



**Testimony on Work Incentives and the Safety Net**  
**A Joint Hearing of**  
**the House Committee on Ways and Means, Human Resources Subcommittee**  
**and the House Committee on Agriculture, Nutrition Subcommittee**

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*CLASP is a national, nonpartisan, anti-poverty organization advancing policy solutions at the federal, state, and local levels that work for low-income people. The organization advocates for public policies and programs that reduce poverty, improve the lives of poor people, and create ladders to economic security for all. For more information, visit <http://www.clasp.org> and follow @CLASP\_DC.*

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Chairman Boustany, Chairman Walorski, Ranking Member Doggett, Ranking Member McGovern and Members of the Committees, thank you so much for the opportunity to testify on work incentives in the welfare system.

I am the Executive Director of the Center for Law and Social Policy (CLASP), an anti-poverty organization that promotes effective federal and state policies for low-income families and individuals. In addition, I bring to this testimony experience in directly administering these programs at the federal, state, and local levels in New York State, Massachusetts, the District of Columbia, and as Assistant Secretary for

Children and Families in the Clinton administration, as well as experience studying their impact and effectiveness as a researcher at the Urban Institute.

I would like to make four major points in this testimony:

First, researchers have demonstrated that the nation's core safety net programs sharply reduce poverty, improve nutrition and health care for millions of children and families, and have positive effects on children's health, work trajectory, and income many years later.

Second, I will directly address the topic of today's hearing, the relationship between safety net programs and work. The research evidence indicates overwhelmingly that the safety net as a whole supports work, particularly for low-income parents, helping them to stabilize their lives, raise their children, and move up while they are working often long hours for low wages. One of the major success stories of the past decades is that the safety net has made work pay and lifted millions of families out of poverty. Critiques of the safety net that highlight theoretical work disincentives are overstated, and are not supported by what research finds about the actual behaviors of low-income workers.

Third, the challenges that low-wage workers face in today's economy are not about too much support but too little, and above all, about the characteristics of unstable, low-wage jobs and, the barriers to postsecondary education and high-quality career pathways.

Fourth, I will address next steps. Congress and the states have already taken several important steps to promote and support work through effective design and implementation of safety net programs, but there is much left to do. To further support low-income workers and enable them to succeed in the workforce, Congress could take several key steps to encourage work, including improvements to the Earned Income Tax Credit (EITC) and Child Tax Credit (CTC), adequate funding for child care, and further steps to support a two-generational approach that helps both parents and their children escape poverty. However, one solution that has sometimes been offered – block grants – would be a step backwards, not forwards: it threatens the effectiveness of the safety net, and is not needed to give states the flexibility to align programs in support of work.

## Benefits of the Safety Net

The key benefits of the safety net, according to a large and growing body of research, are substantial reductions in poverty, improvements in the ability of low-income families and individuals to meet basic needs such as health and nutrition, and lifelong enhancements in children's health and economic success. While there are many ways to define the safety net, in summarizing this research, I will focus on two groups of means-tested programs. The largest and most widely available elements of the safety net for low-income individuals and families are Medicaid (and the closely related CHIP), the Supplemental Nutrition Assistance Program (SNAP), and the Earned Income Tax Credit (EITC). Another group of income- and work-support programs, including cash assistance from the Temporary Assistance for Needy Families (TANF) block grant, housing subsidies, and child care subsidies, provide important supports to those who are able to receive them, but capped spending limits their reach. Other programs do not provide direct income support, but help workers obtain the skills they need to advance in the labor market.

In 2013, Medicaid served 57.4 million individuals<sup>1</sup>, SNAP supported 47.6 million individuals<sup>2</sup>, and the Earned Income Tax Credit benefitted 28 million tax units (overwhelmingly families with children).<sup>3</sup> Because these programs are not capped, they are available to all eligible recipients and are able to respond automatically to changing economic conditions, such as the recession. Housing assistance reached over 5 million households<sup>4</sup>, while TANF served 1.75 million families (comprising 4.1 million individuals, including a little over a million adults) and child care subsidies through the Child Care and Development Fund reached 1.46 million children in 2013.<sup>5</sup>

When poverty is measured in ways that take safety net programs into account, researchers find that they cut the poverty rate almost in half. Because the official federal poverty rate doesn't count the income that families get from these programs -- including SNAP and the Earned Income Tax Credit -- assessing the reduction in poverty requires estimating an alternative poverty rate. One recent estimate by researchers at Columbia University finds that government tax and transfer policies reduced the share of people who are poor by 13 percentage points or almost half, from 29 percent to 16 percent in 2012. By contrast, in 1967, tax and transfer programs reduced poverty by just 1 percentage point, from 27 percent to 26 percent.<sup>6</sup>

These results translate into millions of people. Correcting for underreporting of benefits in surveys, and using the government's supplemental poverty measure, which treats non-cash benefits and tax credits as income, SNAP benefits alone kept 10.3 million people, including 4.9 million children, out of poverty in 2012. The Earned Income and Child Tax Credits kept 10.3 million people, including 5.3 million children, out of poverty that year. Using a broad definition, including non-means tested programs such as Social Security and Unemployment Insurance, the safety net kept 48 million people, including 12 million children, out of poverty in 2012, cutting poverty by more than half.<sup>7</sup>

