

BADGER INSTITUTE

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EMPLOYMENT

Wisconsin's missing rung

**Policies linked to
work are critical
to lifting people
out of poverty**

By Angela Rachidi, Ph.D.

POVERTY



PRESIDENT'S NOTE

Work is the key. Statistics show that if someone in your home works full time, there is only a 2% chance you are poor. Similarly, only 11% of those who are poor have full-time, year-round jobs.

So how do we help poor but able-bodied and capable people experiencing temporary hurdles get jobs? And, as importantly, how do we do it in a way that does not encourage everlasting dependency on government?

These are some of a democracy's most vexing questions, and they are more than theoretical.

States have considerable latitude to determine how long people should be eligible for welfare and when they should be required to work or take part in the sort of training that leads to employment. Many states like Wisconsin also provide tax credits that often take the form of cash payments to people with low-wage jobs.

During the Walker administration, in fact, legislators in April 2018 passed new work requirements and opportunities for some Supplemental Nutrition Assistance Program recipients (once known as "food stamps"). New limits on the amount of time Wisconsinites can receive Temporary Assistance for Needy Families were passed as part of the 2015-2017 state budget, and it's been over 13 months now since the federal government approved new Walker administration work requirements and limits on how long and under what circumstances childless adults should be able to receive Medicaid.

To date, none of these reforms have been implemented and, in some instances at least, the Evers administration has unfortunately made it clear they won't be anytime soon.¹

We asked Dr. Angela Rachidi, a fellow Badger State resident who is also an expert in

the effects of federal safety net programs on low-income Americans, to examine Wisconsin's policies regarding two of these programs that provide cash or in-kind assistance: SNAP and the TANF program, known as Wisconsin Works (W-2). She also examined how Wisconsin uses the earned income tax credit (EITC) — a program that Badger Institute papers previously have pointed to as a positive alternative to job-destroying policies such as a \$15-an-hour minimum wage.

Rachidi recommends a pragmatic and balanced approach to these programs, which we are pleased to share with policymakers looking for real solutions to some of America's and Wisconsin's most pressing problems. She makes a persuasive case that the best approach to helping low-income families achieve self-reliance is a combination of work expectations and work-related income supports such as tax credits.

In the meantime, I hope this paper also serves as a timely reminder that legislatively enacted changes should be launched in good faith and, given the strong economy, as soon as possible. Work should not be seen as punishment; it should be seen as an opportunity for stability, self-fulfillment and dignity.

Jobs are currently plentiful, and Wisconsin has a once-in-a-generation opportunity to let some of our fellow Wisconsinites climb up out of poverty. They can't do it without work — too often the missing rung on the ladder.

Mike Nichols

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¹On October 31, 2018, the federal government approved a Walker administration proposal to limit Medicaid for nonworking adults without dependent children to four years. Wisconsin originally had been slated to implement the change and other requirements for childless adults on Nov. 1, 2019, but that has not yet occurred. Gov. Tony Evers and the Republican-controlled Legislature have disagreed on the issue, but a Nov. 18, 2019, article in the *Wisconsin State Journal* quoted the Evers administration as saying it was working with the federal Centers for Medicare and Medicaid Services on implementation that is now set to occur in early 2020.

https://madison.com/wsj/news/local/health-med-fit/wisconsin-delays-medicaid-work-requirement-until-early-next-year/article_eedadfc6-46f3-593e-b6ee-30db71172b85.html

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Wisconsin's missing rung

Policies linked to work are critical to lifting people out of poverty

By Angela Rachidi, Ph.D.

Executive Summary

State governments have a vital interest in maximizing the work potential of their residents. As Arthur Brooks, former president of the American Enterprise Institute, argued in a 2017 *Foreign Affairs* article, work brings a sense of dignity and “neededness” to people that is essential for human flourishing (Brooks 2017). As partners in administering federal safety net programs, states are given flexibility to make policy choices that can influence participant employment decisions, and state leaders can use this flexibility to pursue policies aimed at reducing poverty through employment.

Wisconsin’s experience shows the benefits and pitfalls of this flexibility: the upside being state control over policies that affect employment among its residents and the downside experienced when state policy choices undermine the pro-work aspects of federal safety net programs.

The 2018 election returned the Wisconsin governor’s office to Democratic control for the first time since 2011. In his first year of office, Gov. Tony Evers reversed some key components of the state’s approach to serving low-income Wisconsin residents, namely the state’s use of the Supplemental Nutrition Assistance Program (SNAP) and the Temporary Assistance for Needy Families (TANF) program to promote work. Evers permanently delayed a policy passed by the Wisconsin Legislature in 2018 to require that parents of school-age children receiving SNAP participate in work or work activities or face reduced benefits.

The Evers administration also applied for and received a state waiver from the federal government to roll back work requirements for able-bodied adults without dependents (ABAWDs) who receive SNAP in six counties and 10 tribal areas. In addition, the administration has yet to implement the state 48-month time limit on TANF-related benefits passed by

the Legislature in 2015.

The implications of these policy shifts for Wisconsin residents have yet to be realized, but they illustrate how state governments can utilize the authority given to them by the federal government to pursue state-level policy goals, even when those conflict with long-standing federal policies such as work requirements for SNAP recipients. This report describes how states can use three federal safety net programs to advance employment goals for low-income families, and details how Wisconsin can better leverage these programs to return to a pro-work agenda for low-income families in the Badger State.

A central anti-poverty policy goal for government is to provide assistance to low-income families to reduce material hardship, while not distorting the labor market decisions of work-capable adults. An effective approach is to pair employment supports, such as the earned income tax credit (EITC) and job training, with policies designed to make receipt of benefits contingent upon employment (Mead 2011).

As shown in this report, Wisconsin historically has balanced these aspects by offering a state EITC to working families with children (essentially boosting their incomes without negatively affecting work), while also enacting policies that set work expectations for recipients of other federal benefit programs. However, over the course of 2019, the state moved away from this approach.

State policymakers can return Wisconsin to a pro-work agenda by restoring funding for SNAP-related job training, which was passed by the state Legislature but vetoed by the governor in the 2019-2021 state budget; increasing the state EITC for families with one and two children; establishing a non-custodial parent EITC; improving the effectiveness

of employment and training programs; and creating better linkages between government and education and training institutions. At the same time, work expectations for SNAP recipients should be reinstated and the 48-month time limit for Wisconsin Works (W-2) participants that was previously

passed by the Legislature should be implemented.

Focusing state efforts on rewarding people for working, while setting clear expectations for employment over government assistance, will return Wisconsin to an employment-focused approach aimed at reducing poverty.

