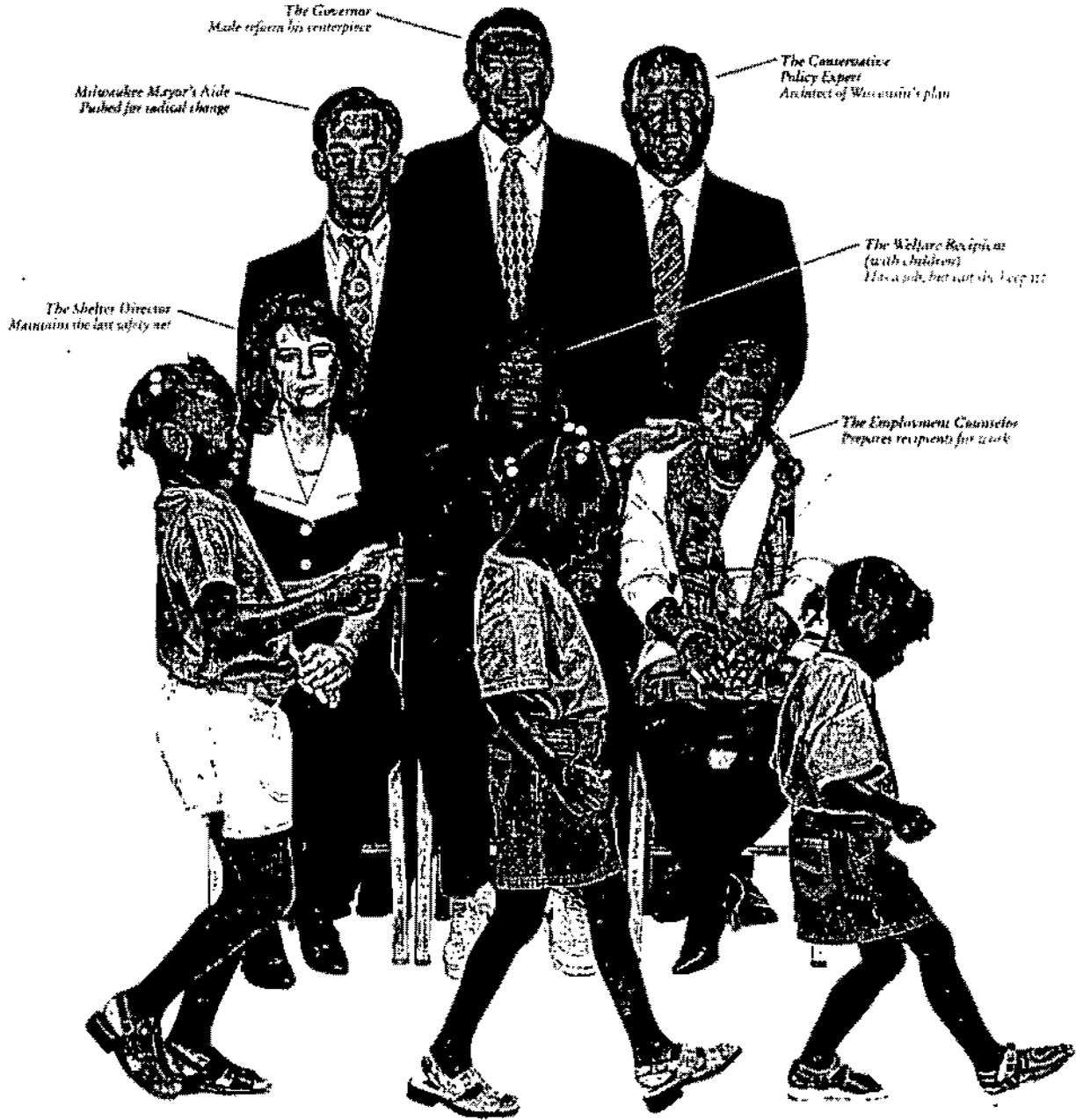


THE MOSQUITO
THAT WOULD NOT
BE SMASHED
By Gary Taubes

WR - Wise



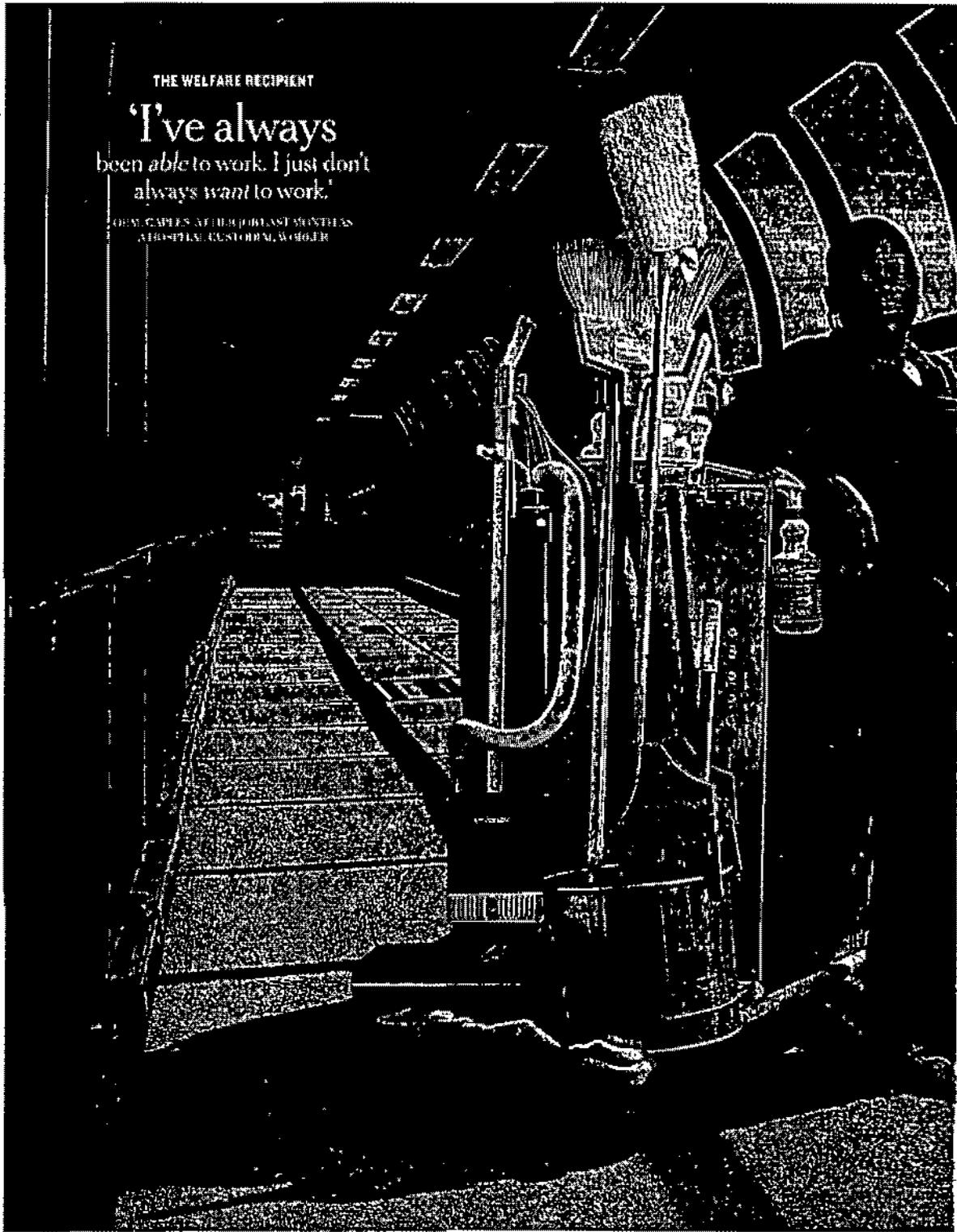
It Takes a Village to Reform Welfare

The early success of welfare-to-work has surprised everyone. But even in its first and perhaps best-run laboratory, Wisconsin, it has been a day-to-day struggle, especially for welfare recipients like Opal Caples. **By Jason DeParle**

THE WELFARE RECIPIENT

'I've always
been *able* to work. I just don't
always *want* to work.'

DR. GABLES AT HER PORTLAND SIXTEENS
ATHLETIC CUSTOMER WORKER





Getting Opal Caples To Work

For everyone involved, from the Governor to the employment counselor to the welfare recipient, the ultimate success of welfare reform will depend on a little luck, a lot of risk and a profound change in attitude. By Jason DeParle

OOOH, I WAS MAD!" OPAL CAPLES SAYS, RECALLING the notice from the welfare office. "They said we had to start working for our welfare check! I said, 'How could they do this to us?' I didn't feel it was right, to take our money — that's for our children." And as a black woman living in Milwaukee's sprawling black ghetto, Caples detected a hidden agenda. No one talked about work rules in the 1930's, when "welfare was made for middle-class white women," she says. "They're really just targeting the black women."

A bright, animated, street-smart woman who punctuates her speech with knowing glances — *you know what I'm talking about*, her lack insists — Caples is telling her story on the No. 12 bus one July afternoon as it shakes and wheezes down Teutonia Avenue, past the check-cashing counters, liquor stores and lounges. She has dropped her three young daughters with her cousin, Jewel (actually with Jewel's 13-year-old nephew, Little Chuck, since Jewel wasn't around), and before long she'll be toting trash and swabbing toilets in the gastrointestinal lab of a downtown hospital. It's second-shift work and she's unhappy that her girls are asleep by the time the No. 12 shakes home. "They don't even see me at night," she complains.

As the hours wear on, Caples never surrenders her contention that with the strict new work rules pushing people from the rolls, something dangerous and unfair is under way — crime, drugs and prostitution will rise, since "women gonna do what they gotta do." Yet it turns out she enjoys her work. "I like this job," she says that evening, mopping the lab with the radio loud. "Every job I had, you always had somebody gawking over you. This job ain't like that." She also likes the money, which is "more than welfare was giving you anyway." At times she even sounds as if she's cam-

Jason DeParle is a staff writer for the Magazine.

paigning for the work rules she distrusts. "You ain't dealing with the system," she says. "You ain't waiting on no man. You're doing for yourself." Then just as she seems half-convinced, Caples mocks herself with a laugh. "Now if I could take a break and come back in a month!"

The program behind this tentative, conflicted handshake with work is by far the most daring to emerge since President Clinton signed last year's watershed law, imposing time limits on welfare recipients and devolving vast new authority to the states. Indeed, Wisconsin's effort represents the most complete rethinking of public assistance in the 62 years since women and children first began receiving Federal aid. For more than a year, the state has imposed the nation's most stringent work requirements. But a week from now, on Sept. 1, cash assistance in Wisconsin will essentially end. The system that will take its place goes to unprecedented lengths to construct a safety net not around a check but around a job.

It is tougher than anything that has come before: virtually no one is exempt. It is also more generous than anything that has come before: the state is offering child care and health care not just to welfare recipients but to all low-income working families, and it is creating thousands of community-service jobs. It puts new power in private hands: the entire Milwaukee system has been put out to bid, to private job-placement agencies. It is a serious, risky, expensive attempt to offer taxpayers what they claim they want and what, until now, politicians have failed to provide: a system that makes work work.

