Statement before the House Committee on Ways and Means

Better Coordinating Welfare Programs to Serve Families in Need

Maura D. Corrigan

Visiting Fellow in Poverty Studies

American Enterprise Institute

November 3, 2015

The views expressed in this testimony are those of the author alone and do not necessarily represent those of the American Enterprise Institute.

Chairman Boustany, Ranking Member Doggett, and other distinguished Members of the Committee, thank you for the opportunity to testify today on how to better coordinate welfare programs to serve families in need.

Prior to joining AEI, I served as Director of the Michigan Department of Human Services from 2011-2014 under Governor Rick Snyder. I left the Michigan Supreme Court to accept the governor's invitation to direct human services after 19 years as a judge. Although I had served as Chief Justice of our Supreme Court and Chief Judge of the Court of Appeals, being Director of Human Services was my toughest job—by far. As my successor Nick Lyon once said to me: "This job is 24/7 in a firehose."

I speak as a former state-level administrator of many of our nation's safety net programs, and as a former attorney and judge, where much of my work touched on issues related to the safety net and those affected by it. I am not an economist, nor am I an academic. Instead, I speak from the perspective of someone who has run these programs and who has seen their problems and friction points up close, every day.

Our department served 2 million of Michigan's 10 million residents. In 2011, our $7 billion budget consisted of $6 billion in federal funds. Due to reductions in the caseload, that budget has since fallen to approximately $5.7 billion. We had a staff of 12,000 employees. The 70+ welfare programs that I oversaw were frustratingly siloed, so much so that I once told my children that I want my tombstone to say, "Tear down this silo." I am convinced that our programs could more effectively help more Americans move up were they coordinated more rationally. We continually fought against this problem in Michigan.

Up front, I wish to underscore one element of these discussions that is too often missing. Any effort to better coordinate programs must focus on coordinating the *messages* that these programs send to low-income Americans. In my experience, these myriad programs often become myopic—focusing on and only on their specific benefit that meets a specific need. Too often they lose sight of the bigger picture —helping a low-income Americans move up—and the two elements most critical to that effort: employment and family.

Our programs that touch working-age adults must be coordinated and consistent in the broad message they send: 1) You are capable of moving up; 2) You are better off working, we expect you to do so if you are not in some way incapacitated, and we will support you in that effort; and 3), Children are best prepared for life when raised by two married, committed, and involved parents. We will not impose our values on you, but we will be honest about the very real implications that decisions regarding parenting and childbearing have for children. These messages are too often lost in the benefit program world where the language of victimhood and entitlement prevails.

With that said: In this testimony, I will give a brief overview of where we are and how we got here; provide my perspective on key issues that our safety net programs face with respect to

coordination; and offer a few ideas based on my experience in Michigan and my conversations with other practitioners.

I. What we want, and how we got here

Here I quote my former boss, Governor Rick Snyder, who stated it more eloquently than I can. In his 2015 State of the State address, Gov. Snyder stated:

> "This is about revolutionizing how government operates. This is time for the big vision….Before our country was even founded, why did people come to America? And, after it was founded, why did people come and why do they come today? We are the land of opportunity. That's what makes us who we are. Now the issue is to have a fair chance to have that opportunity in our country."

The governor continued:

> "If you go back to the 1930s, we built a system that was about adding programs and these are good well-intentioned people, but if you look back over the last 80 years, what have we done? We have added prescriptive program after prescriptive program. Where do we stand today? We've counted 145 plus programs and still counting: 35 in health care, 40 in work force, and 70 in child services. The system is failing folks—that's not how you solve the problem of helping people have opportunities. What we have done is sliced and diced people into programs. We have moved away from treating them as real people. In fact, in some cases we have taken some of their dignity away as a person, by putting them through so many programs."[1]

When I arrived at Michigan's human services agency in 2011, the organizational culture tilted toward signing eligible people up for programs as quickly as possible. We too seldom thought through what our clients needed to move up, or how various forms of assistance could work together to help them get into the labor force and increase their earnings, or to achieve some other positive life outcome that moved toward independence.

