



The Legacy of Welfare Reform in Wisconsin

Jennifer L. Noyes
Distinguished Researcher
Institute for Research on Poverty
University of Wisconsin-Madison

May 2017

This discussion paper was prepared for "*Tommy@30: A Public Policy Symposium - Assessing the Lasting Impact of Tommy Thompson's Reforms*" held on May 23, 2017, in Madison, Wisconsin. The author thanks Marcia Cancian, Thomas Corbett, and Rebecca Schwartz for their helpful comments in reviewing this paper. Further, because welfare reform in Wisconsin as well as nationally has been the subject of significant attention, the author would like to acknowledge the contributions of many other researchers and analysts to her personal as well as the collective understanding of these efforts. Any views expressed in this paper are those of the author.



The Legacy of Welfare Reform in Wisconsin

"What's happened here is different from what's happened anywhere else."

- John Weicher, Director, Urban Studies Center, Hudson Institute¹ -

Introduction

Immediately following his inauguration in 1987, Governor Tommy Thompson began implementing a number of welfare reform initiatives.² He began with a "cut and invest" strategy through which savings associated with a 6 percent reduction in the state's Aid to Families with Dependent Children (AFDC) benefit were invested in services to reduce welfare dependency, particularly through the Work Experience and Job Training program³ (Pawasarat & Quinn, 1993). This initial action was followed by a series of demonstration projects made possible by waivers under Section 1115 of the Social Security Act,⁴ including Learnfare, Children First, 20- versus 40-Hour Work Requirement, Medicaid Extension, \$30 and 1/6, 100-Hour Rule, Parental and Family Responsibility, Vehicle Asset Limit, Special Resource Account, Healthy Start, and Two-Tier, followed by Pay for Performance, Work Not Welfare, AFDC Benefit Cap, and Self-Sufficiency First. (Information about Wisconsin's waivers is drawn from multiple sources. See, for example, Harvey, Camasso, &

¹ Comments made during the W-2 Research Assessment and Direction Conference, Racine, Wisconsin, December 10, 1999 (Weicher, p. 28).

² This paper addresses the evolution of welfare reform in Wisconsin beginning with Governor Tommy Thompson's first term. Broader historical perspectives can be found in other sources, such as Corbett (1995).

³ The Work Experience and Job Training Program, commonly known as WEJT, was established in 1985 Wisconsin Act 285 as a pilot program. As stated in the enabling legislation, the program was designed to "...provide recipients of aid to families with dependent children with more comprehensive and intensive employment services than currently available." The pilot began in five counties and was later expanded.

⁴ Section 1115 of the Social Security Act provides authority for the Secretary of the Department of Health and Human Services (HHS) to consider and approve experimental, pilot, or demonstration projects that, in the Secretary's judgment, are likely to assist in promoting the objectives of major health and welfare programs.



Jagannathan, 2000; Savner & Greenberg, 1995; Simpson, Reinhardt, Megna, Morgan, & Goldman, 1997; Swartz, 2001.)

The culmination of these efforts was the creation of Wisconsin Works (W-2), Wisconsin's welfare replacement program, signed into law as 1995 Wisconsin Act 289⁵ on April 25, 1996 (Simpson, Doty, & Carabell, 1999); federal waiver requests necessary for the program's implementation were submitted shortly thereafter. However, following enactment of the federal Personal Responsibility and Work Opportunities Reconciliation Act (PRWORA) of 1996 (P.L. 104-193), which repealed AFDC and replaced it with the Temporary Assistance for Needy Families (TANF) block grant to the states, President Bill Clinton informed Wisconsin that it "...no longer needs an AFDC waiver to implement the welfare portions of the W-2 plan"⁶ (Clinton, 1996). Subsequently, on September 1, 1997, Wisconsin became the first state in the nation to implement comprehensive welfare reform statewide.⁷

Thirty years later, it is clear that W-2 represented a fundamental reorientation of welfare, with profound implications for our understanding of the potential goals and structure of the safety net in the United States. Unusual—perhaps unique—as a

⁵ In addition to 1995 Wisconsin Act 289, which created the W-2 program, 1997 Wisconsin Act 27 (the 1997-99 biennial budget act) made a number of statutory modifications to the program and established the appropriation structure and funding for W-2.