And it leaves Caples, like 40,000 other Wisconsin recipients, crossing uncertain ground. Falling somewhere between easy cases and the hardest ones, she seems to operate with a kind of dual citizenship, fluent in the language of the streets and of the working world above. She is a high-school graduate of obvious intelligence whom employers like to hire. "I have a personality that attracts people to me — I

Photographs by Nigel Parry

do," she says accurately. But she loses jobs as fast as she finds them, and a few months after joining the hospital, she has supervisors fretting over her absences. That is to say she's the kind of woman — with untapped talents and unpredictable troubles — that the state, the nation, is seeking to transform.

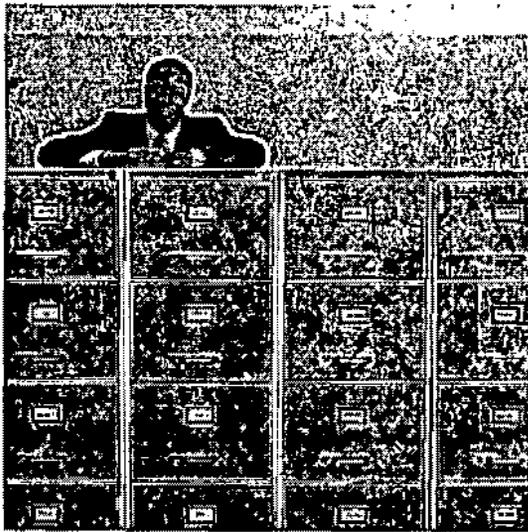
A YEAR AGO, AS PRESIDENT CLINTON fulfilled his "end welfare" pledge, there was ample reason to worry. What had started four years earlier as a thoughtful plan to fix a broken system had dissolved into an election-year hazing of the poor. The long-term prospects of the new, state-controlled system remain unknown. No state has faced the economic downturn that will test its safety-net commitments. Only a handful of recipients have hit time limits. The competition among states to chase recipients away by withdrawing services and support — the feared race to the bottom — may still ensue.

But whether by luck or by design, the early returns offer three sources of modest reassurance — and all are on magnified display in Wisconsin, where a robust economy and a history of progressive state government may offer a best-case glimpse of what devolution can become. Nationwide, the rolls have dropped 26 percent from their historic high three years ago, and nearly a dozen states have seen declines of 40 percent or more. But none rival Wisconsin, where the rolls have plunged more than 60 percent since their peak a decade ago. While some of those leaving the rolls have fallen into a more abject form of poverty, early evidence suggests the vast majority have not. Like Caples, so far they appear more resourceful than some people feared.

The second welcome development is the cash. Under the logic of block grants — fixed payments pegged to the higher caseloads of a few years ago — the falling rolls have produced a windfall even larger than expected. States will receive about \$2.6 billion more from the Federal Government this year than they would have under the old entitlement system, a 16 percent increase. While some of the money is being siphoned into tax cuts and roads, most states are spending at least part of it on new services for the poor. Michigan is investing in caseworkers. Illinois is spending on child care. If Wisconsin's ambitious gamble succeeds, no one should forget the price tag. Last year, the state spent about \$9,700 for every family on welfare; this year, after converting to the new, work-based program, it will spend about \$15,700. That's an increase of 62 percent, and it gives women like Caples new access to child care, health care and last-resort jobs.

A third hopeful sign — on uneven display elsewhere but unmistakable in Wisconsin — concerns what might be thought of as a new civic energy. Legislation alone cannot move four million welfare families into the work force. The effort will require the attention of governors, bureaucrats, employers, advocates and especially the front-line workers who have major new responsibilities. For years, the welfare office has languished in torpor. But now, across the country, it is becoming a focus of creativity, a locus of hot lines, van pools, clothing closets, résumé classes — a place of policy chic.

Not all the news has been good. California and New York have just emerged from rancorous and immobilizing legislative battles that affect



THE PROGRAM DIRECTOR

'We start from a moral premise that it is simply unconscionable to leave somebody on welfare.'

WILLIAM MARVIN, DIRECTOR, GOODWILL'S GREAT PROGRAM, MILWAUKEE

Governor, Tommy G. Thompson, who came to office pushing a welfare cut. It is being implemented in Milwaukee with the support of a Democratic Mayor, John Norquist, who is among Thompson's main rivals.

It doesn't take a crystal ball to picture all that could still go wrong. With her attendance problems, Caples has shown she can get a job — not that she can keep one. There are few opportunities for education and training. There may not be enough jobs to go around, and the jobs women find may not offer a route from poverty. Work may well be its own reward, but will it prove a broader elixir? It's possible that putting women to work will do nothing to shore up the prospects of men, and the absence of fathers may be the more corrosive force in the ghetto. To the extent the new system leads women to work, it also leads them away from their kids, who will be left in arrangements of varying quality. The effect on children is anyone's guess.

The economy could go bad.

Support services could erode.

Some people will surely fall through the cracks.

But these are simply the perennial concerns, and they have paralyzed policy for a generation. What's new, in Wisconsin at least, is that an unlikely constellation of characters has begun the work of addressing them.

The Legislator: He Knew Welfare Up Close

When Antonio Riley says that "67 percent of the people in my district are on some sort of public assistance," he is advertising his dismay and his bona fides. He makes the introduction as he drives west from downtown toward the low-rise ghetto whose 50,000 residents he represents in the state assembly. At 33, Riley has a crisp manner and New Democrat instincts. His shirt is starched. His district is not.

Once a settlement of prospering factory workers, the cityscape is marked by empty lots and hand-lettered signs on corner groceries that invite the use of food stamps. Riley's tour mixes in glimpses of an autobiog-

nearly a third of the nation's caseload. Texas has squandered its energy on a fight to hire private food stamp and Medicaid workers — peripheral players with no role in the central challenge of putting recipients to work. No major municipal bureaucracy has shown it can overcome the vast problems that take hold when caseloads are counted by the hundreds of thousands. If the race to the bottom is one danger, so is running in place. With the economy alone driving much of the caseload reduction, even a do-little system can look good.

But Wisconsin, the policy petri dish that produced unemployment insurance, might again be on to something big. Having stumbled into a vow to abolish welfare three years before the new Federal law, the state has had to confront, more than any other, the question of what should take its place. The effort to answer has brought a civic transformation along strange-bedfellow lines. The old program was chased away by a Democratic legislator, Antonio Riley, who was once on welfare himself. The new system is being generously financed by a Republican



THE MAYOR'S AIDE

**'There's a danger
that some providers may prove
as bureaucratically dysfunctional as the
welfare agencies they replace.'**

DAVID RIEMER, DIRECTOR, MILWAUKEE DEPARTMENT OF ADMINISTRATION

raphy that once followed the same downward spiral. There's the house where the family lived before divorce and a stay on welfare; there's the house where Riley himself drew general relief. The tour is capped with a favorite line: "It's sort of ironic that someone like myself, someone who grew up at one point on welfare, was the one to blow up the system."

The plot began at a backyard picnic. In September 1993, Riley attended a party given by his former boss, Mayor John Norquist. Like most Democrats, they were exasperated with the state's welfare politics. Tommy Thompson, the Republican Governor, had fashioned a national reputation out of minor but well-publicized programs, and now he was at it again. Trying to beat Clinton in the race to "end welfare," Thompson was pushing a strict two-year limit — but only in two rural counties. "He was taking credit without doing anything," Riley says. The Democrats could go along as Thompson's popularity soared or continue to be cast as the defenders of a discredited system.

As the party progressed, Riley vented his frustration to an important behind-the-scenes player. Officially, David R. Riemer served as the Mayor's chief of staff. But for years his life had been consumed by an offbeat quest to kill off the welfare system and substitute a program of community-service jobs, like the New Deal's Works Progress Administration; he had even helped start a public-jobs experiment in Milwaukee called New Hope. Hearing out Riley, Riemer threw down a dare: *end it*. Respond to the Governor's two-county demo by repealing welfare statewide. Riley was stunned and then intrigued — he considered welfare "a jailer of people." With the Mayor's blessing, he and Riemer met the following week and drafted a daring one-page bill. It would repeal Aid to Families With Dependent Children, then the main Federal welfare program, and replace it with minimum-wage work.

A plan to end welfare would seem to have unlimited appeal. In reality, it raised immobilizing questions about what should take its place. It's one thing to say that women like Caples should work. It's another to explain who will hire them, care for their children and insure they have health care.

Oddly enough it was the Democrats in Wisconsin who had contemplated bolder change, most notably Norquist, who had called for the repeal of A.F.D.C. as early as 1990. But by the fall of 1993, the legislature's Democrats were still deadlocked on the underlying issues. That's when Riley floated his stripped-down idea — end welfare by a specific date and work out the jobs program later. In a surprise move, the Democratic Speaker of the Assembly, Walter Kanicki, embraced the idea (he recalls conceiving it on his own), and it passed without a Republican vote.

Now, in a bizarre inversion of welfare politics, it was the Republicans' turn to squirm. The Democrats had become the welfare repealers. And the man out front was a black official who represented more recipients than anyone in the Assembly. The Republicans complained it wasn't a serious plan, and in a sense they were right. Half the Democrats voted for it just to put Thompson in a bind. Gerald Whitburn, the Secretary of Health and Social Services, denounced the move and all but promised the Governor's veto.

Then Whitburn had breakfast the next morning with the Governor himself. Thompson said he had no intention of a veto, and laid into him for suggesting it. By letting him end welfare without having to spell out the details, the Democrats had given him more of an opening than he ever could have won by himself. A few weeks later he signed the bill, pledging to end welfare no later than 1999.

No one had more than the vaguest idea of what would take its place.

The Program Director:
He Hasn't Met a Recipient
Unsuited for Work

The 91st Street headquarters of Milwaukee's Goodwill Industries is a 215,000-square-foot monument to the organization's motto: "We Believe in the Power of Work." Washing machines the size of freight cars fill one side of the factory, and a packing business turns the other into a shrink-wrapped cornucopia of soap, furniture polish, calendars and car locks. But the striking thing about the industrial

tableau is the sight of some of the workers. There are people crossing the factory floor in wheelchairs. There are men and women with Down syndrome sorting parts through inch-thick glasses. It is the visual embodiment of Goodwill's quasireligious belief that labor is a gift everyone can give. And it is a scene that implicitly challenges the assumptions of the old welfare system, which offered cash to the able-bodied like Caples while expecting nothing in return.

The rethinking of the safety net that began four years ago has led to Goodwill's door. In designing the new program, Wisconsin Works, known locally as W-2, the state tried to make Milwaukee's 25,000 cases more manageable by dividing the city into six districts and inviting bids. Having won the contracts for two districts, Goodwill has become Wisconsin's largest welfare office, with 20 percent of the state's caseload. The \$119 million contract brings the group new money to pursue its central mission of reducing the barriers to work. "We believe everyone can give something back," says William Martin, the earnest young executive in charge.

W-2 operates on the same assumption, conceiving a four-rung ladder of "work opportunities" meant to accommodate all recipients, no matter what their background or skills. At the top is a regular unsubsidized job. For those it deems "job ready," Goodwill will provide coaching, job leads and child-care subsidies, but not cash. For those a step behind, the W-2 agencies can create subsidized jobs with private employers. On the next rung down, there are "community-service jobs" — workfare slots that demand 30 hours a week for a grant of \$555 a month. And those at the bottom of the ladder, often with addictions or mental illness, will find themselves in something called Transitions. The "work" might consist partly of drug treatment or physical therapy, but it should fill 28 hours a week for a grant of \$518. (Thompson is pushing to raise the grants by 20 percent.) The point is that no one should be doing nothing.