Introduction

Many people agree that employment is the best way out of poverty and provides the surest path to prosperity. This belief is backed by a large body of research demonstrating a link between high relative employment rates and lower poverty (National Academies of Science 2019; Bitler and Hoynes 2015; Blank 1993). Like most economic indicators, poverty rates track the business cycle: When the economy is strong, poverty rates are low, and when the economy retracts, poverty increases (Bitler and Hoynes 2015).

The employment status of the prime-age population directly correlates with poverty rates. According to the U.S. Census Bureau's official poverty measure, almost two-thirds of poor working-age adults do not work at all in the year that they experience poverty, and another 26% work only part time or part year, leaving 11% of the poor classified as full-time, full-year workers (Rachidi 2016). The likelihood of being poor when living in a household with at least one full-time working adult is extremely low. Among adults in Wisconsin who worked full time all year long in 2017, only 2% were poor, compared with 18.8% who did not work at all (U.S. Census Bureau 2017).

Many things explain why someone might not work, including having a disability, lacking marketable skills or previous work experience, or facing limited job prospects. And some people who do not work have other sources of income that are sufficient to support themselves — such as retirement compensation or earnings from another family member. Nonetheless, when people who are capable of working find sustained employment, they largely avoid poverty for themselves and their families.

State governments have a particular interest in the employment status of prime-age people. The higher the employment rates, the lower likelihood that residents are in poverty. And lower poverty makes it easier for policymakers and communities to combat the negative consequences of poverty among their residents, including neighborhood decay, crime and poor-quality schools. Recognizing the high stakes for states,

programs for low-income families at the national level have long offered states varying degrees of flexibility to enact state-specific policies that affect employment among low-income residents.

In this report, I describe three federal programs — the earned income tax credit (EITC), the Supplemental Nutrition Assistance Program (SNAP) and the Temporary Assistance for Needy Families (TANF) program — that offer cash or in-kind assistance to low-income, work-capable families and the flexibility afforded to states in administering the work-incentive aspects of the programs.

These are among the largest federal safety net programs to offer cash or in-kind assistance to low-income people in the United States (with Medicaid and Supplemental Security Income rounding out the top five). Federal law and regulations set parameters around who is eligible to receive assistance and the type of assistance received. The federal government, though, gives states discretion to make policy decisions within these parameters, particularly related to how individual participation in programs might influence employment decisions. This devolution recognizes that states must deal with the negative consequences of federal assistance programs when they discourage work among their residents.¹

Federal and state policymakers can use these programs to promote employment, including helping those with health issues and disabilities rejoin the labor market, building skills among current and potential workers, and fostering a strong economy that provides plenty of jobs. Government can help ease poverty for families by transferring income to them or giving them resources such as housing and health insurance. Helping them find and maintain employment, though, offers a path toward self-reliance,

with the dignity and virtue that they deserve.

This requires policy choices by state lawmakers that support work at the same time that they set clear expectations for employment over government assistance. This policy balance historically has been part of Wisconsin's approach, but the

At a glance

EITC: The earned income tax credit provides a wage supplement to low-income workers as part of the annual federal income tax filing process.

SNAP: The Supplemental Nutrition Assistance Program, formerly known as the food stamp program, provides food assistance to low-income households.

TANF: Temporary Assistance for Needy Families, which replaced Aid to Families with Dependent Children, provides cash assistance to poor parents who are expecting or have minor children.

Among adults in Wisconsin who worked full time all year long in 2017, only 2% were poor, compared with 18.8% who did not work at all, according to the U.S. Census Bureau.

Evers administration has weakened the pro-work aspects of some programs without offering a clear vision for reducing poverty among Wisconsin families in their absence. In the pages that follow, I describe these three federal programs and the policy discretion that they offer to states. I also describe how Wisconsin has used this discretion in the past and what policymakers can do to return to a pro-work agenda for low-income families.

Background on Federal Safety Net Programs for Those Capable of Work

The federal safety net offers cash and in-kind assistance to poor families to help them afford necessities such as food, housing and health insurance, and it is often left up to states to enact policies that ensure this assistance does not undermine employment. Assistance is available to those who are permanently unable to work because of age, poor health or a disability, as well as those who can work but are either temporarily unemployed or who earn too little to support themselves or their families. This second group is the focus of this report.

The design of government programs is crucial when considering low-income individuals who are capable of work to ensure that government aid does not reduce the incentive to work and impede their path out of poverty. Throughout the legislative history of the social safety net, federal and state policymakers have wrestled with the tension between providing aid to families in need without discouraging employment. Below describes how this tension has been addressed in the EITC, SNAP and TANF programs, including the flexibility afforded to states and how Wisconsin has used that flexibility in the past.

Earned Income Tax Credit (EITC)

The federal earned income tax credit (EITC) provides a

wage supplement to low-income workers as part of the annual federal income tax filing process. Specifically designed to support work, the EITC provides a percentage of earnings as a tax credit, and when a family has no federal income tax liability, it receives the credit as a refund. The income levels that determine who is eligible and the credit amount increase with the number of qualifying children, which generally means a dependent for tax purposes, and a small credit is offered to childless workers.² Single parents with two children can receive the maximum federal EITC of \$5,828 (2019) once income reaches \$14,570; then the EITC slowly phases out starting at \$19,030 until it becomes \$0 at earnings totaling \$46,703.

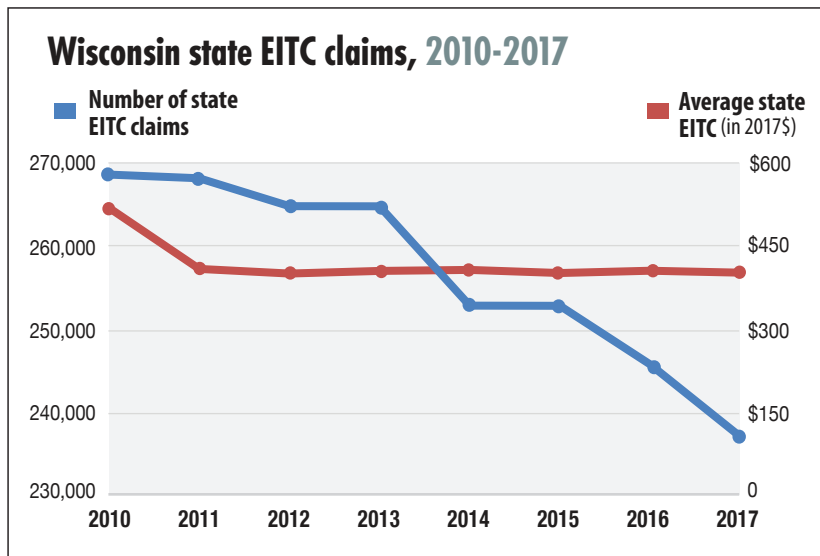
The federal EITC is administered through the federal income tax system, but 29 states, including Wisconsin, and a number of municipalities have their own state/city EITCs. Wisconsin is the only state to vary the credit based on the number of qualifying children — most states provide a standard percentage of the federal EITC irrespective of the number of children. Like 23 other states, Wisconsin provides

the credit as a refund and as a percentage of the federal EITC.