⁶ A waiver for what was known as the W-2 Health Plan was denied by President Clinton. Under this component of Wisconsin's welfare replacement program, a health benefit package was to be made available to working parents with children whose employers did not offer coverage; individuals in a W-2 employment position would have been required to participate. Many of the concepts embodied in the proposed W-2 Health Plan were later reflected in BadgerCare. However, Wisconsin's application for waivers related to the child support provisions of the package were later approved.

⁷ Many sources provide a comprehensive overview of the efforts leading up to W-2's enactment. See, for example, Kaplan (2000) and Mead (2004).



philosophically driven policy approach, W-2 represented a bold break from the traditional logic of welfare. It embodied a clear focus on work, with benefits structured to reflect the logic of employment, which compelled sometimes more, sometimes less generous policies as compared to those that preceded them. Because W-2 proved to be a model for so much that followed, many of the principles that were radical departures at the time now underpin the development and implementation of social policy in the United States. This is a clear signal of just how much this signature policy effort of the Thompson Administration has contributed to the national policy landscape.

Philosophical Approach

The impetus for W-2 was embodied in 1993 Wisconsin Act 99, which required the Secretary of Wisconsin's Department of Health and Human Services to develop a plan not to modify the state's AFDC program but to *replace* it. In order to accomplish this, those charged with developing the replacement program chose first to focus on the principles underlying their efforts, rather than begin by modifying existing programs. As noted in Mead (2004), "W-2 was not based on any of the earlier reform efforts... Rather, the first step—rare in policy analysis—was a return to first principles" (p. 109). This was reflected in the W-2 Waiver Application, dated May 28, 1996, as submitted to the U.S. Department of Health and Human Services, which stated that the W-2 program was "...firmly grounded in the results of former Wisconsin demonstrations" that served to identify eight major tenets "...essential for successful reform" (Thompson, 1996, p. I-3).

The identified tenets departed radically from the previous approach to cash assistance in that they emphasized work and work experience over education and training;



asserted that all parents are capable of work, within their abilities; acknowledged the need for supportive services such as childcare, health care, and transportation assistance in “...sufficient quantities...” to facilitate employment; focused on the importance of families rather than government in raising children; asserted that welfare recipients were job seekers and should be treated similarly to the rest of the unemployed population; and provided for competition among program providers (Thompson, I-3 – I-4). These principles informed the specific attributes of the program, not only in terms of its strategies, but also in terms of its administration. The principles were later refined and summarized in the original W-2 Philosophical Principles, as reflected in Figure 1 below.

Figure 1. W-2 Philosophical Principles*

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1. For those who can work, only work should pay.

 2. W-2 assumes everybody is able to work within their abilities.

 3. Families are society’s way of nurturing and protecting children, and all policies must be judged in light of how well these policies strengthen the responsibility of both parents to care for their children.

 4. The new system’s fairness will be gauged by comparison with low-income families who work for a living.

 5. There will be no entitlement. The W-2 rewards system is designed to reinforce behavior that leads to independence and self-sufficiency.

 6. Individuals are part of various communities of people and places. W-2 will operate in ways that enhance the way communities support individual efforts to achieve self-sufficiency.

 7. The new system should provide only as much service as an eligible individual asks for or needs. Many individuals will do much better with just a light touch.

 8. W-2’s objectives are best achieved by working with the most effective providers and by relying on market and performance mechanisms.

* Wording of the original principles varies slightly depending on the source. This wording was drawn from Department of Workforce Development DES-10799-P (R. 12/97), 1997, which was included in the original “W-2 Information Packet.”



Groundbreaking Attributes of Wisconsin Works

In considering the attributes of W-2, it is important to keep in mind that W-2 was designed not to reform welfare but, as previously noted, to replace it. As stated by Kaplan and Meyer (2000), "...W-2 is an attempt to completely replace the previous welfare system" (p. 122). Further, W-2 was designed as an overall approach, with several different but interrelated components, not a single program as often discussed today. While the package led with the requirement that virtually all forms of assistance required a link to employment, it included a comprehensive set of reforms designed to connect program participants to work at the earliest opportunity and provide a work-based system of supports in order to help families attain self-sufficiency. As noted by Wiseman (1996), W-2 was "...dramatic in ambition, scope, and detail" (p. 634) and "...few appreciated the differences between W-2 and earlier programs" (p. 635).