In putting the system up for bid, the state hoped to attract new energy and ideas — to attract people like William Martin. Though Martin, 30, spent most of his earlier career in state and local government, he sometimes

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talks like a business student on No-Doz. He likes to talk about "getting to yes" and finding "win-win opportunities" for his clients. Welfare programs used to define their mission as "income maintenance." Martin's is called Workforce Solutions. He hopes to make Goodwill the city's pre-eminent staffing agency, the place where labor-starved employers can turn for a pool of prescreened, qualified workers. And he is offering bonuses to caseworkers with the best placement rates. "We start from a moral premise that it is simply unconscionable to leave somebody on welfare," he says. "If the goal is to get somebody out of poverty, the only way to do it is to get them a job that pays better."

W-2 pays better (for all but the largest families). Under A.F.D.C., a mother with two children received \$9,456 a year in cash and food stamps. Under Thompson's plan, even Transitions would pay \$10,668. A community-service job would pay \$11,168. That's still 16 percent below the poverty line of \$13,330—a slaw worthy of note. But the calculation changes significantly with the move to unsubsidized work. After food stamps and tax credits are added in and co-payments for child care and health insurance are taken out, even a minimum-wage job nets \$16,524. (The plan to offer health care, on a sliding scale, to all low-wage workers is still being negotiated with Federal Medicaid officials.)

In theory all the supports should be in place next week when W-2 takes hold. But no one can be sure how it will work. One worry is that the contractors' financial incentives will backfire, and that they will deprive poor women of support. The W-2 agencies are being paid much like health-maintenance organizations — they get a fixed payment to serve a pool of families. The faster they whisk them off the rolls and into unsubsidized work, the more money they make. The longer they leave clients on the bottom rungs, drawing grants and expensive services, the less money they make.

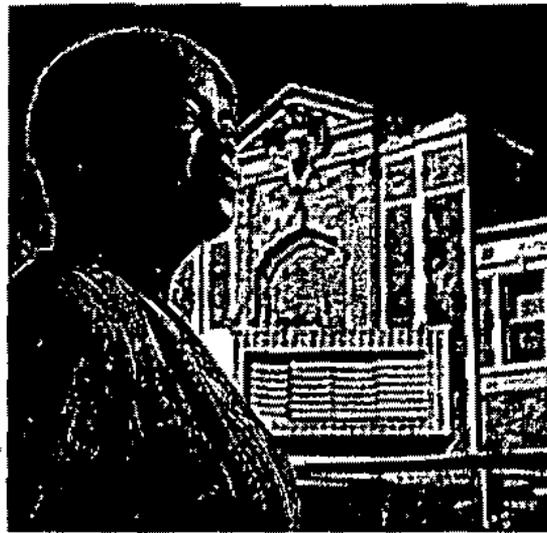
To break even, Goodwill estimates it must cut its caseload in half over a 28-month period. That has never happened, and there's not much, besides good intentions and some vague contract language, to keep a W-2 agency from declaring the most hapless clients "job ready" and withdrawing support. When I assume in passing that someone with a third-grade education would start on the third rung, in community service, Martin interrupts. "That won't keep them from getting a job in this market." Who does he have in mind for Transitions? "An individual with two broken arms and two broken legs, or severe mental illness that has not been stabilized."

That's a long way from income maintenance.

"Look at the people who go to our corporate headquarters," Martin says. "They may have command of only one muscle. And they show up. And work. Every day! All these families can succeed."

The Employment Counselor: She's Looking to Change Attitudes

The Opportunities Industrialization Center, or O.I.C., lies across town from Goodwill in literal and metaphoric terms. It operates from a converted theater on a down-in-the-mouth stretch of Martin Luther King Jr. Drive. A



THE EMPLOYMENT COUNSELOR

**'If the system
had cracked down like
this years ago, it wouldn't have
gotten as bad as it is.'**

DARLENE HAINES, OPPORTUNITIES INDUSTRIALIZATION CENTER, MILWAUKEE

table of bow-tied Black Muslims provides the security, and pictures of black nationalists adorn the yellowed theater walls. It's not what most people have in mind when they envision a Republican work program. Like many of the group's employment counselors, Darlene Haines has much in common with her clients. A black woman raised by a single mother in Decatur, Ill., Haines had so many siblings (an even dozen) that the family ran out of names; two of her brothers are named Robert. Two siblings have been murdered and most have received public assistance. Indeed, when Haines turns to Case 2101689928, the computer screen flashes her name. Laid off a few years ago, she too applied for welfare, but her unemployment benefits left her ineligible.

W-2 leaves vast new authority with front-line workers like Haines, the \$25,000-a-year gatekeepers to the new system. Their attitudes are surprisingly rough. "Some people are so lazy they don't want to do a damn thing — hate to say it like that," Haines says. "If the system had cracked down like this years ago, it wouldn't have gotten as bad as it is." Some of the clients in turn call the caseworkers "hood rats," self-impressed women who recently left the rolls. "I get a lot of that, especially when I come in with a nice suit and pumps," Haines says.

But attitudes tell only part of the story; across the new system, abilities are an open question. The five agencies running W-2 in Milwaukee have widely varying cultures. Maximus is a Virginia-based, for-profit corporation. Goodwill and the Y.W.C.A. are nonprofits, but with sturdy corporate structures. United Migrant Opportunity Services, like O.I.C., is a smaller, grass-roots agency. And all are operating under contracts that, in David Riemer's view, don't do enough to distinguish between agencies that find people jobs and those that simply chase them from the rolls. "There's a danger that some providers may prove as bureaucratically dysfunctional as the welfare agencies they replace," he warns.

I watched a caseworker at one agency spend an hour just reading a list of job titles to a class of recipients. Had they awakened, this is what they would have heard: "Mathematics — reading graphs and stuff like that — it gets real deep when it comes to mathematics. ... Agriculture, that thing with cows, gets real deep — giving them those hormones. ... Forestry. Why don't we see any more wolves? Somebody eating them?" Haines has nine years of the Army behind her, but it may take that and more to reach some of the women arriving for orientation. Two bring typeset résumés, and with the Milwaukee unemployment rate at 5.9 percent (statewide it is 3.8 percent), that alone virtually guarantees a placement. Choosing from a list of immediate openings, one opts for a teller's job at an Indian bingo parlor; the other picks clerical work at an insurance company. They depart for interviews and get hired.

The rest are another story. One is crunching potato chips. Another has shown up drunk. As Haines briefly leaves the room, operatic warnings break out. "They're fixing to start a war!" one woman says. "They're building orphanages and prisons. It's going to be like in Mississippi!" Haines returns to say she has more bingo jobs for anyone who can pass a drug test. One woman wants to know if marijuana is a drug. The



THE ARCHITECT OF REFORM

Down to the very last line worker, they had taken to heart and acted on the conceptual framework of the reforms.

JASON TURNER, FORMER GLIBERNS FORTUNE LADDER, NOW A CONSULTANT

class heads downhill from there. "I can tell this isn't working," Haines sighs.

There is a bright spot of sorts. Needing a body for a practice interview, Haines calls on a woman wearing a blue sweatshirt and a bored look — Opal Caples. "I know how to get a job," she says. "I just don't know how to *keep* a job."

After dragging herself to the front of the room, Caples more than makes her point: she knows how to get a job. Her posture straightens and the g's stop falling from the end of her sentences: "I am a courteous person," she announces to her imaginary employer. "I am hard-working. I am dependable." Passing through an invisible screen, she leaves her street persona behind.

"What motivates you to work?" Haines asks. "Being around smiling faces," Caples says, smiling.

"What are your greatest achievements?"

"Well, I graduated from high school, and back in '96, I completed a 13-week tutoring course."

"If I asked you, when could you start?"

"It would be next Monday, so I could arrange my baby-sitting situation."

"That won't be an issue?"

"No, I won't let it affect my job performance."

By now the class is roaring. "*Girlfriend!*" the woman with the potato chips shouts. "And you said you wasn't motivated!"

Then as soon as she returns to her seat, Caples goes back to being Caples. "I'm one of them women who don't want to work!" she says, sounding worried that no one will believe her. "I liked that welfare check."

Haines is delighted. "The sister's going to make it," she says.

The Architect of Reform: He Wants to Make Welfare History

Roddy, round, crumpled and balding, and smoking a cheap cigar, Jason Turner might sooner pass for a beer distributor than a welfare intellectual. But at 44, he has been puzzling over the subject for nearly three decades. He was still in junior high school in Darien, Conn., when an article on "welfare queens" jolted him. "It hadn't occurred to me that there were whole classes of people who didn't work and who basically existed on Government charity," he says. He wondered what would happen if everyone tried that. While other students scribbled football plays, Turner began sketching plans to replace welfare with work. He was still sketching decades later when Thompson asked him to design W-2.

With the program about to begin in Milwaukee, he took off recently to check on the two sites where it has been running since March. The first stop was Pierce County, a picturesque stretch of farms and factories on the Minnesota border — no one's idea of a welfare zone. Still, even Turner can't believe how much the rolls have fallen. A decade ago, the caseload peaked at 387. By March, when W-2 began, it had fallen to 43. It was reasonable, then, to suspect that those who remained would pose a formidable challenge.

Reasonable but wrong. Now as Turner arrives, there are only eight people still getting cash, and three just haven't been placed in W-2 yet. Two others are briefly exempt because they have infants under 12 weeks old. That essentially leaves a caseload of three, all in Transitions: one applying for disability benefits, one recovering from a car wreck and one on bed rest for a troubled pregnancy.

The rest simply made other plans after being classified "job ready." While some may have slid toward tragedy, the Pierce social workers don't think so. They found that 64 percent were employed and that 19 percent had other income from family or friends. There was no information on the remaining 17 percent, but none wound up in the child welfare system, and none have called for help.

Driving out of town, Turner says he's seeing welfare history in the making. In the past, analysts have warned that the bottom third or so of the caseload may well be unreachable, and with that in mind, most work programs have included sizable exemptions. By contrast, in designing W-2, Turner pushed the

principle of immediate, universal work — no exemptions, exceptions or delays. The real test won't occur until next month, when W-2 takes hold in Milwaukee, but the vanishing Pierce caseload deepens his conviction. "We're finding that everyone can work," Turner says.

Not much in his early life would have pointed him toward the poor. His father was an advertising executive who marketed Zest and Crest. But by high school, Turner was planning factories where welfare recipients could assemble Christmas ornaments and reap "the dignity" of work. He joined the 1980 Reagan campaign and spent five years as a Federal housing official. Getting nowhere with his welfare ideas, he left to make his millions as a landlord — only to lose his shirt when the 25 apartments he bought in a poor Washington neighborhood were overrun with crack addicts. Still, he returned to government, as a senior welfare official in the Bush Administration, more street-smart than the average bureaucrat. "I got a ringside view for three years," he says.

Out of a job after the 1992 elections, Turner took a welfare job in Wisconsin state government. He arrived just before the Democrats killed off welfare, and the chance to design its replacement was literally an adolescent dream come true.

What's the hold of welfare policy? Turner, who has just left state government to start a consulting firm, the Center for Self-Sufficiency in Milwaukee, answers in near-religious terms. "It's plumbing the soul — figuring out why people do the things they do."