Basing the state EITC on the federal one eases administration for state revenue offices, which are tasked with disbursing the credits to tax filers. Wisconsin tax filers with one dependent child receive 4% of the federal EITC, 11% if they have two dependent children and 34% if they have three or more dependent children.³ Wisconsin does not provide a state EITC for tax filers without dependent

children, mainly because the state uses TANF funding for the state EITC, which is restricted to families with dependent children (including the non-custodial parent). Other state EITCs range from 5% to 10% of the federal EITC in Illinois, Maine, Michigan, Nebraska and Ohio, and 30% to 32% in

Figure 1



Source: Wisconsin Department of Revenue, Wisconsin Earned Income Tax Credit: Summary for 2017, Table 1 Federal and State Earned Income Tax Credits in Wisconsin

New Jersey, New York and Vermont.⁴

Since 2010, the number of state EITC claims (reflected as tax filing units) in Wisconsin has hovered around 250,000 but declined in recent years likely due to a strengthening economy (Figure 1). This accounted for approximately 8.3% of all Wisconsin income tax filers in tax year 2017 (Wisconsin Department of Revenue 2017a). The average state EITC claim also has been fairly consistent since 2011 at approximately \$405, and in 2017 Wisconsin spent over \$95 million on the state EITC (Wisconsin Department of Revenue 2017b). As noted previously, the state EITC is in addition to the federal EITC, which for Wisconsin tax filers with qualifying children has averaged around \$2,800 for the past several years — meaning that the average combined federal/state EITC claim for Wisconsin families totals roughly \$3,200.

One benefit of the EITC is its demonstrated ability to support working people because it goes only to those who are employed. Prior research suggests that the federal EITC increased employment rates at the national level for single mothers after a major expansion in 1993, even though it had little effect on the number of hours or weeks worked for those already employed (Hotz and Scholz 2003, Nichols and Rothstein 2016). However, a recent study contradicted this claim, finding that welfare reform rather than the EITC increased employment among single mothers (Kleven 2019). Regardless of the effects of the EITC on employment, it supplements the wages of low-income workers and reduces poverty among children and families (Hoynes and Patel 2015).

Research suggests that EITC expansions could help maintain current work levels and offer broader benefits for workers and children, such as better health for mothers and children and improved child academic outcomes (Bastian and Micheltore 2018). States such as Wisconsin may still find it useful to use the EITC to boost the incomes of low-income families and positively affect children without discouraging employment among their parents.

Supplemental Nutrition Assistance Program (SNAP)

SNAP (formerly known as the food stamp program) provides food assistance to low-income households and is a federal entitlement program, meaning that anyone who qualifies under federal program rules can receive assistance. State agencies administer the program by determining who is eligible according to federal guidelines and providing benefits to households using an electronic benefit transfer (EBT) card. SNAP's income eligibility rules are complex, but households with income below 130% of the federal poverty line, which is \$33,475 for a two-parent household with two children in 2019, generally would be eligible for SNAP. Federal data suggests that the federal government will provide approximately \$792 million in SNAP benefits to Wisconsin residents in 2019.⁵

Unlike programs administered through a block grant, states do not have flexibility in defining who is eligible for SNAP nor the level of assistance that households receive. Work expectations for SNAP recipients are set by federal legislation, but Congress has given states some flexibility when it comes to requiring work in exchange for SNAP benefits and providing work-related services.

The federal legislation that authorizes SNAP, commonly referred to as the Farm Bill, limits the time certain adults

Federal data suggests that the federal government will provide approximately \$792 million in SNAP benefits to Wisconsin residents in 2019.

without children can receive SNAP to three months out of a 36-month period unless they are working or participating in an approved work-related activity for at least 80 hours per month. This is called the “able-bodied adult without dependents” (ABAWD) time limit and applies to adults ages 18 to 49 who are not disabled and are applying for or receiving SNAP benefits.

According to the administering federal agency: “The time limit does not apply to people who are unable to work due to physical or mental health reasons, pregnant, care for a child or incapacitated family member, or are exempt from the general work requirements.”⁶

States have flexibility in administering the ABAWD time limit in a few ways:

- They can — but are not required to — request a waiver of the rule when unemployment is high.
- They can exempt up to 15% of the SNAP ABAWD case load from the time limit (scheduled to go to 12% in federal fiscal year 2020).
- They can choose to offer education and training opportunities through the SNAP Employment & Training (SNAP E&T) program that can satisfy the work requirement.

The 2009 American Recovery and Reinvestment Act (ARRA, also called the stimulus bill) waived the ABAWD time limit in all states to recognize the difficult labor market conditions created by the recession. In 2015, Wisconsin reinstated the ABAWD time limit for the entire state, even though certain areas of the state still qualified for a waiver and as many other states continued their waivers. Waivers are intended to accommodate weak job markets that might make finding employment (and therefore satisfying the time limit) difficult. In practice, though, many states are eligible for waivers no matter the strength of the economy.

In a reversal of past policy, the Evers administration requested and received a waiver effective Oct. 1, 2019, in

five counties with an average unemployment rate of 4.9% and one county with an unemployment rate of 5.8%, which qualified the areas for a waiver given that the unemployment rate was 20% higher than the national average of 4.1%. Ten tribal areas also received a waiver due to unemployment rates 20% higher than the national average. However, the waivers will be in effect only until April 1, 2020, due to a recent change in federal rules designed to reduce the use of ABAWD waivers when economic conditions are relatively strong.

In December 2019, the U.S. Department of Agriculture (USDA) Food and Nutrition Service, the federal agency overseeing SNAP, finalized a new rule that tightens the regulatory standards by which ABAWD waiver applications are granted.⁷ Effective April 1, 2020, the rule will reduce the number of waivers in effect throughout the country and likely will eliminate the waivers for the six counties and at least one of the tribal areas in Wisconsin. Table 1 shows the waiver status for Wisconsin and its four neighboring states as of December 2019 and summarizes where the remaining states fall.

