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LEGAL ACTION CENTER

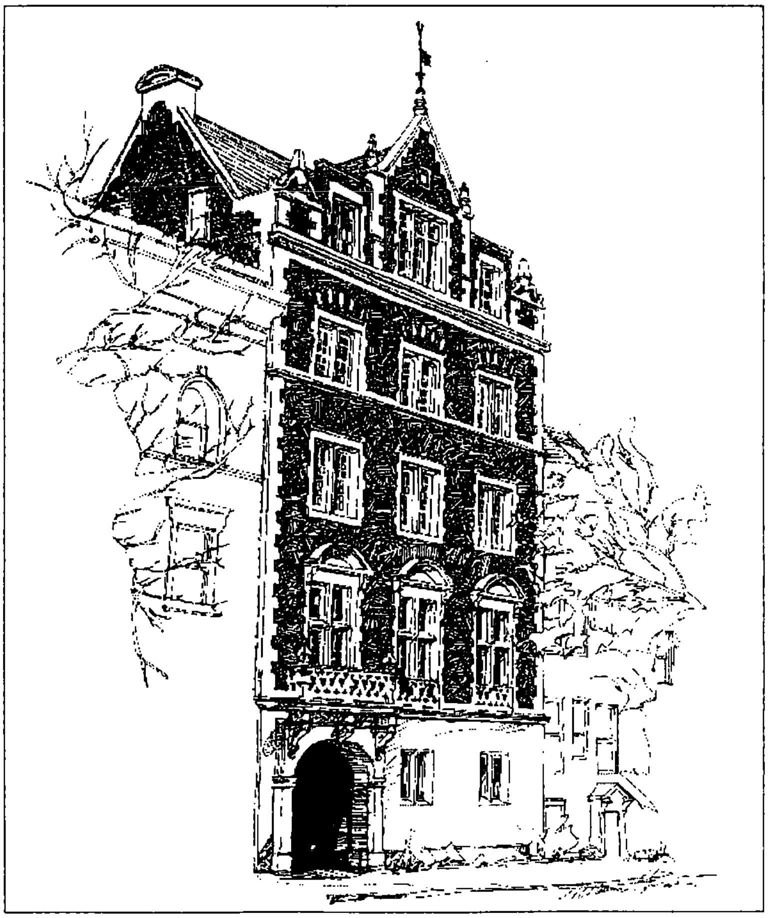
WELFARE AS WE KNOW IT NOW:

What New York's New Welfare Laws Mean for People with Criminal Records, Substance Abuse Histories and HIV/AIDS

October 1998

MANAGING WELFARE REFORM

UPDATES FROM FIELD RESEARCH IN FIVE STATES



Contributions by
Field Research Associates

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Federalism Research Group
The Nelson A. Rockefeller Institute of Government
State University of New York

MANAGING WELFARE REFORM

UPDATES FROM FIELD RESEARCH IN FIVE STATES

A Report by the State Capacity Study from Field Research Teams in Florida, Mississippi, New York, Washington, and Wisconsin

Prepared for National and State Conferences on Welfare Reform and Healthcare Reform

Sponsored by the W. K. Kellogg Foundation

January 1999

Federalism Research Group
The Nelson A. Rockefeller Institute of Government
State University of New York

The Nelson A. Rockefeller Institute of Government, the public policy research arm of the State University of New York, was established in 1982 to bring the resources of the 64-campus SUNY system to bear on public policy issues. The Institute is active nationally in research and special projects on the role of state governments in American federalism and the management and finances of both state and local governments in major areas of domestic public affairs.

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CONTENTS

INTRODUCTION

Thomas Gais

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The five papers in this volume were prepared for a series of conferences sponsored by the W. K. Kellogg Foundation as part of its "Devolution Initiative." The national conference on welfare reform and health care was held on January 13, 1999. Five state-level conferences occurred shortly before or after the national event. To increase public awareness of the implementation issues of welfare reform, the Rockefeller Institute asked its Field Research Associates in the five targeted states—Florida, Mississippi, New York, Washington, and Wisconsin—to update and summarize their analyses of their states' management systems. These analyses were based on the field research reports the Associates prepared during the first round of research for the Institute's State Capacity Study. This research, conducted under the direction of the Institute's Federalism Research Group, focused on the institutional changes and challenges of welfare reform—how states are adapting or failing to adapt their social-service management systems to the new purposes and demands of the 1996 Personal Responsibility Act and the states' own reform legislation.

The State Capacity Study is a research and dissemination project on the governance of American social programs. It is distinctive in both subject and method. It encompasses vast networks of public bureaucracies, community groups, private contractors, and other entities involved in translating laws into concrete action in the broad policy area of welfare, medical assistance, and workforce development. While many organizations are monitoring legislative changes and some agencies and private organizations are tracking indicators of family and individual well-being, our focus is on the critical intervening factors. Are institutions changing their behavior and operations to reflect new legislative purposes? What are their actual goals—not their official goals but the real ones that are revealed in their behavior as they make budget decisions; assign tasks to certain agencies or employees; collect, use, and report information; organize their treatment of families; decide what types of services to make available; and select and assess contractors?

The study relies on a unique field research evaluation methodology. Indigenous teams of public policy scholars in each of the 20 sample states (a list of which may be found at the end of this report) analyze political and administrative changes according to a common reporting and analytical format. These teams—and especially their directors—draw from their extensive contacts and specific knowledge of their states to place recent institutional changes into an historical and political context. The result is a richly detailed description and analysis of how state and local institutions change, how they remain the same, and what accounts for these patterns of institutional development.

In another publication released for the Kellogg conferences, Richard P. Nathan and I summarize many of the common themes we saw as we visited the states in the field research sample and analyzed the data collected by the state research teams. That analysis—a book entitled *Implementing the Personal Responsibility Act of 1996: A First Look*—shows that, overall, there are surprising large changes in the signals emitted by welfare agencies; that these shifts are often accompanied by changes in the distribution of power, usually down to complex local networks of public agencies and private providers; that some aspects of state and local management structures, especially their information systems, are still not fully adapted to these developments; and that new issues of equity, accountability, and access are emerging from these institutional changes.

While these generalizations are useful, readers of the papers in this volume will quickly perceive that states are highly diverse in their institutional responses to welfare reform. This diversity cannot be fully explained by differences in public opinion across states. In a survey commissioned for the Kellogg conferences, citizens' views about welfare programs and poor families were generally similar in these five target states (though some significant differences exist—see, for example, Sarah Liebschutz's analysis of New York). This similarity in basic values may help account for one of our findings, namely, the strong, usually bipartisan political support for work-based reforms in nearly all of our sample states. However, states are expressing this "Work First" orientation in different ways as they make thousands of decisions translating their laws into administrative practice. The resulting management systems seem to reflect a combination of public attitudes and institutional cultures—and, as Wisconsin's experiences with welfare reform suggests, these systems seem to become more distinctive as each state adapts to its own history and assessments of that history. The result will no doubt be a diverse array of welfare systems, probably more diverse than state welfare laws, as states express their particular political and bureaucratic cultures and public values in the decisions and adaptations they make as they continue to implement the new welfare programs. This diversity may have profound implications. As states come to vary on so many dimensions, it may become increasingly difficult to explain cross-state differences in program results, a development that poses enormous challenges for information systems and program evaluation.

The State Capacity Study is funded by grants from the W. K. Kellogg Foundation, the Edna McConnell Clark Foundation, St. Luke's Charitable Health Trust, the Flinn Foundation, the Gund Foundation, the Fund for New Jersey, the Schumann Fund for New Jersey, and the U.S. Department of Health and Human Services. Future reports are being prepared based on data collected during the first round of research on state and local welfare systems. Second-round research on Medicaid, workforce development programs, fiscal effects of welfare reform, information systems, and other management issues is either underway or will begin shortly. Our work on information systems for welfare reform is being done in close cooperation with the U.S. General Accounting Office. Richard P. Nathan is Principal Investigator of the study; Thomas L. Gais is Project Director; and Miriam Trementozzi is Deputy Director.

The Nelson A. Rockefeller Institute of Government is the public policy research institute of the State University of New York. Established in 1981, the Institute draws on SUNY's vast range of instructional, research, and service resources in conducting research and dissemination activities on important issues of public affairs, with a special focus on issues affecting state and local governments. The Institute is located in downtown Albany.

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MANAGING WELFARE REFORM IN FLORIDA

Robert E. Crew, Jr.

Florida State University

When welfare reform legislation passed in Florida in 1996, it created an innovative delivery system that substantially altered the locus of decision making in this policy arena. The State WAGES Board, along with 24 local WAGES Coalitions, is the new institutional structure that manages the state's welfare program. The state encountered several problems in creating the WAGES structure, however, which led to delays in program implementation in some areas.

Furthermore, several management problems have been associated with the implementation of the reform. For example, the large number of state and federal agencies involved in the WAGES program and the decentralized nature of the management structure invited disagreement and confusion about appropriate institutional roles.

The extent of the confusion and disagreement led the 1998 Florida Legislature to debate the organization of WAGES and to re-think its strategy for implementing welfare reform in the State. A revision of the WAGES Act, passed in November of 1998, once again altered the delivery of services to families receiving welfare.

Florida legislation that put into place the reforms specified by P.L. 104-193, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, sought to bring together the resources of several state government agencies already involved in activities related to welfare reform and to add to this the resources of the state's business community.

The WAGES Act gave primary responsibility for the implementation of welfare reform to three state agencies and a new organization called the WAGES State Board, a partnership between the public and private sectors. The state agencies are the Department of Children and Families, the Department of Labor and Economic Security and the Department of Health. The WAGES Board, located administratively in the Executive Office of the Governor, is the oversight organization with authority to direct state agency activities regarding the implementation of the TANF program. A number of other state agencies including the Department of Revenue, the Department of Education, the Department of Community Affairs and Enterprise Florida, the public private partnership that oversees workforce development, were also brought into the system, but have more limited roles.

To provide flexibility in dealing with disparate local economies and diverse local service needs, the Board chartered 24 local WAGES coalitions made up of combinations of counties. At the local level, these Coalitions have taken on the role of policymaking and case management heretofore played by agencies of Florida state government. They are responsible for planning and coordinating the delivery of local services designed to help participants remove barriers to employment and end reliance on welfare.

In putting into place this new system, those involved faced several kinds of management problems: (1) delays associated with the creation of new organizational structures, specifically the WAGES coalitions; (2) issues associated with the integration of the activities of the participating organizations into an identifiable management system; and (3) information system problems. In the following pages, I discuss these problems and describe the way in which the organizations involved have dealt with them.

Creation of the WAGES Structure

An innovative feature of the structure created to carry out welfare reform in Florida was the State WAGES Board and the 24 local WAGES Coalitions. These organizations were designed to provide policy direction and oversight to the state agencies involved in welfare reform and, in the case of the local WAGES Coalitions, to provide the services needed by welfare recipients at the local level. As is the case with the creation of any new organizational structure, the creation of the WAGES structure was accompanied by problems. These problems were particularly apparent during the period of establishment of the local WAGES Coalitions.

In creating the local component of the WAGES structure, the Florida Legislature hoped to bring the expertise of the private sector into the management of the state's welfare program. It furthermore hoped to capitalize on the existence of job placement and training operations already being managed through federal and state programs such as the Job Training Partnership Act. Therefore, each Coalition was required to create an 11 person governing board of whom at least one-half were to be from the business community. To ensure the involvement of the existing employment-related activities, the Coalitions were given three options when creating their boards: (1) combine local WAGES Coalition boards into one board with existing Workforce Development Boards, the Jobs and Education Partnership Boards (JEP) - the "combined" model; (2) make local WAGES Coalition Boards a subgroup of the JEP Boards with additional members added to meet the representation and diversity requirements of the WAGES Act - the "blended" model; or (3) create a completely separate WAGES Board that would coordinate with the JEP Board - the "coordinated" model.

After creating the governing structure, local WAGES Coalitions were also required to choose an "administrative entity" that would (1) serve as a fiscal agent; (2) either provide or arrange for case management of the clients involved; and (3) procure or provide the services necessary for WAGES participants to begin progress toward self sufficiency.

The management tasks associated with meeting the foregoing mandates were not trivial, and the WAGES Program encountered several problems in creating the structure described above and considerable delay in program implementation. The problems were those usually associated with program start-up: disagreement over the appropriate governing model and the choice of an administrative entity, creation of fiscal and accounting systems, selection of organizations responsible for case management, and selection and hiring of staff. Since the WAGES Coalitions were unsure of their status in the state's personnel system and it was not clear that their employees could participate in state retirement programs, the later problem was particularly acute.

Resolution of these issues took time and produced a variety of local service delivery systems. Local community colleges manage the activities of some local WAGES Coalitions, while others are staffed by existing Workforce Development Boards. Some are directed by not-for-profit organizations and still others by private entities, bringing to Florida an unusual combination of resources for the purpose of reforming the state's welfare system.

Decisions resolving these issues did not bring closure to all the management problems associated with creating the welfare reform implementation structure. Even after selection of a governance structure and decisions about administrative entities, most Coalitions lagged in organizing themselves for work. Part of the problem was that the legislature provided no funds for the start up of local Coalitions, and, in particular, for development of the plans necessary to ensure the receipt of operational and programmatic funds. In a curious "catch twenty-two" situation, the Coalitions were required to submit strategic and organizational plans to the State WAGES Board in order to get the funds necessary to organize themselves, develop the plans and begin program implementation. As a result, plan submission and approval continued well past the original deadlines. In September of 1997, eight of the 24 plans had not yet been approved and 2 had not been fully approved by October of that year, one full year after the passage of welfare reform legislation in the State. The first provision of services by the Coalitions began in July of 1997, and two Coalitions did not become operational until December of 1997.

The start-up delays were not just managerial headaches; they had profound policy implications for individuals seeking assistance from the WAGES program. Florida's welfare reform law provides such assistance for a period of no more than 24 cumulative months in any consecutive 60-month period and for not more than a lifetime cumulative total of 48 months as an adult. For those enrolled in the welfare program when the new law was enacted, this clock began ticking. That is, the months for which they drew benefits counted against their 24 and 48 months of eligibility. However, in the absence of the mechanism designed to provide the services necessary for them to become self-sufficient, some were ill prepared to meet the work requirements of the new law and felt cheated out of assistance that might have permitted them to move off welfare and conserve their eligibility.

This problem was ultimately resolved, with rumblings of legal action swirling about, through the use of the hardship exemption clause in the WAGES Act. These provisions permitted the WAGES program to extend for up to 12 months the eligibility period for persons who had complied with program requirements during the time in which services had not been provided by local coalitions.

Integrating Activities of Separate Agencies to Achieve Welfare Reform

A distinctive feature of welfare reform in Florida is the extent to which the state has tried to merge ongoing activities related to the creation of jobs and job placement for non-welfare recipients with employment services for welfare recipients. There has been an intentional effort to bring to bear the resources of multiple public and private organizations on behalf of these individuals.