Arriving in Fond du Lac, the other experimental site, he finds more reasons to be buoyed. The caseloads have crashed — from 791 three years ago to 187 now. And the caseworkers seem, if anything, even tougher than Turner himself. Even a visit with Dick Schlimm, one of the town's leading advocates for the poor, produces only quibbles. If he were to design a system of his own, he says, it might pay higher wages, but "it probably wouldn't look too much different than W-2." An untouched Arch Deluxe graces the dashboard for hours, but Turner is off in the clouds. "Down to the very last line worker, they had taken to heart" *Continued on page 47*

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WELFARE

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The Shelter Operator: She Sees No Apocalypse Yet

When Barbara Vanderburgh was 13, her father gave his life to Christ — or more precisely, to the block-long building with the sign that proclaims, "Christ Died for Our Sins." Vanderburgh was sufficiently ambivalent about her father's decision to leave the phone company and run the Milwaukee Rescue Mission that she used to duck when riding in the family station wagon, which had "Rescue Mission" written on the side. "I didn't want people to think I was living there," she says.

Now the question is, how many others will be living there, too? Across the city, soothsayers are predicting disaster. Talk of "Nazism," "slavery" and orphanages abounds, and it brings to mind the more learned warnings offered last year by Senator Daniel Patrick Moynihan. "Just how many millions of infants we will put to the sword is not yet clear," he said, denouncing the new Federal law. "We will have children sleeping on the gratings."

Events may still prove Moynihan right, but the apocalypse isn't now. Hunger and homelessness are on the rise: a system that supports families only if they work is bound to leave some more destitute. The question is whether to judge the casualties large or small — alarming or reassuring — in light of the vast changes under way. So far the evidence, while early and mixed, falls more on the reassuring side. "To be honest, we were braced for worse," says Vanderburgh, who now runs Joy House, the mission's family shelter.

The run-up to W-2 began

in March 1996 when the city switched to a precursor system, known as "pay for performance." About half the city's recipients were placed in the program, including Caples, who greeted the development with such fury. The rules required her and others to spend 20 hours a week in a community-service job and another 12 hours looking for private work. Over the ensuing months, nearly 30 percent of the city's welfare families vanished from the rolls. Since the state refused to track them, no one can be sure where they've gone. But the evidence doesn't point toward catastrophe.

While homelessness is notoriously hard to measure, Joe Volk, the chairman of the Milwaukee Shelter Task Force, estimates that the number of families in shelters rose by about 25 percent last winter. On a given night that translates into about 41 additional families, or about 120 women and children. It's a lot when measured in human terms, but still a tiny minority of the 10,000 families who have left welfare.

The other available data hint at a similar story, of rising but manageable need. Requests for food assistance are up: the Hunger Task Force of Milwaukee saw activity at its food pantries rise by 14 percent last year. But the increase seems to be leveling off. Reports of child abuse and neglect are up. But they've risen for 12 of the last 14 years, and they are still lower than the 1994 peak. Crime, meanwhile, has declined.

One wouldn't expect the full impact to show up at once, and these numbers can be expected to rise. Inside the shelters themselves, two kinds of stories can be heard. For some women, the loss of a check merely punctuates a life of defeat. With the shelters full during a snowstorm last winter, I found myself driving a woman across town so

she could sleep on a church floor. She had known that she would lose her check as soon as her work notice arrived; she was just too depressed to comply. "I stay depressed all the time," she said. It was an indescribably sad night, and one that mocks the word "reform."

But some women insist that the loss of a check can mark a turn for the better. Many of the women who have flooded Joy House are addicts, too distracted by their habits to meet the work requirements. "I'm here because I need to be here," one woman explained. "I was really jacked up." Homelessness isn't a drug treatment plan, but neither, Vanderburgh argues, was a no-strings-attached check. "People are afraid and they're looking for help," she says.

The Governor: He Has Become More Than a Budget Cutter

For years, Tommy Thompson's detractors waved him off as a welfare charlatan — a man grabbing big headlines with small programs while ignoring (or attacking) his critics. A centerpiece of his first governor's campaign was a modest benefit cut, with the savings shifted to job training. He moved on to Learnfare, whose chief virtue was its catchy name. Then came Bridefare and Work Not Welfare, the time-limited experiment he insisted on restricting to two rural counties. Meanwhile, he often addressed the issue with a belligerence that seemed nakedly political. When I spoke with him in 1994, just before he won a record third term, he was boasting that his programs made liberals feel like "their hearts had been cut out." Welfare, he said, was a "fantastic campaign issue."

Now the conventional wisdom about Thompson has changed: whatever W-2

Continued on page 54



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WELFARE

Continued from page 47

may be, it is not tinkering. Antonio Riley's theory is that abolishing welfare has transformed Thompson, who understands his national reputation will be linked to the program taking its place. "He's come very far," he says. Mayor Norquist also tips his cap. "The Governor should be proud," he says, calling W-2 "perhaps the best welfare reform program in the country." Even Thompson embraces the theory of a New Thompson. "I'm a lot smarter now than I was 10 years ago," he recently told *The Milwaukee Journal Sentinel*. "I'm much more even tempered."

Curious about the change, I traveled to Madison late last month to join him for lunch. I caught him on a Thursday, the day he opens the residence grounds to the public, and our meal was interrupted by a crowd of women, staring through the dining-room windows with their noses pressed to the glass. Had they been able to listen in, they would not have heard an exercise in modesty. "Welfare reform in America would not have happened without me," he said.

At least Thompson has something to boast about now. To his credit, his theme throughout lunch concerned the need to invest. "I have debated conservatives who think that welfare reform is going to save money," he said. "And I have told them that changing a system from dependence to independence is going to cost more, because you have to put money into child care and into job training and medical care and transportation. The liberals have complimented me on that."

And after years of being accused of tinkering, Thompson chose an interesting word to describe his concerns about others. "I think other states are going

Continued on page 59

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WELFARE

Continued from page 34

to tinker with it too much," he said. "I'm somewhat fearful that they're going to have difficulty making the giant leap like we are in Wisconsin."

These are the right worries. Running a work program is costly and consuming — it involves endless skirmishes with legislators, bureaucrats, advocates and unions of public employees, who fear being displaced. "You have to have a lot of stamina," Thompson warns. Reports from the biggest states are not reassuring. In New York and California, the rhetoric of work has far outpaced the needed bureaucratic change, and the heavy lifting is essentially being left to the counties. (So far, the work program in New York City, while impressive in size, is mostly for single adults.)

Awash for now in Federal money, other states are investing, especially in child care. But many are also pocketing a good part of the Federal windfall. Wisconsin has reinvested the whole Federal increase, raising its spending this year from \$451 million to \$645 million — a 43 percent jump in the overall budget even as caseloads fall. Thompson is spending large sums on child care, health care and caseworkers.

But his most intriguing move, and perhaps his most revealing, is his push to increase the grant levels themselves. This is, after all, the same Governor who cut benefits within months of taking office, and then froze them for the ensuing decade — spearheading an erosion, in real terms, of about 40 percent.

Now, as a signature move under the new, work-based system, Thompson is pushing for a 20 percent increase in grants. (Community-service jobs would rise to \$673 from \$555, and Transitions, the work program for the most disadvantaged, would rise to \$628 from \$518.) In advocating the raise, Thompson overrode his closest welfare aides, and he is battling his own party in the legislature. "We had the dollars to do it and I thought that we ought to do anything we can to make this program successful," he said. "It's brought in a lot of opponents and advocates to help make the system work, instead of standing outside the tent and throwing stones at it."

The hope is that the new support is a sign of things to come, here and

elsewhere. In political terms, there are two ways to view last year's epochal debate. The fear, of course, is that killing the Federal entitlement simply insures the erosion of the safety net: that politicians can always find more appealing targets than poor people to spend money on. The counter hope, perhaps a wispy one, is that converting welfare recipients to workers, even in community-service jobs, will transform their political standing. Welfare benefits have dwindled for decades, but support for the "working poor" has recently flourished.

Extending the thought, a few analysts (most prominently, Mickey Kaus) have argued that by signing the law, President Clinton has set the stage for a broader resurgence of activist government. (And a jobs program for the underclass is certainly that.) Welfare wasn't just a political yoke on the Democratic Party; its failures were an impediment to the very idea that government can help the poor.

So far, both sides in the debate — the supporters of the new law and the critics — can claim vindication: the safety net is growing in some places and growing holes in others. But oddly enough, Wisconsin's experiment, in the hands of a Republican Governor, has emerged as the leading hope for what government — more government — might accomplish in the postwelfare era.

Not surprisingly, there are still important battles being fought along those very lines. Perhaps the most significant centers on the community jobs. To truly insure that women like Caples have work when they need it, the state may have to make the jobs an open-ended offer — a safety net of last resort. But Thompson, spooked by worries about "make work" jobs, has defined them only as short-term training. With rare exceptions, a W-2 participant can spend no more than six months in a single community-service job, and no more than two years in community service in a lifetime.

It's a view that, among other things, refuses to acknowledge the realities of recession. And so, when pressed, does Thompson. "We think a good share of the welfare people will not necessarily be the first ones laid off," he said.

What happens if W-2 gets caught in the vice of rising need and falling revenues is impossible to predict. But for now, Thompson has em-

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braced an outline — of jobs, child care and health care for the broad working class — that would have been unthinkable even a few years ago. "I never dreamed we'd be at this point," he says.

The Recipient: Will She Learn to Live With Work?

Lumbering to a halt, the No. 12 bus leaves Opal Caples a half block from Sinai Samaritan Hospital, where she spends her evenings with a cleaning cart. Scrubbing and dusting for the next six hours, she offers a spirited monologue on the changes sweeping the city, but some of her bluntest criticisms are saved for herself. "I've always been able to work," Caples says. "I just don't always want to work."

But work runs in the fam-

ily. "My mother was never on public assistance — she always worked," Caples says proudly. Indeed, her mother spent 22 years at a Zenith factory, often holding a second job while raising five children on her own. But when Caples is asked what she was like in her youth in Chicago, she breaks out in laughter. "Bad!" she says. "I was smart, but I was out of control. I hung around the gangs." Caples eventually conformed with the conventions of responsible behavior. She graduated from high school and got a job at Wendy's. She waited until she was 22 to marry, then waited a year longer to have children, to be sure the marriage would work. It didn't. Her husband quit his factory job for the flash of a drug hustler's life. He moved in with his pregnant girlfriend and left Caples

living on welfare. As for their children — Sierra, 7; Kierra, 5, and Tierra, 4 — "he don't call them, he don't see them, he don't buy them nothing."

As her life unraveled four years ago, her cousin Jewel invited her to Wisconsin. A week later, she was stepping off the bus, with five suitcases and three young children to her name. Though some academics dispute it, most people in Milwaukee are convinced that their generous benefits attract women from the immense Chicago ghettos 90 miles south. Caples says nothing to dispel the theory. Her monthly benefits shot up 50 percent (from \$411 to \$617), while her rent correspondingly fell. "It was easier to survive," she says.

And it was easy to find work on the side. Caples can list seven jobs she has held in the past four years,

and there may well be ones she has forgotten. The usual problems arose — childcare emergencies, a terminally ill car — but they aren't what Caples emphasizes. "I know I always had that welfare check!" she says. But the check got harder and harder to keep. There were "all kinds of goofy classes" and endless job-search regimens. Weary of the hassles, and seeing the W-2 deadline on the way, Caples found the hospital job in February. "With this W-2, you have to work — have to, know what I mean?" she says. "I think it's different for me now."