Table 1

ABAWD* waiver status through September 2019		
No waivers in any part of the state	Partial	Statewide
Iowa and 16 other states	Wisconsin (including Ashland, Bayfield, Iron, Adams, Forest and Menominee counties, and 10 tribal areas), Michigan, Minnesota, Illinois (where all counties but one have a waiver) and 28 other states	Four other states/territories

*Able-bodied adult without dependents

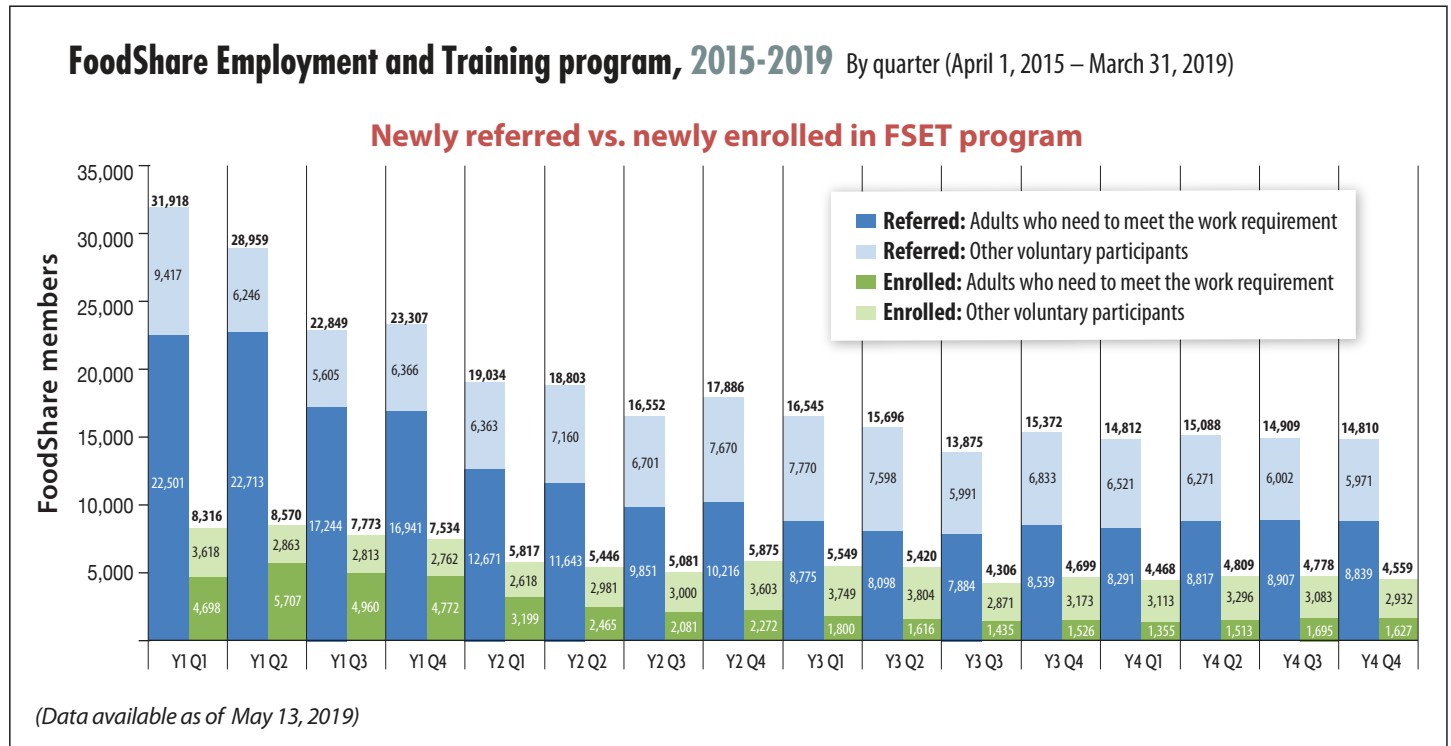
Federal law includes other work provisions beyond the ABAWD time limit. All states must register adults ages 16 to 59 for work, and SNAP recipients who are determined to be work-capable must accept and maintain employment when it is offered. Registering for work generally means that the adult in the SNAP household is not already working or in school and does not have any impediments to employment. States also must operate a

SNAP Employment and Training program, but they can make participation mandatory or voluntary for work-capable SNAP adults, including ABAWDs.

According to a 2018 U.S. Government Accountability Office (GAO) report, 19 states operated a mandatory SNAP E&T program, but these programs mostly applied to ABAWDs, not parents with children in the household. SNAP E&T programming at the national level is very limited in scope. In fiscal year 2016, only 0.5% of all SNAP recipients and 3.4% of SNAP work-registered recipients participated in a SNAP E&T program (U.S. Government Accountability Office 2018).

In Wisconsin, the Department of Health Services operates

Figure 2



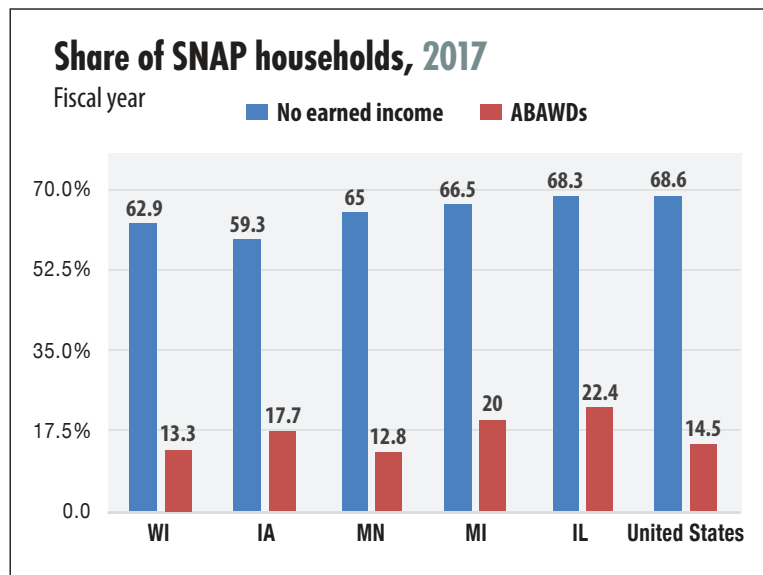
Source: Wisconsin Department of Health Services, FSET Cumulative Program Data, retrieved August 27, 2019, from www.dhs.wisconsin.gov/fset/fset-cumulative.htm

the SNAP E&T program, called the FoodShare Employment and Training (FSET) program, which currently is voluntary for SNAP recipients but can be used by ABAWDs to satisfy their work requirement. Data suggests that very few FSET-eligible adults participate in the program in Wisconsin, and even fewer obtain employment through the program (Figure 2).