In order to emphasize the importance of working, both as a condition of receiving welfare benefits and as an ultimate goal of welfare reform, and to draw upon the expertise of existing state-sponsored job placement services, Florida's WAGES Act initially required the State Departments of Labor and Employment Security, and Children and Family Services to coordinate and even merge their activities in a number of ways. In fact, some administrative interaction between the two agencies was mandatory, since federal funds used to support the administration of the program and provide cash assistance were funneled through these two agencies.

The Florida welfare reform legislation also sought to utilize the resources of a number of other state agencies and organizations—the Department of Health, the Department of Education, Enterprise Florida, and others—to assist welfare recipients make the transition from welfare to work. The integration of the activities of these multiple organizations created a second set of management issues for the State WAGES Board and others involved in welfare reform in Florida.

The first of these was to create a system by which applicants for cash assistance could make contact with agencies and organizations with resources and services. As originally designed, this integration of activities would be accomplished by requiring applicants who sought cash from Children and Family Services to go first to the Jobs and Benefits Offices of the Department of Labor for job registration. Upon this registration and certification of eligibility by Children and Families, the client would return to Jobs and Benefits for a six-week period of job preparation activities like those provided to any unemployed person. If, at the end of this six weeks, the WAGES participant had not found employment, she/he would be referred to the local WAGES Coalitions, which would utilize local resources for more intensive, or "deep end" services. Throughout this time and for the duration of client eligibility, the Department of Children and Families was responsible for providing cash assistance, as well as food stamps, Medicaid and other benefits for which WAGES clients were eligible.

Although simple in concept, implementation of this procedure encountered two kinds of problems. Administratively, the process was hampered by the delay, described above, in the formation of the WAGES Coalitions. Additionally, difficulties arose as large numbers of welfare clients tried to assimilate into Department of Labor offices and procedures originally designed to serve a different population; non-welfare clients seeking assistance with employment. Many local offices were overwhelmed by an increase in numbers of people seeking services at the same time they were provided with minimal new resources to meet these needs.

Furthermore, the one-stop centers, seen as a mechanism to coordinate the client-related services of multiple agencies, were slow to materialize. Thirdly, rivalry and tension over service provision emerged between the local Jobs and Benefits Offices of the Department of Labor and the local WAGES Coalitions.

The dispute between local Jobs and Benefits Offices and local WAGES Coalitions was acrimonious. Both were under intense pressure to find employment for persons seeking to meet the new work requirements of the WAGES Act. And in response, both sought to develop credit for their activities and to deflect any blame. Jobs and Benefits publicized, in "report cards" they developed, the numbers of job placements their offices made compared to those made by the local WAGES Coalitions. These report cards showed Jobs and Benefits placements far exceeding those made by the Coalitions. The Coalitions countered that J&B offices were finding positions for easy-to-place clients who did not need substantial "deep end" services. They also charged that Jobs and Benefits provided no deep end services to clients. J&B responded by pointing out that the Coalitions were supposed to be responsible for providing deep end services, but many Coalitions were not operational and were therefore unable to provide any services at all; this task was therefore falling to J&B by default, they asserted, and they were ill prepared to meet the demands involved.

This disagreement, combined with confusion over the roles of the multiple agencies involved in WAGES, led the 1998 Florida Legislature to debate seriously the organization of WAGES and to re-think its strategy for implementing welfare reform in Florida. A revision of the WAGES Act, passed in November of 1998, removed the Jobs and Benefits Offices from the job search and placement process of TANF recipients. Now, once an applicant for cash assistance is determined eligible by the Department of Children and Families, local WAGES Coalitions are wholly responsible for ensuring that individual meets the work requirements of the WAGES Act and receives the assistance they need in the transition from welfare to work.

Despite resolution of this particular issue, the large number of state and federal agencies involved in the WAGES program and the decentralized nature of the management structure invites disagreement and confusion about appropriate institutional roles. Questions regarding responsibility for performance standards, for procurement, for quality assurance and monitoring, for cash management and audit, for contracting and for expense and cash management remained. In an effort to address these issues and to further clarify the nature of the program's management, the WAGES Board and the Department of Labor initiated a process, in the summer of 1998, to design a more self-conscious collaborative management system. Approved in concept at its December 1998 meeting, the development of this system is proceeding through teams of people from the cognizant entities. Sixteen processes - policy development and planning, compliance monitoring, quality assurance, etc. - essential to successful management of the WAGES program have been identified and a collaborative model for management of each of these processes is under development. As teams complete their work, their product will be submitted to the State WAGES Board for approval. In this manner, the WAGES Board seeks to develop a mechanism for executing the legal directive to collaboratively manage the WAGES program.

Information System Issues

The Personal Responsibility and Work Opportunity created new demands on state information systems that had been designed, in large part, to report compliance and error rates to the federal government. In particular, these systems must now provide data for case management purposes: tracking the progress of participants in gaining employment, and managing the delivery of services that would assist them in becoming self-sufficient. And, in the case of Florida, there were demands to make these data available, on an interactive basis, to the 24 local WAGES Coalitions.

Florida began efforts to revamp its information system by merging, into a WAGES Information System, data on participant eligibility for cash and other benefits from the Department of Children and Families with work participation rates and other employment data from the Department of Labor. While quite successful at meeting the federal government's reporting requirements on welfare reform, local Coalitions claimed that this merger was inadequate as a case management tool; local organizations were not able to track and monitor the progress of individuals through their individual local procedures. While this problem is not unique to Florida, debate about how to resolve it was intense.

In part, the difficulties encountered were a function of inexperience on the part of local Coalition workers with management information systems in general and with the WAGES System in particular. But local managers also claimed that the WAGES Information System did not collect some of the information needed for good case management, did not code data in a manner that was useful to local case managers and did not provide the flexibility needed by local workers to keep track of and assist their local participants.

While Department of Labor officials, who are responsible for the WAGES System, dispute these claims, the WAGES Board has moved to satisfy local demands for case management systems. Anderson Consulting Co. was hired to develop pilot case management systems in three regions that can be uploaded into the WAGES System, which the Department of Labor uses to meet its federal reporting requirements. The plan is to choose the "best" of these systems for use in all the Coalitions. In the interim, the WAGES System provides data for case management purposes.

Conclusions

Florida's plan to meet the requirements of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 included efforts to create a highly decentralized system of service delivery managed by locally constituted and controlled boards. The plan also attempted to coordinate the activities of multiple state agencies and other public and private organizations on behalf of welfare recipients. Both of these tasks were ambitious.

In meeting the challenges of creating the new system, participants have faced the usual problems associated with the creation of new organizations and the integration of activities of disparate agencies. These problems delayed the provision of services to some participants. Expectations on the part of the designers and managers of the system are that greater efficiency and effectiveness in moving people from welfare to work will offset these delays. Whether these expectations will be realized is subject to conjecture. However, there is little doubt that the reform has changed the locus of decision making in the arena of welfare policy in Florida.

Some political scientists argue that state public policy on any issue is made within an "iron triangle" composed of (1) members of the specific state legislative committees and subcommittees responsible for specific areas of public policy; (2) the interest groups most concerned with these areas of public policy; and (3) the agencies of government responsible for administration of these areas of public policy. In the past, welfare policy for Florida has been made, largely, by the members of the Florida State legislature who sat on the House and Senate committees with oversight responsibility for public welfare, by the interest groups most concerned with this policy area, and by representatives from the Department of Children and Families and its predecessors. And the decisions involved have been made, in large part, in Tallahassee.

To the extent this characterization was accurate for welfare policy decision making in Florida's past, it has been altered as a result of the changes described earlier. First, the arena within which welfare policy is made has been enlarged. Many important decisions about welfare policy now emanate from local districts as well as from Tallahassee.

Secondly, the agency of government leg of the "iron triangle" has been altered dramatically. No longer is the Department of Children and Families the sole administrative spokesperson for the administration of welfare policy in the state. As a result of the reforms enacted in 1997 and 1998, multiple agencies of government at multiple levels of government are now represented in this process. The question now is "to what effect"?

Privatization and Welfare Reform Implementation in Mississippi

David Breaux
Christopher Duncan
Denise Keller
John Morris

Mississippi had been operating a pilot welfare reform program prior to passage of the federal law. This would prove advantageous in expediting implementation of TANF. Motivated by time lines and lack of personnel, Mississippi's Department of Human Services privatized two components of their three component system previously established under their pilot work program. Privatization proved to be unworkable due to lack of accountability and proper monitoring mechanisms. In response, DHS has reorganized the TANF work program by eliminating privatized components and providing the services through their agency, thus streamlining program implementation and centralizing program authority in the state office.

In 1991 the State of Mississippi elected Kirk Fordice as its first Republican Governor since 1874. Among the most important issues contributing to the Fordice victory was his promise to reform welfare in Mississippi. A staunch conservative, Fordice began pushing reform legislation immediately after his election. Early efforts proved too volatile in the state legislature, primarily because of its highly polarized political lines. However, the state legislature did abolish a bipartisan governing board that had served as a buffer between the governor and the state Department of Human Services (DHS), the state agency charged with the implementation of welfare programs. This gave the governor direct authority over the appointed positions in the upper levels of the agency, essentially allowing him direct control of the agency. Subsequently, the new administration sought and received federal waivers to implement welfare reform in the state. Mississippi began their Welfare Reform Demonstration Project and its work program component (WorkFirst) in December 1994. Under the federal waiver package, WorkFirst made benefits contingent upon fulfillment of a work requirement, and introduced the three component system that Mississippi would implement to provide transition for welfare recipients to the workforce. The waiver package granted to Mississippi in 1994 was virtually identical to the law passed by Congress and signed by President Clinton in 1996. Mississippi moved quickly to enact state legislation that would transform their waiver package into law.

Mississippi's work transition pilot program, WorkFirst, was implemented statewide as the TANF Work Program (TWP), with additional power to sanction clients for non-compliance given to DHS. In Mississippi the entire TANF program falls under the direction of the Mississippi Department of Human Services. The Executive Director is appointed directly by the Governor, and the entire top level management positions are "will and pleasure" political appointees. In Mississippi, the Governor has filled these positions with the party faithful and those who share his ideological beliefs on the direction that the agency should take, thus thoroughly politicizing the agency. Since the agency was already organized in stringent top-down organizational tiers, the new leadership quickly changed the programmatic functions and the mission of the agency.

Under this administration it was no surprise that heavy use of privatization soon followed. The Fordice administration had already implemented pilot programs privatizing the child support enforcement division within the agency with plans to go state-wide, and had favored privatizing other programs within human services to restructure the agency.[1] In addition, the Governor advocated the privatization of several traditionally public functions, such as prison ownership and management.

Privatization in TANF was quite haphazard. Both the governor and state legislature moved quickly and secure federal funding through the new block grant. Because Mississippi's legislature is only in session ninety days per year (in the early spring), it was necessary to wait until early 1997 to pass the enabling legislation for TANF. The governor signed the bill on March 13, 1997, and implementation began immediately.

Faced with a tight timeline and an executive interest in privatization, DHS officials began work to privatize several components of TANF. A Request for Proposals was issued in late March 1997, inviting respondents to bid on case management, job training, and job placement functions. Although DHS officials expected that the existing Planning and Development Districts (PDD's) would win the contracts because of their experience with case management under a previous work program, the bids from the PDD's were significantly higher than those from Green Thumb, Inc., Lockheed-Martin, and several community action agencies.[2] Lacking the time and resources to structure the RFP and it's processes more carefully, DHS was forced to proceed, and to develop contractual arrangements with contractors with which the state had no significant experience. Thus the decision to privatize was largely a sufficing decision, made necessary because of a short implementation timeline.

There is a three-step process that welfare clients participate in under TANF in Mississippi. First, an eligibility worker at the local Human Services office determines eligibility. Once eligibility is determined, the eligibility worker also determines whether the client is exempt from the work requirement. If the client is not exempt then they are referred to the next component, Case Management. The Case Management Entity (CME) determines barriers to work such as child care and transportation. Here the client also signs a personal responsibility contract outlining their individual responsibilities under the program. The client is then referred to the third component of the program, the Job Placement Contractor (JPC). The role of the Job Placement Contractor is to place clients in jobs and to determine if the client needs Job Readiness training, which, if necessary, the JPC also provides for the client.

This is a drastic change from the AFDC program in which the Department of Human Services was responsible for determining eligibility and providing benefits. In Mississippi, the Department of Human Services is divided into six service regions. Each county director reports to a regional director who in turn reports to the state office. The Case Management Entities are divided into 12 districts. Case Management is contracted out as a function of the 12 Planning and Development Districts (PDD's) under Mississippi Department of Economic Development. This is a relic of the Job Opportunity and Basic Skills program (JOBS) where the concept of a case management entity to provide assistance into job transition was first developed. Under the JOBS program there was no specified participation rate, or power to sanction. Educational programs were allowable work activities under JOBS, whereas under TANF in Mississippi they are not. Under JOBS, overall participation rates were low for Mississippi, and there was little coordination between the eligibility worker and the

Case Management Entity. Each PDD was in charge of obtaining the Case Management Entity for their individual district.

Under TANF, the third component, the Job Placement Contractor, is contracted out through nine districts under the Department of Human Services. The districts are divided based on population served. These contracts are given out competitively through bids to both non-profit and for-profit organizations. The JPCs are responsible for maintaining offices throughout their respective regions to assist clients into the workforce. Program success under TANF is contingent upon the three components working together to achieve the end result, which is to place people in jobs.[3] These three components are under separate geographical regions according to component, and two were privatized.

Under the organization of DHS, the regional director for each of the six service districts is responsible for the coordination of TANF in their district. Each privatized entity, CME's and JPCs, also have a private regional director. Ultimately the responsibility for success of the TANF program is shared by the county DHS director and their state DHS regional director. Thus programmatic success is contingent upon two privatized components over which the DHS regional directors and county directors have no authority, contractual or otherwise. Problems that arise are the sole responsibility of the DHS county director and regional director and have to be managed through personal contacts. They lack any authority aside from persuasion to correct problems. The two privatized components were not only working under different geographical units, but appeared to focus on component-specific goals rather than overall programmatic success. In the case of the JPC's their performance based pay structure provided an incentive simply to move clients through their component so they could get paid. Monetary reward, rather than quality of skills or services imparted to clients, was the goal of the JPC.

The different interests of DHS, the CME's, and the JPC's were a prescription for difficult program implementation and administration. The CME's relationship deteriorated quickly not only with the county offices, but the state DHS office as well. As a result DHS began limiting the time on the CME's contracts in an effort to monitor more clearly their activities. At one point the contracts to CME's were actually put on a monthly renewable basis! The costs associated with contract renegotiation and performance monitoring to prevent shirking behavior by the CME's grew substantially. The implementation of short-term contracts, expensive as they were to the state, was carried out in an effort both to monitor the agent, but ultimately to eliminate this function as a separate entity and to return Case Management functions to DHS itself. The original contracts between DHS and the CME's were structured around a set of incentives that DHS believed would enhance the ability of DHS to attract capable agents who were interested in the broader goals of DHS. However, the Director of the Economic Assistance division of Human Services stated less than four months into statewide implementation that they wanted to change the contract with case management from a flat-rate basis to performance based system. Such a change would have provided a monetary incentive for the CME's to move clients through the program, and forced them to coordinate their activities better with DHS and the JPC's. The state office claimed that the quality of case management varied too widely from district to district, and was compromising the entire program. Specifically, there was an excessive time delay moving clients from the CME to the JPC that they blamed on Case Management. A performance-based incentive system, they believed, would correct this deficiency. As we will see, DHS soon took steps to alleviate these problems.