The federal safety net programs have also dramatically changed the lives of low-income families, both poor and near-poor, through large improvements in access to health care and nutrition, particularly for children. For example, children's health insurance coverage increased dramatically as a result of bipartisan improvements to the safety net, particularly Medicaid and the Children's Health Insurance Program or CHIP. In 2013, the Census Bureau found that only 7.3% of children under age 18, or 5.4 million children, were uninsured, a reduction of over 2 million uninsured children since 2000.<sup>8</sup>

These improvements are crucial because of the impact of addressing health and nutrition needs in the early years of life on long-term development. Recent rigorous studies of both SNAP and public health insurance have demonstrated striking effects of access as a child to these safety net programs on life outcomes many years later, into adulthood. A recent paper by the National Bureau of Economic Research finds that having access to SNAP in early childhood also has positive effects on adult outcomes years later, including health and economic self-sufficiency.<sup>9</sup> On the health insurance side, studies show that children's and mothers' access to health insurance during pregnancy and in the first months of life is linked to significant reductions in infant mortality, childhood deaths, and the incidence of low birthweight. More broadly, children's access to health insurance is associated with a continuing source of care, at least one well-child visit, access to dental care, and a reduced likelihood of unmet health care needs, as well as improvements in children's school performance that appear to arise from better child health.<sup>10</sup> In addition, expanding health insurance coverage for low-income children has large effects on high school completion, college attendance, and college completion.<sup>11</sup>

Emerging research is also demonstrating effects of other components of the safety net on children's success years later. While conducting such research takes time – researchers cannot know the effects on young children's later education and work trajectories until years after they benefit – evidence now suggests that the EITC and CTC lead to improved educational outcomes for young children in low-income households. Recent research shows that children who receive larger EITCs tend to have improved test scores, higher high-school graduation rates and higher college attendance rates. These academic benefits extend to children of all ages and racial and ethnic background—with an even larger effect for minority children on high school diploma or GED achievement.<sup>12</sup>

## Effect of the safety net on work

The overwhelming empirical evidence is that the safety net as a whole supports work, particularly for low-income parents. It is not too much support for work but too little -- in particular the absence of help with child care or the instability associated with not being able to afford a stable residence -- that typically holds people back from working. There are some circumstances where individuals or families encounter barriers to work as a result of specific features of safety net programs, or the way those features interact with family circumstances and the demands of the low-wage labor market – but these effects are much smaller than the work-promoting effects.

One example may make this clearer before I go into the research evidence. Child care subsidies overwhelmingly have a pro-work effect, enabling large numbers of mothers to work and work more steadily. However, an individual mother could face a “benefit cliff” where a promotion would take her out of the income range where she can get help based on a particular state's policy decisions, even though she cannot yet pay for the full cost of child care – which ranges from \$5,500 to \$16,549 for an infant in center based care depending on the state -- higher than the average annual cost for a year's tuition and fees at a four-year public college in 31 states and the District of Columbia.<sup>13</sup> She faces a very tough choice that no parent should have to make, whether to take the promotion and hope that she can somehow find good quality care for her children or to pass up the promotion and hope it is still available when her children are school-age. As I suggest below, there are important next steps Congress could take, in particular, major increases in investment to build on bipartisan action already taken in the recent reauthorization of the Child Care and Development Block Grant (CCDBG) that would prevent mothers with young children from facing this particular benefit cliff.

Now let me explain why the overwhelming research evidence is that the safety net supports and promotes work, rather than hindering it. First, the majority of people who get help from these core safety net programs are in fact working -- but earning too little to make ends meet without help. In some cases, eligibility for these programs is directly tied to employment. Two of the largest income transfer programs today are the EITC and CTC, both of which are only available to families with workers – in fact, both of them increase as earnings increase up to specified limits. These programs dwarf traditional income support programs. Similarly, eligibility for child care is directly linked to employment. Most parents receiving child care subsidies are working; 94 percent are either employed or in education or training programs.<sup>14</sup> But even in other programs, participants have significant work attachment. For example, among all SNAP households with at least one working-age adult not receiving disability benefits, more than half have a member who works while receiving SNAP — and more than 80 percent

work either in the year prior to or the year after receiving SNAP. The rates are even higher for SNAP households with children.<sup>15</sup>

Second, many different empirical studies that have used rigorous techniques to analyze the effects of the safety net programs, taken as a package or individually, on families' actual level of work find that when low-income working parents can get and keep the full package of work support programs, they are better able to stabilize their lives, keep a job, move up, and help their children thrive. For example, research on child care subsidies has consistently found that they play a key role in improving parents' employment outcomes, including stability of employment and earnings. Studies of parents leaving welfare for work have concluded that families accessing various work supports, including health insurance, SNAP, and child care, were more likely to be stably employed and less likely to return to welfare.<sup>16</sup> Studies of the EITC show that its effects in increasing labor force participation are of far greater magnitude than its effects in reducing the hours of employment for those who are already working.<sup>17</sup> Empirical studies of the effects of the safety net as a whole confirm that, in practice, income support programs' work disincentives are so small as to have "almost no effect" on their anti-poverty effectiveness.<sup>18</sup>

Third, this work-promoting feature of the safety net is not an accident – it reflects deliberate actions by the Congress over the past two decades to increase support for low-income working families who are unable to make ends meet. These reforms included:

