insurance, a Corvette, implicated that he dealt drugs and had an untraceable, large income. The DHHS employee, with knowledge of his assets and probable misdeeds, did what she could to sign him up, stating: "You don't have a paycheck, you don't file taxes, you have no income."⁶⁶

To prevent such blatant fraud and put an end to a welfare-pervasive culture, a wholesale restructuring of the management and operation of the state's social services agencies, beginning with a fundamental change in their mission is needed. DHHS, for instance, which oversees nearly all of the state's welfare programs, claims its mission is to "provide integrated health and human services to the people of Maine to assist individuals in meeting their needs, while respecting the rights and preferences of the individual and family, within available resources." The Department sees itself, first and foremost, as a provider of services—not as a supervisor or an administrator or an overseer—but as one big service provider.⁶⁷

Contrast that with the mission statement of the Department of Social Services for Broome County, New York, which is "to be an organization which promotes self-sufficiency and assures the protection of vulnerable individuals." Broome County, in contrast to DHHS, does not see itself as a service provider, but as an agency whose job it is to advocate for one value above all others, self-sufficiency, while seeing to it that care is provided (by someone, but not necessarily by the Department) to those who are truly needy.

A critical step toward freeing Maine families from welfare dependency is to change the mission of the state agency most responsible—the Department of Health and Human Services.

The Solution:

The Governor and next legislature should work to continue reshaping the mission of the Department of Health and Human Services. Reforms should be enacted to ensure care for the truly needy and promote independence and self-reliance.

A series of initiatives should be launched to help advance the new mission of DHHS:

- Another task force should be convened to research best practices and establish specific performance objectives throughout the welfare system.
- Steps should be taken to dramatically simplify the rules and regulations that govern the state's public assistance programs, which will simplify administration and result in budget savings.
- The Department should implement a transparency initiative, making data on program utilization and the achievement of program goals more readily available.
- Financial management at the Department needs a complete overhaul, with the goal of producing greater efficiencies and dramatically reducing accounting errors.

Perhaps most importantly, a new culture needs to take root within Maine's welfare system. Today, the mission of DHHS is one of "providing services" to help people in "meeting their needs." The Department sees itself as advancing its mission, therefore, works to provide more services to more people. Being second in the nation, as a percentage, of people on taxpayer-funded Medicaid, for instance, means to the Department that they are on the right track.

With a new, "work first" mission, the goals of the Department will be entirely different, and success will be measured in an entirely different way. That will necessitate a change not just in the way the welfare system operates, but a change in how success is defined. The transition will not be easy, but it is necessary if Maine is to fix the system and get welfare dependency under control.

Step 5: Additional Reforms that Expand Choice and Opportunity

Moving Maine from welfare to work means changing more than the welfare system itself. One of the reasons enrollments in the state-run Medicaid program has grown so dramatically in Maine, for example, is for many years there was a lack of affordable health insurance options. Likewise, low-income Mainers who struggle to pay their electric bills would struggle less in the 40 states that have lower residential electricity rates.⁶⁸ Having a reliable vehicle is a must in a rural state like Maine, but Maine charges the 7th highest vehicle excise tax in the nation, a tax 22 states don't even have.⁶⁹

Freeing Maine families from dependence on the state's welfare system will come even quicker with broader policy changes that tackle head-on those state policies that create financial hardships for so many.

- No other policy change is as important to the success of welfare reform as the creation of low-cost health insurance alternatives through reform of Maine's private health insurance

marketplace. In 2011, the passage of LD 1333 substantially lowered the cost of health insurance for individuals in Maine.⁷⁰ Until recently, Maine families looking to buy health insurance in the individual market faced some of the highest health insurance premiums in the nation.⁷¹ Those Mainers fortunate enough to have health insurance through their employer still pay an average of \$4,534 a year for the employee share of their coverage.⁷² LD 1333 was a major step in the right direction to make insurance more affordable, but Maine's Medicaid rolls will continue to be high unless further steps are taken to lower health insurance costs.