Problems had already existed between the county eligibility worker and the Case Management Entity within the counties. DHS thought that shoddy case management was largely responsible for the poor success of JOBS in Mississippi. Since the overall participation rate was extremely low under JOBS the interaction between the two entities had been minimal. After the statewide implementation of TANF, DHS county offices were forced to work closely with their respective CME. This precarious relationship was aggravated by the fact that contracted Case Managers receive higher pay and have less stringent job qualification requirements than their county DHS counterparts. Indeed, within the CME's there are no consistent job requirements, and the minimum requirement for the private case managers is only a GED or high school education.

This difference in job requirements leads one ask whether the agents chosen by DHS were in fact capable of performing the tasks they were assigned by the contract. The CME's were experiencing high turnover rates because of high job stress, a lack of proper training and education, and the problems associated with the implementation of a new program. The CME's were given a list of requirements for operation, but it was up to each CME to develop a specific plan to achieve those requirements. In any event, their plans were interdependent with the plans of the other contractors, particularly the JPC's. Large-scale case management was a relatively new task for private companies, and few had a clear idea of the effort and skills required to provide appropriate services.

The greatest perceived problem was the coordination of activities for the new program where expectations of actual practice are not yet established. Communication problems also plagued the relationship between the three entities. After the program had been in effect for a few months and everyone involved learned how the system was working in practice, DHS felt they could eliminate the CME and provide that service through their eligibility workers or through other in-house means. This added to the tension between the CME's and DHS. DHS, however, had no control over this privatization element since it was a function of the PDD entity under Mississippi Department of Economic and Community Development. Politically, the PDD's represented a powerful group, and wresting this function from their control would prove to be extremely difficult.

The CME must coordinate activities and client flow with the district JPC. Again this relationship was troubled by communication problems and differing expectations concerning responsibilities. The exception to this is in overlapping district areas where the CME and the JPC are contracted out to the same entity. In those areas, communication works smoothly and the groups share common policy goals and measures of success. In such counties there is potential for the CME and the JPC to in effect "double team" the DHS county director. A lack of formal monitoring mechanisms places an additional burden on this relationship.

The JPC's were, admittedly, the last on the scene. Under the Welfare Reform Demonstration Project, the Mississippi Employment Security Commission had provided this function. DHS was dissatisfied with their performance in the pilot counties and sought privatized replacements for the statewide implementation of TANF. The Mississippi Employment Security Commission in fact made a bid to retain its role as JPC in the various districts, but lost contracts in all regions due to their non-competitive bids. DHS felt that replacing them with private sector organizations would alleviate some of the problems associated with the pilot program's job placement services. Moreover, entities who placed bids were disadvantaged by having to just speculate regarding the extent of activities for which they would be responsible in the new program. The JPCs' initial problems centered on development and implementation of the program. They were responsible for setting up the third component with little or no precedent, and were ill-prepared for their role. Thus, they had great difficulty in fulfilling their contractual obligations to DHS. Job Readiness programs in most areas were hastily put together and the JPC's had difficulty placing harder to serve clients in employment positions.[4]

Once again there was a problem finding a suitable agents. In fact, the mix of agents chosen as JPC's in Mississippi varied widely. Contractors included for-profit entities such as Lockheed-Martin, as well as not-for-profit entities such as Green Thumb, Inc. Each of these kinds of organization is motivated by a different set of incentives, yet the problems faced by the JPC's were common to all. Arguments as to the suitability of particular agents were also heavily influenced by the structural problems faced by JPC's across the state. These problems included geographical disposition, a weak economy in some parts of the state, underlying racial tension, and a traditionalistic political culture.

The initial influx of clients moved quickly through the program and produced an inflated record of success. After the easily employable moved through the program the JPC's were left with clients who were harder to place, such as clients with drug problems, the illiterate, and those who had never held a job. Predictably, placement success was also dependent upon the economic status of the community. While Mississippi is experiencing aggregate economic prosperity, that prosperity is concentrated in certain geographic regions. Many rural areas, and areas in the poorest parts of the Delta region, do not have a significant number of available jobs or the potential for economic growth to absorb the clients coming through the TANF program.

These structural problems in turn led to the de facto removal of incentives for the agents, and in turn led to a pattern of shirking by those agents. To make matters worse, the lack of effective feedback and monitoring systems between DHS, the PDD's and the contractors meant that the problem of shirking went largely undetected for nearly two years; discovery of the problem was the result of legislative action rather than DHS's monitoring and accountability mechanisms. The fact is that even before statewide implementation of the TANF work program client rolls had begun to drop dramatically in Mississippi. After implementation the greatest number of those leaving the rolls were not entering and completing the work program, but leaving voluntarily at the point of entry, DHS. Since JPC's were paid on a performance basis, they only profited by moving clients through the system and into jobs. When the client load fell dramatically and all they were left with the were the hardest to serve clients they suddenly had very few pay off points, and it became unprofitable for the JPCs to continue serving in this capacity. Furthermore, the JPC's were plagued by client complaints about the types of jobs in which they were placed (usually low paying service oriented positions), and the quality of the Job Readiness programs the JPC's were running. Clients testified before the Mississippi State Legislature in February of 1998 that they were put in a room with several computers and told simply to "play with the computers".[5] Clients testified that they merely sat in the room and played solitaire until their time was up. Turnover in the CME's was also a problem; one client testified that she had had four case managers in 11 months. In her own words, "I think that's a lot of the reason why my case is so messed up". This shirking behavior clearly was at odds with program goals, and its effects were most clearly felt by the clients who did not receive appropriate job readiness training.

The JPC's began to seek different contractual terms. In areas where the JPCs were inadequately fulfilling the expectations of DHS the only recourse for the county director and regional director was to try to have the state office re-negotiate the JPC's contract. JPC's sought different contracts that would allow them to become profitable. CME's had contracts that were based on a flat rate fee rather than performance based. While they were still making money, the problems they had were of disparate sources.

In sum, the TANF story in Mississippi is one of a pattern of complex contractual relationships in a multi-actor principal-agent relationship that were not adequately monitored. Furthermore, the incentives in the contracts were often at odds with the goals of DHS, and, perhaps, with the larger goals of the citizenry. The inability to co-align goals between citizens, government, and the various contracted entities created an implementation structure that courted mediocrity, if not outright failure. The combination of an early decision to privatize, and the inability of DHS to settle on a set of incentives for its contractors led not only to confusion on the part of players in the system, but made it difficult for DHS to identify and contract with the best possible agents to provide needed services. The later attempts by DHS to address the problems of monitoring and shirking by substantially reducing the period of the contracts further confused the issue, and removed the incentive for the contractor to work toward the greater program goals. In short, the multiple-principal, multiple-agent scenario crafted by DHS became, at best, dysfunctional.

Significant changes are presently being made within the Mississippi TANF program to address the problems delineated in the preceding. All private and non-profit JPC's have retired their contracts and left the program, in those regions DHS now performs this function. The four regions served by Community Action Agencies are at present still operating as JPC's, how long they will continue to operate in this capacity is uncertain. DHS has also achieved their goal of bringing Case Management in-house. As of September 30, 1998 DHS provides all three components of the program for the majority of the state.

DHS is still faced with the same administrative issues it faced two years ago at the outset of TANF implementation. Just as DHS lacked the staff necessary to implement TANF in 1997, they still lack the staff in 1999. To combat this staff shortage, DHS has reverted to personal services contracts with individuals to provide job readiness training. Unlike the longer-term contracts initially issues to organizations, the personal services contracts include five-day cancellation clauses. Furthermore, these contracts establish direct accountability from the contracted individuals to the DHS regional directors, making accountability much easier to monitor. Furthermore, the performance-based contracts have been replaced with flat-fee (hourly rate) contracts, thus providing an increased incentive to the new agents. DHS officials also report that the individuals currently serving as agents are all former DHS case workers, thus ensuring that the agents begin with an appreciation of the mission of DHS (as principal).

While the government entity, DHS, was responsible for success, they had no actual authority or means of insuring quality and compliance with policy objectives by the privatized components. As a result accountability was diluted and responsibility diverted, threatening the social contract between government and the people and compromising the entire program. DHS realized this and has sought to correct the problems by eliminating the two privatized components. By bringing all three components in-house, DHS now has direct monitoring authority over the activities of each component, and can eliminate shirking behavior. In addition, incentive structures become less problematic, and the use of former eligibility workers lessens the problem of identifying the "best agent" considerably. DHS now has the authority necessary over coordination of activities between the three units and can pursue the common program goal.

[1] Interview with a member of the Governor's Staff, September 1997.
[2] Interview with members of DHS staff, November 1998.

[3] It should be noted there are two measures of program success. The "public" goal is to move people from "welfare to work." However, a second program goal is to reduce the number of people on the welfare rolls. While this second goal is often publicly stated as well, our examination suggests it is the primary program goal.
[4] For example, the Oktibbeha County, Mississippi JPC office was located in a decrepit strip mall, and its location was marked by a hand-lettered sign in a dirty window. A brief visual inspection of the office through the glass revealed a single desk and chair. Furthermore, three separate visits to the office failed to coincide with the presence of a representative of the JPC- the office was locked tight, with no indication anyone had been there since the previous visit.
[5] The function of the Job Readiness program is to teach clients basic skills such as filling out job applications, interviewing skills and managing their personal resources.

Devolution in New York

Sarah F. Liebschutz

New York's response to national welfare reform, on the whole, reflects continuity of the state's historic policies and practices. At the same time, welfare reform in New York represents some important departures in program emphases and management practices at state and local levels. New York's responses reflect both the state's constitutional commitment to assist the needy as well as new behavioral expectations for individuals and public welfare bureaucracies within a state directed, locally administered welfare system.

The state's political culture forms the backdrop for understanding key features of the New York State Welfare Reform Act of 1997, including the retention of state-local general assistance and the maintenance of stable benefit levels in the five-year Family Assistance (TANF) program. New behavioral expectations—themselves consistent with the competitive dimension of the state's political culture—help explain provisions of the state law that mandate responsibility of parents for their children, of teen-aged parents for completing high school, and of welfare applicants and recipients for alcohol and substance testing and treatment.

New York's 57 social services districts (counties) and New York City have little discretion over welfare eligibility or benefits; they do have, however, considerable flexibility in designing and enforcing the "work not welfare" message of welfare reform. They are taking advantage of that flexibility by building on and extending past program emphases and practices.

More than a year after enactment of the New York State Welfare Reform Act, the state government, social services districts and New York City face two difficult challenges. One is to overhaul the state's welfare information system to enhance its utility for reporting purposes and for strategic management. The other is to more fully integrate employment and eligibility functions at local levels. The resolution of these challenges will define the future course of welfare reform in New York.

New York's responses to national welfare reform, on the whole, reflect continuity of the state's historic policies and practices. At the same time, welfare reform in New York represents some important departures in program emphases and management practices at state and local levels. The state's political culture provides the broad framework for continuity. The departures are an extension of reforms predating the national and state welfare reform acts and program initiatives of Governor George Pataki and the New York State Legislature.

The New York State Welfare Reform Act of 1997

"We have an historic opportunity to change the failed welfare system," Governor Pataki asserted after enactment of the August 1996 federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996. "We must return welfare to its original intent: a temporary benefit to help those in need move back into the workplace." The Governor, the first Republican to be elected governor in more than 20 years, proposed a welfare reform program called "NY Works" that would enable New Yorkers, he argued, "to restructure the entire public assistance system in New York State in a rational and efficient manner." He recommended that AFDC and Home Relief (the state-local general assistance program for persons ineligible for AFDC) be replaced by two time-limited programs—Family Assistance, a 5-year program for families with children financed by TANF, and Safety Net, a 2-year state-local funded program. To encourage work, both programs proposed by the Governor were more generous in disregarding earnings in the calculation of welfare benefits than their predecessors. Both, however, were less liberal in benefits provided. Family Assistance/TANF benefits were scheduled in the Governor's proposal to decrease over 5 years; in addition, persons who had not lived in New York State for twelve months could receive benefits no higher than those of their former state or more than 50 percent of New York's benefits. Safety Net assistance was to be in the form of in-kind benefits and vouchers, not cash. Governor Pataki also proposed that state matching funds take the form of block grants to counties and New York City.

Welfare reform negotiations in New York were entangled with those of the state's 1997-1998 budget, a budget that set a record for late adoption of 126 days after the start of the state's fiscal year. After protracted negotiations involving well-organized interest groups with their own varying agendas for both continuity and departure, the New York State Welfare Reform Act was adopted in August 1997. Despite—or perhaps because of—its difficult birth, New York's 123-page welfare reform law was characterized as "a dissatisfying mixed bag." "Critics on both the left and the right," the *New York Times* observed, "agree that this approach does not represent a significant financial carrot or stick for getting recipients off the welfare rolls."[1]

The New York State Act incorporated many basic features of Governor Pataki's "NY Works" proposal, but with important modifications that reflected key concerns of the Senate Republican and Assembly Democratic majorities. For example, the Legislature approved the proposed Family Assistance and Safety Net programs, but, rejecting the proposed block grant funding, continued state reimbursement for local welfare expenditures. In addition, the Legislature stipulated:

- stable benefit levels during the five year Family Assistance limit;
- Safety Net cash assistance for two years, followed by vouchers and in-kind aid;
- no displacement of current unsubsidized employees by welfare recipients;
- no contracting out of the income assistance function; and
  broad definitions of work.

The New York Welfare Reform Act of 1997 also authorized a major restructuring of the administration of welfare at the state level. The Department of Social Services (with long-standing responsibility for administration of public assistance, social services, Medicaid, child support, and welfare-to work programs) was eliminated and replaced with two new Offices—the Office of Temporary and Disability Assistance and the Office of Children and Family Services (the only units of a shell superstructure Department of Family Services). Medicaid administration shifted to the Department of Health, welfare employment programs to the Department or Labor, and child support enforcement to the Department of Taxation and Finance. [2]In addition, the Office of Alcoholism and Substance Abuse and the Office Prevention of Domestic Violence were assigned responsibilities for specific programs for welfare clients.

Some of these functional reassignments, such as a separate child welfare agency, Medicaid in the Health Department, and welfare-to-work in the Department of Labor, had been under consideration in prior administrations. But it was not until 1997 that Governor Pataki connected the programmatic and administrative dimensions of welfare reform.

New York's Political Culture: Compassion and Competition

New York's political culture reflects the ethnic, regional and cultural diversity that has characterized the state since pre-Revolutionary times. Such diversity has shaped the character of New York, a character dominated in the past by two values: compassion and competition.[3] Alternatively labeled moralism and individualism, both values are evident in New York State's welfare reform legislation.