There is a large literature devoted to W-2's unique aspects, with several common themes identified. (See, for example, Christian & Swartz, 2000a; Kaplan, 2000; Mead, 2004, as well as many others.) Through a review of this literature and original program documents, it is evident that important key attributes that were unique to Wisconsin and represented a break from historical precedent included, but were not limited to, the development of policies designed to reflect the private sector, provide work supports, assist the working poor, instill efficiency and effectiveness in service provision, and create a change in the culture of service delivery. Each of these policies clearly reflected the program's philosophical principles as delineated in the original waiver request and the published W-2 Philosophical Principles.



Mirroring the Private Sector

In Wisconsin, welfare reform was unique in the degree to which program requirements sought to mirror the private sector. Today, the fact that assistance under W-2 was predicated on work is clearly understood; however, the provision of assistance was also structured to reflect the logic of *employment*. This logic informed key aspects of the W-2 program; the most well-known of these being the development of a “self-sufficiency ladder.” The ladder, which remains largely intact today, consisted of four levels of employment and training options to which a participant could be assigned for no more than 24 months, as follows:

- unsubsidized employment, in which individuals deemed able to find employment, or those considered “job ready,” would receive case management services only;
- trial jobs, whereby employers would receive a wage subsidy to employ a participant at no less than the minimum wage;
- community service jobs, in which an individual with little or no work history would receive a grant in exchange for up to 30 hours of work activity and 10 hours of education and training activities per week; and
- transition, in which an individual with more significant barriers to work would receive a grant in exchange for 28 hours of participation per week in activities designed to address barriers to work and up to 12 hours per week in education and training activities.



But beyond the self-sufficiency ladder, other aspects of the program, many of which may not be as well-known or remembered, also reflected the logic of employment. For example, unlike in the AFDC program, grant amounts for those in either the community service job placement or the transitional placement were fixed and did not vary by family size (Simpson, Doty, & Carabell, 1999). In addition, for each missed hour of work activities without good cause, the grant amount was reduced by a dollar amount equivalent to \$5.15, the federal minimum wage at the time. While some of these policies may have appeared harsh in isolation, they were consistent with the program's philosophical goals in that they aligned with practices in the private sector.

Other policies designed to reflect the logic of employment were actually more generous than those that preceded them. A key example of this was Wisconsin's treatment of child support paid to families receiving cash assistance under W-2. In perhaps one of the most overlooked departures from past practice, Wisconsin applied for and received a federal waiver to allow it to pass on to participating custodial parents any child support paid on behalf of their children and disregard this source of income in the calculation of cash benefit amounts, as they would if they were working outside the program (Golden, 1997). This was in distinct contrast to established practice whereby child support paid on behalf of children receiving cash assistance was retained by the state in order to offset welfare costs, with little or no additional income being passed on to the family.

Finally, a set of policies was established that reflected the private sector. For example, single parents of newborn children could receive a cash benefit without having to meet work requirements until the child reached 12 weeks of age; this was the same time



period as enumerated under the Federal Family and Medical Leave Act of 1996. In addition, employers receiving subsidies to support the wages of those in trial jobs were required to provide workers compensation coverage, as were W-2 agencies for those in grant paying positions (Simpson, Doty, & Carabell, 1999).

Providing Work Supports

While W-2 established mandatory work requirements, it also recognized the necessity of supports to enable work (Wisconsin Department of Workforce Development, 1997). One key support included as part of the package was childcare. Participants were eligible to receive a childcare subsidy for work in any W-2 employment position, including participation in job search, orientation, and education and training activities. In addition, participants were also eligible for:

- job access loans, which were cash payments designed to assist with one-time needs to support employment. Job access loans could be used for immediate expenses, such as buying work clothes or fixing a vehicle;
- transportation assistance intended to cover the costs associated with transportation in order to acquire or maintain employment; and
- Medical Assistance⁸ and Food Stamps, which continued to be entitlements.

Also under the program, participants were to receive assistance from a Financial and Employment Planner (FEP), a newly created position designed to integrate benefit eligibility determination with all work support functions. A FEP was to function as a case

⁸ As noted in a previous footnote, a waiver for what was known as the W-2 Health Plan was denied by President Clinton. Ultimately, many of the concepts embodied in the proposed W-2 Health Plan were later reflected in BadgerCare.



manager who “...helps and encourages” parents to “...move up the ladder to greater independence” (Kaplan, p. 78). Rather than simply determine eligibility, FEPs were to “...advise participants on the investment and good use of their time and earned income to best plan for the financial security of their families” (Thompson, p. II-8).