We also suffered from a lack of real outcome measures. Reporting on program administration, with different timelines and narrow metrics of success, too often took the place of the questions we needed to be asking and the outcomes we should have been measuring: whether these programs and our efforts actually worked at helping people succeed in becoming independent, or in achieving other positive life outcomes—and how we could do better.

The same thing has happened at the federal level. As this committee is aware, a 2012 Congressional Research Service memo identified over 80 federal programs targeted toward low-income Americans.[2] These programs have been created and expanded over the years to address a number of important issues. However, this has created complexity for those who administer the programs and for those who use them, and the missions of many of these programs overlap in significant ways.

---

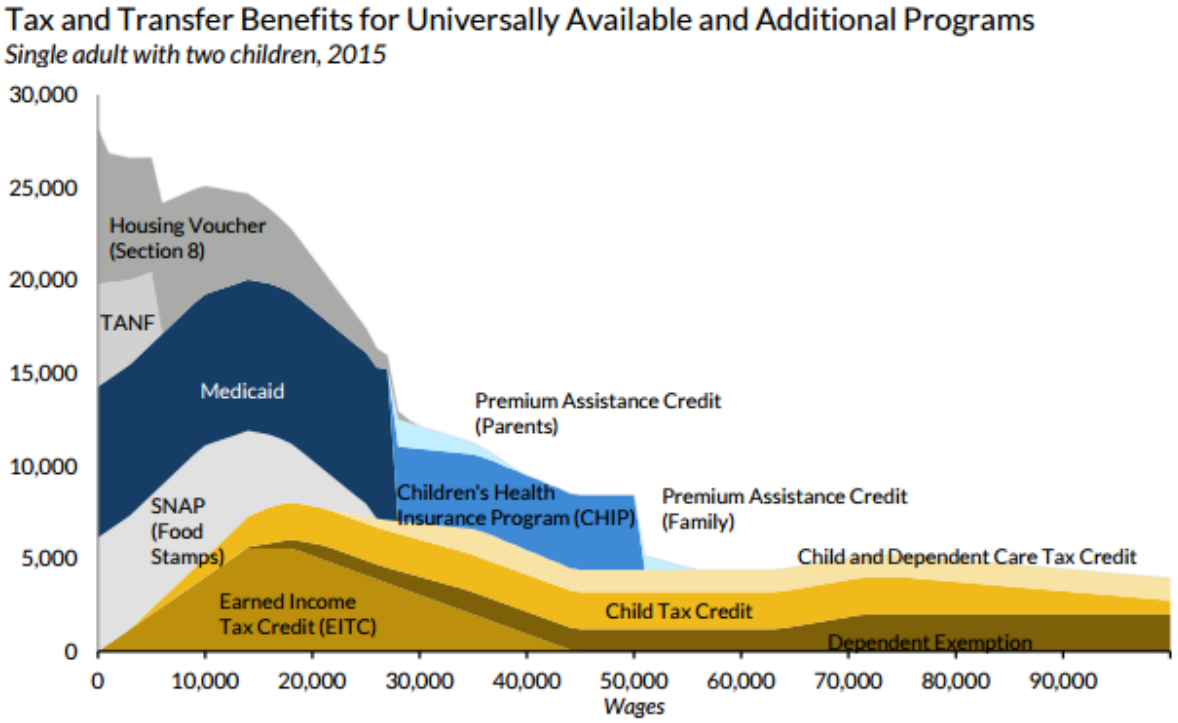
1 http://www.michigan.gov/documents/snyder/2015_Michigan_SOTS_Transcript_479562_7.pdf
2http://www.budget.senate.gov/republican/public/index.cfm/files/serve/?File_id=0f87b42d-f182-4b3d-8ae2-fa8ac8a8edad

II. Coordination in benefit programs

Our nation's welfare programs are poorly coordinated on several fronts. In my experience, this lack of coordination can at times discourage work among those participating in the programs, often results in additional administrative work and inefficiency for the agencies administering the programs and, most importantly, can distract from the overarching goal that these programs share: helping struggling Americans move toward and into independence. I see four key areas that suffer from coordination issues.