On the whole, the New York State Welfare Reform Act is an affirmation of New York's historic compassion toward those who are not able to compete—the "tired, poor, huddled masses yearning to breathe free," in the words of Emma Lazarus on the Statue of Liberty. Both the state constitution and the attitudes of contemporary New Yorkers reinforce this value.

Article XVII, the social welfare article of the state constitution, stipulates that the "aid, care, and support of the needy are public concerns and shall be provided by the state and by such of its subdivisions, and in such, manner and by such means, as the legislature may from time to time determine." The affirmative language of this provision—among the strongest in the nation—came about in the aftermath of the Great Depression, when localities and private agencies were unable to meet the needs of people. Delegates to the 1938 State Constitutional Convention proposed and voters subsequently agreed on the need for permanent state involvement in the social welfare of New Yorkers. While the Court of Appeals, the state's highest court, has upheld the state legislature's discretion regarding the extent and nature of state assistance to the needy, the Court has consistently taken the position that such aid *per se* is not a legislative option.[4]

The importance of Article XVII cannot be overemphasized for its influence on the shape of welfare reform in New York. Two key features of the New York program—retention of state-local general assistance as the Article XVII Safety Net program; and maintenance of stable benefit levels in the five-year Family Assistance program—clearly illustrate the strength of the state constitutional commitment.

Contemporary public opinion in New York reinforces the value of the state's collective benevolence. New Yorkers in a November 1998 survey on devolution, healthcare reform, and welfare reform for the W.W. Kellogg Foundation demonstrated higher support for public sector intervention to assist persons in need, and greater concern for the welfare of children than Americans as a whole. For example, 54 percent of New Yorkers in the sample responded that the penalties and time limits imposed on families by welfare reform would harm children, compared with 46 percent of the national sample. Eighty-five percent of New Yorkers (but only 77 percent of the national sample) agreed "When parents on welfare find jobs, government should provide help if their jobs do not pay enough to financially support their children." Additionally, New Yorkers expressed much higher awareness of the adoption of state welfare reform changes in the past two years—62 percent to 48 percent.

Competition, or individualism, the second value in New York's political culture, is also apparent in the state's welfare reform policies. Enabling individuals to compete in the marketplace coupled with the expectation that they do so, is played out in such provisions of the New York Welfare Reform Act as:

- a more stringent exemption from work requirements for mothers of young children (under three months of age) than in the Personal Responsibility Act:
- the residency requirement for full TANF benefits[5];
- expansion of the income disregard; and
- a Child Care Block Grant which provides increased state reimbursements to social services districts for child care necessary for a parent to participate in education, job-training, work, or community service (workfare) activities;

These provisions are consistent with changed public expectations about individual behavior. Three new state policies are notable in this regard. The first holds parents responsible for the behavior of their children. The second holds teen-age mothers responsible for their own education. The third sanctions welfare recipients who fail to report or treat substance abuse problems. These policies are:

- the "learnfare" program which matches assistance to school attendance for children of welfare recipients (both TANF and Safety Net) in grades one through six;
- assistance to unmarried parents under eighteen that is linked to attainment of a high school diploma; and
- imposition of sanctions when welfare applicants and recipients fail to be tested and treated for alcohol or substance abuse.

These "competitive" provisions represent new state policies. But the Act's overall emphasis on work not welfare is not new. In his 1988-89 Budget Message, Democratic Governor Mario Cuomo (1983 to 1994) endorsed the redirection of "public assistance programs to emphasize the shared responsibility of government and those in need to promote self-sufficiency through training and employment programs." Home Relief recipients were obligated by legislation enacted in the mid-1990s to participate in job search, work experience, or other assigned activities. In his last "State of the State" Message to the Legislature in 1994, Governor Cuomo announced an expansion of the work requirement beyond Home Relief recipients. He billed the JobsFIRST initiative as "a new system better suited to the times, more responsible to society's current needs, and with a greater capacity to promote the benefits of work, family life and parental responsibility."[6] He described an "initial screening to determine the level of need, determine whether the welfare system offers the best way to meet that need, and identify alternatives to long-term welfare."[7] JobsFIRST was an obvious, albeit perhaps kinder and gentler, predecessor to the New York Welfare Reform Act passed three years later.

The Intergovernmental Dimensions of Welfare

Welfare in New York is state directed and locally administered. Not only are New York's 57 counties and New York City required by state law to administer welfare programs, they are mandated to share their costs with the state government. New York, in fact, is one of only eleven states in the nation that requires such cost-sharing, and that local share is the highest among the states. [8]Counties and New York City assume 25 percent of cash benefits paid to local AFDC/TANF recipients, and 50 percent of those for Home Relief/Safety Net recipients. Likewise, New York's counties and New York City are mandated to share the non-federal costs of Medicaid. Federal aid to New York for Medicaid, about $11 billion in 1995, accounts for the lion's share of federal aid to New York, and about 50 percent of the state's Medicaid spending. As in the case of TANF, New York is among a minority (15) of states that require its local governments to share the state's portion.

Counties and New York City have very little discretion over eligibility for cash programs and the amount of benefits, but they do have considerable flexibility in designing and enforcing work requirements and other rules affecting individual behavior. This flexibility, plus the fact that they are equal funding partners with the state, gives New York's 57 counties (social services districts) and New York City a huge stake in welfare programs.

From the outset, these local governments viewed neither the federal-state or state-local dimensions of welfare reform in New York as business as usual. They were supportive of welfare reform efforts to reduce pressures on their own-source revenues and to increase self-sufficiency among their residents. At the same time, they advocated strongly in Albany for local flexibility regarding the mix of services under welfare reform. Though they were largely successful on all these fronts, they viewed—and continue to view—new relationships with state agencies who issue regulations for the 123-page Act with unease.

The Challenges of Implementation at the Local Level

The New York State Act of 1997 established statewide parameters for welfare reform. The state's 57 social services districts and New York City, under the intergovernmental arrangements just described, are the front-lines for implementation. Two broad and interrelated messages flowing out of both the federal and state welfare reform acts are major challenges to local management capacity. The first message is directed at the behavior of individual (potential as well as actual) welfare recipients. That message is "work not welfare." The second message is directed at the behavior of public welfare bureaucracies. That message is "shift the emphasis from welfare eligibility to workforce participation."

Local social services districts, taking advantage of local flexibility to design and enforce work requirements and other rules affecting individual behavior, are implementing these messages in varying ways. In two localities—Monroe County and Oswego County—such variations tend to build on program emphases and practices that predate the 1997 New York State Welfare Reform Act.

The Value of Work: Monroe County

Monroe County is an urban county of 713,968 (1990) in Western New York. Eighty-seven to 92 percent of the County's welfare recipients reside in Rochester (the state's third largest city), where children in poverty are disproportionately concentrated. The value of work over welfare has been a central emphasis in Monroe County since 1992, reflecting a policy shift initiated by County Executive Robert King shortly after his election. As part of an over-all examination of county government operations, King appointed a Commission to Analyze Savings and Efficiency (CASE) in 1992 to: "formulate methods for improving internal financial procedures and systems; organize personnel logistics and structure; and redesign service delivery to improve the productivity of County operations." The CASE Commission was directed to focus specifically on the County Department of Social Services—the largest county agency in size, budget, and program diversity. A key recommendation of the Commission, in November 1992, was to emphasize job search and job placement and de-emphasize training. "Training and employment programs," the Commission asserted, "are largely ineffective." A year later, King, in his 1993 budget message, proposed changes in name for the Income Maintenance Division of DSS (to Temporary Assistance Division) and in mission from "assisting individuals and families in reaching their highest levels of self support" to "return[ing] citizens to productive roles in the private economy." The name and mission changes took effect in January 1994. King emphasized the centrality of work for welfare recipients along with other values ("respect for authority, intact families, that children not become parents themselves . . ") until he left in January 1995 to become Governor Pataki's Director of Regulatory Reform, and in 1998, the New York State Director of the Budget. His successor as Monroe County Executive, John Doyle, continues to endorse these same practices.

Work over welfare, however, was not the only emphasis of the Monroe County Department of Social Services prior to federal and state welfare reform. In fact, two other priorities were–and continue to be—strongly promoted within the bureaucracy:

- *cost-avoidance*, through correct eligibility determination (including the use of finger imaging) by AFDC and HR case workers and fraud detection through a large increase in investigatory staff; and

- *cost-containment*, i.e., low administrative costs, through high worker-caseload ratios.

Since welfare reform, emphasis on work as a value *per se* has been heightened. Intake workers formerly viewed the welfare-to-work (job skills screening and training, job search) function as the "job of the employment unit." That unit still retains primary responsibility for work assessments (including education and training), placement referrals, monitoring and tracking work activities. Some of these activities are implemented directly by the unit; most, however, are carried out by a wide network of non-profit and for-profit providers under contract with Monroe County. Even so, under welfare reform, intake workers are expected to actively counsel potential and actual welfare recipients about the positive effects of working. One supervisor, in fact, delighted in the fact that in the post-TANF world, "We now have permission to 'be real' with clients, to make them understand that they have an obligation to work first, to help themselves."

Team Integration: Oswego County

Work not welfare is strongly emphasized throughout the state. The first message given to public assistance applicants at local social services offices is "Look for work." Beyond that, as in Monroe County, eligibility workers—though they are still largely focused on checking documentary compliance—are expected to counsel clients about the centrality of work in their life choices. Integrating the employment and eligibility functions is a universal goal of New York's local social services districts. There are, however, very few social services districts where local teams have actually moved very far toward implementing that goal.

Oswego County, a rural county in northern New York (1990 population, 121,771) is an exception. Integrated service teams at three centers within the county provide the entire range of welfare services—eligibility determination, employment screening and counseling, child care and other supportive family services—to welfare applicants and recipients. Such integration at the point of service delivery had its genesis in a "visioning" process initiated by the County Human Services Commissioner in 1994. The vision was directed at change in both individual and agency behavior. The former vision was to move individuals from "dependency and dysfunction to self-sufficiency and functionality." The latter vision was to empower social services employees individually and in teams to "make decisions and get things done at the point of action." The Commissioner's reassurance from the beginning that reengineering would not lead to employee layoffs was important in moving this change process forward. Planning at strategic, managerial, and operational levels, coupled with training in teamwork and systems thinking, proceeded apace over the next several years. Thus, Oswego County, having systematically developed and extended its own management capacity, was well positioned to implement a "JobsFirst" strategy when welfare reform became New York State policy.

The Capacity to Govern: The Welfare Management System

The capacity to govern is inextricably linked to the quality of available information. Under welfare reform, the need for such information stems from two sources: national and state governments who demand accountability, and state and local workers and administrators who must respond to the new signals and purposes of welfare policy. The Personal Responsibility Act, with reporting requirements on work participation, hours worked, types of work and services provided, has been described as perhaps the first large-scale "information age" social policy in the nation. In all states, such data requirements represent a "multiplicity of new or expanded functions for information systems." [9] In New York, the challenges are further compounded by more than 5 pages of tightly prescribed data collection requirements in the 1997 State Act (Section 149). The New York State Welfare Management System (WMS), as presently configured, is not capable of responding to either the federal or state accountability requirements, or the needs of managers at the local level.

A computerized information system, WMS was conceived and developed in the 1970s, installed between 1979 and 1981 in the state's 57 "upstate" counties outside New York City, and thereafter, with modifications, in New York City. WMS was fully operational by the mid-1980s. The main frames in New York City and Albany were last upgraded in 1989 and 1994, but the basic system is 20 years old.

WMS was intended, through centralized automation of the data collection process, to standardize determinations of welfare eligibility and benefits throughout the state. Both "upstate" and New York City systems are part of the state WMS; the distinction between them is operational:

- "upstate" local terminals are directly linked to the central operations center in Albany, and data input in fixed fields from upstate workers is directly transmitted to Albany;

- New York City local terminals are routed through 400 UNIX processors for preliminary case editing, and the data are then downloaded every night to the mainframe in the NYC operations center.

While these technical points are important, the more critical issue is that New York State's WMS was designed to focus on two functions: welfare eligibility and benefits. The system works well in carrying out those functions, that is, determining and authorizing eligibility, calculating benefits and distributing payments. However, the imbalance between what is actually collected and what is useful under welfare reform—for reporting purposes to the national and state governments, as well as for strategic planning and management at the local level—is striking.

The Office of Temporary and Disability Assistance (OTDA) bears primary responsibility for reporting on TANF clients to the federal government. Multiple agencies with responsibility for their separate data management systems are also involved. Information systems (and department of origin) utilized for the quarterly performance reports to HHS include:

- WMS (maintained by Office of Temporary and Disability Assistance);

- Wage Reporting System (Department of Taxation and Finance);

- Medicaid Management Information System (Department of Health);

- Child Support Management System (Office of Children and Family Services);

- Child Care Reporting System (OCFS); and
- Employment Subsystem of WMS (Department of Labor).

Even with these multiple "legacy" systems as resources, New York State is not able to generate all the participation rate data required by the Personal Responsibility Act. Thus, sampling is used to generate about 3,000 cases (750 each quarter) stratified by 2-parent cases (n=600), new cases (n=600), and ongoing cases (n=1800). For the first five Quarter Reports to HHS (through January 1998), counties and New York City were required to manually examine sample case records for selected indicators of participation.

WMS was not designed to be an interactive, dynamic management system. For workers and administrators in the state's 57 social services districts and New York City, the inadequacies of WMS for strategic planning and program monitoring are a source of considerable frustration. WMS tracks by case rather than by individual. Key employment variables—work participation rates, job retention rates, recidivism—are not available to local managers. Neither is information on such work-related service needs as access to an automobile, child care, mental health and/or substance abuse treatment. Finally, WMS does not provide such "signaling" information to local managers as how close current welfare recipients are to hitting the 60-month lifetime benefit time limit.

A large project to restructure the state's welfare management information system is currently underway. New York has made a several hundred million dollar "commitment to planning and implement cost effective information technology projects. . . These initiatives include the redesign of the WMS to incorporate the new federal and State reform requirements, the closely related welfare-to-work systems initiatives in the Department of Labor, the Child Support Management System, and the completion of the highly innovative Connections [New York's Child Welfare Information System] Project. When fully implemented, these systems projects and others will form the foundation architecture to satisfy the information priorities of the State agencies, the local districts, the Legislature, the federal government and others." [10]The design, development and installation of this fully integrated management information system is a daunting challenge that combines policy, oversight, finance, management, data system development, and information technology infrastructure issues—all compounded by the Y2K (year 2000) problem and the flight of experienced computer programmers from government to the more lucrative private sector.

Conclusion

What happens to national policies after they are adopted? In New York, responses to national welfare reform reflect the state's constitutional commitment to assist the needy and new behavioral expectations for individuals and public welfare bureaucracies, within the context of a state-directed, locally administered welfare system. The state's compassionate political culture forms the backdrop for understanding such key features of the New York State Welfare Reform Act of 1997 as retention of state-local general assistance and maintenance of stable benefit levels in the five-year Family Assistance (TANF) program. New behavioral expectations—consistent with the competitive dimension of the state's political culture—help explain provisions of the state law that mandate responsibility of parents for their children, of teen-aged parents for completing high school, and of welfare applicants and recipients for alcohol and substance testing and treatment.