- Major expansion of child care subsidies in the late 1990s, including a tripling of combined federal and state spending on child care between 1996 and 2000, leading to approximately 1 million additional children receiving child care assistance. (Unfortunately, as explained below, a lack of investment in recent years has led the number of children benefiting from this help to decrease to a 15-year low in 2013.)
- SNAP policy and practice changes to make benefits more available to working families, including online and phone applications, and more fully reflecting the burden that child care costs can place on family budgets, leading to all-time high participation rates among eligible working families.<sup>19</sup>
- State adoption of higher gross income limits under SNAP using broad-based categorical eligibility, which eliminates the sharp loss of benefits that results when recipients' gross income exceeds 130 percent of poverty.
- Major expansions of the EITC and CTC, so that the combined value of these programs for a single-parent with two children working full-time at the minimum wage has increased more than seven-fold from 1990 to today.<sup>20</sup>
- Expansion of eligibility for health care coverage through Medicaid and CHIP to nearly all children in low-income working families, and some parents, followed by availability to parents and low-income childless adults under the ACA.

It is important to recognize that at the same time the safety net has been greatly expanded and its anti-poverty effectiveness has grown, poor and near-poor mothers – the group who are eligible for the widest range of benefits -- have become far more likely to work, even while their children are very young. In 1975, fewer than half of all mothers were in the labor force, and only about a third of mothers with a child under age 3, compared to more than 70 percent of all mothers and 60 percent of mothers with a child under age 3 in 2012.<sup>21</sup> While married mothers were working more in the 1980s and early

1990s, since then, single mothers have closed the gap – despite the obstacles they face and, again, even when their children are very young. In 2014, about three-quarters of single mothers were in the labor force compared to 68 percent of married mothers, and 57% of mothers of infants – under age one – whether married or single.<sup>22</sup> Given the many practical and financial challenges involved in working in a low-wage job while caring for a child as a single parent, the employment level for this population is frankly remarkable.

By contrast, employment has declined the most among childless adults, especially men. In 1995, 62.5 of childless men and 50.7 percent of childless women were employed. In 2014, 57.1 percent of childless men and 48.7 percent of childless women were employed.<sup>23</sup> These individuals do not receive the child tax credit and are only eligible for a very modest EITC and limited SNAP benefits. Until the ACA expansion, they were almost never eligible for public health insurance. It is simply not plausible to attribute their declining labor force participation to the existence of the safety net.

There is surprisingly little evidence to support the counter-argument that benefits like SNAP and Medicaid actually discourage work rather than promoting it. One line of argument is that this must be true, regardless of whether the evidence about families' actual experiences supports it, because safety net programs such as TANF, SNAP, and housing subsidies gradually reduce benefits as earnings increase (although it is worth noting that the EITC and CTC *increase* benefits as earnings increase for low-wage workers). So this line of argument concludes that families must be discouraged from working, describing these benefit reductions as “effective tax rates” because they mean that each additional dollar of earnings translates into less than a dollar of additional net family income. However, as noted earlier, empirical research about poor and near-poor individuals and families has not borne out these predictions about workers' behavior.

There are likely several reasons why these predictions do not in fact reflect reality. First, for poor parents moving from unemployment or very part-time employment into greater levels of employment, the reduced value of some benefits is offset by the increased value of others, particularly the EITC and the CTC. In fact, the very poorest families may find that their net income increases by more than a dollar for each dollar of additional earnings. Second, many of the calculations look at families who receive a very extensive package of benefits including health insurance, food assistance, child care subsidies, and housing assistance and conclude that they could face a daunting reduction in benefits if they earned more money. In practice, though, few families receive this full package, because child care subsidies and housing assistance reach such a small share of those eligible. For example, Dr. Steuerle has previously testified regarding the high benefit reduction rate experienced by workers between 100 and 150 percent of poverty.<sup>24</sup> However, this calculation depends on the assumption that a family is receiving a full package of benefits, including SNAP, health insurance, subsidized housing, and Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) – an assumption that applies to extremely few real-life families. A Census report found that over the four-year period of 2001-2004, out of the tens of millions of families who are low-income, an average of just 571,000 households per year received both WIC and housing subsidies.<sup>25</sup> Similarly, the most recent administrative data for WIC found that only a quarter of families receiving WIC also received both SNAP and Medicaid.<sup>26</sup> A recent study by Robert Moffitt, Director of the Economics Department at Johns Hopkins University, confirms that only a tiny fraction of SNAP recipients are both receiving multiple means-tested benefits and have incomes in the ranges where they experience high implicit marginal tax rates.<sup>27</sup> Third, workers are often

unaware of the phase-out rates for the programs they receive, and rarely have the ability to control their hours of work, which mean that these rates rarely influence behavior.

At the same time, I agree that policymakers ought to be concerned about sharp “benefit cliffs,” in which families would abruptly lose a crucial support if they took a promotion or added hours, even if the majority of families do not experience them. These cliffs are more visible and likely to affect actual work choices, send the wrong signal about our expectations of low-wage workers (for example, requiring parents to choose between good quality child care and economic stability), and can destabilize workers and their families just when they should be on the path to economic security. As noted above, the nation has made great progress toward reducing these cliffs, but some remain.

