Plymouth Institute for Free Enterprise

Return Welfare to the States

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TOPLINE: Lawmakers should restore most welfare programs to the states, which are better equipped and better incentivized to responsibly, effectively, and cost-consciously manage welfare services.

BACKGROUND: The federal government currently pays for most welfare spending, but prior to the New Deal, state and local governments alongside religious and charitable organizations were the primary providers of welfare services. There are three reasons federal policymakers should return welfare to the states:

1) States are more fiscally responsible and in better financial positions, as 49 states have self-imposed balanced budget requirements, and the states collectively have less than 10% as much debt as the federal government;
2) State policies play the largest role in welfare needs. The 10 states with the least economic freedom receive 29% more welfare funding per capita than the 10 states with the most economic freedom. Bad policies that increase unemployment and reduce output shouldn't be rewarded with more federal funding; and
3) Because states spend federal taxpayers' money with little oversight or accountability, federal funding enables poorly targeted services; high rates of waste, fraud, and abuse; and welfare that traps recipients in dependency.

Action Item (Congress):

- **Shift welfare funding and administration back to state governments.**
  - This should start with reductions in the federal funding percentages of the largest welfare programs (Medicaid and SNAP).
  - For smaller federally funded welfare programs that are administered by the states, Congress should establish sunset dates to allow states to transition programs they determine are worth continuing.

How It Would Make Life More Affordable:

- State budgets are more responsible than the federal budget.
  - Better aligned incentives would improve welfare efficiency and reduce waste, fraud, and abuse—delivering significant taxpayer savings.
- States are better equipped to deliver benefits that are tailored to their populations, that improve outcomes, and that result in more people working, boosting output and incomes.

BOTTOMLINE: Welfare would work best and waste the least if states—not the federal government—were accountable for its costs and results.