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Cato study: Welfare pays more than minimum wage in Nevada

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CARSON CITY — It pays not to work in Nevada, at least according to a new study by the Cato Institute.

Nevada ranks 15th among the states in the full value of welfare benefits available to a typical family at \$31,409 a year, according to the state-by-state analysis by Michael Tanner, a senior fellow at the libertarian think tank.

The Cato report, released this week, shows that the hourly wage equivalent for the benefits totals \$14.34 an hour, ranking the state 14th and well above Nevada's minimum wage of \$8.25 an hour.

The study is based on a hypothetical family of three, a parent with two young children.

"The current welfare system provides such a high level of benefits that it acts as a disincentive for work," Tanner said in the report. "Welfare currently pays more than a minimum-wage job in 35 states, even after accounting for the Earned Income Tax Credit, and in 13 states it pays more than \$15 per hour.

"If Congress and state legislatures are serious about reducing welfare dependence and rewarding work, they should consider strengthening welfare work requirements, removing exemptions and narrowing the definition of work," he said.

In a telephone conference call on Thursday, Tanner said states need to examine their welfare-to-work policies to eliminate disincentives to rejoining the workforce. He also suggested they consider capping benefits.

CRITICS SAY STUDY IS FLAWED

But critics said the Cato study is flawed in a number of ways.

Bob Fulkerson, state director of the Progressive Leadership Alliance of Nevada, slammed the report, saying it incorrectly assumes that every Nevada family receiving assistance gets every benefit for which they are eligible.

In Nevada, housing subsidies, for example, only go to less than 15 percent of the population that receives cash grants, called Temporary Assistance to Needy Families (TANF), he said. Child care subsidies have declined as well because the state did not put up the required matching funds, Fulkerson said.

“It may be true that the number of recipients receiving this package is greater than zero, but it’s a small fraction of TANF recipients, and a vanishingly small fraction of all poor families,” he said.

Another think tank, the Center on Budget and Policy Priorities, also criticized the report, noting that it ignores the fact that low-income working families also receive some of these benefits, including Medicaid and housing assistance.

The nonpartisan research and policy institute works on federal and state fiscal policies and public programs that affect low- and moderate-income Americans.

The Cato report shows that when Nevada welfare recipients are evaluated using only the three major welfare programs — TANF, Medicaid and food stamps, now called the Supplemental Nutrition Assistance Program (SNAP) — the value of the benefits are much less generous when compared to other states.

In this analysis, Nevada comes in 33rd, with a benefit value of \$17,363 a year and a wage equivalent of \$5.81 an hour.

Nevada’s TANF average caseload in 2012 was just over 29,000 recipients. The grant for a family of three is \$383 a month and is limited in most cases to a maximum of 24 months. For food stamps, the average caseload in 2012 was 352,156, and for Medicaid, it was 303,214.

The report also shows that Nevada has a relatively high number of welfare recipients who are working or engaged in work-related activities at 49.1 percent. Only 18 states had higher participation rates.

LEGISLATORS REJECTED WELFARE REFORM

Welfare reform efforts did not see any success in the 2013 Nevada Legislature.

State Sen. Greg Brower, R-Reno, introduced a bill in the 2013 session that sought to prohibit the use of TANF benefits for gambling, in a liquor store or for adult entertainment. The bill won unanimous support in the Senate but failed to win approval in the Assembly Health and Human Services Committee.

The federal government has already mandated these restrictions and Brower sought to adopt the restrictions through his legislation, although some lawmakers questioned whether the bill was necessary.

Sen. James Settelmeyer, R-Minden, proposed a bill to require drug testing as a condition for people to receive benefits. The measure did not get a hearing.

Settelmeyer said Thursday that any welfare benefit that creates a disincentive to work needs to be reviewed by the Nevada Legislature.

“I think we need to look at changes in Nevada to find ways to help people gain employment,” he said. “Some programs do create a disincentive for people to go back to work.”

But the Democratic majorities in the Legislature have shown no interest in addressing the problems, Settelmeyer said.

The Douglas County lawmaker said that when he was running for election he spoke to a man who was looking for work. Settelmeyer mentioned to him that he had just talked to a pizza restaurant owner who was looking to hire someone at \$9.75 an hour.

“The guy said he needed at least \$15 to \$18 an hour to go to work,” Settlemeyer said. “He said he was making \$10 an hour by sitting on his butt.”

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