In general, removing cliffs costs money because it means either making programs universally available, without regard to income, or phasing out eligibility more slowly as income increases. As suggested below, increasing funding for child care subsidies to low-income parents would make it possible to take one or the other of these two approaches to the child care cliff (an issue already taken up by Congress in the bipartisan CCDBG reauthorization passed in 2014).

A particularly important positive example comes from the states that have adopted the Medicaid expansion under the Affordable Care Act, where one of the most damaging of these cliffs is gone. Parents no longer have to take the enormous risk of going without health insurance if they add hours to a low-wage job and exceed a pre-ACA Medicaid eligibility ceiling that in many states was far below the poverty level. Instead, with Medicaid coverage at the lowest income levels and then coverage through the health insurance exchange with a sliding scale of subsidy, a working parent can have peace of mind about health care, regardless of income level. However, if the Supreme Court takes subsidies away from workers in states that use the federal exchange, among the many negative consequences will be a new benefit cliff for workers whose income rises above the Medicaid eligibility threshold. If this happens, I urge Congress to restore subsidies to make health insurance affordable immediately.

In addition, as described more fully below, we should ensure that the administration of benefit programs does not impose additional burdens on working families. That is, even when the policies of safety net programs promote work, delivering the programs ineffectively can make it harder for low-income working families to perform well on the job. For example, families should not have to miss work to stand in line for hours to see a caseworker. Similarly, they should not have to risk losing child care and destabilizing their work arrangements because ineffective verification practices or other administrative complications have derailed their child care subsidy. Later in my testimony, I discuss the actions that several states have undertaken under the Work Support Strategies initiative to remove such burdens.

## The Real Challenges Facing Low Income Workers

Despite this progress in the design of safety net programs, changes in the economy, particularly in the availability of secure, decent-paying jobs and the nature of low-wage work, have created an enormous headwind for public programs. About one in five children remain poor today (20.4 percent by the official poverty rate and 16.4 percent by the supplemental poverty measure), with racial and ethnic minority children disproportionately affected.<sup>28</sup> When you add in near-poor families, struggling to make

ends meet with incomes just above the poverty line, more than 31 million children or more than 4 in 10 of all children, live in low-income families that are far more likely than better-off families to face difficulty in paying the rent or mortgage and keeping food on the table.<sup>29</sup>

Most of these children live in families where adults work, often long hours. Nearly 70 percent of poor children live in families with at least one worker, and 30 percent in families with at least one worker employed full-time, full-year. When you add in the near-poor children, more than half of poor and near-poor children live with a full-time, year-round worker.<sup>30</sup>

Among those who work less than full-time, many people would like to work more, but can't. According to the Bureau of Labor Statistics, more than 6.5 million people are involuntary part-time workers, meaning that they would like to work full-time, but either can only find a part-time job or have had their hours cut. While this figure is down about 3 million from the peak of the recession, it is still millions above pre-recession levels.<sup>31</sup> An additional 1.9 million people are working two part-time jobs.<sup>32</sup> Much of this is the nature of the jobs, not workers' choice, especially in typical low-wage industries such as retail, food service and health care. For example, one recent study found that almost 60 percent of the retail workforce is hired in part-time, temporary or holiday positions, and only 17 percent of workers surveyed have a set schedule.<sup>33</sup> These unpredictable hours make it very difficult to "stack" part-time jobs because workers often need to hold open availability for their employers even when not scheduled to work, or they can be penalized by loss of hours. Even among those who are counted as "voluntary part-time," some would really like to work more hours but can't get them, or are constrained by lack of affordable child care and can only work when children are in school, or when other family members are available to provide free care.

Widespread child poverty in the United States endangers not only the wellbeing of individual children but the future skills and capacity of our labor force and our economic future. Children who are born poor and are persistently poor are far more likely than their peers to fail to finish high school, become parents as teens, and experience poverty as adults.<sup>34</sup> And parents' low-wage work has the potential to compound children's developmental risk, because unstable and nonstandard work schedules make it difficult to secure stable child care, because parents' own stress affects children's development, and because so many low-wage jobs come without the crucial benefits – such as paid sick days – that support caring for children.

Several key gaps in public policy contribute to this national risk from child poverty. One is the lack of sufficient support for effective workforce development, adult education, and postsecondary programs for low-wage workers. As Congress noted in its bipartisan passage of the Workforce Innovation and Opportunity Act in 2014, increasingly, the difference between being able to obtain work that supports a family and being condemned to low-paying, unstable employment is a postsecondary credential. Research and evaluations of job training programs for adults find that "a postsecondary education, particularly a degree or industry-recognized credential related to jobs in demand, is the most important determinant of differences in workers' lifetime earnings and incomes."<sup>35</sup> Moreover, at times of slack labor demand, workers without a postsecondary credential may be simply unable to find work.

In addition, there is evidence that effective workforce development and adult education programs can pay off not only for today's participants, but also for the next generation. According to one synthesis of the research, "improving the educational and employment prospects for parents in the workforce today



may also do the same for their children as they enter the workforce tomorrow.” Indeed, there is a well-documented connection between parents’ level of education and their children’s skills, academic outcomes, and health. Forty percent of children whose mothers have not completed high school do not graduate on time themselves, compared to just 2 percent of children whose mothers have a bachelor’s degree.<sup>36</sup>

However, federal funding for workforce development and adult education falls well short of the need. For example WIA Title II Adult Basic Education and Literacy program is funded at levels that reach only 1.7 million – less than 5 percent -- of the nation’s 36 million adults with the lowest literacy levels as found by a landmark 2013 international assessment of adult skills.<sup>37</sup> Federal funding for WIA has been reduced by 40 percent since 2000.