A. Coordination of benefits

As various programs have been created and layered atop each other over decades—many with different eligibility thresholds, benefit levels and structures, and phase-outs—the benefit structure overall for many recipients has made additional work and earnings less appealing than it should be. In many cases, recipients see very little gain in overall household resources as they move up the income scale because losses in benefits offset a substantial portion of their new income. In other cases, participants experience the sudden loss of benefits when they earn one dollar more in income—a "benefit cliff." Many social services programs, including Michigan's, are fighting against the tide of federal benefit structures that mute the financial appeal of increased work and earnings.

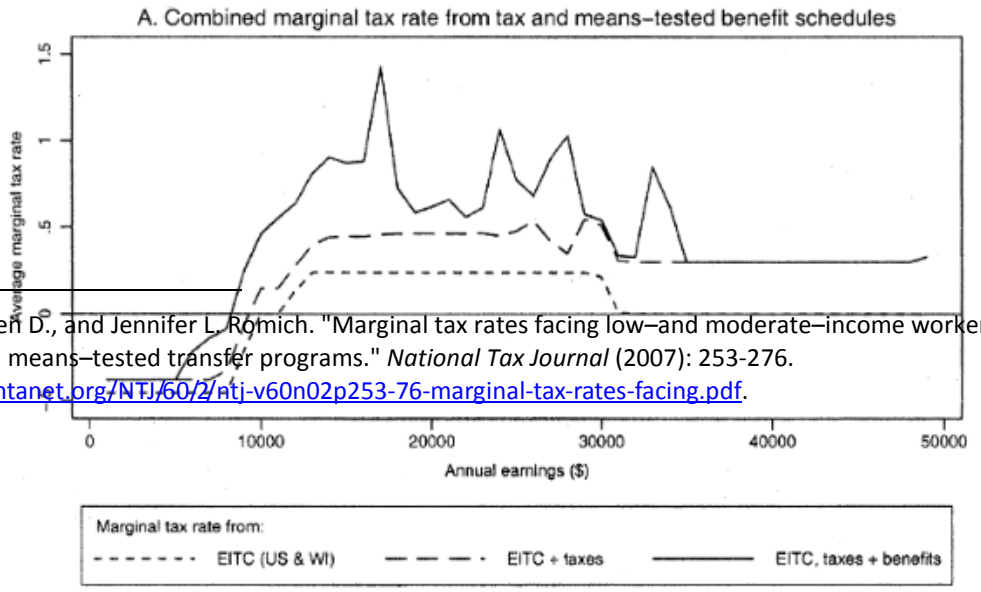


Source: Eugene Steuerle and Caleb Quakenbush, 2014. Washington, DC: Urban Institute.
Notes: Estimated value of tax and transfer benefits for a single parent with two children living in Colorado. Premium assistance credit excludes the value of penalties paid by employers on the beneficiaries' behalf and the value of additional cost-sharing subsidies. Health coverage and quality of services provided varies by source: Medicaid and CHIP benefits are more comprehensive and have less cost-sharing than those in the exchange. Medicaid and CHIP also pay providers for services at lower rates than private insurers.

This chart from the Urban Institute's Eugene Steurle shows some, though not all, of these programs, and how they layer atop one another for a single-parent family with two children. This chart does not include child care subsidies, which drop off steeply at certain levels of income, and which were particularly problematic for single mothers we served in Michigan.