- Even though Governor LePage has made this issue important in the past two years, Maine policymakers need to get serious about Maine's high energy costs, which disproportionately burden low-income families. LePage's initiatives to lower prices have relieved some of the pressure to low-income families, but Maine's electricity prices remain the 11th highest in the nation.⁷³
- Maine not only charges its residents a high vehicle excise tax, it has them paying the 16th highest gas tax in the nation as well.⁷⁴ With Mainers traveling an average of 11,000 vehicle-miles per year, well above the national average of 9,700 miles, the cost of travelling for work or school is far too high in Maine.⁷⁵
- For many years, Maine has had a well-deserved reputation for high taxes. According to the Tax Foundation, Maine had the 9th highest tax burden in the nation in 2009.⁷⁶ Although an improvement from recent years, Maine's tax code still needs to be reformed.

Of even more concern than the high costs Maine imposes on low-income residents is the lack of economic opportunity. With more jobs available, more Mainers can escape from welfare and move to work and self-reliance in the private sector. Yet, according to University of Southern Maine economist Charles Colgan, a net of only 56 new jobs were created in Maine in the ten years between 1999 and 2009.⁷⁷

The simple fact is that Maine is viewed as being hostile to business and job creation. In 2009, U.S. News and World Report said that Maine was the 5th worst state in the country in which to do business. In 2010, the Small Business & Entrepreneurship Council cited Maine for having the sixth worst business tax policies in the nation, a finding that came on the heels of a December 2009 report in which the Council found Maine to have the very worst health care policies in the nation in terms of their impact on the cost of health care.⁷⁸

The governor and policymakers have made some strides in environmental regulatory reforms, health care reforms, and reducing the cost of doing business in Maine.⁷⁹ However, even with these important reforms, there are many public policy fixes that can help reduce the burden placed on businesses and low-income families in Maine.

The Solution:

Reducing welfare dependency should mean more than redesigning the welfare system itself. Maine has policies in place in the areas of health care, energy, transportation, taxes and business climate that create financial burdens for low-income Mainers and hurt job growth. Changing these policies and taking steps to improve economic opportunity for all Mainers is critical to the long term of success of welfare reform in Maine.

Conclusion

Most Mainers agree: we should promote self-sufficiency, but we should also have strong communities where people help those in need. This belief in having strong communities in Maine has developed into one of the highest-taxed states because Maine people believe we should have a robust system to help the needy. The system grew on the belief that we should help our neighbors who are in need.

What has happened instead is that Maine's welfare system has grown completely out of control. Welfare spending has grown not only in tough times. Recently, the welfare system has grown during recessions and times of economic growth, developing into one of the most liberal and expansive welfare states, where more than 35 percent of the budget is devoted to public welfare.

Even worse is that policy makers have turned the system from a program for the truly needy to a program for the middle class. Families have access to programs such as subsidized child care with incomes as high as 40,000 dollars. A married couple with three children can earn more than 50,000 dollars a year and still receive taxpayer-funded health care under the state's Medicaid program, an eligibility limit more than three times the national average.

However, in the past two years policy makers have begun to recognize the problem and reform the system to direct welfare for the truly needy.

The LePage administration has made great strides in moving Maine's welfare system from a system of dependence to a system that targets the truly needy. Welfare recipients now must participate in meaningful work in order to receive benefits, have a 5-year time limit and strong sanctions for non-compliance. As stated earlier, these three policies are linked to improved outcomes for welfare recipients and a drastic reduction in the dependency level of recipients. These policies make sure that help is given to those who truly need it.

But even with these wins, the numbers show that there is still a lot of work to do. Eligibility levels are still among the most liberal in the country; the state lacks Wisconsin-style diversion programs that discourage dependence; and there are still a number of anti-business, regulatory and energy policies that place a huge burden on low-income Mainers. Maine is still out of step with most of the nation in welfare policy and in business-stifling regulatory policies.

As we near the end of the recession, there is an opportunity to continue to reform Maine's welfare system and move more families from dependency. This study reignites the call for a number of important reforms for Maine's welfare system. We simply call on Maine to do what other states do—limit eligibility in order to focus resources on the most needy and encourage work and self-reliance. If the state takes the additional step of adopting innovative welfare reform approaches like those enacted in states such as Wisconsin, it can build a truly effective welfare system for Maine's future.

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