At the same time, the potential funding sources for workforce development within the safety net programs are rarely used to their full potential. Only a handful of states draw down significant matching funds under the SNAP Employment and Training program.<sup>38</sup> Under the TANF block grant, states use only 6 percent of combined federal-state funds for employment and training services.<sup>39</sup> Moreover, the limited ability to count recipients engaged in education and training activities toward the TANF work participation rate, discourages states from offering recipients training and postsecondary programs that are most fully supported by the research – including exactly the types of job-driven, evidence-based training programs that the Congress emphasized in its bipartisan reauthorization of WIOA last year.

## Next Steps:

### Implementing Significant Recent Improvements

Finally, I would like to turn to practical, doable next steps to enhance further the safety net programs’ support of work. It is important to highlight that several major steps have already been taken by Congress and by state innovators; effective implementation of these already-enacted improvements is a key place to start.

#### CCDBG

Last year, with overwhelming bi-partisan support, Congress reauthorized CCDBG. The new law strengthens CCDBG’s dual role as both a major early childhood education program and a work support for low-income families. Key provisions in the new law support these dual goals, including protecting the health and safety of children in care through more consistent standards and monitoring of standards; improving the quality of care, including through increased supports for child care providers; and enabling families to more easily access child care assistance that supports stable and continuous care. For states to achieve the full potential of the CCDBG reauthorization while avoiding tradeoffs that harm children and families—and the child care providers who serve them—thoughtful implementation and new resources will be essential.

In this reauthorization, Congress required all states to adopt policies that reduce sharp cliff effects and provide children with stable care as families’ earnings fluctuate, as is common among low-wage workers. All states are now required to offer 12 months of continuous coverage to children receiving child care assistance, which benefits both the families’ ability to work and the children’s healthy development. At the end of the 12- month eligibility, states must have provisions in place to ease

families who are no longer income eligible off subsidies over time, to prevent an immediate cliff effect. States' experiences with these policies suggest that they come with additional costs to states, yet no new money is available in most states. Without significant federal investment, states may have to reduce the number of families served. Congress should now take the steps necessary to meet the increased authorizations detailed in the law and required for implementation, and to expand funding for child care assistance so that more families can get the help they need to go to work.

### WIOA

Congress also reauthorized with bipartisan support the nation's workforce development programs under the Workforce Innovation and Opportunity Act (WIOA). WIOA emphasizes that low-income workers, including public benefit recipients, should receive priority for training services. It also encourages partnerships between WIOA and TANF and SNAP employment and training programs in order to reduce duplication and leverage the strengths of both workforce and human services programs to ensure that participants programs to ensure that clients have access to high-quality training programs that will enable them to achieve economic security. However, making this goal a reality will require many states and localities to change their outreach and assessment processes, as well as braid and blend several funding streams to provide supportive services that many more disadvantaged workers need to succeed in education and training. As noted below, additional resources will also be crucial to achieving the full pay-off from these positive policies.

### SNAP Employment and Training pilots

As part of the Farm Bill, Congress authorized 10 pilot projects to test whether SNAP employment and training (E&T) could more effectively connect unemployed and underemployed recipients to work. The selected pilots, announced in March, include a mix of mandatory and voluntary E&T programs. Several of the pilots target individuals who face significant barriers to employment, including homeless adults, the long-term unemployed, individuals in the correctional system, and individuals with substance addiction illness. Each pilot involves multiple partners to connect workers to resources and services already available in the community. These pilots will help both states and the federal government understand how SNAP E&T can best contribute to recipients building the skills needed to secure good jobs that provide economic security and discontinue the need for support of SNAP.

### State activities

States of both parties are seizing opportunities available today to integrate the major safety net programs (for example, Medicaid, SNAP, and child care subsidies) into a coherent package for families, in order to support their stability and success at work and at the same time improve efficiency and program integrity. As noted earlier, even though the policy framework of the work support programs generally encourages work, service delivery that is "siloed," badly coordinated, or bureaucratic can pose major challenges for low-income workers who are not able to stand in line for hours in the local office or make multiple phone calls to sort out problems. Under current federal law and policy, states have many available opportunities to innovate, streamline, and integrate programs in order to solve these challenges, and many have already made important progress. Through the Work Support Strategies initiative, led by CLASP in partnership with the Urban Institute and the Center on Budget and Policy Priorities and supported by the Ford Foundation and other private funders, the states of Colorado,

Idaho, Illinois, North Carolina, Rhode Island, and South Carolina are designing and implementing twenty-first century strategies to ensure that low-income working families get and keep the full package of work support programs -- while also reducing bureaucracy and the burden on state employees.