Although FSET in Wisconsin is currently voluntary, the Wisconsin Legislature amended the 2017-2019 state budget in April 2018 to establish a mandatory program for ABAWDs and parents of school-age children, with a number of exemptions for health-related and other work-limiting conditions. This was intended to be in addition to the already existing ABAWD time limit. According to the legislation, non-exempt parents of school-age children and ABAWDs were to be required to work or participate in FSET for 80 hours per month or face a reduction in their SNAP benefits. This policy was set to take effect in October 2019, but in July, Gov. Evers vetoed funding in the 2019-2021 state budget for employment services for these new mandated FSET participants.⁸ In effect, the veto reversed the Legislature's intent to provide employment services and an expectation of work for parents of school-age children receiving SNAP.

Decisions by states to request waivers of the ABAWD time limit and apply mandatory or voluntary SNAP E&T programs heavily influence the composition of the SNAP caseload and trends over time. To illustrate this point, Figure 3 shows differences in the share of SNAP caseloads that have no earned income and the share that are considered

Figure 3



Source: Cronquist, Kathryn, and Sarah Lauffer (2019)

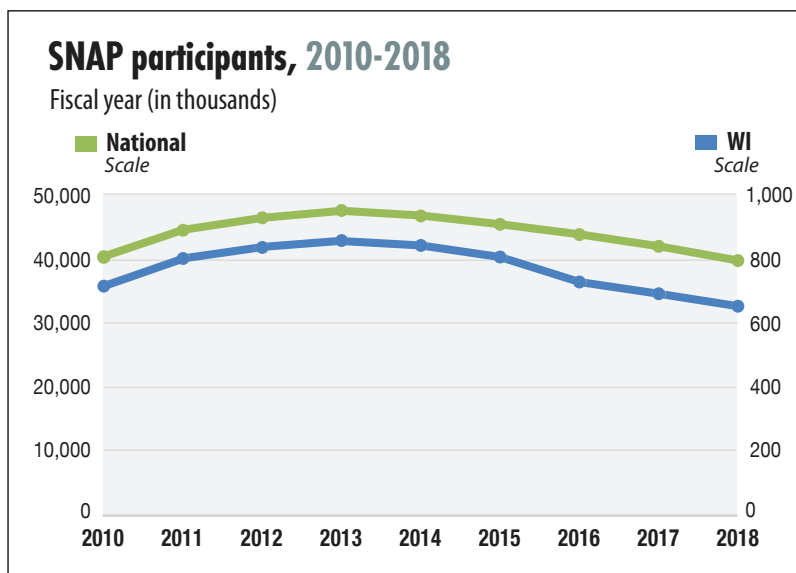
ABAWDs for Wisconsin and neighboring states for fiscal year 2017.

Wisconsin and Iowa did not waive the ABAWD time limit in fiscal year 2017, Minnesota and Michigan had waivers in part of their states and Illinois had a statewide waiver. Additionally, only Minnesota and Illinois had a mandatory SNAP E&T program for ABAWDs in fiscal year 2017. The combination of these two factors helps explain why the ABAWD share of the caseload in Wisconsin

and Iowa, and to some extent in Minnesota, is low compared with the other neighboring states and the U.S. as a whole and may also affect the share of households with no earnings.

These policy choices also affect the overall number of SNAP participants. Until 2015, when Wisconsin still waived the ABAWD time limit (a statewide waiver since 2009), SNAP participation in Wisconsin mirrored national trends (Figure 4). But when Wisconsin reinstated the ABAWD time limit, the state experienced a sharper decline in SNAP participation than the nation as a whole (Figure 4), demonstrating the potential implications of policy choices at the state level.

Figure 4



Source: U.S Department of Agriculture, Food and Nutrition Service, National and/or State Level Monthly and/or Annual Data, May 2019

While a direct link between the more robust SNAP caseload decline in Wisconsin and the reinstatement of the ABAWD time limit is difficult to establish empirically, it was likely a factor.

Broad-based categorical eligibility (BBCE) is another state policy choice that affects SNAP receipt for working people. BBCE is permitted by federal law and allows states to consider households automatically eligible for SNAP if they receive another means-tested

benefit, such as TANF. The intent is to ease administration of SNAP by not requiring state agencies to determine eligibility twice for similar programs.

However, changes made in 1996 that allowed more state flexibility in setting TANF eligibility criteria resulted in states exploiting this provision by using token TANF services to expand SNAP eligibility to higher-income households and to households with assets above the limits set by Congress. Thirty-seven states, including Wisconsin, have used BBCE to expand SNAP eligibility in this way (U.S. Library of Congress Congressional Research Service 2019).

The implications of eliminating BBCE for Wisconsin are likely small because households still would have to have a net income (meaning income after deductions for things such as rent and child-care expenses) below 100% of the federal poverty level to qualify for SNAP, which in 2019 was \$21,330 for a family of three. Advocates believe this policy choice helps working families make ends meet by expanding SNAP eligibility higher up the income scale. But it also introduces the employment disincentives associated with SNAP to more households and could have long-term negative consequences on employment (Hoynes and Schazenbach 2012; East 2018).

Temporary Assistance for Needy Families (TANF)

In 1996, Congress passed the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), or “welfare reform,” recognizing the need to reduce work disincentives in traditional cash welfare programs. Among other things, the act implemented federal work requirements for recipients of cash assistance but also gave states flexibility to structure benefits and design work programs in ways that encouraged work by replacing the entitlement Aid to Families with Dependent Children (AFDC) program with Temporary Assistance for Needy Families. TANF, like its predecessor AFDC, provides cash assistance to poor parents who are expecting or have minor children. Income guidelines differ by state but generally are based on a percentage of the federal poverty line. In Wisconsin, families are financially eligible for TANF when income is below 115% of the federal poverty line, or \$29,613 for a family of four in 2019.

The block grant nature of TANF differs substantially from a federal entitlement program like AFDC because it gives states flexibility (within the parameters of the law) to design and implement their TANF program as long as they spend their TANF money on purposes consistent with the law. TANF, though, requires that if states choose to provide cash

assistance to poor families (one of the original purposes of the program), work-able parents must be employed or engaged in activities that lead to employment.

On the one hand, the federal law authorizing TANF restricts what states can do. It specifies 12 activities that recipients of cash assistance must do to count toward the “work participation rate” and penalizes states (by reducing the block grant) if they fail to engage 50% of their TANF adult caseload in work or an approved activity. On the other hand, states have a great deal of flexibility in deciding how to spend TANF funding, including decisions about who is eligible for TANF cash assistance, how much assistance they receive, who must work or participate in an activity in order to receive it and the penalty for not participating. States can decide how to use TANF funding as long as they use it to further one of the four goals established in law:

- Assist needy families.
- End the dependence of needy parents by promoting job preparation, work and marriage.
- Prevent and reduce out-of-wedlock pregnancies.
- Encourage the formation and maintenance of two-parent families.

