

Fact Checker: Do 'welfare' recipients get \$35,000 in benefits a year?

By Michelle Ye Hee Lee
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"A single parent with a couple kids can easily get \$35,000 a year in total benefits between the health care and the earned income credit and the FoodShare and the low-income housing and what have you. . . . That's after taxes."

The representative-elect has been a longtime critic of the current welfare system. Grothman, who will replace a retiring Democrat, began this fight in the Wisconsin legislature as state senator, saying the federal and Wisconsin governments are "working to encourage single motherhood and discouraging children in two-parent families."

In his interview on a statewide TV program, Grothman reiterated his campaign promise to start changing the welfare system. He said he has begun conversations with his soon-to-be colleagues on the Hill. The amount in total annual benefits that a single parent with two kids can receive, pegged at \$35,000, is "in essence a bribe not to work that hard or a bribe not to marry somebody with a full-time job," he said.

How accurate is this figure? (Note: Grothman and the reports he cites use the phrase "welfare" though that umbrella term is considered by the Congressional Research Service to be too broad-brush to apply to all social safety-net programs aimed at low-income Americans.)

The Facts

In an interview with The Fact Checker, Grothman said he used a 2012 analysis he requested from the Wisconsin Legislative Fiscal Bureau of the value of public assistance, student financial aid and tax credits to two hypothetical families.

It looked at a set of specific circumstances, comparing two families: a single parent working part-time and attending technical college full-time, raising two children, and earning \$10,000 a year (which was about half the federal poverty level that year), versus a married couple with two children, with one parent working part-time and attending technical college full-time, and a total income of \$50,000. Both family's children are ages 7 and 3.

The study looks at an array of programs the families would be eligible for, including the state medical assistance program, FoodShare (the state's version of SNAP), WIC (for the 3-year-olds), National School Lunch Program (for the 7-year-olds), housing assistance, federal and state tax credits, federal Pell grant and the Wisconsin higher education grant. The state medical assistance

program, BadgerCare Plus, was calculated separately because it depends on the family's use of medical services.

But the focus of this study is narrow. It's unclear how many Wisconsin residents would fit the specific criteria. But analysts estimated it would be fewer than 260 out of the state's total population of 5.7 million, based on the number of people in the Wisconsin Works program (the state's work program under TANF) who were also receiving student aid.

Grothman described it as a conservative estimate. But Grothman also believes BadgerCare Plus should be added to the total cost. He said he gave analysts a set of circumstances to compare, in order to quantify the "marriage penalty." The cost could have been lower or higher based on the circumstance he gave analysts, he conceded.

While his figure is technically correct — because he set up the parameters that led analysts to that figure — it is worth analyzing the issue in a national context.

A 2013 Cato Institute report on the total level of welfare benefits by state examined how much a "typical welfare family," of a single mother with two children, would receive for what researchers determined was a typical welfare package. That included Temporary Assistance for Needy Families (TANF) cash assistance, the Supplemental Nutrition Assistance Program (SNAP, which is still popularly known by its former name, food stamps), Medicaid, housing assistance, utility assistance and the Women, Infants and Children program (WIC). Researchers also accounted for federal and state tax deductions, exemptions and credits, such as the earned income tax credit and child tax credit.

Researchers then compared the findings to minimum-wage jobs in 35 states, before and after taxes. In 11 states, government aid paid more than the average pre-tax first year wage for a teacher, the study found.

The state with the highest total value of welfare benefits was Hawaii, at \$49,175. The lowest was Mississippi, at \$16,984. Welfare packages in only 10 states, plus Washington, D.C., exceeded Grothman's threshold of \$35,000. Hawaii may be distorted by the high cost of living, researchers said. The rest of the states were below Grothman's mark, including his own state.

Interestingly, the Cato analysis showed that the value of such benefits in Wisconsin had significantly declined since the 1995 overhaul of welfare — a drop of 18 percent, to \$21,483 in 2013 dollars.

