Welfare—Unspent Funds

WELFARE — Unspent funds

The New York Times

Washington Final
Washington and Baltimore: Plenty of sun and less humid, high 89. Tonight, mainly clear, low 58. Tomorrow, partly to mostly sunny and much cooler, high 73. Weather map is on page 28.

'9 SUNDAY, AUGUST 29, 1999 THREE DOLLARS

Ana Cecilia Gonzales-Vigil for The New York Times

ndians learned to handle psychological problems brought on by the long 's who resisted the rebels gained a new sense of confidence.

ı Peru's Rebels Didn't Intend

soaring Andean peaks, aromatic eucalyptus forests, ancient Indian ruins and desperate poverty that was long ignored by the Govern- : in Lima, was the cradle and epicenter of the Shining Path uprising. But the social and political changes the rebels tried to impose backfired. As the villagers organ- to drive them out, a different kind of revolution took place.

Women, who took the lead in protecting their sons from being drafted by the rebels, are becoming more assertive. Villagers were emboldened to demand services from the central Government, and in the process village governments are becoming more democratic. Once isolated Indian villages are developing local banks and building roads and bridges to become fully integrated into the national economy.

Anthropologists and local leaders say the villagers' resistance to S ; Path's violent tactics and bizarre ideas bred new attitudes and behavior.

"The war had many cultural and sociological impacts, and many were positive," said Jaime Urrutia Ceruti, an anthropologist who has studied the aftermath of the war in Ayacucho. "The peasants who resisted Shining Path came out of the war with a new sense of confidence. And while the primitive methods of production and lack of investment remain big problems, people learned the benefits of organizing."

The Shining Path rebellion was born in a university in the provincial capital in 1980 and spread across scores of impoverished villages, pitting peasants against peasants, before it began petering out when the rebel leadership was arrested in 1992. A total of 30,000 people died and 600,000 more were displaced nationwide. More than

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TOBACCO LARGESS IS TOUCHY SUBJECT FOR GORE AND BUSH

AN ISSUE IN 2000 ELECTION

Contributions Are Questioned Even as Candidates' Aides Have Links to Industry

By DON VAN NATTA Jr. and JILL ABRAMSON

WASHINGTON, Aug. 22 — The Presidential campaigns of Al Gore and George W. Bush have this much in common: Both are trying to wean themselves from the money and influence of the tobacco industry, long one of the most generous of political donors.

But neither campaign, nor either of the parties the candidates seek to lead, has managed entirely to kick the political tobacco habit.

Mr. Gore hired a media consultant who had worked for the tobacco industry, and was promptly denounced for doing so by health groups like the American Lung Association. His campaign sometimes returns contributions from individuals with ties to tobacco, but not always.

Mr. Bush's top political strategist was a consultant to Philip Morris from 1991 to 1996, and his Presidential campaign has accepted at least $50,000 in individual contributions from tobacco executives. Although Texas sued tobacco companies in Mr. Bush's first term as Governor, he never publicly supported the litigation, and he is a champion of legislation in Texas that would limit damages in liability suits against industries. The legislation is strongly favored by the tobacco industry.

Matthew Myers, executive vice president of the National Center for Tobacco Free Kids, said that health groups were certain to make tobacco's contributions an issue in the 2000 Presidential campaign.

"The tobacco industry has been exposed for being different in terms of its product and wrongful behavior," Mr. Myers said. "Association with the industry and its money creates a taint."

Despite the criticism, Mr. Bush, Mr. Gore and several other Presidential candidates are trying to come up with approaches that allow them to benefit from some tobacco contributions, but also insulate them from accusations that they are beholden to the industry's interests.

Other candidates have also received contributions from tobacco

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Leftover Money for Welfare Baffles, or Inspires, States

Fewer People on Rolls but Many Dollars Going Unspent

By JASON DePARLE

WASHINGTON, Aug. 28 — Critics of the watershed welfare law of 1996 forecast any number of problems, from starving children to dwindling benefits to Depression-era soup lines. But virtually no one imagined the strange new condition startling the experts coast to coast: states have more Federal money, literally, than they know how to spend.

That is because the welfare rolls have dropped significantly while Federal financing remains, by law, fixed at historic highs.

Consider Wisconsin's version of the new welfare math. Five years ago, the state received about $317 million from the Federal Government, or $4,100 for each family on the rolls. Last year, the state still got $317 million, even though its rolls had fallen by more than 80 percent. That pushed the Federal aid to nearly $22,000 per case, and with the rolls still-shrinking this year it may grow to $35,000, a bit more than the cost of a year at Harvard.