The goal articulated by the states is to maximize the capacity of the safety net programs to encourage work by making sure that families can get access smoothly to all they deserve. For example, explaining Idaho's reasons for streamlining access to SNAP, Medicaid, and child care subsidies, Governor C.L. ("Butch") Otter of Idaho emphasized Idaho's goal of "helping families enter and succeed in the workforce." To achieve this goal, Idaho has sought to "identify gaps in the services available to low-income working Idahoans and reduce the impediments to receiving those services for which they are eligible... [with a focus] on improving delivery of SNAP, Medicaid, child care subsidies, and our Temporary Cash Program to the working poor..."<sup>40</sup>

One example among many innovations is the use of new technology to help coordinate eligibility determinations more effectively across Medicaid and human services programs, whether or not states have chosen the Medicaid expansion option. One important focus is reducing "churn" -- which occurs when families are bumped off a program for bureaucratic reasons even though they are still eligible. Churn is a big burden on state administrative systems, because it means processing eligible families multiple times, and it can destabilize families' lives, including their work lives -- for example, if a parent or child loses Medicaid while still eligible and then has to take extra days off work to solve the bureaucratic snafu and get needed medical care. One example of a solution comes from South Carolina, which implemented an "express lane" redetermination initiative, to ensure that children would not "churn" off Medicaid at review time when the state already had the information it needed to determine them eligible its SNAP case files. Sharing current information about families across programs can also improve program accuracy and integrity.

## Next Steps for Congress

But there is also important unfinished business. Building on the strengths of today's safety net programs and the recent enhancements just described, Congress should take the following next steps to support workers and promote work.

### Extend ARRA EITC and CTC improvements

The American Recovery and Reinvestment Act (ARRA) made critical improvements to the EITC and the child tax credit (CTC). These include marriage penalty relief, a modestly larger EITC for families with three or more children, and allowing low-income workers to start qualifying for the refundable CTC starting at \$3,000 (rather than the \$14,700 that would otherwise be needed to qualify). These changes help ensure that work pays for the lowest income workers, who would otherwise not benefit from the CTC.

However, these provisions are now scheduled to expire at the end of 2017. Congress should not move any tax package this year without including these provisions. CBPP estimates that more than 16 million people in low- and modest-income working families, including 8 million children, would fall into -- or deeper into -- poverty in 2018 if policymakers fail to make permanent the key provisions of two important tax credits. Some 50 million Americans, including 25 million children, would lose part or all of their tax credits.<sup>41</sup>

### Expand EITC for childless workers

Another key step is to expand the EITC for workers without dependent children. Under current law, individuals without dependent children can only receive a very small credit—a maximum of about \$500—and begin to lose the benefit even before their earnings reach the poverty threshold. Younger and older workers are at a further disadvantage because, under current law, the EITC is only accessible to eligible individuals without dependent children if the workers are between ages 25 and 65. This leaves out a significant population of low-wage workers struggling to make ends meet – workers who would particularly benefit not only from the amount of benefits but also from the EITC’s pro-work structure.

One important benefit of this step would be its effect on young adult workers, many of whom begin their careers in low-wage jobs. In 2013, 19.8 percent of youth age 21-24 lived in poverty compared to 14.5 percent of the overall population.<sup>42</sup> Expanding the EITC would help young adults make ends meet and encourage workforce participation. A White House report estimates that 3.3 million working youth under age 25 would be newly eligible for the EITC under the president’s proposal, accounting for over 24 percent of all workers who would benefit from this expansion.<sup>43</sup>

There is bipartisan support for expanding the EITC for workers without qualifying children and making it available to younger workers starting at age 21. President Obama proposed an expansion of the EITC for low-wage, childless workers in his FY 2016 budget, as he has before. Congressman Paul Ryan (R-WI), now chair of the Ways and Means Committee, included such an expansion in last year’s Expanding Opportunity in America proposal. Several bills have also been introduced. All of the proposals increase the maximum credit rate for childless workers, doubling it from the current maximum of \$503. I urge you to move this proposal without delay.

### Provide adequate child care funding

On the child care side, immediately after the passage of welfare reform in the mid-1990s, federal-state funding for child care subsidies increased sharply. Today, however, expenditures on the child care subsidy are at the lowest level in a decade and the number of children served is at the lowest level since 1998 – 1.46 million children in 2013, or a reduction of more than 315,000 children just since 2006. Thirty-two states served fewer children in 2013 than in 2012. While there are many reasons for the decline, these reductions occurred, in part, because the two primary sources for federal child care funding – the CCDBG and the TANF block grant – are capped, leaving states with no good choices when the recession and its aftermath increased need and reduced state revenues. As block grants, their value has eroded over time even though the costs of child care increase each year.

Given the importance of help paying for child care to low-income parents’ work success, increased funding for child care should be an urgent priority as part of an agenda to strengthen the work incentives of safety net programs – or, indeed, to strengthen the American economy more broadly. As noted earlier, a virtually unanimous bipartisan majority in the Congress voted for CCDBG reauthorization including provisions that would help low-income families who gain access to child care assistance keep it for at least a year and then avoid being forced to confront a “cliff” as a result of a promotion. The CCDBG Act of 2014 authorizes \$15.4 billion in discretionary funding for years 2015-2020. Insufficient

increases in federal funding will likely require states to make additional commitments as well to cover the costs of the new provisions, at amounts that will depend on individual states' current policies.

While the authorization provides more funding than in previous years, this increase would not be sufficient to increase the share of low-income children whose parents can get help paying for child care and therefore can go to work – or even to reverse the decline in children served. We strongly recommend that Congress commit to child care assistance for all low-income parents with young children, as in the President's budget request; an increase of \$3.7 billion in mandatory funding for child care assistance in FY 2016, which is the first installment of investments totaling \$82 billion over 10 years, and \$370 million increase in discretionary funding all while eliminating the cliff problem by extending help to all low-income (under 200 percent of poverty) parents through CCDBG.