New York's 57 social services districts (counties) and New York City have little discretion over welfare eligibility or benefits; they do, however, have considerable flexibility in designing and enforcing the "work not welfare" message of welfare reform. As demonstrated for an urban and a rural county, they are taking advantage of that flexibility by building on and extending past program emphases and practices.

As is typical of intergovernmental programs, the start-up phase of welfare reform in New York can be characterized as a combination of frustration and optimism by managers at both state and local levels. More than a year after enactment of the New York State Welfare Reform Act, two difficult challenges, in particular, face state and local governments. They are to more fully integrate employment and eligibility functions at local levels, and to overhaul the state's welfare information system to enhance its utility for reporting purposes and for strategic management. The ways in which these challenges are met will define the future course of welfare reform in New York.

[1] Raymond Hernandez, "New York's No Model Welfare State," New York Times, 22 September 1997.

[2] The New York State Constitution limits the number of departments in the executive branch to 20. Governors since Nelson Rockefeller have circumvented this limit by creating executive agencies and authorities. See "Sarah F. Liebschutz, New York Politics and Government (Lincoln, NE: University of Nebraska Press, 1998), Chapter 8.

[3] See Ibid., Chapter 1, for a discussion of New York's political culture.

[4] See Gerald Benjamin and Henrick N. Dullea (eds.), Decision 1997: Constitutional Change in New York (Albany: Nelson A. Rockefeller Institute of Government, 1997), pp 301-315.

[5] This requirement was ruled unconstitutional by a state Supreme Court (trial level) justice in August 1998. It is currently under appeal by the State of New York. In his ruling, Supreme Court Justice Andrew Siracuse asserted that "legislative and policy pronouncements and ordinary legislation have no authority to abrogate the guarantees of the [state] constitution."

[6] Mario M. Cuomo, "Message to the Legislature," January 5, 1994, p. 40.

[7] Ibid.

[8] Only 10 other states required localities to fund a share of AFDC benefit costs, and of these states, only North Carolina required this share to be as high as New York's 50 percent.

[9] Richard P. Nathan and Thomas L. Gais, Overview Report: Implementation of the Personal Responsibility Act of 1996 (Albany: Nelson A. Rockefeller Institute of Government, 1999).

[10] New York State Office of Temporary and Disability Assistance and Department of Labor, "Framework for Development of a Comprehensive Evaluation of Welfare Reform in New York State (Draft)," December 31, 1997, pp.9-10.

MEETING THE GOALS OF WASHINGTON'S WORKFIRST PROGRAM: KEY POLICY CHALLENGES

Janet Looney
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In the nearly two years since enactment of Washington State WorkFirst legislation, implementing agencies have made tremendous progress in developing new programs and meeting caseload reduction goals. Washington is ahead of many other states in its attention to job-retention and wage progression. However, as caseload levels decline, WorkFirst service deliverers will likely face a more challenging population with multiple barriers to employment and self-sufficiency. This paper identifies key policy issues the state will need to address in order to meet its more complex goal of not just moving individuals off the welfare rolls, but also out of poverty.

Key policy issues include the need for:

- Development of thoughtful performance measures, which take regional variations into account and provide effective performance incentives to reinforce the longer-term, more complex goals of reduced recidivism, job retention and wage progression.
- More and better training for case managers, use of appropriate tools to screen for client barriers to employment, up-to-date computers with Management Information System tools, and clear rules and regulations regarding application of sanctions, deferrals and exemptions.
- Matching parents' child care wants and needs with appropriate provider services.
- Better linkage of related job retention & wage progression, economic development, and workforce initiatives, and specific targets for living wage jobs.
- Greater flexibility for regions to reflect and address labor market and client barrier issues unique both to rural and urban communities, balanced by state-level technical assistance and guidelines to ensure consistency of service among local Community Service Offices.
- Development of clearer guidelines for application of sanctions, and allowances for exemptions and deferrals for clients with particularly difficult circumstances. Monitoring of the application of these tools to ensure protection of client rights.

On April 17, 1997 Governor Locke signed the Washington WorkFirst Temporary Assistance to Needy Families (TANF) Act (Engrossed House Bill 3901) into law. As articulated in legislation, the intent of the WorkFirst program is to:

> *...adopt public assistance policies for needy families that stress: The central role of employment in reducing poverty and need; the temporary nature of public assistance; the importance of the state's efforts in sustaining economic independence and promoting occupation and income advancement and the continuing responsibility of the state to protect children and other vulnerable residents.*[1]

The WorkFirst program represents a significant shift in philosophy and approach from Washington's prior programs under AFDC, moving away from longer-term employment and training programs under the Family Independence Program (FIP) and Job Opportunities and Basic Skills (JOBS) program, toward "work first." The philosophy of "work first" is that program participants will realize the greatest benefit from paid job-experience in the private sector, and the program is designed to move clients into the job market as quickly as possible. In line with federal legislation, WorkFirst also imposes a 5-year lifetime limit on the receipt of TANF cash benefits for individuals.

This paper, developed as part of a national study on implementation of welfare reform initiatives in 21 states, is based on document reviews and extensive interviews with Washington policymakers, managers, administrators, front-line service deliverers, clients, and advocates involved with welfare reform. The information presented here is intended to identify key challenges critical to the success of the WorkFirst program.

Overview of Key Policy Challenges

The state has made great progress in implementing the new WorkFirst program, meeting major goals well ahead of time, but challenges remain. This paper identifies key policy issues the state will need to address in order to meet its more complex goal of not just moving individuals off the welfare rolls, but also out of poverty.

1. *Meeting the Goals of WorkFirst.* WorkFirst legislation outlines goals and requires tracking of outcomes related to caseload reduction, work participation and increased earnings from employment, and reduced recidivism.[2] WorkFirst is also placing increasing attention on goals for job retention and longer-term wage progression. Legislation provides the Department of Social and Health Service (DSHS) with discretion to award bonuses to state offices, regions, and employees with the best outcomes, but DSHS has not yet developed an award system. Development of thoughtful measures, which take regional variations into account and provide effective performance incentives will do much to reinforce the longer-term, more complex goal of reduced recidivism, job retention and wage progression.

2. *Implementing the Case Management Model.* Community Service Offices - DSHS's local offices -- have moved toward a "case management" model, with individualized attention to clients. However, the new case managers have not received sufficient training and must deal with large numbers of clients, a cumbersome Management Information System (MIS), and a sparse set of rules and regulations to guide their decisions. Case managers need more and better training, tools to screen for potential client barriers to employment, up-to-date computers and MIS tools, a lighter individuals caseload, and clear rules and regulations regarding sanctioning of clients. For the Employment Security Department (ESD) Job Service Specialist, developing the capacity to work with employers and to match clients appropriately to an entry-level job and then to a living wage job will be key to meeting the longer-term goals WorkFirst.

3. *Providing Quality Child Care.* The state has made significant improvements in the availability and quality of child care for low-income parents by increasing overall state funding, extending the program to provide child care assistance for an unlimited period of time, increasing provider rates, decreasing co-payments, and boosting staff wages at child care

centers that submit quality improvement applications. More clients are using alternative child care arrangements (such as a family member or friend) than are using professional child care providers, however, and DSHS has contracted with researchers at Washington State University to learn more about what parents want versus what professional child care providers offer. This information should help the state to match better parents' wants and needs with appropriate provider services.

4. *Integrating Job Retention and Wage Progression, Economic Development and Workforce Policies.* While the WorkFirst program is conducting outreach efforts and has devoted resources for training programs at community colleges intended to address job retention and wage progression goals, few eligible individuals are taking advantage of these new resources as of yet. However, there is some evidence that the program is now catching on with current and prior WorkFirst clients. DSHS and ESD workers already have high caseloads, and the addition of Career Ladder clients will increase that burden. Perhaps most importantly, the state has not defined a "family wage" and therefore does not have a target for wage progression. This is a notable lack in a program heavily geared toward meeting program goals and targeting specific outcomes.

5. *Allowing Regional Flexibility.* Because there is geographic variation in poverty and unemployment rates, it is critical that policies reflect and address labor market and client barrier issues unique both to rural communities, and to urban areas where there is a concentration of poverty. Regions should be provided with flexibility to address these issues, but this flexibility should also be balanced by state-level technical assistance, and guidelines to ensure consistency of service among local Community Service Offices.

6. *Monitoring to Ensure Protection of Client Rights.* Advocates note their concerns with rigid program lines, and unwillingness of case managers to allow exemptions or deferrals for clients with particularly difficult circumstances. Case managers need clearer guidelines on exemptions, deferrals, and sanctions, and WorkFirst managers need to monitor their application to ensure protection of client rights.

Meeting the Goal of WorkFirst

State implementing agencies - the Department of Social and Health Services (DSHS), Employment Security Department (ESD), Community Trade and Economic Development (CTED), and State Board of Community and Technical Colleges (SBCTC) - have faced a monumental task since passage of WorkFirst legislation. These agencies - particularly DSHS and ESD as the lead agencies - had a matter of months to re-think and redesign their entire approach to helping people leave the welfare rolls.

The WorkFirst program design incorporates transitional support services[3] (i.e., extension of Medicaid benefits and child care subsidies), as did the predecessor FIP and JOBS programs, but moves away from long-term training as preparation for work. Modeled broadly on programs such as Oregon's JOBS Plus program and the Riverside GAIN program, WorkFirst emphasizes work experience over long-term training prior to work. Training is available to WorkFirst clients only after they have been placed in a job, or if they have been unsuccessful in getting a job following the required twelve-week job search period.

Early Successes

WorkFirst's emphasis on employment before training responds, in part, to federal requirements under the Temporary Assistance to Needy Families (TANF) program for work participation and caseload reduction. States face significant financial penalties to block grants if they do not meet federal TANF goals, providing a powerful incentive for the state to focus on these issues as the primary program goals. However, the more immediate concern of many case managers - who may not be aware of the federal penalties - is that clients enter the workforce as soon as possible so as not to exhaust their 5-year lifetime limit on receiving TANF cash benefits.

There has been a sense of urgency about the task of moving people off the caseload and into work. The state set a goal of 19,957 fewer cases by June 1999, above the goal of 15 percent reduction in the state's overall caseload set in TANF legislation (partly in anticipation of some recidivism), and a work participation rate of 90 percent (the state met this goal in late 1998). Work participation includes individuals on the caseload who are working, which can include private sector employment, participation in subsidized employment through the Community Jobs demonstration program (a community service program, with "paychecks" and "benefits" provided from the participant's welfare grant), looking for work, or preparing for work or participating in other required services.

Aided by a strong economy - particularly in the Interstate-5 corridor, Washington's caseloads have dropped considerably since the enactment of federal welfare reform legislation in August 1996, and the state is well ahead of targets set in the 1997-99 budget. The state set a target for 84,881 cases by June 1999, met this goal in September 1997, and by July 1998 had exceeded the goal by 16 percent. Significant caseload reduction may also be attributed to fewer families entering the system following enactment of WorkFirst legislation. The state also met its June 1999 target for having 90 percent of clients involved in work participation activities six months ahead of time, reaching that goal in December 1998.[4]

Developing Incentives to Reach Long-Term Goals

In addition to goals related to work participation and caseload reduction, WorkFirst legislation also outlines goals related to reduction of recidivism, job retention, and wage progression, and requires implementing agencies to develop outcome measures to track overall progress toward these goals. Legislation also provides DSHS with discretion to award bonuses to state offices, regions, and employees with the best outcomes. DSHS has not yet developed an award system, and faces challenges in deciding how to measure the relative success of regions across the state, as labor market conditions and availability of support services for clients vary widely. Thoughtful measures, which take regional variations into account and provide effective performance incentives, will help reinforce longer-term goals.

The task of WorkFirst will become more difficult as caseloads decline. A preliminary report on WorkFirst performance notes that by June 1998 many WorkFirst participants who were most ready to work had already left the caseload, and that the ability of the state to meet performance targets for further caseload reduction will depend, at least in part, on the ability of the WorkFirst program to effectively assist individuals who are entering the job market for the first time.[5] Many TANF recipients who have not succeeded in getting and/or keeping a job during the period of strong economic growth over the last two years, face more significant barriers to work. Client barriers include low literacy levels, learning and other disabilities, domestic violence, substance abuse, difficulties in finding child care or transportation, and other problems.

Having reached caseload reduction and work participation goals early, WorkFirst administrators ostensibly have some leisure to address the more complex goals of reduced recidivism, job retention and wage progression. However, there is some concern that recent mandates for reduction of food stamp error rates threatens to divert attention from these important issues (the federal government recently penalized the state for errors in determination of food stamp eligibility).

Implementing the Case Management Model

As has been the case in many states with "work first" programs, welfare Community Service Offices have moved toward a "case management" model, with the initial cohort of case managers being recruited from the ranks of DSHS financial eligibility workers. Prior to WorkFirst, clients who were determined to be eligible for cash assistance were referred to the JOBS program for job counseling at the Employment Security Department (ESD). Minor parents, clients in situations of domestic violence or facing other particularly difficult issues were referred to social workers.

The idea behind the new case management model is that case managers will work with clients to identify strategies for work search and for addressing potential barriers to work, referring them to service providers when necessary for development of appropriate interventions. The case manager is seen as being a "broker of services," and is expected to evaluate, support, coach, monitor, network, and refer clients. The WorkFirst program design is highly individualized, and the case manager and client are expected to negotiate an "individual responsibility plan" (IRP) outlining the course of action the client will take toward getting a job.

WorkFirst prescribes a model for how clients should progress through the system. Clients enter the system through DSHS, where the DSHS case manager makes eligibility determinations for cash assistance, diversion programs, child care and other support services, and refers clients to ESD for Work Search. At ESD, clients participate in a thirty-hour job-readiness training program, followed by a twelve-week job search. Individuals who are unsuccessful at their job search are referred back to the DSHS case manager for further evaluation and revision of the IRP. The revised IRP will include plans for the client to participate in the Community Jobs program, on-the-job training, or other alternative work placements for 20 hours a week (these activities count as work participation), and may include plans for further education, or some other type of training or support services. All of these case management activities are to be facilitated by a new Management Information System so that case managers and job service specialists can better track clients. However, there have been several delays in getting this system up and running, and many of the state's computers do not have the capacity for the new program. Case managers continue to deal with a cumbersome information system, that can at times create more work, rather than easing the workload.

The success of the WorkFirst program rests heavily on the ability of DSHS and ESD front-line service deliverers to work with individual clients, service providers, employers and other stakeholders, and each other. For the DSHS case manager, training, the availability of appropriate tools to screen for client barriers to employment, up-to-date computers and MIS tools are key elements in WorkFirst. In addition, case managers need guidance and training on appropriate use of discretion in applying sanctions, and providing exemptions and deferrals for clients in particularly difficult circumstances. For the ESD job service specialist, developing the capacity to work with employers and to match clients appropriately to an entry-level job, and then to a living wage job will be key to meeting the longer-term goals of WorkFirst.