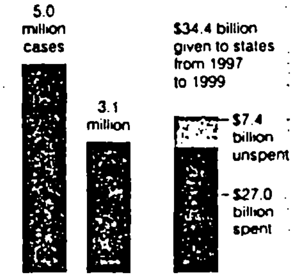
Awash in Federal dollars, the state has raised its welfare benefits 20 percent, created thousands of subsidized jobs and offered poor women door-to-door rides to mandatory motivation classes. It has also used the money to bring new support to needy families outside the welfare rolls, as the Federal law permits — offering them child care, car loans, counselors and annual cash bonuses of up to $1,600.

Still, it had enough Federal antipoverty money left over to shift more than $100 million, through some creative accounting, into a tax cut for the decidedly nonpoor.

By contrast, Idaho and Wyoming have let their millions gather dust as their safety nets for the poor contract. Mississippi and Texas made modest increases in their notoriously low benefits.

New York is increasing the wage supplements it offers low-wage workers. But it has also used $1 billion of its Federal welfare money simply to sustain existing programs it once financed itself, a trade that frees state and local dollars but offers no new services to the poor. While many states have pursued similar budgetary swaps, few have done so as brazenly as Minnesota, where Gov. Jesse Ventura of the Reform Party drew arrows in his budget and spelled out the goal: "Replace state spending with Federal

Welfare cases have plunged while Federal financing stayed fixed, leaving the states with a large amount of Federal welfare money unspent.



Source: New York Times analysis of data from the Department of Health and Human Services

The New York Times

LIFE AFTER WELFARE
Spending the Savings

dollars."

This flood of Federal dollars has created a rare, perhaps even unprecedented, moment of opportunity in programs for the poor. And it is almost wholly an unintended one — a rich new financing stream for antipoverty efforts created by the conservative Congress in a generation.

Seeking to revamp welfare and restrain its costs, a newly Republican House and Senate reached a grand bargain three years ago with the nation's governors. The states got new flexibility to run welfare programs as they choose. In exchange, they accepted five years of flat Federal financing. In the phrase of the time, the governors, predominantly Republicans themselves, promised to do more with less.

Instead they wound up with — much more, on a per-case basis — than anyone predicted as a combination of a strong economy and tough new rules have pushed welfare rolls to stunning lows. Last year alone, Federal payments to the states were $6 billion higher than they would have been under the old law, when falling caseloads meant smaller subsidies. Now in another twist, there is an intramural Republican dispute between Congressional leaders who want to reduce the windfall and conservative governors who, protecting their budgets, find themselves in the unusual posture of championing welfare money.

On the ground, the new financing is altering the anti-poverty landscape

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DDT, Target of Global Ban, Finds Defenders in Experts on Malaria

By SHERYL GAY STOLBERG

WASHINGTON, Aug. 28 — It has 27 years since the United States banned the pesticide DDT, and the payoff is undeniable. The peregrine falcon, once pushed to the brink of extinction, came off the endangered species list this month, and the bald eagle may soon follow. Brown peli- are flourishing in Florida. On the shores of Long Island, the ospreys are back.

Now the United Nations is drafting a treaty that may lead to a worldwide ban on DDT. But the international negotiations set to resume in

"A child dies of malaria every 12 seconds," said Dyann F. Wirth, a malaria expert at the Harvard School of Public Health and president of the American Society of Tropical Medicine and Hygiene. "That could go up dramatically if we lose this important control tool."

Dr. Wirth is among more than 370 medical researchers in 57 countries who are urging that the treaty DDT to be sprayed in small c ties on the interior walls of homes, where it acts as a repellent to the disease-carrying insects. The scien-

new services in some of the nation's poorest regions. In Mississippi, the nation's second-poorest state, the Federal pay per family rose 158 percent. In Louisiana, the third-poorest state, the payment 86 percent.

¶While every state's Federal subsidy per family has grown, the politically volatile disparities between the states have grown as well. That raises the potential that bitter new fights will erupt in 2002, when the current financing formula expires.

In 1994, the states with the largest subsidies, New York and Alaska, received about $5,000 per case, while the state with the smallest subsidy, Mississippi, received about $1,460. That is a ratio of just over 3 to 1.

Federal financing at the time depended in large part on how much of its own money each state spent on welfare.

Now with each state's rolls declining at a different pace, the historic differences built into current arrangements have been amplified. By last year the state with the highest subsidy, Wisconsin, received $21,600 per case.

That is more than six times the amount the Government sends to its neighbor, Illinois, which received the lowest payment, $3,400 a month.

Fights over financing stalled Congressional action for months in the last welfare debate.