Assisting the Working Poor

Welfare reform in Wisconsin was also unique in that it reflected an interest in ensuring that those receiving assistance were not better off than the working poor. Specifically, a wide array of income-based supports was made available to all working parents, not just those receiving assistance. Importantly, childcare assistance, which previously had been linked to receipt of cash assistance, was made available to those under 185 percent of poverty while working and, once eligible, families remained eligible until their income reached 200 percent of poverty. To enable this, Wisconsin consolidated multiple funding streams into a single program and significantly increased the funding available. For example, under 1997 Act 27, \$155.5 million in 1997-98 and \$177.4 million in 1998-99 was budgeted for childcare (Simpson, Doty, & Carabell, 1999) as compared to \$89.6 million in 1996-97 (Simpson et al., 1997).

Low-income working parents were also eligible for other programs established as a part of W-2. For example, they could access the Employment Skills Advancement Program, which was designed to provide up to \$500 of educational assistance. The grant was conditioned on an individual providing matching funds. It could be used to cover the direct costs of training or education such as books, tuition, or transportation (Simpson et al.)



In addition, low-income working families could participate in the Food Stamp and Medical Assistance programs, if they met eligibility requirements. In particular, participation in Medical Assistance, similar to childcare, had been de-coupled from receipt of cash assistance. Further, low-income working families were eligible for Wisconsin's established state Earned Income Tax Credit (EITC). Calculated as a percentage of the federal credit, the state EITC, which was repealed after only two years of availability in 1985 and 1986, was re-established in 1989 Wisconsin Act 31 (Olin & Moran, 2017). The EITC acts as a wage supplement; it provides assistance to the working poor through a refundable tax credit.

Extending these work supports to working poor families served to reduce important potential barriers to transitioning from welfare to work. In the absence of these supports, families who worked but remained poor could be worse off than families that remained dependent on welfare payments.

Instilling Efficiency and Effectiveness in Service Provision

In addition to changing expectations for individuals receiving assistance, conditioning receipt of assistance on work, W-2 also changed expectations for organizations administering the program and providing services, conditioning the right to provide services on performance.

First, the program's enabling legislation provided for the W-2 program to be administered under contracts awarded through a competitive process. This replaced the previous statutory requirement that counties enter into state contracts for administration of all income maintenance programs, including AFDC (Reinhardt, 1995), effectively ending



the “government monopoly on public assistance administration” (Heinrich & Choi, 2007, p. 409). Initially, contracts had to be awarded to a county or tribe that had met previously established AFDC caseload performance standards; subsequently, all contracts were to be awarded on a competitive basis. As a result of this new process, the initial round of contracts were awarded to 63 counties, eight non-county agencies outside of Milwaukee County, five non-county agencies operating in six regions in Milwaukee, and three tribes (Simpson, Doty, & Carabell, 1999).

Second, contracts were required to have performance-based incentives. The introduction of performance-based contracting ended the long-standing practice of cost-reimbursement and was intended as “...a primary mechanism for motivating and monitoring performance of W-2 agencies” (Heinrich & Choi, p. 409). The initial contracts included base funding as well as two levels of bonuses; concerns about the outcomes of the initial contracts, which resulted in significant “profits” to the agencies administering W-2 (Wisconsin Legislative Audit Bureau, 1999) resulted in modifications designed to improve contract performance and accountability.

Promoting Cultural Change

A final example of the uniqueness of Wisconsin’s welfare replacement program is the structural changes it made to the statewide administration of the program, which were designed to promote and reinforce the centrality of work and, essentially, treat those receiving assistance in the same manner as all other job seekers.

To begin, as part of the 1995-97 Wisconsin State Budget, administration of the program at the statewide level was given to the newly created Department of Workforce



Development rather than the Department of Health and Social Services, which previously had responsibility for the administering public assistance programs, including AFDC. This change, which went into effect July 1, 1996, consolidated all W-2, job training, vocational rehabilitation, unemployment insurance, and school-to-work programs in a single department. According to the National Association of State Workforce Agencies, "...the Wisconsin Department of Workforce Development was the first state agency created that combined workforce development and public assistance programs into a single consolidated agency" (NASWA, 1998). Assigning responsibility for W-2 to the Department of Workforce Development was designed to send a clear message that a shift in the philosophy underlying access to assistance had occurred. As noted in Wisconsin's waiver application package, "...the creation of the Department of Workforce Development underscores Wisconsin's commitment to integrating welfare recipients into the general pool of job seekers and truly eliminating welfare as we know it" (Thompson, I-4).