Is it? On the one hand, she seems to like the job. At \$7.69 an hour, it pays more than she has ever made. It offers benefits — medical, dental and life insurance. And it also offers the chance to train for other hospital jobs, which could

pay up to \$10 an hour. Though it involves emptying trash and cleaning toilets, she seems to feel it offers a certain status. She talks with delight about being invited to a company picnic and having doctor know her name. On the other hand, she hates working second shift, and like many inner-city women, she distrusts center-based care, worrying about the reports of molestation that travel the ghetto grapevine. She remains convinced that W-2 is racially biased and she even quotes Malcolm X, to warn what women without welfare may do. "Any means necessary to take care of your kids," she says. "If I don't have a job, who's to say I wouldn't prostitute myself? I pray to God it don't happen, but to some people it will."

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month, that Caples was missing from work. She hadn't called in for three days, and under hospital policy that probably meant she was fired. She doesn't have a phone, so I left a message with her boyfriend's mother, and the next day she placed a collect call back. The verve in her voice was gone. She and her boyfriend had had a fight, and he had moved out. She said she was too distraught the night of the breakup to bother calling work. Then figuring she was fired anyway, she simply didn't go back. Plus she now had day-care problems: Jewel had found a job, and Caples, suddenly single, had no place for her girls. "I don't know what I'm going to do," she said.

But her boss had asked me to pass on a message, and Caples sounded surprised that he wanted to see her. She summoned the courage to give him a call, and a few hours later she was in his office, describing her hapless week. When it comes to supervisors, Caples couldn't have drawn better luck. Having served on the board of a homeless shelter, Charles Lee wasn't looking to see another fam-

ily on the streets. And it couldn't have hurt that he was taking a master's-degree course called Social Influences on Business Management — and that he had written his term paper on W-2. "I know how tough it can be," he said. "I'm going to do everything I can."

Sitting in his office that afternoon, Caples wrote out a three-page plea for mercy that impressed Lee with its eloquence. She explained what had happened. She pledged to do better. She said she had arranged for child care. Lee passed it on to the hospital vice president. The appeal is pending.

It's a disappointing moment, but the architects of W-2 would call it progress. Caples may still save her job, or she may quickly find another. She may return to Darlene Haines's class and get packed off to Indian bingo. If things really fall apart, she could find herself doubled up with Jewel — or suddenly out on the streets. The one route no longer open to her is to simply return to the rolls. She's striking off, on shaky legs, into an uncharted, postwelfare world. ■

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(DAMON) RUNYON: THE BRAKEMAN'S DAUGHTER — He comes from ... New York, and he is called Big False Face from the time he is very young, because he has a very large ... homely kisser, and on this kisser there is always a castor-oil smile that looks as if it is painted on.

- | | | |
|---------------|---------------|-------------|
| A. Respects | J. Boo-hoo | S. Defies |
| B. Umbrage | K. Reveals | T. Athwart |
| C. Naysay | L. Assimilate | U. Ungainly |
| D. Yarrow | M. Kishkes | V. Galoshes |
| E. Overtime | N. Election | W. Hardy |
| F. Nike | O. Mosaic | X. Toads |
| G. The mill | P. Afflict | Y. Ernes |
| H. Hooked | Q. Niche | Z. Riffs |
| I. Eyeglasses | R. Shim | |



State of Wisconsin
Department of Health and Social Services

WR-WISC.

Tommy G. Thompson, Governor
Gerald Whitburn, Secretary

APWA

November 22, 1994

Mr. Bruce Reed
Deputy Assistant to the President
Domestic Policy Council
The White House
Washington D.C. 20506

Dear Bruce:

You will recall our previous conversations concerning Wisconsin's "Children First" program through which we've been running a pilot with great results and getting in additional child support dollars. Last year's evaluation covered the first two counties in which this program operated. This past year the program has operated in nine counties and, once again, we've seen a substantial increase in both the number of people paying and also the dollars coming in. Across the nine counties, for those participating in the program child support money coming in is up almost 160%. I thought you'd enjoy seeing the evaluation and how it has played out here.

As you may know, I will be leaving Wisconsin at the end of the year to take on a similar assignment in Massachusetts. I'll be in touch with you once I settle.

Best regards.

Sincerely,

Gerald Whitburn
Secretary

Enclosures

Tommy G. Thompson
Governor
Gerald Whitburn
Secretary



Mailing Address
1 West Wilson Street
Post Office Box 7850
Madison, WI 53707-7850
Telephone (608) 266-9622

State of Wisconsin Department of Health and Social Services

CONTACT: Jim Malone
(608) 266-1683

FOR IMMEDIATE RELEASE

"CHILDREN FIRST" CHILD SUPPORT PROGRAM SHOWS IMPRESSIVE RESULTS

(MADISON, November 21)--"The Children First welfare reform initiative for child support enforcement has shown remarkably impressive results since its expansion to nine counties in 1993," Gerald Whitburn, Secretary of Health and Social Services, said today while releasing an evaluation of the program. "Across the nine counties, payment of child support increased more than 150 percent when non-paying parents were put into the program. Children First is working," the Secretary said.

The study followed each program participant's child support payment history, from six months prior to enrollment to the six-month period following enrollment. Whitburn said the comparison showed the program produced a 158 percent increase on the average child support payment made by program participants, from \$192.63 to \$496.18, while the number of actual child support payers jumped 66 percent among participants in the program in nine counties.

In 1993, Dane, Dunn, Florence, Outagamie, Shawano, Waukesha and Waupaca counties joined the program's original counties, Racine and Fond du Lac.

MORE...

CHILDREN FIRST

2-2-2

"Wisconsin has been a leader in developing effective child support efforts," Whitburn said. "Children First is an innovative program that helps ensure both parents fulfill their financial obligations to their children by providing job training and work experience to noncustodial parents," he said.

Children First began in 1990 as a pilot program in Racine and Fond du Lac counties, and affects non-custodial parents who are delinquent in their child support payments and who don't work full-time. Upon referral to the program by the court, a parent becomes a participant in the community work experience program (CWEP), to gain the training and experience necessary to be employed. A case manager monitors and assesses the participant's progress.

Early, positive results in the two pilot counties attracted national media attention.

Whitburn noted that Dane County posted an especially strong first-year performance. The average support payment by participants rose 382 percent, from \$105 to \$506, and the number of payers increased 69 percent, from 36 to 61.

"Dane County results to date are excellent," Whitburn said.

In 1993, Waukesha County increased its average payment 204 percent, from \$323.54 to \$984.20. Waupaca County showed an 81 percent increase from \$281.64 to \$510.12. Children First participants in Outagamie County increased their average payment 73 percent, from \$115.95 to \$200.87.

MORE...

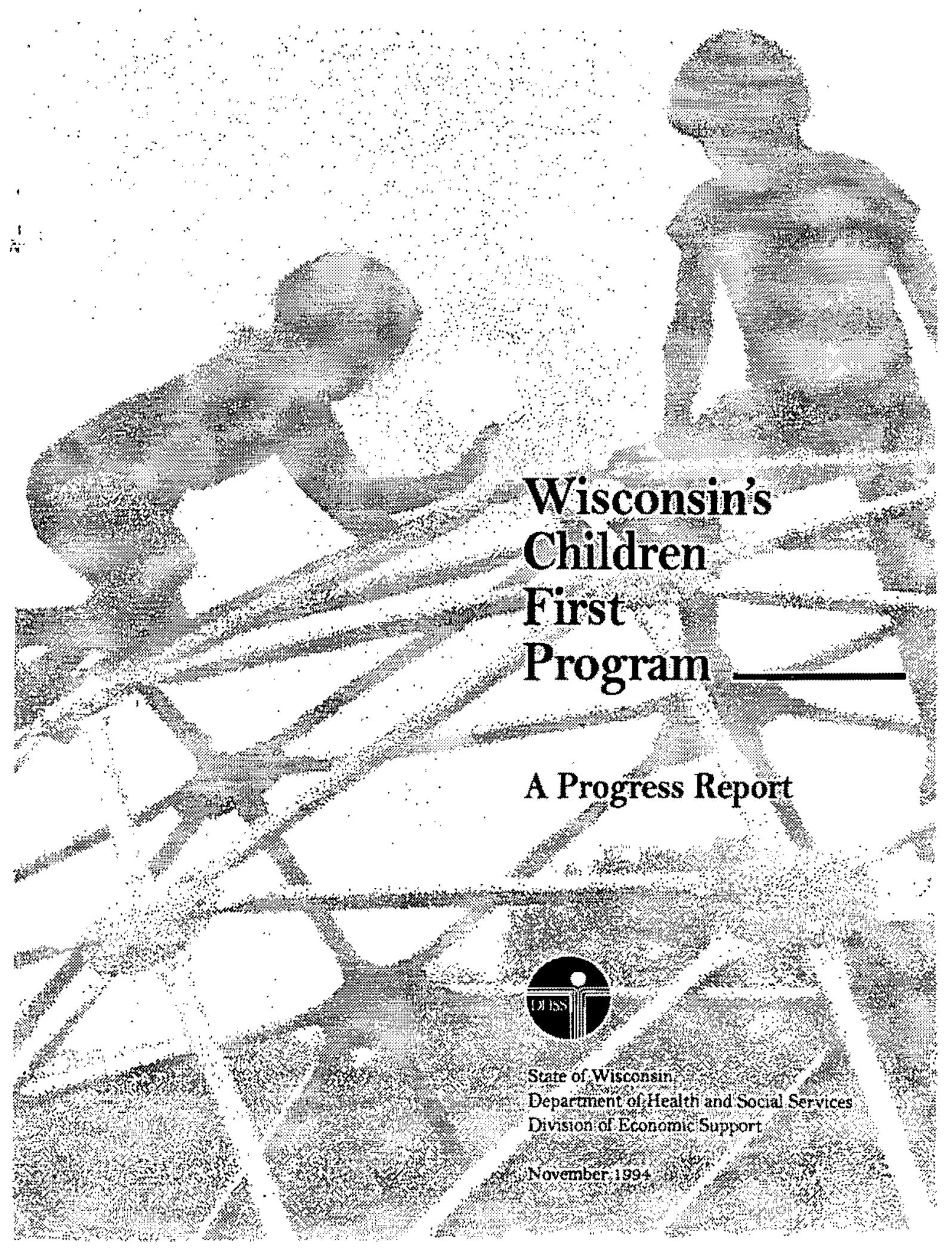
CHILDREN FIRST

3-3-3

In Shawano County, participants increased their average child support payment from \$314.84 to \$454.28, a gain of 44 percent. Dunn County and Florence counties were still getting underway during the year, and had limited participation.

The two original counties, Fond du Lac and Racine, continued to perform well, Whitburn said. In 1993 Racine County's Children First program boosted payments 60 percent from \$179.25 to \$285.81, and the number of payers increased 50 percent. Fond du Lac's average payment increased 213 percent, from \$99.21 to \$310.70, and its number of payers increased 114 percent.

In 1994, the program was again expanded to include 14 additional counties (Burnett, Grant, Kenosha, Kewaunee, Langlade, Manitowoc, Marinette, Marquette, Oconto, Price, Rusk, Sawyer, Vilas and Washington).



Wisconsin's Children First Program

A Progress Report



State of Wisconsin
Department of Health and Social Services
Division of Economic Support

November 1994

Executive Summary

Children First, the Community Work Experience Program for Non-Custodial Parents, was designed to provide unsubsidized work experience to unemployed non-custodial parents who are delinquent in their child support payments.

The goal of Children First is to ensure that parents contribute to the financial well-being of their children. To meet this goal, a balanced intervention method is used. The program offers work experience to participants that are unable to find stable employment. After the training period, failure to pay child support may result in imprisonment.

The program has been operating as a pilot program in Racine and Fond du Lac counties since 1990. Seven new counties were added in 1993 (Dane, Dunn, Florence, Outagamie, Shawano, Waukesha and Waupaca).