Case Manager Training

The WorkFirst model provides a great deal of discretion to the new DSHS case manager. These DSHS front-line service deliverers now have many more opportunities to use creative problem solving skills. However, the adjustment to the new role of case manager from financial eligibility worker has been difficult for many. Individuals who for years had worked in a world of well-defined rules and regulations with clearly defined outcomes (clients were either eligible or not for income maintenance programs), have been given the responsibility of guiding their clients toward self-sufficiency. At the same time, case managers have entered this uncharted territory with few tools, little training and a sparse set of regulations providing guidance, while continuing to carry caseloads of 120 to 150 clients at a time. Consistent with the WorkFirst philosophy that emphasizes work experience over training, managers in DSHS have taken the view that their own case managers will learn to handle their new responsibilities by "doing the job."

Turnover has been particularly high and most of the more recent hires come to the job of case manager with as little experience as their immediate predecessors. Some Community Service Offices face turnover rates as high as 50 percent, so training is an ongoing challenge. Moreover, individual Community Service Offices have a great deal of discretion in how they organize their work, so it is difficult to provide generic training for case managers.

In the meantime, the role of social workers has not changed and their ranks have not increased, although the new model of WorkFirst calls for more aggressive interventions for clients referred to as "hard-to-serve." Within DSHS, social workers have exclusive involvement with minor parents, child care authorization, issues of domestic violence and other particularly difficult cases. In some Community Service Offices, case managers and social workers are working much more closely than they have in the past. However, others have expressed frustration that social workers have not been allowed a greater role in helping to train the new case managers.

To be sure, some of the new case managers have taken to their new roles quite well, and have worked with clients to help them find an appropriate niche in the job market and to find creative ways in which to address barriers to self-sufficiency. In a Seattle Community Service Office, for example, a case manager whose limited English proficiency client had been unable to pass an electrician's certification exam, suggested that he study the exam in his native language. The client did, was subsequently able to pass the English language version, and found an electrician's job paying $20 per hour.

This type of example illustrates the positive side of the WorkFirst program, and how giving greater discretion to front-line line service deliverers can work to the advantage of both client and bureaucrat. However, advocates for welfare and other low-income clients have expressed concerns that client access to assistance and support services will depend on whether they are assigned to a case manager who knows about or understands the need for specific support services, and that access to services is uneven. Similarly, sanctions, deferrals and exemptions for clients are very likely being administered unevenly.

According to a report of the U.S. General Accounting Office, states following models similar to Washington's report staff training as one of their most challenging implementation issues.[6] Getting the majority of case managers to the point where they can serve clients at a high level on a regular basis will require a heavy investment in training (currently, case managers receive approximately one week of training in total), careful attention to hiring the right people to fill the job, and reasonable caseload levels.

Screening for Client Barriers

As clients enter the WorkFirst system, they are interviewed regarding their child care and transportation needs, and whether there are any barriers that might prevent them from going to work. Clients are then launched into Work Search. Ideally, clients should be assessed for other potential barriers to self-sufficiency, such as domestic violence, substance abuse, medically fragile children, low levels of literacy, mental and physical disabilities, and other problems, as soon as they enter the WorkFirst program.

Under the federal Murray-Wellstone Act, the state is required to screen for domestic violence, and case managers have received training to implement the screen. The state is not monitoring whether and how well the screen is actually being implemented, however. The state also has a validated tool to screen for learning disabilities (a state demonstration project under the AFDC program identified more than 35 percent of clients as having learning disabilities, often previously undiagnosed), but has not yet provided training for more than a few case managers to implement the screen (the state has left the decision to use the learning disabilities screen up to individual Community Service Offices, so whether a client is identified as learning disabled or not depends upon which CSO he or she enters).

In the absence of active case manager screening and intervention, the job market serves as the initial screen for client barriers. Some individuals will fail to get jobs, some will get jobs but will not be able to retain those jobs, and others will manage to get and keep jobs in spite of barriers to work, but will likely face particular difficulties in their efforts to get better jobs. The current approach has also led to dissatisfaction among at least some employers who expect all new hires to be job-ready.

Discretion, Sanctions, and the Erosion of the Appeals Process

In an effort to streamline program rules and regulations, the Washington Administrative Code (WAC) provisions for the WorkFirst program have been greatly simplified, and now fill only 12 pages, as opposed to 54 under the AFDC program. The purpose of streamlining the WAC provisions has been to simplify program rules, with the expected benefit of allowing service deliverers greater flexibility and creativity. However, case managers and supervisors interviewed expressed uneasiness with the pared down guidelines, noting that they preferred greater detail and specificity in the written guidelines.

Advocates are also concerned that the guidelines are much too vague, and cite particular concerns with how case managers are using their discretion to allow clients with difficult circumstances to defer work participation requirements. Advocates cite examples of case managers who have not allowed clients with disabled children, or grandparents who are taking care of children, to defer work participation requirements. Although discretion may be considered an opportunity to give more flexibility and authority at the local level—one of the goals of the devolution process—discretion can also can lead to inequity, inappropriate decisions from inexperienced and untrained workers, and prejudice toward individuals who may for one reason or another have alienated a case manager. The result of simplification, according to one advocate, is that the rules say nothing, and advocates are finding it difficult to guide clients as to what they are or are not allowed to do under the new WAC provisions.

While clients were sometimes sanctioned under the AFDC program, rules regarding client work participation, and what counted as non-compliance were much more clear. Prior to enactment of the 1996 federal welfare reform law, states could reduce a client's benefits for failure to participate in work or other required activities, but could not terminate benefits on the basis of sanctions (or time limits).[7] In Washington State, clients had several opportunities for appeals and fair hearings before sanctions were enforced. Under the new WorkFirst program, clients receive a 10-day notification letter of sanction prior to enforcement.

Sanction letters are to include information regarding the fair hearing process available to clients who want to contest sanctions. However, according to DSHS tracking, the number of requests for hearings to appeal Community Service Office decisions has declined under WorkFirst. DSHS does not have any information as to why clients are not following the appeals procedure allowed under due process. It is important to note that there is little countervailing pressure to the current sanctioning process, partly due to funding cuts to legal advocacy services, and a program design that allows very broad discretion to case managers.

There have also been some problems in notifying clients of sanctions. Letters are generated by the "Automated Client Eligibility System" (also known as ACES). However, ACES has not always produced the letters in a timely fashion, or in the appropriate language. Sanction letters also present problems for clients who cannot read or understand the reasons for which they are being sanctioned.

During the initial phases of implementation of the new WorkFirst program, sanctions were not being widely applied. The sanction rate has steadily increased over the course of 1998. Concerned that sanctions are being applied unevenly across Community Service Offices, both advocates and state officials are looking at data regarding who has been sanctioned—paying close attention to the race, language spoken, gender and age of individuals being sanctioned, and the reasons for which they are being sanctioned.

Providing Quality Child Care to Meet Families' Needs

State leaders have consistently emphasized the importance of child care to the success of welfare reform, and increased state funding for child care in the 1997-1999 period to a total of $123 million (a 41 percent increase over the previous biennium). Following this initial increase, the state extended the program to provide child care assistance to low-income families for an unlimited amount of time (under earlier programs, child care was only available to families for one year after leaving the welfare rolls). The state has also attempted to address issues regarding quality and quantity of child care available. The state has increased provider rates and decreased co-payments for parents, and has used unspent welfare funds to boost staff wages at child care centers submitting quality improvement applications.

According to an exit survey conducted by the DSHS Economic Services Administration (July 1998) of families exiting TANF between December 1997 and March 1998, only 31 percent of families with children under 13 were using DSHS child care subsidies. Sixty-nine percent of those surveyed noted that they were not using the child care subsidies either because they had free alternative care, or their children attend school during the hours the client is working or training. Surprised at the high use of alternative care, DSHS is attempting to learn more about what types of professional child care services parents prefer and would be likely to use, perceptions of professional child care, and service availability. Researchers at Washington State University are expected to release a study examining these issues in the near future.

According to the DSHS exit survey, no respondents indicated that they were unable to use the child care subsidies due to problems with transportation, the child's medical condition or age, or inability to find a provider who would accept DSHS reimbursement. One interpretation of this result is that clients who faced difficulty in finding child care were unable to leave TANF, and are therefore not included in this exit survey. It is also important to note that the survey included results for only 77 families in rural areas, as compared to a sample of 473 urban respondents.

Further strains will be placed on the child care system as the WorkFirst program phases in a requirement that parents of children three months and older must work (prior to July 1998 parents of children one-year and older were required to work).

Linking Related Initiatives

The Career Ladder Program

Washington is ahead of many other states in its attention to job-retention and wage progression, and in its focus on not only getting people off the welfare rolls, but also out of poverty. In August 1998, DSHS and ESD initiated the new Career Ladder program. Under the Career Ladder program, DSHS, through contractors, provides help to clients with job retention issues, problems with employers, workplace skills, and mentoring. ESD job service specialists are to be available to help match clients to better jobs with potential for promotion and wage growth. ESD services can include training and skill progression services, such as work-based learning, vocational education, job skills training, adult basic education, English as a Second Language (ESL) and Vocational ESL. The new Workplace Labor Exchange call center, known as WPLEX, conducts statewide outreach efforts, attempting to connect clients with ESD for job match services, or to training opportunities at community colleges.

In 1998, the state set aside $22 million for training programs at state community colleges for basic workplace skills as well as work-based learning. In addition to standard programs, the community colleges also provide programs for Limited English Proficiency speakers, and individuals in need of Adult Basic Education courses. In its early phases, the community college programs have not been well utilized, in spite of significant outreach efforts. However, there is some evidence that the program is now catching on with current and prior WorkFirst clients.

There are still a few logistical barriers to full implementation of the Career Ladder program. First, DSHS and ESD workers already have high caseloads, and the addition of Career Ladder clients will increase that burden. Second, and perhaps most importantly, the state has not defined a "living wage" and therefore does not have a target for wage progression. This is a notable lack in a program heavily geared toward meeting program goals and targeting specific outcomes.

Beyond these immediate implementation issues are broader concerns related to the state's overall economic development strategy, and lack of planning for economic downturns. These issues are explored below.

The State's Workforce and Economic Development Strategies
Job retention and wage progression goals are closely related to economic development. However, the state's economic development strategy has focused primarily on general business recruitment and tax incentives. While the state has focused attention on high-tech and bio-tech sectors, there has been little attention to targeting other industries with living wage jobs (although, it is important to reiterate, the state has not set a target for what constitutes a living wage job). Nor has the state developed an integrated strategy linking workforce development with economic development policies. Currently, policies related to workforce development (including One-Stop, School to Work, welfare to work, and other education and training programs), and economic development (including business development and recruitment strategies) are all approached as separate policy issues, in spite of the fact that there is real overlap among these three initiatives.

It is critical at this point that public and private leadership at the state level take advantage of economic good times to make strategic public investments that will produce good, family-wage jobs. A few of the key players who might develop strategies to link labor supply and employer demand and economic development are in place, such as the State Board of Community and Technical Colleges (SBCTC) and Community Trade and Economic Development (CTED), and the Workforce Training and Education Coordinating Board. Regional economic development councils, private industry councils, and the Office of the Superintendent of Public Instruction have also been involved in welfare reform issues, and might be called upon to play an even more strategic role. The Governor's Council of Economic Advisors might also play a strategic role in economic development policy related to welfare. The experience of states such as North Carolina has strongly indicated that long-term economic development strategies for retention and attraction focusing on public investment in education and workforce development have paid off in economic vitality terms.[8] By not moving more aggressively on integration of all training programs, however, the state is losing an important opportunity to improve the use of resources.

Regional Flexibility

Geographic Variations in Poverty and Unemployment
In Washington State, poverty as measured by AFDC participation is primarily a rural phenomenon. A 1992 report on "Poverty in Washington" issued by the Washington State Institute for Public Policy, showed 1990 poverty rates of between 20.1 and 24.2 percent in seven Eastern Washington counties, between 12.1 and 20 percent in eleven Eastern Washington counties and throughout much of the Olympic Peninsula. Poverty along the Interstate-5 corridor was much less pronounced, and the urban King and Snohomish counties showed poverty rates of less than 9 percent. Because AFDC participation rates are used as the primary indication of the extent of poverty, there is little attention paid to the growing number of people who fall in the category of the working poor.

Although the I-5 corridor has been experiencing strong economic growth, there are concentrations of poverty in urban areas that are as pronounced as in rural areas. A number of neighborhoods in Seattle and Tacoma are designated as Federal Enterprise communities and/or HUD designated Neighborhood Revitalization Strategy Areas. In these communities, unemployment ranges between 10 and 20 percent, the percent of persons living below the federal poverty level ranges from 20 to 70 percent, and over 50 percent of households are considered low or very-low income. Many residents in these communities face additional barriers to employment, such as lower levels of educational attainment, poor access to adequate transportation services, language barriers, a lack of sufficient child care options, and the flight of jobs and appropriate employment opportunities into suburban areas.

Regional Planning and Program Discretion
Because there is a geographic variation in poverty and unemployment rates, it is critical that policies reflect and address labor market and client barrier issues unique both to rural communities and to urban areas where there is a concentration of poverty. WorkFirst legislation attempts to address concerns related to geographic differences through local flexibility and regional planning. The required regional plans are to be developed with input from "...employers, recipients, front line workers, educational institutions, labor, private industry councils, the Workforce Training and Education Coordinating Board, community rehabilitation employment programs, employment and training agencies, local governments, Employment Security Department and community action agencies to develop work programs that are effective and work in their communities."

The sophistication with which the regional collaborators approach their task varies, and many would like more technical assistance from state-level offices. Welfare has always been a state function in Washington, and counties and cities have little experience in using discretion. Seattle and King County are unique in having already assumed a number of human service responsibilities using their own general revenue funds. At the same time, Community Service Offices have been allowed a great deal of discretion as to what types of services they will provide in their offices - for example, whether they will implement the state's screen for learning disabilities, or what types of support services they will make available to clients - so there is little equity in the types of basic services clients receive at different Community Service Offices. State standards and guidelines would help alleviate some of these important variations among offices.

There has been some tension between the push for local flexibility around labor market issues and service availability, and state requirements that all programs - such as those funded by the U.S. Department of Labor's Welfare-to-Work (WtW) grant, and the Seattle and King County Jobs Initiative programs - not deviate from the philosophy of "work first." (The Seattle and King County Jobs Initiatives link low-income residents and employers in growth industries. Clients are provided with short-term training --approximately six weeks -- prior to placement in jobs paying a minimum of $8 per hour.)

After some negotiation, Private Industry Council directors around the state agreed to conform WtW programs to WorkFirst goals, as did King County Executive Ron Sims, and Seattle Mayor Norm Rice, for local Jobs Initiatives. However, the state's approach to the Seattle and King County Jobs Initiative programs, which are geared toward linking short-term job training with identified employer needs and job opportunities, and toward WtW programs, which are to provide services for more difficult to employ populations, has set narrow parameters around "regional flexibility." The balance between state control and local discretion may change over time, but will require a conscientious effort at the state level to limit program control to setting guidelines and providing technical assistance.