Over the years and across gubernatorial administrations, Wisconsin has used this flexibility to design a fairly strong, work-focused TANF program. Wisconsin Works (W-2) is one of the TANF-supported programs in Wisconsin, and it provides cash assistance and employment-related support to eligible families.⁹ Some states are more generous than others in terms of how much income a family can have and still qualify for cash benefits, as well as how much a family can receive in

a given month. These policy decisions affect who receives benefits, as well as the incentives or disincentives that applicants and recipients face when it comes to working or not working.

Four key policy decisions are worth considering when assessing the implications of TANF on employment for Wisconsin residents: benefit generosity, applicant work requirements, time limits and sanction policies.¹⁰ The purpose here is to touch on these policies in brief, recognizing that decisions by individual states in these areas and the potential implications for participant

employment are complex and require a great deal more attention to understand than given here. Nonetheless, understanding them from a broad perspective can help better understand how TANF can be used to support employment in any given state.

Benefit generosity. According to the federal Welfare Rules Database, only about nine states are more generous than Wisconsin in terms of the maximum amount a family

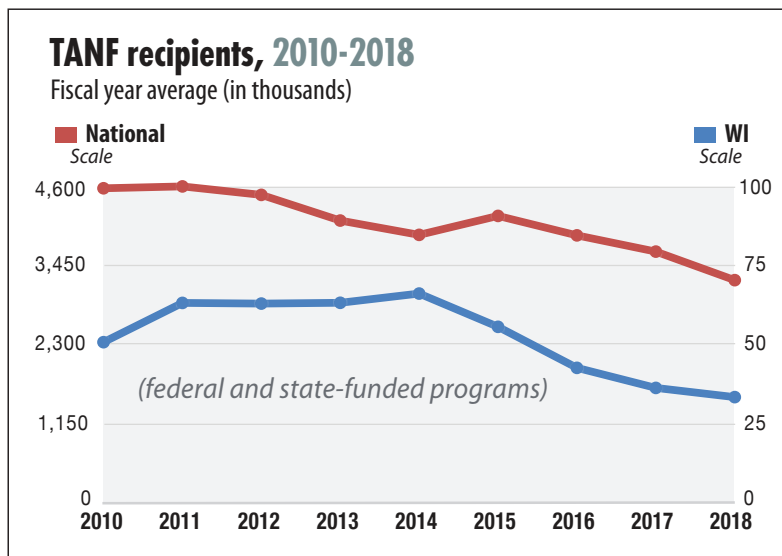
Only about nine states are more generous than Wisconsin in terms of the maximum amount of assistance a family of three can receive per month, with work-required families enrolled in W-2 receiving approximately \$650 per month.

of three can receive per month, with work-required families enrolled in W-2 receiving approximately \$650 per month (Heffernan et al. 2018). In general, the more generous the benefits, the greater the employment disincentive. But not all W-2 families receive cash benefits (some only qualify for case management services), and many other policy choices affect how benefit generosity affects employment incentives, such as the work-related requirements placed on participants and the penalties for not complying.

Applicant job search requirements. Wisconsin requires that parents demonstrate a good faith effort to find employment before they are eligible to receive cash assistance, and when appropriate, they must participate in up-front job searches as applicants. If they do not comply, they are not eligible for assistance. Applicant job search requirements can be considered diversionary, reserving assistance only for those who cannot find employment otherwise. Nineteen other states, including neighboring Minnesota and Michigan, require applicant job searches. The remaining 31 states, including Iowa and Illinois, do not require up-front job searches (Heffernan et al. 2018).

Time limits. TANF established a 60-month lifetime limit on receipt of federal cash assistance. However, states can impose shorter time limits or choose to fund benefits using state dollars after the federal time limit is exhausted. Wisconsin currently imposes a 60-month statewide limit on receipt of cash assistance, like 36 other states. Neighboring Illinois, Iowa and Minnesota also have a 60-month time limit, while Michigan limits cash assistance receipt to

Figure 5



Source: U.S. Department of Health and Human Services, Administration for Children and Families, TANF Caseload Data, FY 2010-2018.

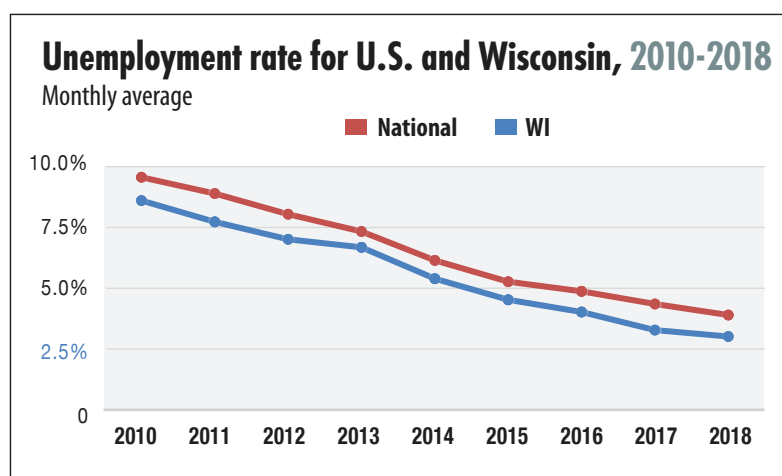
48 months (Heffernan et al. 2018). Wisconsin also imposes a 24-month time limit for individual paid employment placements, such as community service jobs or subsidized employment, in addition to the 60-month statewide limit.¹¹ The 2015-2017 state budget in Wisconsin reduced the statewide time limit to 48 months, but the rule change has yet to go into effect as exemptions to the new time limit are worked out administratively.

Sanction policies. The penalty for not complying with TANF program rules also can be determined by states. States can either reduce the amount of the benefit that a family receives when it violates program rules or, in the most severe circumstances, they can close the case altogether. In Wisconsin, participants in an agency-sponsored work placement (such as community service jobs or subsidized employment) who miss some of their required hours can receive a reduction in their benefit that corresponds to their hours of non-participation. W-2 recipients also can have their cases closed entirely when they do not participate at all or miss required appointments, and depending on the specific activity they were in, they can reinstate their case when they comply or their case may be permanently closed.¹² Most other states also close the TANF case entirely as the most severe penalty (California and New York are the exceptions), and like Wisconsin,

many states only partially reduce benefits for the initial act of noncompliance.

The number of TANF recipients in each state, the trends over time and how connected TANF recipients stay to the labor market are affected by the choices that states make on these and other TANF-related policies. Local labor market conditions also heavily influence these factors.