These cliffs are not just charts—they affect many people. A 2007 study from Holt and Romich of single parents with two or more dependents in Wisconsin found that nearly a quarter faced marginal tax rates of 50 percent or greater.[3] The below chart from that study displays how these

***Figure* 2.** Combined Marginal Rates and Disposable Income, Assuming Full Participation in Means–Tested Programs (Single Heads of Household with Two Dependents, Wisconsin TY2000)



[3] Holt, Stephen D., and Jennifer L. Romich. "Marginal tax rates facing low–and moderate–income workers who participate in means–tested transfer programs." *National Tax Journal* (2007): 253-276. http://www.ntanet.org/NTJ/60/2/ntj-v60n02p253-76-marginal-tax-rates-facing.pdf.

marginal tax rates fluctuated wildly as individuals increased their earnings.

Had all of these programs had been created at the same time, policymakers would certainly have dedicated more attention to ensuring that programs complemented each other well. Currently, they don't. Congress must make efforts to address this problem.

B: Administrative coordination between programs

On a practical level, the administrative siloing of many programs for low-income Americans results in increased administrative cost and more frustration on the part of clients.

Many programs demand regular meetings and check-ins with a caseworker. Because programs do not talk with one another, clients are occasionally scheduled for overlapping visits, and both are mandatory. The client must skip one, which can result in the termination of benefits for that program. The client and caseworker must then re-complete the application process from the beginning. This results in significant administrative cost and disruption of benefits for the client.

I saw this play out most often in SNAP and child welfare cases, both of which contain significant case management components. But I am sure there are other instances.

Application processes can also be problematic in this regard. Different programs require different forms and different processes, though most are asking for very similar information. I am not in favor of making application for public benefits so simple as entering information online with no personal interaction. But I am very aware of the administrative waste taking place when three different caseworkers from three different programs process the same application information for the same person in slightly different ways.

To be clear: I am in favor of case management with a live person in most welfare programs. Computers are good at determining benefits and issuing checks. They are less good at encouraging people to find work, and how to best do that. But better coordination of these programs would allow caseworkers to use their time more efficiently.

C. Coordination of messaging

One of the least-discussed but most concerning side-effects of the current milieu of programs is the inconsistency of core messages and expectations that programs send to clients.

The core messages that should be sent to working-age adults seeking public assistance at every step of the process and in every program—that 1) You are capable of moving up; 2) You are better off working, and we will help you make that happen; and 3) Children are best prepared for life when raise by two married, committed, and involved parents—and we will be honest about the implications for children of parenting and family formation decisions—are too often not discussed.

Instead, programs tend to focus myopically on the particular type of assistance being delivered, and only the questions directly related to that assistance. In Michigan, Medicaid did not discuss work. When I started in Michigan, SNAP did not broach the subject. Housing was the same. Family formation as described above is rarely discussed in any context.

This is problematic because messages matter. If a network of programs as a whole is focused on helping people move toward self-sufficiency, it must reinforce a message of the most reliable long-term path to get there.

D. Coordination with programs outside of social services

One of the most frustrating elements of my job in Michigan was the lack of coordination between social services programs and other government entities outside of the social services world that should have been working in concert to support the efforts of clients in achieving their goals, particularly with respect to work.

Transportation was continually an issue. Many low-income Michiganders lacked a reliable vehicle, and public transportation was either unreliable or non-existent. Though the Department of Transportation provided some assistance to some impoverished and vulnerable Michiganders, this assistance rarely touched clients who were trying their best to work or meet their obligations.

I mention this because too often, coordination is thought of only within a group of social services programs. In fact, issues of coordination are much larger. They involve schools, transportation, and many other entities that are critical parts of low-income Americans' efforts to move up.

III. Better Off Working

In Michigan, we made several efforts to work within the existing, but problematic, federal structure to improve coordination.