¶Much of the windfall has failed to translate into new benefits or services for the needy. Though Federal subsidies for each family have risen by 64 percent, the rise in actual spending has been much more modest — just 28 percent, when total spending is divided by the caseload.

That is because significant Federal sums are going unspent, and others are being used merely to replace previous state spending. With Federal financing fixed, states cut their own spending last year by 21 percent, or nearly $3 billion.

Examine the math in Pennsylvania. Last year, the state received $257 million more than it would have under the old system. But it left $158 million of the Federal money unspent, and it reduced its own welfare spending by $109 million. The state's Federal subsidy per family rose 56 percent. But its actual spending, when divided by its caseload, rose much more modestly, by 23 percent.

¶The states slowest to spend the anti-poverty dollars include some of the neediest. By the end of last year, New Mexico, the poorest state, had spent just 69 percent of the money awarded to date. Mississippi and Louisiana, the next two poorest, spent 61 percent and 63 percent, respectively.

On average, by the end of last year, states had spent 78 percent of the $34 billion awarded since the new law took hold. Wyoming and Idaho are, by far, the most reluctant to use the Federal money, spending 9 percent and 24 percent, respectively.

Nineteen states had accumulated more than $100 million in unspent anti-poverty money. They include Texas ($326 million), Tennessee ($169 million) and Louisiana ($122 million) — all home to infamous stretches of entrenched poverty.

At most these ledgers can offer a limited look at the poor. They measure what states are spending — not what states are spending on or whether their spending is effective. They make no distinction between the $14 million Mississippi spent to raise welfare payments and the $35 million it spent on new computers for state officials. (The Mississippi benefit is now $170 a month for a family of three, a raise of $50.)

No one knows whether new spending will reduce poverty, as advocates hope, or increase waste and dependency, as critics of social spending fear. And if states have more money per case, that is only because the caseloads keep shrinking — that is the central development of the new welfare age, and it can signal either new progress (for those with jobs) or new distress (for those merely dropped from the rolls).

As of March, the nation's welfare rolls had dropped 47 percent from the 1994 peak, and in six states they dropped more than 70 percent. Eyeing such numbers, some members of Congress argue that states now have more money than they and they are talking of reducing the grants. Speaker J. Dennis Hastert made a brief pass at cutting the program during Congressional budget deliberations last month.

In response, a coalition of unlikely partners has emerged, serenading the governors (31 Republicans, 17 Democrats, 1 independent and Mr. Ventura) with a use-it, don't-lose-it refrain. That group includes liberal advocates with long wish lists of programs for the poor, Clinton Administration officials, from the President on down, who want to protect domestic spending, and some of the Congressional Republicans who wrote the 1996 law and are eager to see it produce tangible benefits.

"The time is rapidly approaching where it will not be possible to protect these funds," wrote Representative Nancy L. Johnson, Republican of Connecticut, in a March letter to all 50 governors. "Spend the money."

While last year's figures are the most recent available, some analysts say spending has risen in recent months as states have grasped the size of the surpluses and the range of programs they can create. "States are recognizing there's money there and they can do things they never imagined before," said Jack Tweedie, a welfare specialist at the National Conference of State Legislatures.

But paradoxically, the exhortations to spend have made some state officials even more reluctant to create new programs, for fear they will be left to finance them alone.

"Everybody's afraid the money will be taken away," said State Representative Garnet Coleman of Texas, a Democrat from Houston who sits on the appropriations committee. "We didn't want to fund things where we'd have to cut off individuals when we ran out of surplus."

When states do spend, they are much more likely to expand services — like job placement or especially child care — than to raise cash benefits. Many states have doubled or even tripled spending on child care, often broadening eligibility to all low-income families. Florida has gone even further, adding $66 million in other services for families not on welfare, including drug and mental health treatment. "It's a new way of thinking about welfare — getting into more of a preventive mode," said Don Winstead, the state's director of welfare reform.

While expanding services, Florida now spends only 30 percent of its welfare money on monthly grants to the poor, and it has not raised the payment, $303 for a family of three, in seven years. Nationally the average welfare grant for a mother with two children has risen by about 5 percent since 1995, to $408 a month, about a third of the amount the Federal Government says a family needs to escape poverty.

While states promised to do more with less, some are doing less with more.

Six states have cut grants, including Idaho, which now offers an average payment of $3,300 a year. Meanwhile, its Federal subsidy per case soared to more than $17,000 last year, and more than three-quarters of its money remained unspent.

In 50 state budgets reside 50 different stories. The bold spending in Wisconsin, the paralysis in New Mexico, and the deal-making in Texas offer a representative three.