This report analyzes the statistical performance of these nine counties. Similar to a June 1993 report produced by the Division of Economic Support, this study compares the payment history for each participant six months prior to enrollment in Children First against the six months following enrollment.

The following measurement criteria was used: average payment (over the six month period) and number of payers. Each county experienced a significant increase in both categories.

Participants: 326

	Average Payment	Payers
Pre _____	\$192.63	146 (45%)
Post _____	\$496.18	242 (74%)
Percent Change _____	+158%	+66%

In total payments, 146 participants contributed \$28,123.98 in child support payments "pre" enrollment. After enrollment, the number of payers increased to 242. These "post" enrollment payers averaged \$303.55 per person more over the post enrollment six month time period, for a total amount paid of \$120,075.50.

Background

Children First, the Community Work Experience Program for Non-Custodial Parents, was designed to provide unsubsidized work experience to unemployed non-custodial parents who are delinquent in their child support payments.

The program was authorized by the 1987 Wisconsin Act 413 and has been operating as a pilot program in Racine and Fond du Lac counties since 1990. Seven new counties were added in 1993 (Dane, Dunn, Florence, Outagamie, Shawano, Waukesha and Waupaca). And fourteen others began participation in 1994 (Burnett, Grant, Kenosha, Kewaunee, Langlade, Manitowoc, Marinette, Marquette, Oconto, Price, Rusk, Sawyer, Vilas and Washington).

Two previous studies have been conducted on program performance. A May 1991 study was performed by the DHSS Office of Policy and Budget and a June 1993 study was performed by the DHSS Division of Economic Support. Results from both studies are available upon request.

Program Description

Traditionally, work experience programs are designed for public assistance recipients who need skills to acquire paid employment which will enable them to become self-sufficient. However, unemployed non-custodial parents are rarely on welfare.

With inadequate income and without meaningful prospects for improved status, these parents fail to meet their child support obligation. Governor Thompson created Children First with the expressed intent of ensuring that parents contribute to the financial well-being of their children.

Two strategies are used to meet this objective. First, job training activities are provided to increase the non-custodial parent's long-term employability. A key component in helping these parents gain employment skills is participation in an unpaid work experience program.

By making the parent more employable, the program seeks to also encourage him or her to take more financial responsibility for their children. According to program staff, this goal is more difficult to accomplish than preparing the parent for work. Therefore, the second program strategy includes a threat of a jail sentence for non-compliance. This attempt at balanced intervention is the first of its kind in the nation.

Those counties which have been selected to participate in Children First may refer any candidate to the courts for participation in the program. The presiding judge can order individuals into the program based on the following criteria:

1. The parent is delinquent in child support payments or has no means by which to meet current child support obligations and resides in a county in which Children First operates;
2. The parent is able to work full time, is employed for less than 32 hours per week or is earning less than 40 times the federal minimum hourly wage each week; or
3. The parent is not participating full-time in another job training program.

Research Design ---

This evaluation is a statistical and operations analysis of Children First program activity for participants that were enrolled between January 1, 1993 and December 31, 1993. Payment histories for each participant were collected six months prior to, and following, enrollment. Thus, records could be used as early as July 1, 1992 and as late as June 30, 1994.

Each county was contacted to provide payment histories for their participants. Most of the counties are not yet automated, requiring significant staff time researching files and compiling data. Six counties provided payment history totals. DHSS staff calculated the totals for three counties based on reports generated by the county staff.

The total number of participants noted in each county summary includes all eligible participants. For purposes of this report, a 1993 enrollee is considered ineligible if their child support order was made less than six months prior to submission in the Children First program. This would preclude a fair "pre-" total of amount paid.

Given the large caseload of Racine County, DHSS/OPB produced a random list of 101 names out of 407 total 1993 enrollees. 40 of the 101 records were discarded on the basis of an inadequate "pre-" payment cycle; thus the total sample eligibility is 61. This is consistent with the formula used in the June 1993 study.

Because state or federal tax intercepts cannot be considered a voluntary payment, both were deleted from each payment history. Six counties were able to distinguish the tax intercepts when submitting data. DHSS staff calculated the tax intercept totals for the other three counties using a DES Bureau of Child Support report.

County Profiles

DANE COUNTY

Participants: 94

	Average Payment	Payers
Pre _____	\$105	96 (98%)
Post _____	\$506	61 (65%)
Percent Change _____	+382%	+69%

FOND DU LAC COUNTY

Participants: 64

	Average Payment	Payers
Pre _____	\$99.21	22 (34%)
Post _____	\$310.70	47 (73%)
Percent Change _____	+213%	+114%

RACINE COUNTY

Participants: 61 (Note - this is a sample)

	Average Payment	Payers
Pre _____	\$179.25	32 (53%)
Post _____	\$285.81	48 (79%)
Percent Change _____	+60%	+50%

WAUKESHA COUNTY

Participants: 49

	Average Payment	Payers
Pre _____	\$323.54	32 (65%)
Post _____	\$984.20	47 (96%)
Percent Change _____	+204%	+47%

WAUPACA COUNTY

Participants: 22

	Average Payment	Payers
Pre _____	\$281.64	6 (27%)
Post _____	\$510.12	10 (46%)
Percent Change _____	+81%	+67%

OUTAGAMIE COUNTY

Participants: 16

	Average Payment	Payers
Pre _____	\$115.95	5 (31%)
Post _____	\$200.87	11 (69%)
Percent Change _____	+73%	+120%

SHAWANO COUNTY

Participants: 16

	Average Payment	Payers
Pre _____	\$314.84	12 (75%)
Post _____	\$454.28	15 (94%)
Percent Change _____	+44%	+25%

DUNN COUNTY

Participants: 3

	Average Payment	Payers
Pre _____	\$25	1 (N/A)
Post _____	\$199.66	2 (N/A)
Percent Change _____	(N/A)	(N/A)

FLORENCE COUNTY

Participants: 1

	Average Payment	Payers
Pre _____	\$0	0 (N/A)
Post _____	\$105.46	1 (N/A)
Percent Change _____	(N/A)	(N/A)

Cost-Benefit Analysis ---

The cost-benefit of Children First is positively reflected in the county summaries. Counties are funded at \$200 or actual costs (if less) per participant annually. Thus, the state would have provided a maximum \$65,200 for the 326 participants in this report's total population.

The net increase in payments for these participants was \$91,950.36 in the first six months after enrollment — \$26,750 more than the cost of the program within a half year.

These benefits are compounded by the fund disregard policy, which allows the AFDC custodial parents to keep \$50 each month support is collected. This serves as a catalyst for compliance. The increased child support collection plays a significant role in offsetting AFDC payments.

Comparison to June 1993 Report

A June 1993 report was conducted on the Racine and Fond du Lac programs. The results indicate a similar increase in payment activity.

RACINE COUNTY

	Participants	Average Payment	Payers
1992	72	\$107.11 pre	29 pre
		\$360.89 post	53 post
		+237%	+83%
1993	61	\$179.25 pre	32 pre
		\$285.81 post	48 post
		+60%	+50%

While Racine's payment totals increased again in 1993, it was at a lower rate than in 1992. The explanation for this difference is not apparent in the data studied in this report. Since Racine is the only county whereby all participants are not counted, the sample population used in both years may not offer a perfect comparison.

FOND DU LAC COUNTY

	Participants	Ave. Payment	Payers
1992	55	\$206.43 pre	30 pre
		\$392.50 post	41 post
		+61%	+37%
1993	64	\$99.21 pre	22 pre
		\$310.70 post	47 post
		+213%	+114%

Fond du Lac experienced a greater rate of improvement in 1993 versus 1992. This is due in part to their new policy of accepting "arrears only" cases in 1993. Previous policy allowed for participants to be enrolled without serious delinquency.

Since all the 1993 participants were all delinquent in payments, the "pre" totals are expectedly lower. The average "post" payments were approximately the same as 1992, but the rate of increase improved significantly due to the lower point of comparison.

Participant Profiles

To best understand the impact of Children First, it is meaningful to add anecdotal as well as quantitative analysis. As such, the following are two profiles of program participants (names are protected for confidentiality).

John

"John" is a resident of Waukesha County with a history of medical problems that has resulted in an unsteady record of employment. He was found in contempt of court for failure to make his child support payments, and referred to the Children First program.

The Children First staff helped "John" get back into the workforce, but his problems persisted. Whenever a job would get too stressful, his physical ailments would recur and force him to look for a new job.

Thanks to Children First, this pattern has been changed for the better. His caseworker patiently and persistently found jobs in the agency's Job Book and set up interviews. Once on the job, "John" would call his caseworker and talk through his problems sometimes for up to an hour.

This gave "John" the confidence and problem-solving skills he needed. He is now securely employed in a field related to his background as an electrician. As a matter of fact, a machine he helped the company develop was recently sold for over a half million dollars.

"John" is current in his child support payments and credits the Children First program, specifically his caseworker, with his success.

Darryl

"Darryl" is a young man who fathered a child while he was very young. Too young to take responsibility, he thought. But Racine County informed him that he didn't have the option to not contribute.

He was instructed to take job training through the Children First program or to begin paying child support. "Darryl" reluctantly obliged and then a strange thing happened. He felt surprisingly good about taking some responsibility and expressed interest in visiting his child.

Now, he is making plans to work things out with the child's mother and beginning to play a significant role in his child's life.

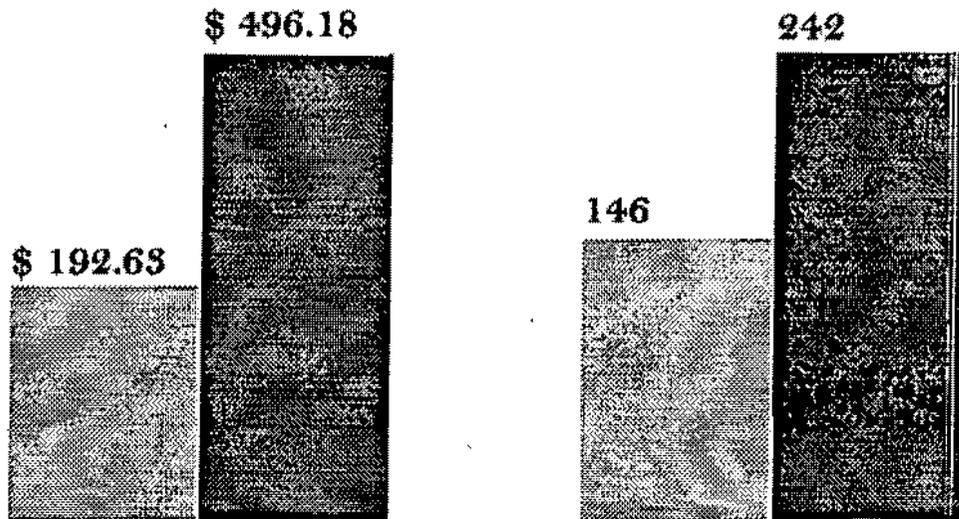
All Children First stories are not successful. Numerous parents stop making payments when the immediate threat of jail is lifted. Others chose to take punishment from the courts rather than taking responsibility for their children. And still others try unsuccessfully to provide for the financial security of their children.

But it is evident that Children First has been part of the solution. Both by its threat of sanction and its opening doors to job opportunity, more non-custodial parents are assuming responsibility for their children.