Figure 6



Source: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics

This means that state policymakers can influence employment rates among low-income parents by supporting policies that contribute to a strong local economy and developing TANF policies that maintain a strong connection between low-income parents and the labor market. Reviewing trends for the U.S. and Wisconsin suggests that Wisconsin compares relatively well to the country as a whole.

Since 2010, TANF caseloads (including those funded by the federal and state governments) across the country have declined (Figure 5), reflecting a strengthening overall economy. Wisconsin experienced a steeper decline than the nation as a whole since at least 2014 (Figure 5). One contributing factor was likely a policy change in 2014 to change the way W-2 employment-services contractors were paid. The administering agency, the Department of Children and Families, paid contractors for getting W-2 participants jobs, which tightened the process and incentivized employment, leading to declines in the W-2 caseload (Anderson 2015).

Other potential factors explain these trends, including local labor market conditions. The Wisconsin economy outperformed the national economy during this time (as measured by the unemployment rate), with a larger decline in unemployment over the past couple of years in Wisconsin than in the U.S. as a whole (Figure 6). It is overly simplistic to directly attribute the declines in TANF recipients to declines in the unemployment rate, but the importance of a strong economy and state-specific policies on the employment and poverty status of Wisconsin residents should not be understated.

Policy Recommendations

As outlined above, Wisconsin lawmakers and program administrators have a number of opportunities to use federal safety net programs to encourage work and help low-income Wisconsin residents escape poverty. Until recently, Wisconsin leveraged this flexibility to implement policies aimed at encouraging employment, such as administering a state EITC, experimenting with SNAP work programs and requirements, and designing TANF programs to focus on employment. The Evers administration has weakened some of the pro-work policy options available to the state through these federal programs. Below are recommendations for policymakers that, if enacted, would return the state to a pro-work approach to helping more low-income families in Wisconsin.

Expand the Wisconsin EITC for families with one and two qualifying children. Wisconsin is the only state that varies the state EITC by the number of qualifying children, giving families with fewer children a smaller share of the federal EITC than families with more children. Since most EITC recipients are unmarried households, the existing structure might have the unintended consequence of encouraging additional children among single parents while discouraging marriage. Then-Gov. Scott Walker's 2017-2019 state budget proposed expanding the EITC for families with one qualify-

ing child, but it was not approved by the Legislature. Lawmakers should expand the state EITC for families with one and two qualifying children to something more comparable to other states (in the range of 15% to 25% of the federal EITC), while making the state EITC for families with three children the same.¹³ This will achieve equity across family sizes and improve the health and academic achievement of low-income children, while supporting work.

Implement a non-custodial parent (NCP) EITC.

Wisconsin does not provide a state EITC to workers without dependent children. Some childless workers, though, are non-resident parents who likely support (or are expected to support) their non-custodial children through child support. Implementing an expanded EITC for non-custodial parents will support their employment and ensure that more child support is paid to children in need. New York State implemented a non-custodial parent EITC in 2006, and an evaluation of that effort found that it increased child support payments and improved employment for non-custodial parents (Nichols et al. 2012). Wisconsin could offer a non-custodial parent EITC using TANF funding (or the state share of TANF, termed "maintenance of effort" funding) since non-custodial parents are considered part of TANF-eligible families.

Reinstate FSET funding for parents of school-age children receiving SNAP and improve participation rates and effectiveness of FSET programs. Gov. Evers vetoed FoodShare Employment and Training funding passed by the Legislature in the 2019-2021 state budget, which would have provided employment-related services to parents of school-age children receiving SNAP, while setting employment expectations for them. Lawmakers should restore the almost \$20 million in FSET funding to provide crucial job training and education supports to help prepare nonworking SNAP recipients for the workforce.

Program administrators should use the additional funding to ensure that FSET programs are implemented well and effectively. This requires a robust administrative process for determining who is subject to the requirement and who should be exempt, as well as strong oversight of FSET service providers to ensure that they are providing effective services and connecting work-capable FoodShare participants to employment. A full analysis of FSET data is beyond the scope of this report, but state Department of Health Services data suggests that a very small number of work-eligible FoodShare recipients participate in FSET and an even smaller number find employment. Low-income, nonworking SNAP recipients in Wisconsin need effective employment and training services to support a permanent path out of poverty, which is why reinstating the FSET funding and improving the effectiveness of FSET programs is crucial for them.

Implement the SNAP work expectations for parents of school-age children. Nonworking parents of school-age

children who are receiving SNAP should be expected to work or participate in work activities as a way to better their economic situation. With restored FSET funding, services can be provided to them to secure employment and child-care resources can be leveraged to provide this population with affordable, high-quality after-school child care. Wisconsin currently has sufficient resources through the federal Child Care Development Block Grant (CCDBG) program to help more low-income families afford child care. Helping these families secure employment is their surest way toward a better economic future.

Continue the ABAWD time limit to maintain a strong work focus in SNAP. The rule change by the USDA will continue to give states the ability to request waivers of the ABAWD time limit even though the rule will make fewer areas eligible. Wisconsin policymakers should use this flexibility with care and request waivers only for parts of the state that truly have a limited number of available jobs, no matter the federal criteria. Waivers when jobs are available incentivize able-bodied adults without dependents to leave the labor market and can hurt them in the long run.

Eliminate the use of broad-based categorical eligibility for SNAP households. The federal government proposed a rule in August 2019 to eliminate the use of broad-based categorical eligibility in states. Even without this rule change, Wisconsin policymakers should consider the implications of using it. Currently, SNAP eligibility in Wisconsin allows gross income (meaning before deductions for things such as rent and child care) up to 200% of the federal poverty line and allows household assets of any amount. This leaves open the possibility that relatively higher-income households or households with substantial assets are eligible for SNAP in Wisconsin, which can disincentivize employment and self-reliance. Eliminating the use of this tactic would strengthen the work incentives and integrity of the program.

Implement the 48-month time limit for W-2. The 2015-2017 state budget, as adopted, reduced the statewide time limit for W-2 receipt to 48 months from 60, which is consistent with several other states that also have a 48-month or less time limit for TANF benefits. The change has yet to go into effect as exemptions to the time limit are still being determined administratively, and the position of the Evers administration on W-2 time limits is unclear. Exemptions are appropriate when W-2 participants are incapable of work, such as when health

issues or other limitations prevent employment. However, W-2 should be temporary, and work-capable participants should be expected to quickly return to the labor market with the help of employment-service contractors. When W-2 participants stay out of the labor market for extended periods, their skills deteriorate, which makes it harder to find employment in the long run. The Evers administration should implement the 48-month time limit with appropriate exemptions in order to set clear expectations around work and incentivize participants and service providers to find employment quickly.