In a related action, Wisconsin revamped its workforce development system; in 1996, it launched a new single, comprehensive employment and training system known as the Partnership for Full Employment. Operated by the Department of Workforce Development "...in cooperation with local units of government and employers" (Wisconsin Department of Workforce Development, 1996), the effort relied on the state's network of one-stop, community-based Job Centers for the provision of employment and training services. Creation of Wisconsin's Job Center network predated W-2; the centers were designed to offer an extensive array of services to those seeking work as well as employers. Given this, the Partnership for Full Employment was intended to be the delivery system for



Wisconsin Works, with local W-2 agencies expected to be located in the Job Centers. As noted by Grossenbach & Hein (1998), “...as a work-based program, the most logical place for W-2 was in a workforce development center” (p. 12).

Initial Outcomes in Wisconsin

Within Wisconsin, the result of all of these changes is often mostly easily understood in relation to the reduction in the cash assistance caseload. Specifically, Wisconsin’s average monthly AFDC caseload declined from 98,307 in 1986 (U.S. Department of Health and Human Services, 2004), the year prior to Governor Thompson’s first welfare reform efforts, to 10,185 in September 1998, one year after W-2 was implemented statewide (U.S. Department of Health and Human Services, 2004). As of March 2017, the total caseload was 9,117; of these, 5,908 were paid placements.⁹

Beyond the reduction in the caseload, consideration was also given to participant outcomes. In an ideal world, outcomes on an individual or family level would have measured through an impact evaluation, using an experimental design to compare outcomes for a treatment group as compared to a control group. However, it was obvious from the onset that W-2, given its comprehensive nature, presented “special challenges” and would require “new evaluation paradigms” (Barnow, Kaplan, & Moffit, 2000, p. 2). In particular, in a reform package such as W-2, which has multiple components that work together, it is often not possible to disentangle effects. Further, as noted by Christian & Swartz (2000a), transforming welfare in Wisconsin was “...much more of a process than an

⁹ W-2 Participant Placements by Calendar Year <https://dcf.wisconsin.gov/w2/researchers/stats/placements>.



event...past research and evaluation efforts...have not been well-suited to the dynamic process that governs W-2” (p. 21). It was in this context that Governor Thompson created the Management and Evaluation Project (MEP), a research coordinating committee whose “...mission was to promote research on W-2 that serves state needs” (Mead, 2004, p. 154). The MEP sought advice from an independent group of national research experts, called the National Technical Advisory Committee (NTAC).¹⁰

Under the MEP, rather than having one major research project focused on W-2’s outcomes, a series of evaluations were conducted during the initial years following the program’s implementation. By the end of 1999, 20 MEP-linked studies were either completed or underway with an additional 33 studies not formally linked to the MEP identified (Nightingale & Mikelson, 2000). These studies were discussed at the W-2 Research and Assessment Conference, held in December 1999, which was specifically designed “...to provide an opportunity to take stock of the accumulated research on the design, implementation, and early outcomes of welfare reform in Wisconsin” (Hein, p. 10). General observations drawn from the research were summarized by Nightingale & Mikelson (p. 31) and included the following:

¹⁰ NTAC members and their affiliations as of 1999 included Eugene Bardach, University of California at Berkeley; Henry Brady, University of California at Berkeley; George Cave, Consulting Economist; Larry Martin, University of Wisconsin at Milwaukee; Lawrence Mead, New York University; Rebecca Maynard, University of Pennsylvania; Ronald B. Mincy, Princeton University; Demetra Nightingale, The Urban Institute; John Weicher, Hudson Institute; and Michael Wiseman, National Opinion Research Center (Christian & Swartz, 2000).



- while Wisconsin's caseload decline was the highest of any state, there was not consensus about the relative contribution of W-2 or any of its particular aspects in relation to this decline;
- based on early evidence, most of those no longer receiving cash assistance were working, with at least 75 percent working some in each year at wages between \$7 and \$8 an hour; and
- overall, the poverty rate among former recipients of cash appeared to be declining, particularly when receipt of other benefits such as the Earned Income Tax Credit and food stamps were taken into account, although more than one-half of all former recipients remained in poverty.

Influence Beyond Wisconsin's Borders

Wisconsin's efforts to replace welfare had far reaching effects for its citizens seeking assistance as well as the public, private, and nonprofit agencies providing this assistance; it fundamentally restructured expectations as reflected in its key attributes. However, Wisconsin's experience with welfare reform had repercussions far beyond its borders, within the United States (and internationally). Three examples—informing federal welfare efforts, influencing child support policy, and shifting the focus of the safety net—illustrate this.