Children First Program Statewide

(Data Collected Between 7/1/92 and 6/30/94)

Total Participants: 326



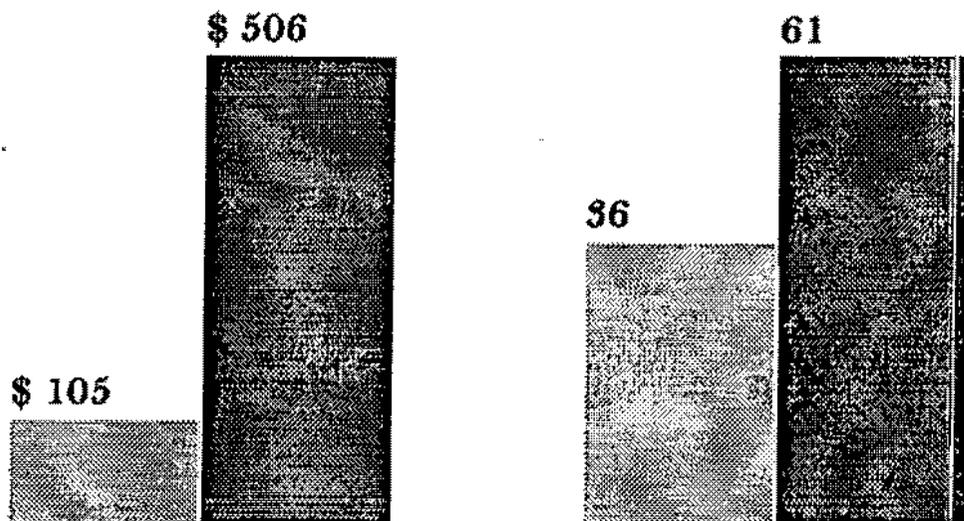
Average Payments Comparing
the Six Month Period Before/
After Enrollment

Number of Non Custodial
Parent Payers Comparing the
Six Month Period Before/
After Enrollment

Children First Program Dane County

(Data Collected Between 7/1/92 and 6/30/94)

Total Participants: 94



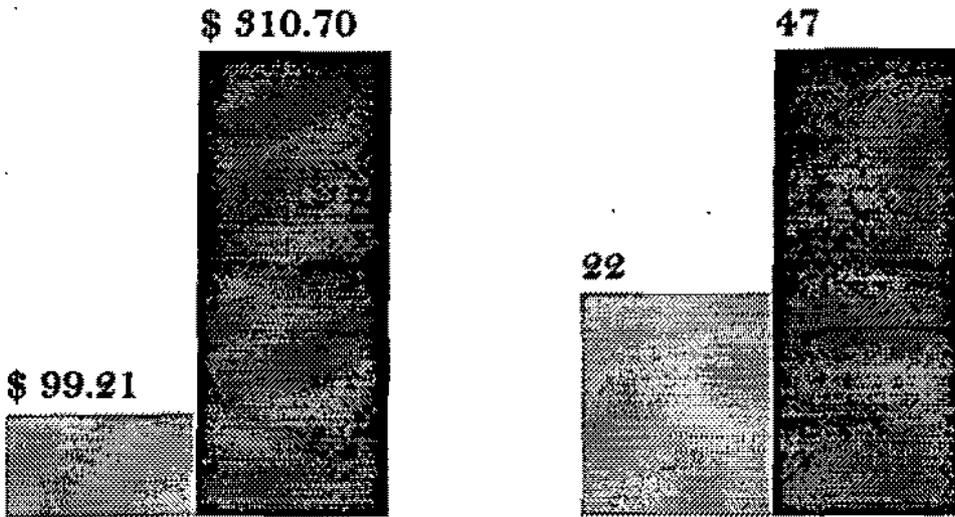
Average Payments Comparing
the Six Month Period Before/
After Enrollment

Number of Non Custodial
Parent Payers Comparing the
Six Month Period Before/
After Enrollment

Children First Program Fond du Lac County

(Data Collected Between 7/1/92 and 6/30/94)

Total Participants: 64



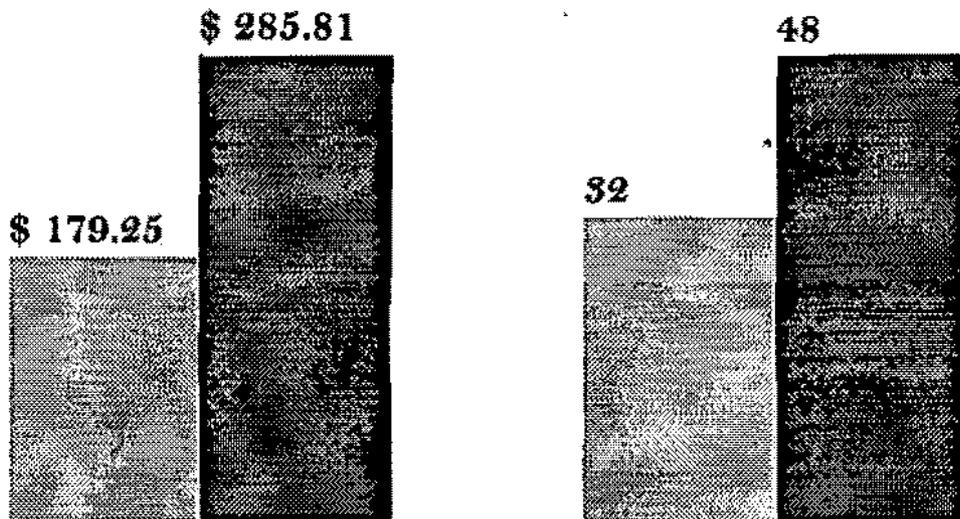
Average Payments Comparing the Six Month Period Before/ After Enrollment

Number of Non Custodial Parent Payers Comparing the Six Month Period Before/ After Enrollment

Children First Program Racine County

(Data Collected Between 7/1/92 and 6/30/94)

Total Participants: 61 (note: this is a sample)



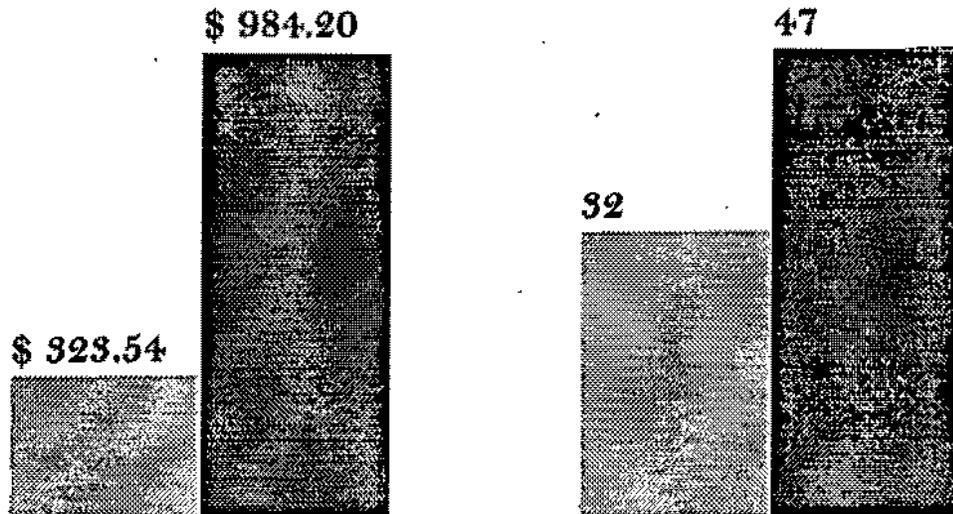
Average Payments Comparing the Six Month Period Before/ After Enrollment

Number of Non Custodial Parent Payers Comparing the Six Month Period Before/ After Enrollment

Children First Program Waukesha County

(Data Collected Between 7/1/92 and 6/30/94)

Total Participants: 49



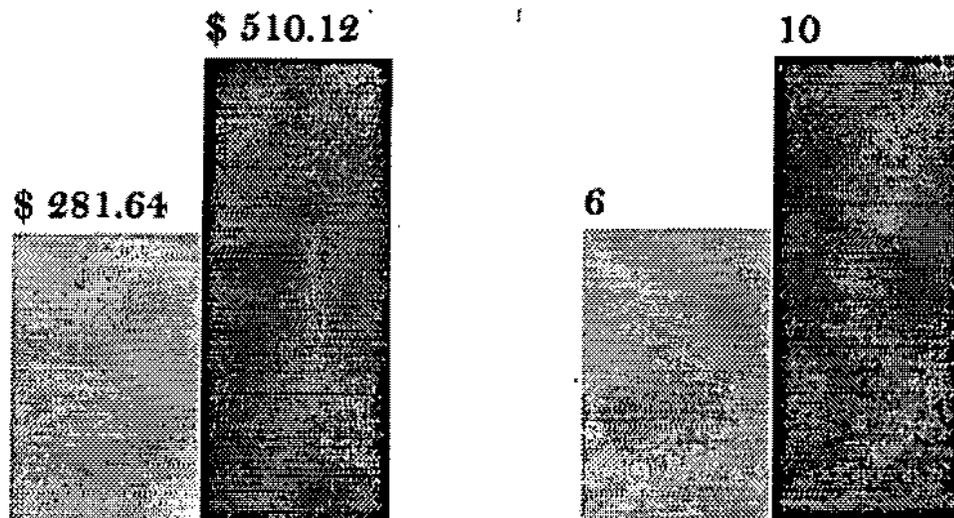
Average Payments Comparing the Six Month Period Before/ After Enrollment

Number of Non Custodial Parent Payers Comparing the Six Month Period Before/ After Enrollment

Children First Program Waupaca County

(Data Collected Between 7/1/92 and 6/30/94)

Total Participants: 22



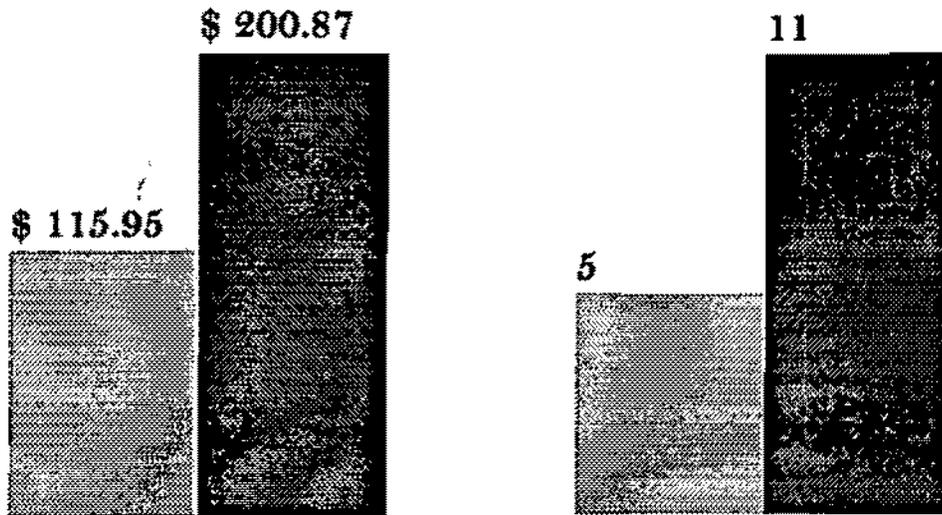
Average Payments Comparing the Six Month Period Before/ After Enrollment

Number of Non Custodial Parent Payers Comparing the Six Month Period Before/ After Enrollment

Children First Program Outagamie County

(Data Collected Between 7/1/92 and 6/30/94)