Wisconsin

A Windfall Provides Something for All

No one would accuse Wisconsin of ending welfare on the cheap. But even the state's famously expensive program finished last year with an eye-popping surplus — nearly $350 million in unspent Federal money.

The moral of the story that followed is that surpluses can make strange bedfellows. Inside the Legislature, the program's harshest critic, State Senator Gwen Moore, and one of its authors, State Representative John Gard, went behind closed doors and divided the money in a deal that delighted them both.

Ms. Moore got nearly $100 million over the next two years for new benefits and services for the poor.

Mr. Gard got just over $100 million for a cut in property taxes.

The agencies that run the largely privatized program got nearly $65 million in profit. And still there was enough left over to keep nearly $100 million in reserve.

"It was a love fest," Ms. Moore said.

Oddly enough, the program generating these surpluses, Wisconsin Works, or W-2, is known for its willingness to spend. Virtually everyone receiving cash assistance is required to work. But the state has expanded job-placement services, hired new counselors, offered guarantees of child care, created thousands of community service jobs and raised benefits to $673 a month, higher than anyplace outside Alaska or Hawaii.

Costs per case have risen accordingly, to about $21,000 a family last year, from $7,000 in 1996.

Wisconsin has also increased its spending on other needy families, to reward them for staying off the rolls. It has doubled the size of its child care program, in part by tapping its welfare money. And using other pools of state and Federal money, it offers low-wage workers subsidized health care and annual wage supplements.

"I've told Congress, and I've told taxpayers, you can't do this cheaply," said Tommy G. Thompson, the state's four-term Republican Governor, whose support for spending has often raised eyebrows among his Republican colleagues. "You have to spend more in the beginning to save on the back end."

But even Mr. Thompson has been surprised by the caseload declines; when forced to work for welfare, most recipients have chosen to fend for themselves. By the end of last year, the state had spent only 56 percent of the Federal money awarded to date.

Among those most alarmed by the falling rolls is Ms. Moore, a Milwaukee Democrat who represents many former recipients and

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who once was on welfare herself. In her view the costly program makes harsh demands that drive troubled families away while enriching social workers and subcontractors. "The people we kicked off the rolls are still out there," Ms. Moore said, "and they're not getting served."

Spying the surplus, she wanted more money for a long list of causes, and she won most of them — child care, drug treatment, job training, youth services and higher payments for relatives who care for abandoned children. (Many of the new services had been proposed by Mr. Thompson, who continues to talk of the need to invest.)

Ms. Moore's longtime adversary, Mr. Gard, is a north woods Republican from a county with a caseload of one. What he wanted was a tax cut. "I just believe the average working family needs to see some benefit," he said. Mr. Gard argues that more money actually harms the program, by encouraging too much social work and too little self-reliance. "The only way to keep the program from getting out of control is to pull out money when you can," Mr. Gard said.

He backed a plan that uses $108 million in Federal money to replace previous state spending on wage supplements for the working poor. The state money was then converted into a tax cut for property owners. The deal, embraced by leaders of both parties, awaits final ratification by the Legislature. "We both left the room smiling," Ms. Moore said.

Congressional budget hawks will no doubt frown at the size of the state's windfall. But Governor Thompson said any reduction in the state's grant would punish it for its success. "We're getting results," he said. "Isn't that what the Federal Government wanted?"

New Mexico

Political Fights Yield Little Action

While Federal money soothed old fights in Wisconsin, it brought new ones to New Mexico. And the poor have paid the price.

Three years into the new welfare age, the state newly ranked as the nation's poorest is still recovering from a constitutional showdown between a defiant governor, who tried to seize control of the program, and the state Supreme Court, which found him in contempt of its order to relent.

Welfare directors have come and gone, leaving the department without direction. And millions of Federal dollars have gone unspent, while thousands of jobless New Mexicans have been dropped from the rolls.

The conflict began in the spring of 1997, when the Democratic Legislature passed a welfare bill that contained an expansion of employment services. Gary E. Johnson, the state's two-term Republican Governor, vetoed it and unilaterally imposed one of the nation's most restrictive programs. It cut off thousands of families already on the rolls — not by helping them find jobs, but by changing the formula used to determine their eligibility.

Angry Democratic legislators sued, arguing that the Governor needed their vote to make such changes. The state Supreme Court agreed in a unanimous decision, ordering him in September 1997 to end the program. When Mr. Johnson defied their order, the justices returned three months later and cited him for contempt.

Mr. Johnson ended the program. But the rolls had already been cut in half and surpluses were mounting — though much of the state was still lacking rudimentary employment services. The Legislature met in the spring of 1998, and with the Governor's help, designed yet a third program.