Informing Federal Welfare Reform

The first and most obvious way that welfare reform in Wisconsin influenced public policy is reflected in the enactment of the Personal Responsibility and Work Opportunity and Reconciliation Act (PRWORA) of 1996. PRWORA's enactment ushered in significant



changes to the way welfare is provided throughout the nation. As previously noted, one of the law's most significant changes is that it repealed AFDC—the old system of open-ended cash payments—and replaced it with the Temporary Assistance for Needy Families (TANF) block grant to states (Burke, 1996). Echoing the plan for W-2, the legislation contained work requirements, with sanctions for states as well as individuals who did not meet these requirements, as well as time limits on the use of federal dollars for cash assistance. Other provisions consolidated childcare funding. In addition, the legislation required substantial modification to the behavior of state welfare bureaucracies (Martinson & Holcomb, 2002; Mead, 2004), echoing the changes in culture pursued in Wisconsin.

Several different comprehensive accounts of PRWORA's enactment have been written (see, for example, Weaver, 2000; Haskins, 2006). These accounts delineate the states' role in influencing both the content and the timing of the legislation, with Wisconsin seen as "...a great leader in the national movement to reform welfare" (Haskins, 2000, p. 3). Further, President Clinton's own words reflect Wisconsin's influence in the shaping of the legislation. For example, in his May 18, 1996, radio address, President Clinton stated that Wisconsin's plan had the "...makings of a solid, bold welfare reform plan" (The White House, 1996). After outlining Wisconsin's and Maryland's plans, and pledging to keep working with the states to reform welfare, President Clinton then said "...there is a faster way to bring this welfare reform to the entire nation;" he then asked Congress to send him a bill with the fundamental principles reflected in the Wisconsin and Maryland plans.

As a result of PRWORA, policy in the United States regarding support of needy families and children shifted from a focus on redistribution through the provision of cash



assistance to a focus on ending dependency through the modification of behavior at an institutional as well as individual level. This is exactly what was intended with the development of W-2; as a result, when PROWRA was enacted, it was evident that "...most of the W-2 provisions regarding employment, cash assistance, administration and childcare are consistent with the federal TANF requirements..." (Simpson et al., 1997). Other provisions, such as the pass-through of all child support paid to the custodial parent, required a federal waiver.

Influencing Child Support Policy

Under AFDC, families received the first \$50 per month of child support paid on their behalf while they were on assistance; the remainder went to public agencies as partial reimbursement for their welfare expenditures. With the passage of PWRORA, states were allowed to set their own policies regarding the state's share of child support payments. Most states used the new flexibility to retain all child support paid to families receiving assistance, others chose to maintain the \$50 pass-through (Meyer & Cancian, 2002). However, as previously noted, because Wisconsin modeled its program on the private labor market, in which custodial parents receive the full amount of child support paid on behalf of their children, it allowed all child support paid by noncustodial parents to pass through to the family and disregarded such payments in calculating welfare benefits. Because Wisconsin operated this policy under a federal waiver, it was subject to a rigorous random assignment evaluation, the results of which found statistically significant differences in the percentage of fathers who paid support (and, therefore, the percentage of mothers who



received support) as well as in the amount paid. Further, the reform generated cost savings in the W-2 cash payments (Meyer & Cancian).

In Wisconsin, after the demonstration project ended, legislation was enacted to require that all child support be passed through to W-2 participants, with the federal share of any amount passed through paid for by “waiver savings” (Swissdorf, 2009). While this policy ended with the expiration of the federal waiver on December 31, 2005,¹¹ Wisconsin’s leadership in this area has been, and continues to be significant, with longstanding effects on child support policy. For example:

- In February 2002, President Bush’s TANF Reauthorization proposal, “Working Toward Independence,” included federal matching funds for child-support pass-through payments to families that currently receive TANF based on the results of Wisconsin’s demonstration project. As noted in the proposal, “A major research study in Wisconsin has shown that when TANF families receive the child support paid on their behalf, fathers are more likely to pay child support and pay more child support” (The White House, 2002).
- The Deficit Reduction Act of 2005 encouraged states to increase the amount of child support passed through to families receiving TANF cash assistance up to \$100 a month to families with one child and up to \$200 a month for families with two or more children (Wheaton & Sorensen, 2007). States did not have to pay the federal share on the amount passed through to families.