#### Support WIOA implementation and strengthen delivery of evidence-based workforce and postsecondary programs to low-income workers

As noted above, the WIOA legislation enacted by the Congress in 2014 includes very important steps towards more effective and targeted workforce development programs for low-income workers. Crucial steps forward include a focus on training these workers need, including postsecondary education leading to employment; encouragement for career pathways that allow participants to link training, credentials, and work experience in individualized ways over time; explicit provisions indicating the priority for serving low-income, lower-skilled individuals, including benefit recipients; and increased emphasis on partnerships with benefit programs such as TANF and SNAP.

However, valuable as they are, these provisions will not achieve their full intended effect on low-wage and low-skilled workers' success on the job without additional action. First, states and local workforce boards need additional resources to make the intended shifts to high quality training and to serving workers with more barriers. Congress should fully fund WIOA appropriations at the levels authorized in the law. Second, our experience at CLASP with technical assistance requests from states and localities has indicated that those that are taking seriously the provisions in the law encouraging partnership with TANF have identified the restrictive, attendance-based TANF work participation rate as a major barrier to aligning with WIOA's outcome-based performance measures. We would be delighted to work with the committee to identify potential approaches to this challenge (and have already submitted testimony on the record for an earlier hearing).

#### Promote and fund two-generational supports

As noted earlier, increasing evidence suggests that the safety net programs can deliver a two-generational opportunity for helping families: enabling parents to work while improving children's health, nutrition, and early development, and leading to a double boost in the long run. A theme of the recent research and policy debate – building on ideas that go back many decades, to the founding of the settlement houses in the nineteenth century and Head Start fifty years ago – is the value of an even more explicit two-generation approach to public policies. Such an approach brings together worlds that are often separated (focusing only on children or only on parents) to modify or create new policies that focus on the needs of parents and children together. Such two-generation policies reflect strong research findings that the well-being of parents is a crucial ingredient in children's social-emotional,

physical, and economic well-being -- and at the same time, that parents' ability to succeed in school and the workplace is substantially affected by how well their children are doing.

Developing two generational policies is not an easy task, because it requires working across systems and infusing adult- and child-oriented services and approaches across policy areas. However, great opportunities exist—for example, in child care and early education, in workforce development and community colleges, in mental health services, and in home visiting.

We would be delighted to work with the committee on any areas of two-generational policy that are of particular interest, but we want to highlight two immediate opportunities. First, the 2014 reauthorizations of the nation's core child care (CCDBG) and workforce programs (WIOA) offers opportunities to encourage states to link the two so that it is easier for children to receive high-quality early education programs while parents strengthen their own career skills. While a number of local, small-scale initiatives implementing this concept already exist, funding will be key to making this common-sense strategy practical for states on a large scale. The second opportunity lies in targeting parental mental health, with maternal depression a particularly powerful example. When parents have untreated mental health problems, they face major challenges both in succeeding in school and on the job and in being the kind of effective parents that they want to be. Depression, which is highly treatable, is a prime example of a parental mental illness that affects large numbers of families<sup>44</sup>, hinders parents from succeeding at work and in school, and poses major and potentially lifelong risks to children's safety and cognitive development when untreated.<sup>45</sup> While depression is highly treatable,<sup>46</sup> many low-income mothers do not receive treatment—even for very severe levels of depression. Today, there are new opportunities to address depression and other parental mental health problems as a result of mental health parity legislation and the expansion of coverage (and other provisions) in the Affordable Care Act. Again, we would be delighted to suggest ways that the Committees might support federal and state policymakers in effectively implementing these provisions in a two-generational manner that would support both parents' work and children's development, such as through technical assistance and demonstration funding.

#### Avoid counter-productive ideas

The worst thing that Congress could do is undermine the large successes of safety net programs – which include benefits for families and communities, for children's long-run wellbeing, and for low-income adults' work success -- by making misguided changes, such as turning core safety net programs into block grants or giving states waivers that would undercut key protections. Block grants do not respond well to economic downturns like the recent Great Recession, thus leaving families, communities, and states without resources just when they need them most. They are ill-suited to supporting core national goals – such as ensuring that every American starts life healthy and well-nourished – but instead contribute to disparate life chances based on where a child is born. And, since there is no direct link between spending and need, Congressional appropriations for block grants tend to shrink over time.

As the experience of the "Great Recession" illustrates, SNAP and Medicaid provide greater support to states, communities, and families as economic need rises. From 2007 to 2011, SNAP caseloads and federal support to states went up in response to the recession-driven increase in need, leveling off and then beginning to decline as the economy has recovered. States hit hardest by the recession typically saw the largest SNAP caseload increases – for example, Nevada, Idaho, Florida, and Utah, the four states

with the largest growth in unemployment between 2007 and 2011, leading to the largest growth in SNAP caseloads. Nationally, fewer people participated in SNAP in each of the last 19 months for which data are available (September 2013 through March 2015) than in the same month of the prior year; 2.2 million fewer people participated in SNAP in March 2015 than in December 2012, when participation peaked.<sup>47</sup>