MONITORING TO ENSURE PROTECTION OF CLIENT RIGHTS

As required by legislation, WorkFirst administrators develop benchmarks to track program outcomes, including caseload reduction, recidivism to caseload after two years, job retention, earnings, reduction in the average grant through increased recipient earnings, and placement of recipients into private sector unsubsidized jobs. Less attention has been paid to issues of program monitoring.

Advocates note their concerns with rigid program lines, and unwillingness of case managers to allow exemptions or deferrals for clients with particularly difficult circumstances. Monitoring is essential to ensure protection of client rights in a program centered on case manager discretion, with the very strong potential for inconsistent levying of sanctions with loss of benefits for clients deemed to be out of compliance, as well as inconsistent allowances for exemptions and deferrals.

Conclusion

In the nearly two years since enactment of Washington State WorkFirst legislation, implementing agencies have made tremendous progress in developing new programs and meeting caseload reduction goals. As caseload levels decline, WorkFirst service deliverers will likely face a more challenging population with multiple barriers to employment and self-sufficiency. Effectively addressing the needs of these clients will require:

- Development of thoughtful performance measures, which take regional variations into account and provide effective performance incentives to reinforce the longer-term, more complex goals of reduced recidivism, job retention and wage progress.
- More and better training for case managers, use of appropriate tools to screen for client barriers to employment, up-to-date computers with Management Information System tools, and clear rules and regulations regarding application of sanctions, deferrals and exemptions.
- Matching parents' child care wants and needs with appropriate provider services.
- Better linkage of related job retention & wage progression, economic development, and workforce initiatives, and specific targets for living wage jobs.
- Greater flexibility for regions to reflect and address labor market and client barrier issues unique both to rural and urban communities, balanced by state-level technical assistance guidelines to ensure consistency of service among local Community Service Offices.
- Development of clearer guidelines for application of sanctions, and allowances for exemptions and deferrals for clients with particularly difficult circumstances. Monitoring of the application of these tools to ensure protection of client rights.

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[1]There are reports that there has been a sharp drop in families using food stamps and Medicaid services for which they are eligible. Data show that 18 to 20 percent of children eligible for Medicaid are not using the program.

[2]Miller, Ken, Washington State Office of Financial Management, "WorkFirst Performance Report," 1998 Report No. 5, December 14, 1998.

[3]Miller, Ken, Washington State Office of Financial Management, "WorkFirst Performance Report: Preliminary," September 4, 1998.

[4] U.S. General Accounting Office, Report to the Ranking Minority ember, Committee on Finance, U.S. Senate, "Welfare Reform: States' Early Experiences With Benefit Termination," May 1997, p. 4. GAO/HEHS-97-74.

[5] U.S. GAO, pp. 2-3.
[6] Washington WorkFirst Temporary Assistance to Needy Families (TANF) Act (Engrossed House Bill 3901), Section 1.
[7] Levy, David, Executive Editor. Economic War Among the States, Federal Reserve Bank of Minneapolis, Volume 10, Number 2, June 1996, pp. 16-17.
[8] Levy, David, Executive Editor. "The Sympsium Goes Cyber," Economic War Among the States, Federal Reserve Bank of Minneapolis, Volume 10, Number 2, June 1996, pp. 16-17.

Management and Implementation of Wisconsin's W-2 Program

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Wisconsin's welfare reform program, Wisconsin Works (W-2), has several features that are unusual and, in some cases, unique among state welfare reform programs. Some of these features make the program especially challenging to manage, although unexpected financial surpluses helped ease implementation difficulties in the early months of W-2. Key implementation challenges encountered thus far concern the use of private agencies to manage W-2, the creation of appropriate links between W-2 agencies and the public child care agency in Milwaukee, the use of surplus program resources, the use of program sanctions, the training of W-2 case managers, and the management of program data.

Wisconsin's welfare reform program, Wisconsin Works (W-2), is among the most aggressive of state efforts to "end welfare as we knew it" and replace it with cash assistance available only through work or work-like activities. The W-2 program first began operating in September 1997, when new applicants for public assistance became subject to its requirements. Program staff converted ongoing Aid to Families with Dependent Children (AFDC) cases to W-2 over the next seven months. Under the new program, parents are assigned to a Financial and Employment Planner (FEP), who places them on one of four levels of a "self-sufficiency ladder" and encourages them to move up the ladder to greater independence, as indicated by the four levels in Table 1. W-2 participants in the two lower tiers technically receive a monthly grant, which drops by $5.15 for each hour of failure to participate in assigned activities without good cause. Participants in the two upper tiers receive an hourly wage paid by an employer in return for their work.

Special Features of W-2

Wisconsin Governor Tommy Thompson has said on several occasions that W-2 is a model for other states. "Ours was the first welfare-to-work program in the nation," said the governor in a press release issued in 1998, "and it remains a model for other states to follow." At least five features of W-2 appear to be unusual and, in some cases, unique among state Temporary Assistance for Needy Families (TANF) programs:

1. The promptness of financial penalties levied against program participants. One atypical feature is the timing of financial penalties. Except for participants with a child younger than 12 weeks, assigned activities begin immediately under W-2, and failure to participate as assigned can result in immediate financial penalties. Other states also have participation requirements and penalties for failure to meet them, but most allow a grace period of at least two months after program entry before reductions in cash assistance start.

2. *Minimal emphasis on social contract language.* In many TANF programs, the state and public assistance recipients agree on reciprocal obligations, the one side to make opportunities available and the other to pursue those opportunities. The difference between W-2 and other programs in this regard is subtle but meaningful. W-2 certainly provides help to program participants, especially with child care and health care and with job search strategies. Moreover, the FEPs are required to develop an employability plan in consultation with the participant, and FEPs are to excuse participants from work requirements if child care is unavailable. But unlike case managers in many states, FEPs in Wisconsin have complete discretion to determine whether child care is available and full authority to decide whether a participant must find an unsubsidized job. The primary focus of W-2 is on the participant's obligations to follow the employability plan or, if considered ready for one, to secure an unsubsidized job; the emphasis is not on the responsibilities of the state or the W-2 agency to find jobs for participants or to train them for emerging opportunities.

Table 1

Key Provisions of W-2

Level of W-2	Basic Income Package	Time Required of Recipients	Program Time Limits	Est. Child Care Copays ($/mo.) Licensed Care	Certified Care
Unsubsidized employment	Market wage + Food Stamps + EITC	40 hrs/wk standard	None	$101–$134	$71–$92
Trial Job (W-2 pays maximum of $300/ mo. to the employer)	At least minimum wage + Food Stamps + EITC	40 hrs/wk standard	Per job: 3 mo. with an option for one 3-mo. extension; total 24 mo.	$55	$38
Community Service Job (CSJ)	$673 per mo. + Food Stamps (no EITC)	30 hrs/wk standard; and up to 10 hrs/wk in education and training	Per job: 6 mo. with an option for one 3-mo. extension; total: 24 mo.	$38	$25
W-2 Transition	$628 per mo. + Food Stamps (no EITC)	28 hrs/wk work activities standard; and up to 12 hrs/wk in education and training	24- mo. limit, but extensions permitted on a case-by-case basis	$38	$25

Notes: Estimated child care co-payments are for a three-person family with two children in child care and receiving no child support payments. The trial job position is assumed to pay minimum wage ($5.15, or $858 per month), and the pay for unsubsidized employment is assumed to range from $6 to $7 per hour, or $1,000 to $1,170 per month.

Sources: K. F. Folk, "Welfare Reform under Construction: Wisconsin Works (W-2)," *Focus* 18, no. 1 (special issue 1996): 55–57, and presentation materials created by the Wisconsin Department of Workforce Development.

3. *Full pass-through of all child support paid on behalf of W-2 participants.* With the exception of up to 4,000 families included in a control group for evaluation purposes, all other W-2 families keep all child support paid on their behalf. This marks a change from the policy under AFDC, when a

family could keep only $50 per month of child support paid on the family's behalf and any additional child support reimbursed the state and federal governments for their AFDC expenditures. Wisconsin is the only state that has chosen to pass through all child support to the resident parent. In fact, 30 states plus the District of Columbia have used their new flexibility under TANF to move in the opposite direction, keeping for the government all child support paid on behalf of a TANF family.[i]

4. *The centrality of work.* More than many states, Wisconsin has taken pains to emphasize the centrality of work from the first contact of participants or potential participants with the public assistance system. In every Wisconsin county, potential participants in W-2 or Food Stamps go to job centers, not welfare offices. Most job centers also serve workers who are not welfare participants, providing general labor exchange and unemployment insurance services along with basic training for job seekers and short-term child care services for the children of "customers" using the center. The work motif is similarly apparent in the structure of assistance programs, which are designed to require beneficiaries to face conditions affecting low-income workers generally: the first W-2 grant check comes only after a period of work; those who receive public child care assistance must pay part of the costs of their benefits; and (as indicated above) program participants receive all child support paid on behalf of their resident children.

5. *Use of private agencies.* In 63 of Wisconsin's 72 counties, the agency operating W-2 is the same unit that operated AFDC, the county social or human services department. However, in the other nine counties, W-2 is operated by private agencies that have a contract with the state to run W-2. Since one of those nine counties is Milwaukee, where over 85 percent of the W-2 participants in the state are enrolled, W-2 administration is in a sense primarily contracted to private agencies. Private W-2 agencies have the same responsibilities as do the public agencies for core W-2 services—including determinations of eligibility for W-2, placement in one of the four program tiers, placement in a particular assignment within a tier, and decisions on financial penalties. Such public-private arrangements are unusual. Under AFDC, private agencies often provided welfare-to-work services, but only public employees could have access to the information used in determining eligibility and benefits, and only public employees controlled program benefits. Even under TANF, according to a spokesperson for the U.S. Department of Health and Human Services, "nowhere else has a state delegated the administration of welfare to agencies other than governments."[ii]

The Early Implementation of W-2

Welfare-to-work programs in general place heavy demands on program management, since administrators must move from emphasizing a condition (eligible or ineligible in a particular month for a particular level of AFDC benefits) to focusing on a process (progression through the stages of welfare to work). A program with the unusual features of W-2 present even greater management challenges. The extensive use of private agencies in the program has required the development of new contracting and oversight procedures and generated concerns over unexpected levels of agency profits. The promptness of financial penalties has placed special responsibility in the hands of the FEPs, who must convey the importance of meeting program obligations in a friendly and supportive way while also determining whether to invoke penalties in particular cases or grant exemptions for good cause.

The W-2 program started on September 1, 1997, the first date on which new applicants for public assistance were required to obtain their TANF assistance from W-2 agencies. Because federal regulations require that public employees determine eligibility for Food Stamps and Medicaid, new applicants for W-2 in Milwaukee and other counties in which the W-2 agency was not the public welfare department had to undergo review and processing by two agencies. To ease this process, Milwaukee County distributed its "economic security" staff among the W-2 regions. Applicants were thus able to meet with county staff in the same buildings in which they met their FEPs, and most county staff joined small teams with FEPs sharing the same caseload. The collocation and teaming were important implementation innovations, although county economic security staff sometimes did not meet with applicants or process their cases as quickly as either the applicants or W-2 agency staff wished.

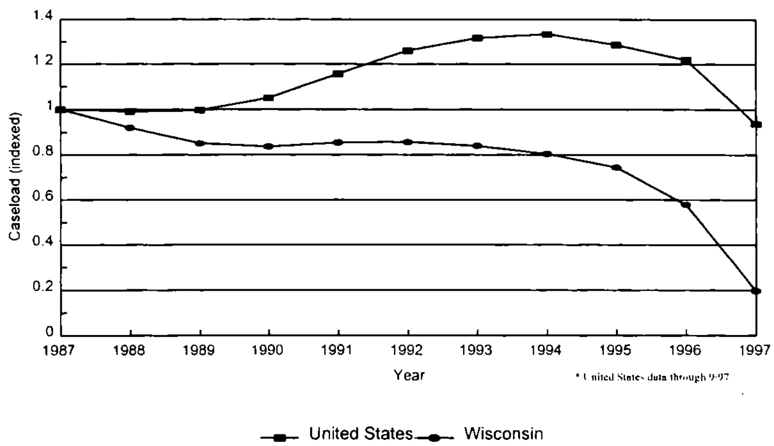
The W-2 agencies had the last four months of 1997 and the first three months of 1998 to move existing AFDC cases to other programs. AFDC recipients wishing to transfer to W-2 had to come to the W-2 agency and request the transfer. Those who did not respond to letters and, in some cases, phone calls and visits to their homes were dropped from AFDC by March 31, 1998. Not all the conversions from AFDC were to W-2, because Wisconsin had also used its AFDC program to provide assistance to families in which the adult was disabled and receiving Supplemental Security Income (SSI) or was not legally responsible for the children in the case. In these approximately 15,000 cases, the adult could not be required to work, and the families had to be moved to other programs: "Kinship Care" for those headed by "non-legally responsible relatives" and "Caretaker Supplement" for those headed by SSI recipients.

The transition from W-2 to AFDC occurred in the context of a decade-long reduction in the number of AFDC cases in Wisconsin. As Figure 1 indicates, AFDC caseloads in the state began a steady decline in 1987, avoided the national caseload increases of the early 1990s, and dropped sharply in the mid-1990s. By 1997, the AFDC caseload had fallen by 80 percent over the previous decade (from over 100,000 cases to about 22,000 cases). As Wisconsin officials developed final plans and budgets for W-2 agencies, TANF caseloads continued to fall faster in Wisconsin than planners had anticipated, dropping, for example, by 50 percent between December 1996 and December 1997.

A key result of this caseload trend was a surplus of resources. The Wisconsin legislature had appropriated funds for the W-2 program, and state administrators had allocated funds to W-2 agencies, based on estimates of much higher caseloads. As a result, W-2 agencies could provide a high level of service to each W-2 participant without worrying about cost overruns, cash flow problems, or difficulties in meeting net revenue projections. The unexpected level of financial comfort eased the implementation process in the early months of W-2 and provided context for the following trends in the very early stages of W-2 implementation:

FIGURE 1

AFDC/TANF Caseloads 1987 - 1997



NOTES: Figures include both the AFDC-Basic and AFDC-Unemployed Parent programs. All annual figures are averages of the 12 monthly figures for the year. Both the U.S. and Wisconsin caseload figures are indexed to 1 in 1987 to show comparative trends over the subsequent decade.

SOURCES: U.S. figures are unpublished data from the Administration for Children and Families, U.S Department of Health and Human Services. Wisconsin figures are unpublished data from the Research and Statistics Section, Bureau of Welfare Initiatives, Wisconsin Department of Workforce Development.