On paper, it is rich in new services. It extends job-placement programs beyond the welfare population, to any poor New Mexican family. It creates lucrative subsidies for employers who hire welfare recipients. And it raises welfare benefits by offering a $100 monthly increase to any family not receiving a housing subsidy.

But with the Department of Human Services now on its third secretary in three years, bureaucratic progress has been painfully slow. It took until last October just to hire a job-placement agency along the state's southern border, where county unemployment rates are as high as 33 percent.

Though the Legislature set aside $4.5 million to subsidize employers who hire recipients, the department has scarcely tapped the fund, creating just eight jobs. And it has yet to extend its job-placement services to the poor not on welfare, as the Legislature directed a year and a half ago.

Alex Valdez, the department's new secretary-designate, said the idea remained under consideration. "That has not been implemented yet," he said, declining further explanation. "That's as far as I can go."

The state did use its Federal money to expand its subsidized child care program, raising the number of children covered to 20,000, from 7,000 just two years ago.

But by last spring, the department was facing new turmoil in the form of escalating rolls. Many of those who had been pushed off welfare were streaming back in. While the caseloads were still well below their historic levels, the state suddenly forecast something unheard of in the new age: a coming welfare deficit. The Legislature then canceled most of the benefit increase it had passed the previous year.

New Mexico finished last year with $67 million in unspent money and a record of missed opportunity that few are eager to defend. "The money's been available but no program's been implemented," said State Senator Manny Aragon, a Democrat who serves as the president pro tem. "I don't think we've done a very responsible job."

Texas

Modest Programs In Poverty Aid

Welfare has not grabbed the headlines in Texas that it has in other states. Though Gov. George W. Bush broadcasts his identity as a "compassionate conservative," he has left less personal imprint on his program than many other governors have left on theirs.

The program was devised in 1995 by a Democratic Legislature, which vested much of its control in 28 local boards, made up of business leaders, educators and social workers appointed by elected officials. Their development has been impeded by political fights, and two are still being formed. As a result, the availability of social services varies widely from place to place.

Still, caseloads are plunging nearly everywhere. Like most of the country, the program emphasizes a strict, "work-first" philosophy, seeking quick placements in low-skilled jobs as opposed to education or training. And it makes an energetic effort to dissuade new applicants from coming on the rolls. Would-be welfare recipients must first attend an orientation talk — often requiring a second trip to another office — before they can get benefits.

The state actually has more families seeking aid each month than it had four years ago. But with welfare harder to get and harder to keep, the rolls have fallen 60 percent.

For State Representative Rob Junell, the chairman of the House appropriations committee, that has created the kind of problem an appropriator loves to mull: a projected two-year welfare surplus of nearly $600 million. Huddling with his committee, Mr. Junell, a Democrat, spent the spring devising a something-for-everyone plan.

About 40 percent of the money went to social programs previously financed with state dollars. (Some of the freed-up state money was then reinvested in health programs.) Another 20 percent got placed in reserve, in case of an economic downturn. That left about 40 percent — or $200 million — for new benefits and services.

Some were of the kind that many states have emphasized — more child care (Texas has nearly doubled the number of children getting subsidies) and counseling for especially troubled families. But the package also contained a surprise: $62 million, over two years, to finance the state's first increase in monthly benefits in 16 years.

To be sure, it was a modest one. The Legislature raised the monthly benefits of a mother and two children to $201, from $188. That is lower than any state but Alabama ($164), Mississippi ($170), Tennessee ($185) or Louisiana ($190). Texas also added an annual back-to-school payment of $60 for every welfare child.

Small as the raise in benefits was, Mr. Junell said, it survived only by avoiding publicity in an anti-welfare state. "It was very quiet, which is how I like it," he said.

A windfall for the state, a modest expansion of aid to the poor — the Texas experience seems a telling example of the country's experience as a whole.

Patrick Bresette, associate director of the Center for Public Policy Priorities, an Austin research and advocacy group, contends that the state has missed a historic opportunity. "I do want to give them credit for some of the things they did," he said. "But they had the chance to dramatically fix things for low-income families, including working families. In a state with as much poverty as Texas, we could have done a lot more."

The new welfare law is doing wonders for the state budget — but is it also helping the poor?

Mr. Junell, a Democrat who represents the rural area around San Angelo, gives a refreshingly candid answer. "I'm out here in sheep and goat country — I may not be the best person to ask," he said. But with the state now getting $300 million a year more than it would have under the old system, he is firm in one conviction: he does not want Congress to take any of it back.

"We're gonna fight 'em tooth and nail," he said. "Out here in Texas, a deal's a deal."

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