Central to that effort was sending a strong and unified message about work. Though only two of the programs which I administered had any expectation of work or work training, we made efforts across all programs administered by the agency, and using Governor Snyder's bully pulpit, to get the message out to clients and our workers: you are better off working. This is the same message that Great Britain used to win public acceptance for reforming its disability system. I believe "Better Off Working" should be at the core of all social safety net programs in our country, no matter what Congressional committee has jurisdiction of the program. Accordingly, housing, disability, medical care, cash assistance, SNAP—all our programs should encourage and expect work—and the dignity and responsibility that accompany it—from those able to do so.

What I saw in Michigan during my tenure was discouraging, and based on my discussions with other state secretaries, is a problem nationwide. We were warehousing generations of the poor and sending them assistance with little expectation of self-sufficiency or preparation for it. That has knock-on effects. Several social services leaders I have spoken with suggest that we should change our human services workforce to substitute mental health workers for caseworkers. Why? So many clients now suffer from significant mental health problems like depression. To me, this is a byproduct of the lack of opportunity accompanying these well-intentioned but too often ineffective programs that allow people to stagnate.

The truth is that the present incentives in our siloed programs often prolong dependency, not end it. The clients learn the programs; they know their prescriptive demands better than the line workers, better than the managers and better than the leaders and policymakers. The learned helplessness engendered by a myriad of programs that merely warehouse people leads many clients to despair. For too many, our programs kill hope and the prospects of escape from poverty.

We tried to end that in Michigan. Alongside sending strong public messages about work through government officials and leaders in the community, Michigan also made programmatic efforts to work around or ameliorate the coordination issues that plague these programs and stand in the way of people earning their own success. My successor at the newly-merged Michigan Department of Health and Human Services, Nick Lyon, may describe them in his testimony, but I will touch on three such programs very briefly.

1) Pathways to Potential

We recognized that one government entity with which parents already engaged was the local public school. We also were very aware that Michigan suffered from distressingly low high school graduation rates, much of which was due to chronic absenteeism, and that the families of students who were struggling the most also tended to be involved with our public assistance programs.

To address these issues, we started Pathways to Potential. This program placed social workers, who we titled "success coaches," at work in high poverty schools. We made their offices mobile and put them where they would be closest to this critical population. By working with school principals and teachers, these workers were able to identify and help address the barriers that

were preventing low-income children from attending school regularly. Some were often as simple as parents not being able to afford required school uniforms, and not sending their kids to school because of it.

The presence of success coaches also opened new doors for important discussions with parents about both their child's well-being and their own efforts to move up. As a result of this effort, which began in 2012 with a 21 school pilot and has since expanded to over 200 schools, Michigan saw chronic absenteeism fall by a third in Pathways schools. We also focused on making schools a hub for connections to nonprofits and other organizations to assist parents and students in moving forward despite issues related to poverty. One remarkable example focused on building connections between children and incarcerated parents by raising money from prisoners for school uniforms. The effort yielded over $50,000 in donations, which was used to purchase 6,000 school uniforms, and a letter-writing campaign from prisoners to students that focused on encouraging students to complete their education.

This effort demonstrated the value of moving outside of traditional social services silos to focus on the needs of vulnerable kids and their parents, addressing immediate issues related to poverty, and also those that hold kids back from rising out of difficult circumstances through success in education.

2) Community Ventures

This program is aimed at promoting employment in Michigan's most distressed urban areas. It is targeted toward structurally unemployed individuals (a significant problem, particularly in Rust Belt states), to help them build skills and succeed again in employment.

Financed with state general fund dollars, the program assists employers in deferring training and hiring costs for these workers. Perhaps more importantly, it directly addresses the barriers to successful employment that many of these workers face—child care and transportation chief among them. In Saginaw, MI, for example, the program provided van service to a factory outside the city that was participating in the program. In its first two years, Community Ventures placed more than 2,600 structurally unemployed workers into jobs, and 70 percent have stayed on the job for at least a year. That is an exceptional rate of success.