1. *Informal limits on the use of unsubsidized placements.* Because FEPs, rather than the actual labor market experience of participants, determine whether a participant is ready for unsubsidized jobs, and because W-2 agencies benefit financially by restricting services to participants, a major concern

of W-2 skeptics has been that agencies would too aggressively assign participants to unsubsidized placements, whether they were able to find jobs or not. The participants could then languish in the labor market with no income, the FEPs maintaining that the participants could find a job if they tried harder or differently. In the first few months of W-2 operation in Milwaukee, the county legal services office heard complaints of just such practice, although the complaints seemed to decline subsequently. With their ample financial resources, the Milwaukee agencies on their own developed informal limits on the length of time participants can be in the job market without a subsidy. Participants not finding a job within that time limit received a community service job while their lack of success in the labor market were evaluated.

2. *Heavy use of community service job placements.* Especially among the Milwaukee W-2 agencies, placement in a community service job was at first almost a default assignment, representing about 63 percent of all W-2 placements in Milwaukee as of April 30, 1998. This pattern stemmed in part from the requirement for rapid conversion of AFDC participants to W-2. Some W-2 agencies, in their rush to convert AFDC participants before the March 31 deadline, held three or four group sessions per day for 30-40 AFDC recipients at a time. Participants filled out and signed their employability plans at these group sessions, and session leaders instructed them to select community service job as their preferred initial assignment. (The agencies seem to have no trouble finding community service job slots, which range from child care center aides to janitorial and light maintenance work in housing authorities. Milwaukee County staffs have taken the lead in arranging many of the job slots.)

Community service placements have declined somewhat as a share of total placements, but still represented over 52 percent of placements in Milwaukee in August 1998. Less than 1 percent of placements statewide in August 1998 were in trial jobs; employers seem in general uninterested in utilizing this category, saying in focus groups and other settings that they would rather hire regular employees who appear qualified—and discharge those whose performance is deemed inadequate—than assume the additional paper work and oversight associated with trial jobs.[iii] Assignments to W-2 transitional jobs have been more frequent, accounting for 14 percent of placements statewide as of the end of August 1998. But based on my own limited observations of such placements, they are used primarily for parents who are caring for a child with severe disabilities or for participants assigned to a Medicaid-funded outpatient mental health or drug abuse treatment program. For participants without these characteristics who do not find an unsubsidized job, the only likely placement is to a community service job.

3. *Strong emphasis on time limits.* Although exceptions are possible, W-2 participants are generally limited to five years of cash benefits, the maximum period for which the federal government will support most participants under TANF, and to two years in any tier. Many W-2 agencies place a heavy rhetorical emphasis on both the overall time limit and the limit of two years in community service jobs. Agency staff stress in interviews with participants that the economy is good, that most people can find an unsubsidized job, and that anyone who can obtain an unsubsidized job should do so immediately because a need for a community service job may arise if the economy deteriorates in the future.

4. *Low use and administrative complexities in child care resources.* Part of W-2 program design was the creation of substantial new resources for child care. One of the more ambitious aspects of W-2, in fact, has been its effort to create a simpler, better funded, and more efficient system of child care assistance for families below 200 percent of the federal poverty line, reducing five categorical

programs, some with long waiting lists, to one program with one set of benefits and co-payments. In the legislation creating W-2, the state doubled over a period of two years the annual funds available for child care, increasing them from $90 million in 1996-97 to $180 million in 1998-99.

The new resources have gone largely unused. State budget estimates assumed that 77,000 children would be in state-supported child care in December 1997. The actual number was 19,500, which was less than the total actually served or on waiting lists 12 months previously. The general decline in W-2 caseloads may have been part of the reason for the low utilization, although child care assistance was not limited to W-2 employment participants. Lack of publicity and relatively high co-payment requirements may also have played a role. Another reason for reduced use of child care resources, particularly in Milwaukee, appears to have been administrative slippage between W-2 agencies and the Milwaukee County Social Services Department. Under W-2 policy, W-2 agencies are responsible for assessing eligibility for child care assistance and discussing co-payment obligations and the availability of potential providers with participants. County social service agencies, which in much of the state except Milwaukee are also the W-2 agency, are responsible for certifying child care providers, setting maximum reimbursement rates equal to the 75th percentile of the local market for most providers, and reimbursing the providers for care under the terms of their licensure or certification.

Smooth links between the Milwaukee W-2 agencies and the county child care operation have proved hard to develop. Previous county audits and an investigative report by the state's largest newspaper had faulted the county social service agency for insufficient controls over child care; the county operation had in some cases reimbursed child care providers for more children than allowed under their licensure or certification and failed to check providers for criminal or child abuse backgrounds. Partly in an effort to halt such problems, the county agency has been slow both to certify and reimburse providers of child care. One result is that W-2 agencies have sometimes directed participants to apparently licensed or certified providers, and the county agency has provided reimbursement on such a lagged basis that providers refused to continue providing care to participants' children. In October 1998, the state provided additional funding to Milwaukee County to hire more staff and accelerate their certifications and reimbursements.

5. *Increasing use of sanctions.* Sanctions for missed W-2 transition and community service job (CSJ) hours were relatively rare in the first months of W-2. In the 5 months between September 1997 and January 1998, 738 sanctions were imposed. Jean Rogers, the chief administrator of W-2 at the state level, wrote W-2 agencies a memo in December 1997 expressing a concern that agencies were failing to promote full engagement among W-2 participants and urging greater use of sanctions where appropriate. Since then, the number of sanctions for failure to participate has risen significantly, affecting between 26 and 29 percent of all cases in CSJ and W-2 transition assignments in July, August, and September 1998. The mean monthly sanction was approximately $350 in July and August and $430 in September, which represented 52-56 percent of a monthly grant in July and August and 64-68 percent of a monthly grant in September. In each month, between 5 percent and 7 percent of sanctions were for the full amount.

The sanctions create obvious difficulties for the families affected. Cases under full or partial sanction use a full month of their time limit, and sanctioned families have, on average, less than half the monthly income they would have without the sanction. Lawrence Mead, a political scientist at New York University who influenced the planning of W-2 and remains an advisor on program implementation and evaluation, argued in earlier studies that the best welfare-to-work programs achieved their results with limited use of sanctions. Effective programs, said Mead, "seek to be authoritative without being authoritarian. While they do penalize people who refuse to cooperate, they prefer to exert authority more informally. They give direction through a process of intense interaction with the clients that involves give and take. Relationships grow up among the clients as well as between them and the staff, and these ties become the real means of motivating work effort, transcending the more formal authority that initially brings people into the program."[iv] W-2 is still in its early stages, and we do not know at this point if sanctions are being levied on the same families repeatedly or if the sanctions seem to draw families back into compliance after the initial grant reduction. Program managers may have some basis for arguing that heavy use of sanctions for a time is necessary to reinforce the seriousness of obligations. But if one-quarter of participants continue to receive sanctions each month, W-2 could fail to meet perhaps its severest challenge—the exertion of an informal authority that encourages full participation among those most at risk of withdrawal in the face of the challenges that W-2 presents.

6. *Surplus resources.* In its first year of operation, W-2 has cost much less than had been expected during budget appropriation proceedings. In 1997-98, expenditures for child care were $71 million less than anticipated, and expenditures by W-2 agencies were about $98 million less than had been budgeted. The state keeps all the unspent child care funds and, through a formula contained in contracts with W-2 agencies, is likely to recapture from the agencies some $37 million of their underspending. The contracts stipulate that W-2 agencies may retain the remaining $61 million of underspending—$25 million for the agencies' unrestricted use and $36 million for "reinvestment in the community for services to low-income persons," subject to state approval. Many suggestions—from tax relief, to additional services for W-2 participants with drug abuse problems, to additional education for W-2 participants—have surfaced for the use of the surplus funds. Some of the proposals have been controversial, and some critics have argued that the large surpluses coupled with high sanction rates are unseemly. State officials have in general held that the surpluses are good news, resulting from more work, reduced dependency and a healthy economy.

7. *Staff training.* At the outset of W-2, the state established a series of training requirements for staff moving into positions as FEPs. In total, for those with a background as county economic support specialists under AFDC or as staff in the JOBS program, the state required about 22 days (one work month) to make the transition to W-2. The training emphasized fundamentals of case management; the use of CARES (the state public assistance information system); and W-2 policies, procedures, and case processing. Newly hired staff must complete a "New Worker" course covering these topics at greater length, and continuing staff must fulfill 12 hours of professional development annually.

Training W-2 workers is a large challenge. FEPs spend a major part of their day (including during face-to-face meetings with participants) either entering or retrieving data from the CARES system, which is complex enough to demand significant training time. Developing a good understanding of W-2 requirements and policies, community resources, general welfare-to-work strategies, and specific approaches for more difficult cases requires additional training and experience. With all that FEPS have to learn, it is perhaps not surprising that, at least in the early months of W-2, some state W-2 policies escaped their attention. The child support pass-through experiment provides an example. For the experiment to be a valid test of the new policy, FEPs must explain the child support policy applying to each participant; if participants do not know whether they are to receive a full or partial pass-through, the experiment could have no measurable impact. The following partial transcript of an interview which two researchers conducted in February 1998 with a Milwaukee FEP was reasonably representative of the status of FEP training, at least in Milwaukee, on this topic:

FEP: (The CARES computer system) might tell us this person has been selected for the control group. But I never tell them that they have been selected because I really don't know. We don't have a screen that we can just look in there and it will show, that's what I'm saying.

INTERVIEWER: So you don't have a screen that tells you that?

FEP: I mean there might be a screen in there, but we're not familiar with it. But I just tell them to go forward (with obtaining as much child support as possible), you know. Every little bit helps.

INTERVIEWER: Do you talk about it at all with them, that some people are in this group and some are in this? Or do you just leave that to the child support staff?

FEP: I tell them that, you know, because sometimes they asked, "Are they going to get the full amount," or "Could they?" Because they, a lot of times clients hear from other people and everything, and I tell them, "Yeah, but I don't know what group you will fall up under." You know, I tell them, the only thing I could tell them is just, you know, "You'll be notified as to if you will get the whole amount opposed to part of it anyways." You know, because I can't tell them who will, because I don't know. But they, you know, I don't talk to them about it.

INTERVIEWER: How will they get notified? Do you know?

FEP: I have no idea.[v]

In a major new initiative like W-2, the child support experiment must have seemed relatively minor to FEPs. The purpose of citing this interview is not to belittle the knowledge of the FEP (there is, in fact, a CARES screen that would tell the FEP whether the participant was in the full or partial pass-through group), but to demonstrate the challenge FEPs face in assimilating the mass of new information confronting them. The child support pass-through program is a small part of a large set of changes in policy and practice. Given the size of the overall challenge, the resources invested in training have been modest.

8. *Information systems.* Wisconsin's CARES system was originally designed primarily to determine AFDC eligibility and benefits. As others have noted, information requirements in a program like W-2, which emphasizes progression through program levels, are quite different from information requirements under AFDC, which emphasized determination of eligibility in a particular month for a particular level of benefits.[vi] One would thus expect to see some difficulty in adjusting CARES to the environment of W-2.

Still, CARES offers significant advantages. One of its virtues for state managers is the large volume of data the system collects. Because CARES was designed to promote on-line, interactive information-gathering, in which economic support workers entered data as they asked families the questions needed to determine eligibility and benefits, and because this on-line, interactive characteristic continues under W-2, a great deal of information is entered into a central state database. This continuation of central data accumulation did not happen automatically; the private W-2 agencies in particular sought the flexibility to develop and maintain their own data systems without the overhead of a common state system. Yet the state stood its ground, including in all agency contracts provisions requiring the use of CARES. It is theoretically possible to draw from the database information on how long people remain at various levels of W-2, the services that individuals receive, their number of months of remaining eligibility, the characteristics of people who are sanctioned, and much other useful information.

Although CARES collects masses of data, it does fail to collect some that would be potentially useful for W-2 managers and evaluators, such as the particular unsubsidized jobs that participants obtain and the stability of their employment. Data matches with the state Unemployment Insurance system can compensate for some, though by no means all, of these gaps. A more important problem with CARES is that the state has so far not made a commensurate investment for programming and reporting the data which CARES contains. Nine months after the initiation of W-2, decisions were still being made about what constituted a "case" in the data system, and literally dozens of useful routine reports remained to be programmed. There is some irony in the situation. In part because of rapid caseload declines, substantial service resources are available for many W-2 cases, but the state's investment in data resources has not kept pace. After many years of emphasizing private-sector solutions to social problems, Wisconsin policy makers in both major political parties seem to find it hard to commit substantial new resources to the dry and daily routine of public management, especially the training of front-line staff and the creation of data analysis capabilities.

Current Assessments of W-2

Evaluations of aspects of W-2 have become something of a cottage industry, with at least 20 underway, many sponsored by the state and many not. Almost all the impact evaluations face the problem of lacking a clear counterfactual—that is, a knowledge of what the situation would have been like had the new program not been created. Without such knowledge, measurements of the economic or social well-being of program participants or others may reflect the impact of broader social or economic change, not the new program.

Nevertheless, rough judgments of causation may still be possible. W-2 supporters have argued that the program is at least partly responsible for recent large reductions in public assistance use. In a more negative judgment rendered in late 1998, the executive director of the Milwaukee Health Care for the Homeless Project suggested that a recent cold spell had made shelter providers "keenly aware that there are more women with children in need of temporary shelter. We can only assume that that has happened because of W-2. It's the only unique variable that's happened this past year."[vii] In part because most components of W-2 were implemented without experimental counterfactuals, and in part because the program has been in full operation for less than a year, it is likely to be some time before investigators develop a common understanding of program impacts.

Implementation evaluations of W-2 have been less numerous. For good reasons, evaluations of implementation rarely use experimental counterfactuals (such as implementing the same program in two different ways), yet their absence also creates problems for these evaluations, resulting in less robust judgments. For example, W-2 might have benefited from a longer period for staff training and computer system development in advance of program implementation. It is also possible that more preparation time without the focused attention program operation confers would have helped only marginally. It does appear, however, that additional data processing staff would have helped the state produce more timely routine reports from CARES and identify more accurately the number of W-2 program participants.

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i. U.S. Department of Health and Human Services, Office of Child Support Enforcement, Child Support Report, December 1997, Washington, DC: Department of health and Human Services.

ii. Quoted in Margo Huston, "State's Private Agencies First in U.S. to Receive Profits," Milwaukee Journal Sentinel, November 18, 1998, p. B1.

iii. The focus groups were conducted by Elisabeth Boehnen and Thomas Corbett, Institute for Research on Poverty, University of Wisconsin-Madison, under a project titled "Marketplace Analysis: Matching Skills and Opportunities—Welfare to Work."

iv. Lawrence Mead, The New Politics of Poverty: The Nonworking Poor in America (New York: Basic Books, 1992), pp. 175-176.

v. Victoria Mayer and I conducted this interview on February 11, 1998, as part of an evaluation of the child support pass-through policy.

vi. Michael Wiseman, "A Management Information System for Wisconsin Works," in Evaluating Comprehensive Welfare Reforms: A Conference (Madison, WI: Institute for Research on Poverty, Special Report 69, 1997).

vii. Quoted in Margo Huston, "New Federal Grants Strengthen State Efforts to Help Homeless," Milwaukee Journal Sentinel, December 24, 1998, p. B1.

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