¹¹ Currently, following enactment of the Deficit Reduction Act of 2005, Wisconsin requires that 75 percent of any child support the state collects be passed through to the family; the remaining 25 percent is paid to the federal government (Gentry, 2017). This policy has been in effect since October 1, 2010.



- In 2016, with the passage of Senate Bill 15-012, Colorado implemented a full pass-through of all child support payments made to participants in Colorado Works, its cash assistance program (Colorado Department of Human Services, 2016). The architects of the proposal drew heavily on Wisconsin’s experience under the waiver.

Wisconsin’s early recognition of the importance of child support income to families was a clear indication of its recognition of the importance of non-welfare sources of income following the implementation of welfare reform, given the shift away from cash entitlements that welfare reform embodied. This recognition anticipated a shift that was to occur nationwide.

Shifting the Focus of the Safety Net

Perhaps the most significant legacy of Wisconsin’s efforts to replace welfare with a principle-based strategy focused on work, as amplified nationally through PWRORA’s passage, is the overall shift in the United States’ approach to the safety net. As noted by Shapiro, Greenstein, Trisi, & Dasilva (2016), “...various changes in the safety net over the past two decades have transformed into more of what analysts call a ‘work-based safety net’ and substantially increased incentives to work for people in poverty” (p. 1). This has had two results: a reallocation of the types of families that receive assistance and a shift in the types of programs through which this assistance is provided.

Reallocation of Income Transfers



Currently, most researchers agree that the United States has a system that rewards work, with the amount of assistance provided to families dependent on whether they are working and the amount of income they have earned (Moffitt, 2014). Overall, this shift to work-conditioned benefits has led to the reallocation of governmental income transfers from nonworking to working households (Scholz, Moffitt, & Cowan, 2009). For example, between 1983 and 2004, as calculated by Haveman, Blank, Moffitt, Smeeding, & Wallace (2015) single-parent families with “private” (mostly earned) income:

- below 50 percent of the poverty line experienced a 40 percent decrease in their amount of governmental income transfers;
- above 50 percent of the poverty line but still below the poverty line experienced a 60 percent increase in their amount of governmental transfers;
- just above the poverty line experienced a 63 percent increase in their amount of governmental transfers; and
- above 150 percent of the poverty line but below 200 percent of the poverty line experienced a 57 percent increase in governmental transfers.

Further, while income transfers increased for all of these family types between 2004 and 2010, largely because the automatic features of means tested programs combined with the provisions of the America Recovery and Reinvestment Act of 2009 resulted in an increase in government support during the Great Recession, “...the level of government support for the poorest families in 2012 was still below its level in 1983” (Haveman et al., p. 629).



The potential exists that these trends will grow in the future, given continued interest in expanding the types of assistance for which eligibility is predicated. Proposals to extend mandatory work requirements similar to those embodied in TANF to several other programs including the Supplemental Nutrition Assistance Program (SNAP, formerly known as Food Stamps) and housing assistance have been under consideration for several years (Falk, McCarty, & Aussenberg, 2014). Currently, federal law requires most able-bodied adults receiving SNAP benefits to engage in work activities; while other recipients must register for work, this work participation requirement does not apply to them. In relation to housing, an 8-hour per month community service or economic self-sufficiency requirement exists for public housing residents; no work requirements exist for recipients of Section 8 Housing Choice Vouchers (Falk, McCarty & Aussenberg). And, recently, attention has been given to the possibility of imposing work requirements on Medical Assistance recipients. Several different states, including Arizona, Arkansas, and Kentucky, are currently considering requesting federal waivers to allow for the imposition of work or job-training requirements (Quinn, 2017). In addition, the possibility of giving states the option of requiring work of able-bodied adults without dependents as a condition of Medical Assistance receipt has also been included in discussion of health care reform in Congress (Rector, 2017).

Changes in Program Participation

Underlying the shift in the types of families receiving assistance is a change in the type of assistance provided. Nationwide, as in Wisconsin, there has been a decline in TANF cash assistance caseloads, with the average monthly caseload dropping 63.6 percent, from



about 4.4 million in 1996 to 1.6 million families in 2014 (Center on Budget and Policy Priorities, 2016). While these caseload decreases represent a decline in dependency on cash assistance, they have been accompanied by increases in other forms of assistance, some of which are predicated on work and some of which are not.