In their recent book, "$2.00 a day: Living on almost nothing in America," Johns Hopkins Professor Kathryn Edin and University of Michigan Professor Luke Shaefer suggest that programs like Community Ventures could be particularly effective in helping two parents described in the book, Jennifer and Rae. On their telling, Community Ventures:

> "not only helps place individuals in jobs but also goes further by providing services that make it easier for workers to stay in those jobs, such as assistance in arranging transportation or child care in a pinch….Such work support services could even be paired with mental health services . With the routine and structure that a job provides, and

with access to mental health services, it seems possible that Jennifer and Rae might be able to really get a handle on their mental health challenges."[4]

3) Employer Resource Networks

A third effort Michigan has undertaken, and which is similar conceptually to placing "success coaches" in schools, instead focuses on the workplace—another institution with which many low-income Michiganders interact.

This program also made caseworkers mobile, placing them in the workplace to assist struggling Michiganders in their efforts to work. Common issues associated with worker absenteeism again included transportation obstacles and coordination of child care, and the cost to firms of worker absenteeism and worker turnover is high. ERNs, which are funded largely by employers, bring together employer, human services, and nonprofit stakeholders to assist workers as immediately as possible in resolving these issues by having a presence in the workplace.

Contributing employers have realized a 175 percent ROI on their contribution dollars through increased worker retention and increased worker productivity, while workers are reaping the benefits of increased employment, earnings, and stability.

IV. Concluding Remarks

These efforts provide a taste of what can be done when social services program begin to shift their thinking toward the person and what will help them succeed in the workplace or in school, and away from specific programs and their restrictions. Yet these efforts are limited, and in many cases are responses to problems created in the first instance by myriad programs that do not work well together. Often these connective efforts must be funded by a state, locality, or even business—too few federal programs allow states the flexibility to devote existing funding to coordinating efforts that will improve outcomes, or to restructure programs in such a way that connective efforts are less necessary.

This is why I believe that Speaker Paul Ryan's "Opportunity Grant" proposal holds great promise. It would collapse 11 existing programs into one, would permit local services to clients with a choice of providers, and would provide states far greater flexibility to pursue a holistic approach. The goal is to transform lives, not to "manage" poverty. Let our solutions in fact be local. Further, Congress should incentivize states to experiment with new approaches.

On a more technical level, greater efforts must be made to rationalize data systems in social services. This is made more difficult by the fact that each state is different with respect to administration and reporting. And a host of confidentiality agreements at all levels of government make this a slow process. But if we expect our programs to focus on a person holistically, so do our data systems that track the assistance they are receiving.

Finally, we need better measures of success—measures that track the life outcomes to which we aspire. What is the effect of these programs and approaches on helping people get and stay

[4] Edin, Kathryn J. and H. Luke Shaefer. *$2.00 a day: Living on almost nothing in America*. Houghton Mifflin Harcourt, 2015.

employed? What is the effect of our efforts on increased earnings? What efforts are helping vulnerable children stay in and succeed in education? Notre Dame Professor James Sullivan and the Laboratory for Economic Opportunity are doing terrific work in this regard. We have made progress in some areas, but too many federal and state programs are still operating with little evidence base. Effective coordination, and perhaps consolidation, of programs are both made more difficult without a strong evidence base.

Our social programs help reduce material hardship for millions of Americans. The evidence on that front is even stronger than many common measures of poverty suggest, according to new research from economists Bruce Meyer and Nikolas Mittag.[5] But they are not as effective as they could be in helping impoverished clients find sustained employment and transform their lives. Efforts must focus on empowering and healing the whole person.

[5] Meyer, Bruce and Nikolas Mittag. "Using linked survey and administrative data to better measure income: Implications for poverty, program effectiveness and holes in the safety net." 26 October 2015. AEI Economic Policy Working Paper Series, 2015-10. http://www.aei.org/publication/using-linked-survey-and-administrative-data-to-better-measure-income-implications-for-poverty-program-effectiveness-and-holes-in-the-safety-net/.