By contrast, block grants like TANF do not respond well to a recession because states are caught between a rising number of families seeking help and declining state tax revenues, without any further federal assistance. Nationally, TANF cash assistance caseloads responded only modestly to the deep recession and in six states caseloads continued to decline from 2007 to 2009 in the face of sharply rising need. From 2009 to 2011, caseloads began to decline again in more than half the states, even though the unemployment rate remained well above the pre-recession levels. Caught in this bind, some states made choices such as shorter time limits, which directly cut families from cash assistance, while others reduced work activities, child care and other supportive services.<sup>48</sup>

The argument for extreme solutions like block grants relies on the idea that nothing else works. However, this testimony has already shown that existing national policies, complemented by state innovations, have succeeded in promoting work by low-income parents and have streamlined and strengthened programs without block grants. One added insight arising from the Work Support Strategies initiative is that many policy obstacles to the more streamlined and effective program designs arise not from federal policy but from historical decisions by state agencies – decisions that the state has full authority to unmake. To take just one example, many states look for detailed verification of work hours and schedules before determining eligibility for child care subsidies<sup>49</sup> – a choice not required anywhere in federal law and one that slows down the process, hinders continuity of care for working families, and sharply increases burden on both families and state workers.

In addition, the argument for block grants or state waivers relies on the idea that flexibility can compensate for inadequate funding, which is simply not true in the face of major gaps in support for low-income families. Taking advantage of flexibility to get rid of extra bureaucratic steps can save modest administrative costs, but it doesn't come close to filling the gaps in seriously underfunded programs. For example, as I've just noted, CCDBG is one of the most flexible of the safety net programs but as a result of capped federal funding, the number of children served is now sharply down, hitting the lowest number in more than a decade.

Besides block grants and expanded waivers, other suggestions that would damage rather than improve the nation's safety net programs include the idea that case managers who work directly with families could improve work incentives if they made major policy decisions, including which families would benefit most from which programs. This idea likely derives from the experience of small, targeted programs that work closely with highly vulnerable, multi-needs families and employ well-trained case managers with small caseloads and the time to build individualized relationships with clients, and adequate funding for supportive services.<sup>50</sup> But the approach is ill-suited to the large safety net programs, which address basic needs like health care that no family should be without, include many families who are already working and do not need intensive help, and are typically administered with extremely high caseloads. Without new funding, caseworkers or states could only provide additional services to some clients if they denied core benefits, such as nutritional assistance, to others.

Another counter-productive idea is expanding TANF-like work requirements to other programs. While there are some exceptions in individual communities employment programs tied to TANF have often had little to offer clients in the way of services that lead to well-paying jobs. Both the requirements (sometimes driven by the federal participation rate, other times by state choices) and the programs offered under TANF are likely to reflect outdated perspectives about what works, reflecting research from several decades ago, in contrast to the more current, evidence-driven perspective included in Congress's bipartisan reauthorization of WIOA, with its emphasis on an array of approaches including career pathways, effective programs to gain postsecondary credentials, and "earn while you learn" subsidized job strategies. Too often, TANF employment programs do not promote stable and successful work but instead are primarily a barrier to participation, a way to drive needy individuals away from much needed supports, particularly when the same crisis that leads them to apply -- for example, domestic violence, homelessness, or poor physical or mental health -- prevents them from getting through a burdensome application process. Strategies to encourage work across benefit programs should focus on making effective work and training opportunities available, drawing on the lessons of WIOA and of successful local and state initiatives; should never disqualify individuals from benefits when no appropriate training or work experience has been offered to them; and should never be a condition for children's access to benefits or for anyone's -- children's or adults' -- access to health insurance. Those who need health insurance the most as a result of untreated physical and mental health conditions are often the most likely to be unable to comply with participation requirements without getting the help -- so work participation requirements place them in a catch-22, besides being counter-productive to the underlying goal of promoting work.

A final reason that these ideas of adding case management or additional requirements to a broad range of safety net programs are misguided is that the families receiving the major safety net programs represent a much broader cross-section of Americans than TANF recipients. As noted above, the majority of working-age adults receiving benefits are already employed, many working long hours in low-wage jobs while also raising children. What these workers need is not additional burdensome and stigmatizing paperwork requirements to prove their employment, or time-consuming individual appointments with case managers, but easy, straightforward access to health insurance and assistance paying for food and child care.

## Conclusion

As a result of policy improvements made over the last two decades, the major national safety net programs combine a strong impact on poverty and on children's lifelong wellbeing with positive work incentives for low-income families. In fact, the majority of families getting help through these programs are already working, often long hours. What they need is not incentives but additional, practical support.

Congress and a number of state and local innovators have already taken a number of steps to provide them with those supports, but there is important unfinished business. I urge the members of the Committees to consider six next steps:



1. Extend the improvements to the EITC and CTC made in ARRA.
2. Expand the EITC to childless workers and to young adults.
3. Expand funding for child care assistance, whose importance was recognized by a recent bipartisan reauthorization and which is crucial for parents' work.
4. Fully fund and support effective implementation of the recent bipartisan reauthorization of the nation's workforce programs.
5. Explore two-generational strategies that help parents move up at work and enhance children's development at the same time, for a double boost in opportunity.
6. Avoid counter-productive ideas that would turn back the demonstrated successes of the safety net.

Thank you very much, and I look forward to your questions.

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