The Cato study has a caveat regarding housing assistance, including Section 8 and other rent subsidies. The amount of assistance varies by state, so the study added housing assistance to the welfare package only if more than 10 percent of the welfare population received it. The Wisconsin study incorporates housing, but Cato does not add housing for Wisconsin's total.

Grothman uses the \$35,000 figure to make his point that the current public-assistance system is a "bribe" not to work hard or to marry someone with a full-time job. That is Grothman's opinion, and not something that we can check.

But Grothman doesn't provide any evidence for his assertion that single parents who make \$10,000 a year are content living on government wages, rather than trying to earn more money. As the Cato report notes, "most welfare recipients today are required to either work or participate in some form of job search activities." In the Wisconsin report's scenario, the single parent is attending technical college full-time — which could translate to future employment. There are working, low-income parents who are eligible for and receive assistance. Researchers from Cato acknowledged this: moving from welfare to work does not automatically mean that the person loses all welfare benefits.

As a side note, let's remember that Americans in general, not just the poor, benefit from the way government benefits and tax incentives are structured. For example, the home-mortgage interest tax deduction and deductions for state taxes can reduce taxes significantly for upper-income taxpayers. (A family paying \$50,000 in mortgage interest, in a 35 percent tax bracket, saves more than \$17,000 in taxes.) Grothman told us he does not support any tax benefits that he deems overly generous, whether they benefit the rich or the poor.

"The point is not whether a lot of people are at \$35,000, \$21,000 or \$18,000," Grothman said. "Whatever numbers you put in, it's one massive marriage penalty."

Experts, even some single-parent advocates, agree there will always be some level of abuse of government assistance. Taking a job, or a higher-paying job, could disqualify single parents from receiving assistance. Getting married yields similar results and increases marginal tax rates.

"One thing we have learned in public finance is that taxes have significant effects on portfolio behavior, even if there is less certain effect on work and saving. Not getting married is the major tax shelter for low- and moderate-income households with children. In many low-income communities around the nation, marriage is now the exception rather than the rule," according to congressional testimony by economist Eugene Steuerle from the Urban Institute.

Then there's the caveat that not all eligible recipients receive all the benefits they can. The Cato and Wisconsin legislative researchers concede this in their reports. Grothman doesn't mention this in his TV interview, but agreed with the point in his interview with The Fact Checker.

Lastly, fewer eligible families are receiving cash assistance through TANF. This has been the case since the 1990s. Despite the recession, TANF reliance by families with little or no income have remained relatively low — 27 out of 100 families in poverty received TANF in 2011.

The Wisconsin Legislative Fiscal Bureau analysis is a narrow comparison of scenarios in which a single parent with two children thoroughly utilized the benefits available to him or her. The \$35,000 is not necessarily representative of a typical single-parent household with two children, but it is Grothman's representation, confirmed by his analysts working within his parameters.

The Cato Institute notes there are 126 separate federal programs available for low-income individuals. There are even more options when state programs and non-means-tested programs are added. It's easy to pick and choose what would make up a person's "welfare package," and tack a number to it. This is essentially what Grothman did with the Wisconsin report.

It's correct that a single parent can receive \$35,000 in benefits, if he or she lives in one of the 10 states listed in the Cato report, or Washington, D.C. But the median welfare package, which would have been the relevant number to use, is about \$28,800 — lower than Grothman's figure.

The single parent in the Wisconsin legislative analysis received even more than Grothman's claim. The report's analysts acknowledged that the specific situation they studied would apply to a small portion of Wisconsin residents — fewer than 260 out of the state's total population of 5.7 million (that is, less than 1/200th of 1 percent of the state's population). Even if student aid was subtracted from the figure, it would still be difficult to figure out how many single parents fit his narrow focus.

Grothman's statement in the interview lacks context, especially given the numerous caveats involved. His portrayal of a single parent "easily" receiving \$35,000 is not accurate in a national context, since that would apply to only one in five cases, based on the Cato report.