Partner with educational institutions and community organizations to help W-2 participants and nonworking SNAP recipients find sustained employment. Communities have a vested interest in ensuring that families and children have sufficient income to thrive and prosper. This means that local educational institutions, such as the Wisconsin Technical

College System, and community-based organizations are well-equipped to help residents find and maintain sustainable employment, even when that help falls outside the usual scope of federal safety net programs. Programs such as TANF and SNAP offer states resources to help low-income families, but entire communities are needed to ensure family success. A full assessment of existing partnership efforts and opportunities is beyond the scope of this report, but policymakers are encouraged to support partnerships across various entities in Wisconsin and create an environment of shared responsibility, including at the individual level, for the

success of low-income Wisconsin families.

Consider the implications of other safety net programs on employment. A number of other safety net programs not covered in this report also influence employment, including Medicaid, child-care assistance, housing assistance and child support enforcement. When considering reforms to these programs, state policymakers should also aim to strike the right balance between providing financial assistance and incentivizing employment. For example, child-care assistance can increase employment by reducing out-of-pocket child-care costs and allowing parents to remain attached to the labor market when they choose. But policies that result in an inadequate supply of subsidized providers can make it difficult for low-income parents to benefit. Additional research on the work implications of these safety net programs for Wisconsin families also could help policymakers develop a long-term strategy for addressing poverty through employment.

Lawmakers should restore the almost \$20 million in FoodShare Employment and Training funding to provide crucial job training and education supports to help prepare nonworking SNAP recipients for the workforce.

Conclusion

Federal safety net programs can help work-capable low-income families by replacing lost income due to temporary unemployment or by boosting low wages. At the same time, government assistance programs can lessen the incentive to work and unintentionally trap families in poverty and dependency. Historically, federal safety net programs were designed with this in mind, giving state lawmakers the opportunity to use federal programs to enact policies that help families move toward employment while also providing assistance to reduce their material hardship.

This report highlights how states can use three federal safety net programs — the EITC, SNAP and TANF — to help low-income Wisconsin families escape poverty through employment. In 2019, Wisconsin weakened the pro-work aspects of its anti-poverty policies by rolling back the ABAWD time limit for SNAP in parts of the state, reducing job training and education funding for SNAP participants and eliminating work expectations for SNAP participants with school-age children. Restoring these policies, along with expanding the state EITC, will strengthen the pro-work aspects of Wisconsin's anti-poverty approach by emphasizing employment as a path out of poverty for economically vulnerable families.

The recommendations included in this report offer Wisconsin policymakers specific steps to advance a pro-work, anti-poverty approach. Reinstating the work expectations for all SNAP able-bodied adults without dependents and SNAP recipients with school-age children, along with implementing the 48-month W-2 time limit, will make it clear that work-capable adults who receive public benefits should be working or moving toward work if they are to receive public assistance. This reinforces employment as central to economic opportunity, personal dignity and a prosperous life.

Some may argue that benefit recipients cannot work, but state officials have a number of tools available that can be leveraged to support employment among low-income residents, including job training and child-care assistance funds. To complement policies that set clear work expectations, state policymakers also can reward work by expanding the state EITC, creating a noncustodial parent EITC and operating effective job training and education programs. Combining these policies with a comprehensive approach that matches educational resources to the demands of the local labor market will encourage employment as the path out of poverty and better help Wisconsin families prosper and live their lives with the economic dignity that they deserve. ❏



About the author

Angela Rachidi is a resident scholar in poverty studies at the Washington, D.C.-based American Enterprise Institute, where she studies poverty and the effects of federal safety net programs on low-income people in America. She is an expert in support programs for low-income families, including the Temporary Assistance for Needy Families, the Child Care and Development Block Grant and the Supplemental Nutrition Assistance Program. She lives in and works remotely from Madison.

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Endnotes

¹ Nicholas Eberstadt wrote about the consequences of declining labor force participation in his book “Men Without Work: America’s Invisible Crisis” (Templeton Press, September 2016) and in a related piece published by *Time* magazine, “America’s Unseen Social Crisis: Men Without Work,” September 2016. Accessed December 10, 2019, <https://time.com/4504004/men-without-work/>

² See the U.S. Internal Revenue Service informational website for more details. Accessed September 5, 2019. www.irs.gov/credits-deductions/individuals/earned-income-tax-credit

³ See the Wisconsin Department of Revenue informational website for more details. Accessed September 5, 2019. www.revenue.wi.gov/Pages/FAQS/ise-eic.aspx

⁴ See the Tax Policy Center’s State EITC as Percentage of the Federal EITC Data Tables. Accessed September 5, 2019. www.taxpolicy-center.org/statistics/state-eitc-percentage-federal-eitc

⁵ See the U.S. Department of Agriculture, Food and Nutrition Service information website for more details. Accessed December 9, 2019. <https://www.fns.usda.gov/pd/supplemental-nutrition-assistance-program-snap>

⁶ See the U.S. Department of Agriculture, Food and Nutrition Service information website for more details. Accessed September 5, 2019. www.fns.usda.gov/snap/ABAWD

⁷ See the Federal Register Notice for more details. Accessed December 5, 2019. <https://www.federalregister.gov/documents/2019/12/05/2019-26044/supplemental-nutrition-assistance-program-requirements-for-able-bodied-adults-without-dependents>.

⁸ See Gov. Tony Evers Veto Statement, July 3, 2019. Accessed December 10, 2019. <https://doa.wi.gov/budget/2019-21%20Veto%20Message%20.pdf>

⁹ See the Wisconsin Department of Children and Families Wisconsin Works (W-2) Manual for more details on W-2 operations. Accessed September 5, 2019. dcf.wisconsin.gov/manuals/w-2-manual/Production/pdf/W2ManualRelease1906.pdf

¹⁰ TANF offers a great deal of flexibility to states, and a number of policy differences exists across states, all of which affect caseloads and employment in one way or another. These four policies were highlighted based on their relative importance as demonstrated by existing literature, including Grogger 2003 and Blank 2008.

¹¹ See the Wisconsin Department of Children and Families Wisconsin Works (W-2) Manual for more details on W-2 operations. Accessed September 5, 2019. dcf.wisconsin.gov/manuals/w-2-manual/Production/pdf/W2ManualRelease1906.pdf

¹² See Section 11 of the Wisconsin Department of Children and Families Wisconsin Works (W-2) Manual for more details on W-2 operations. Accessed September 5, 2019. dcf.wisconsin.gov/manuals/w-2-manual/Production/pdf/W2ManualRelease1906.pdf

¹³ This could be accomplished by grandfathering those with three qualifying children in prior tax years to the higher rate but applying the lower rate to new families.

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