Of those programs that are not predicated on work, two that are most often noted are SNAP and the Supplemental Security Income (SSI) program (which provides cash benefits to low-income, low-asset disabled adults and children in addition to other populations). There have been broad expansions in both programs. For example, between 2000 and 2012, SNAP participation increased by 171 percent, and inflation adjusted spending grew by 286 percent (Bartfeld, Gundersen, Smeeding, & Ziliak, 2015). By 2016, 44.2 million participants were enrolled in the program (USDA, 2017). During this same time period, individuals received monthly SSI benefits grew by 27 percent, from 6.3 million to 8.0 million (Social Security Administration, 2016). Further, transitions from TANF into SSI have increased two and one-half times since the enactment of welfare reform (Anderson, Turner, & Burkhauser, 2015). By 2015, 62.7 percent of those receiving SSI were aged 18 to 64 (Social Security Administration, 2016).

In terms of those programs that are based on work, the biggest driver has been the expansion of refundable tax credits and specifically, the EITC and the Child Tax Credit (which provides a credit of up to \$1,000 a year per child under age 17). For example, between 2000 and 2012, inflation-adjusted spending on the EITC increased by 59 percent, while the Child Tax Credit increased by more than 2,200 percent (Hardy, Smeeding & Ziliak, forthcoming). For tax year 2015, over 27 million filers received the federal EITC



(United States Department of Treasury, 2017). Both of these credits, which have income eligibility requirements, are available only to workers.

On one hand, this shift in the type of assistance provided reflects the focus on work established in W-2, particularly as related to increased tax credits. On the other hand, expansions in programs like SNAP indicate that for many, earned income from employment is inadequate to meet the basic needs of their families.

Conclusion

In 1999, Wisconsin was recognized by the Innovations in American Government Awards Program¹² “as one of the pioneer states in the area of welfare reform.” In summarizing the state’s achievements, the Awards Program noted “...Wisconsin has seen a wholesale shift in the system, from one that critics argued did little more than determine eligibility and hand out checks to a new system that aggressively and proactively keeps or moves people off welfare by emphasizing work.” The award recognized the new approach to assistance embodied in W-2, which had required a “...shift of attitude and approach” (Governing, 1999).

The embodiment of this “shift of attitude and approach” is most often thought of as the large reductions in the assistance caseload that Wisconsin experienced. However, Wisconsin’s welfare reform efforts resulted in much more than a reduction in the caseload; they fundamentally altered the welfare system in Wisconsin and, in a very consequential

¹² An awards program of the Ford Foundation administered by the John F. Kennedy School of Government at Harvard University in partnership with the Council for Excellence in Government.



way, contributed to a “national movement to replace the welfare state with a work-based safety net” (Hein, 2000). Today, what was unique or unusual about W-2 is now a customary starting point for conversations about social policy in the United States.

Such conversations took place in many different venues in the past year, in recognition of the 20th anniversary of PRWORA’s enactment. Central to these conversations was whether TANF had been a “success.” However, as was predicted at the time of its passage, “...defining the activity or intervention of interest in the post-PWRORA environment raises many difficult issues,” particularly because it represented a “bundling” of different interventions, “...all of which were implemented more or less simultaneously” (Barnow, Kaplan & Moffit, 2000, p. 5). As noted during one such conversation hosted by the University of Kentucky Center on Poverty Research and the Center on Children and Families at the Brookings Institution on September 22, 2016, “these challenges mean that the evidence does not always speak clearly” (Moffit, 2016). Further, what constitutes “success” can vary by perspective; measures discussed ranged widely and included child well-being, work participation levels, marriage and families, and poverty.

There does, however, appear to be some consistency in ongoing populations of interest, including those with the greatest barriers to employment who may be living in deep poverty, those who may be working but are struggling to become independent of other forms of government assistance, and those, particularly men, who have previously been incarcerated. In addition, there is a further interest in promoting the well-being of children, with recognition that children’s well-being is closely tied to their parents’ situation. Yet, as would be expected, the range of perspectives about the “success” of



current programs and policies leads to varying prescriptions for how to improve the current safety net. (See, for example, Doar, 2017; Greenstein, 2016).

It is interesting to note that at the conclusion of these conversations, when identifying future improvements to the safety net, recommendations most often identified the continued need for a "...national safety net that still encourages work while also supporting the disadvantaged, especially children" (Institute for Research on Poverty, 2017). This endorsement of work as a cornerstone of the nation's safety net, and the major shift in thinking about the provision of assistance in the United States today, is the legacy of welfare reform in Wisconsin.



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