The Unsustainable Growth of Welfare

THE ISSUE:

Despite spending almost $16 trillion since the War on Poverty began in 1964, welfare programs have failed to reduce the causes of poverty, and instead have hurt many of the people they were intended to help. Poverty in America is overwhelmingly linked to the absence of fathers and a lack of work, but welfare payments have had the destructive effects of eroding marriage and the work ethic in low-income communities. The welfare reform of 1996 transformed one program, significantly reducing welfare rolls and lowering child poverty. But today that reform is in jeopardy, and some 70 other federal means-tested programs need similar reform.

THE FACTS:

- **Welfare on the Rise.** The growth of welfare spending is unsustainable and will drive the United States into bankruptcy if allowed to continue unreformed. Welfare spending is projected to cost taxpayers $10.3 trillion over the next 10 years.

- **The President's Budget.** President Obama's FY 2011 budget request would increase total welfare spending to $953 billion, a 42% increase over welfare spending in FY 2008.

- **The Collapse of Marriage.** The collapse of marriage is the predominant cause of child poverty in the U.S. today. When the War on Poverty began, 7% of children were born out of wedlock; today, the figure is over 40%. Most alarmingly, the out-of-wedlock birthrate among African–Americans is 72%.

- **Amnesty Will Make the Problem Worse.** If the U.S. government were to grant amnesty or "earned citizenship" to illegal immigrants, the welfare system would be flooded with new recipients. Of the 11 million–12 million illegal immigrants in the U.S., at least half lack a high school degree.

THE SOLUTIONS:

- **Use Loans, Not Grants.** Granting welfare to able-bodied adults creates a potential moral hazard because it can lead to an increase in the behaviors that generate the need for aid in the first place. A reformed welfare policy can reduce this moral hazard by treating a portion of welfare aid as a loan to be repaid rather than as an outright grant from the taxpayer.

- **Establish Reasonable Fiscal Constraints.** Once the current recession ends, aggregate welfare spending for all 71 means-tested welfare programs should be rolled back to pre-recession levels. After this rollback is completed, the growth of welfare should be capped at the rate of inflation. This will force Congress to determine whether or not these programs further the goal of alleviating poverty. Programs that do would be allowed to grow; those that don't would be eliminated or reformed.

- **Promote Personal Responsibility and Work.** Able-bodied welfare recipients should be required to work or prepare for work as a condition of receiving aid. Food stamps and housing assistance, two of the largest welfare programs, should be aligned with the TANF (Temporary Assistance for Needy Families) program to require able-bodied adults to work or prepare for work for at least 30 hours per week.

- **End the Welfare Marriage Penalty.** Current means-tested welfare programs penalize low-income recipients who choose to marry; these anti-marriage penalties should be reduced or eliminated. In addition, government should
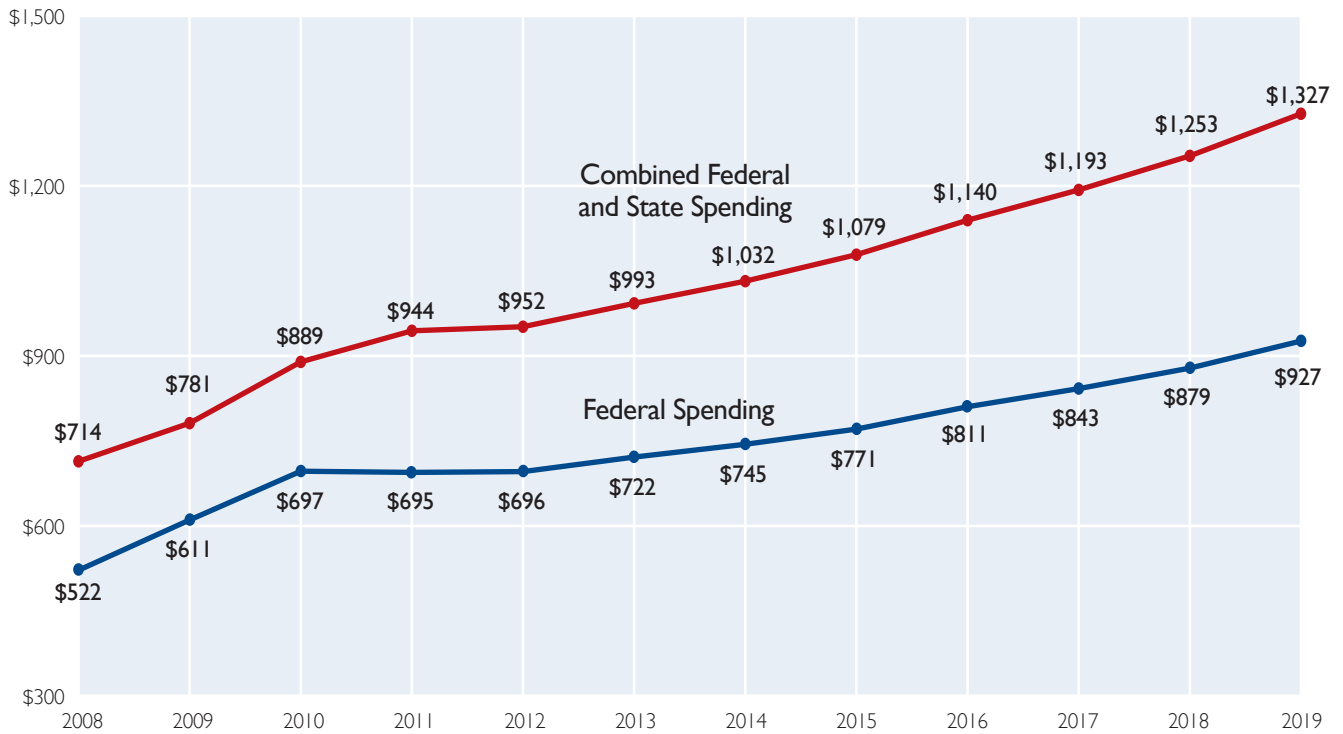
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Projected Means-Tested Welfare Spending

IN BILLIONS OF CURRENT DOLLARS

Combined Federal and State Spending: $714 (2008), $781 (2009), $889 (2010), $944 (2011), $952 (2012), $993 (2013), $1,032 (2014), $1,079 (2015), $1,140 (2016), $1,193 (2017), $1,253 (2018), $1,327 (2019)

Federal Spending: $522 (2008), $611 (2009), $697 (2010), $695 (2011), $696 (2012), $722 (2013), $745 (2014), $771 (2015), $811 (2016), $843 (2017), $879 (2018), $927 (2019)

Source: Heritage Foundation calculations based on current and previous Office of Management and Budget documents and other official government sources.

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provide information on the importance of marriage to individuals in communities that have a high risk of having children out of wedlock, with an emphasis on the benefits to children of a married two-parent family.

- **Limit Low-Skill Immigration.** Around 15% ($100 billion per year) of total means-tested welfare spending goes to households headed by immigrants with high school degrees or less. One-third of all immigrants lack a high school degree. Over the next 10 years, America will spend $1.5 trillion on welfare benefits for lower-skill immigrants. Government policy should limit future immigration to those who will be net fiscal contributors, paying more in taxes than they receive in benefits. The legal immigration system should not encourage the immigration of low-skill immigrants who would increase poverty and impose vast new costs on already overburdened taxpayers.