Total Participants: 16



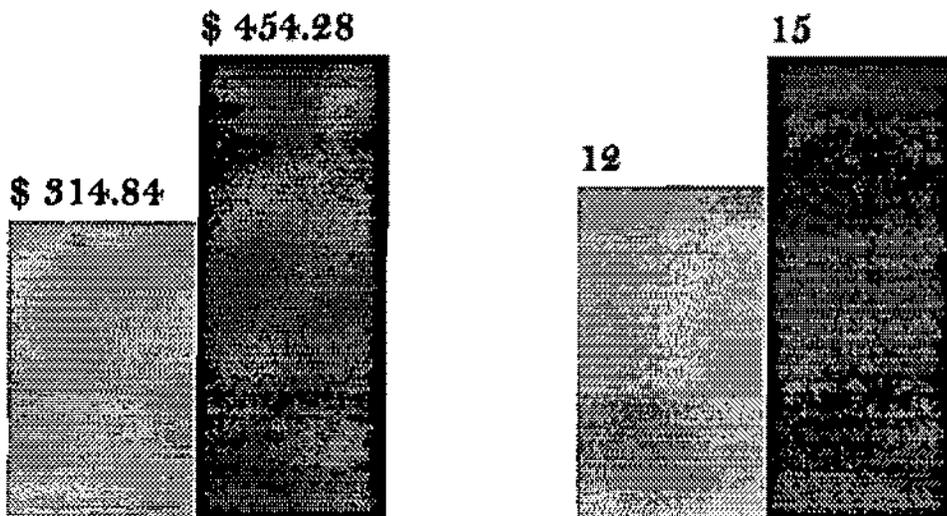
Average Payments Comparing the Six Month Period Before/After Enrollment

Number of Non-Custodial Parent Payers Comparing the Six Month Period Before/After Enrollment

Children First Program Shawano County

(Data Collected Between 7/1/92 and 6/30/94)

Total Participants: 16



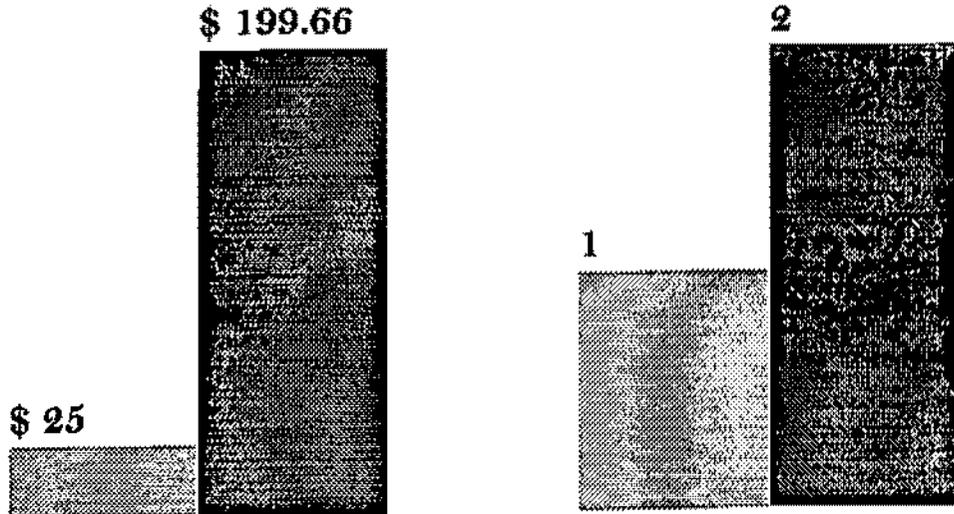
Average Payments Comparing the Six Month Period Before/After Enrollment

Number of Non-Custodial Parent Payers Comparing the Six Month Period Before/After Enrollment

Children First Program Dunn County

(Data Collected Between 7/1/92 and 6/30/94)

Total Participants: 3



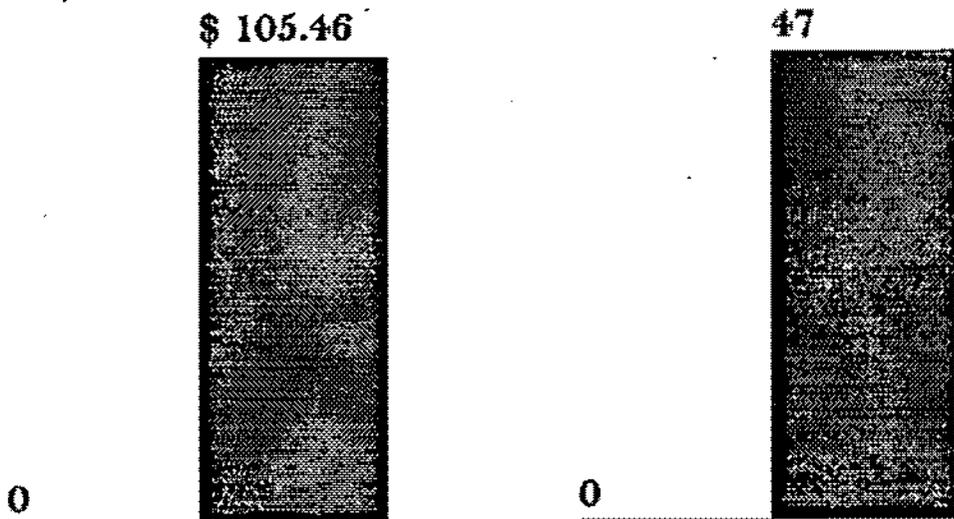
Average Payments Comparing the Six Month Period Before/ After Enrollment

Number of Non Custodial Parent Payers Comparing the Six Month Period Before/ After Enrollment

Children First Program Florence County

(Data Collected Between 7/1/92 and 6/30/94)

Total Participants: 1



Average Payments Comparing the Six Month Period Before/ After Enrollment

Number of Non Custodial Parent Payers Comparing the Six Month Period Before/ After Enrollment

Milwaukee Sentinel

Inside

- Clinton: Dole defends commander in chief / 2A
- Transplant: Crosby, Stills and Nash member gets new liver / 15A
- Christmas cookies: Holiday baking season is here / 1C
- Sports Monday
 - UW hoop starters shine / 10B
 - Wave shows its power / 11B



Sales adapt to '90s
New approaches needed Monday Business

MONDAY MORNING NOVEMBER 21, 1994

★ ★ EDITION

UW fans catch bowl fever again

Ticket demand high for game in Tampa

By KATHY KHANG
Sentinel staff writer

It's not Pasadena and it's not the Rose Bowl, but Badger fans seemed eager Sunday to spend their New Year's holiday in Tampa with the Hall of Fame Bowl.

Fans trying to land tickets to UW's second consecutive bowl appearance hit the phones early and often Sunday morning, less than a day after the Badgers secured the bid with a 19-13 victory over Illinois.

An operator on one of the eight phone lines at the University of Wisconsin — Madison ticket office said phones were ringing non-stop from 10 a.m. to late afternoon Sunday.

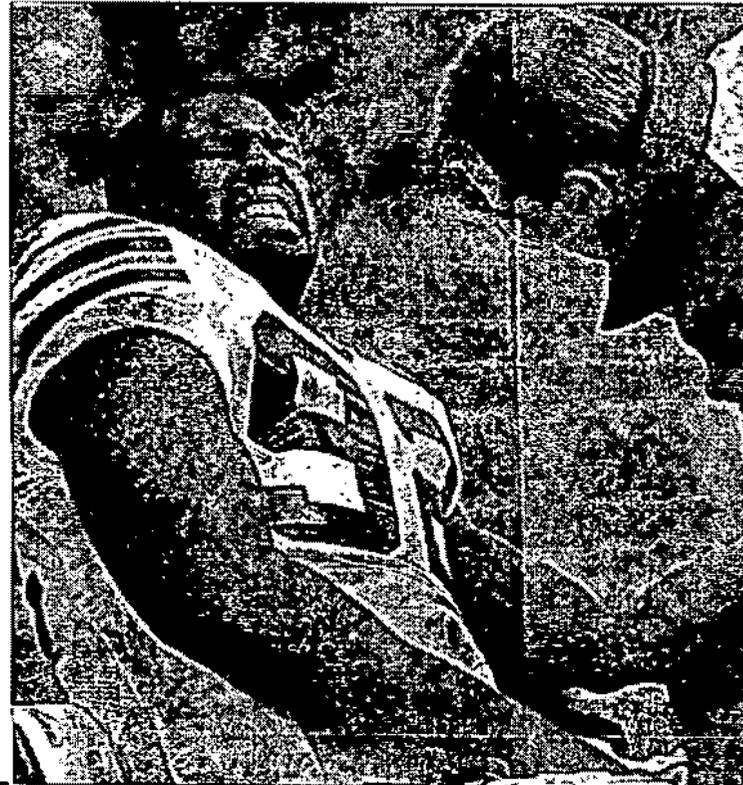
Vince Sweeney, UW athletics marketing director, said it will take two days before officials can determine actual ticket demand, however.

That enthusiasm seemed to be matched by the excitement Hall of Fame officials showed in landing the Badgers for the Jan. 2 game



3B
Hofmann
Badgers won over adversity

Pack's painful day



Payouts by deadbeat dads soar

Pilot program is 'a winner'

By AMY RINARD
Sentinel Madison Bureau

Madison — A tough state child-support enforcement program has increased payments by more than 150% in the nine counties where it took effect last year, state officials said.

The program, called Children First, is now operating in 23 counties. Last year it was implemented in Racine, Fond du Lac, Dane, Dunn, Florence, Outagamie, Shawano, Waukesha and Waupaca counties.

This year, the counties of Burnett, Grant, Kenosha, Kewaunee, LaSalle, Manitowish, Marinette, Marquette, Oconto, Price, Rusk,

Sawyer, Vilas and Washburn adopted the program.

Children First requires non-custodial parents who are delinquent in their child-support payments to pay up, participate in a 16-week, unpaid work experience program or face imprisonment.

In Wisconsin, 85% of non-custodial parents are men.

A study of the 326 parents in the nine counties who entered the program last year showed that the number of them making payments increased 66%, and the average amount of payments increased 158%.

See Support / 8A

Arafat frees 31 prisoners

RESERVATION PHOTOCOPI

Milwaukee Sentinel

WR-Wisc

AUGUST 29, 1994

Clinton stays out of 2-tier welfare fight

Lack of federal support is cop-out, Whitburn says

By AMY RINARD
Sentinel Madison Bureau

Madison — The federal government will not help the state defend against an expected legal challenge to the two-tier welfare experiment, the state's top welfare official said Sunday.

Gerald Whitburn, secretary of the State Department of Health and Social Services, said he was disappointed but not surprised by the Clinton administration's decision to steer clear of the constitutional challenge to the two-tier test.

"For a president who got elected saying he would end welfare as we know it, this is quite a cop-out," said Whitburn, a top adviser to Gov. Tommy G. Thompson and architect of Thompson's welfare reform initiatives.

"They're once again caving in to pressure from the left."

Federal waivers needed to implement the two-tier test were granted during the term of Republican President George Bush, a friend and political ally of Thompson.

The test went into effect July 1 in Milwaukee, Racine, Kenosha and Rock counties.

Under two-tier, new residents of Wisconsin who apply for Aid to Families with Dependent Children, a welfare program funded jointly by the state and federal governments, are paid benefits equal to those paid by their home states.

The home state benefits are paid for six months even if they are higher than Wisconsin's AFDC benefits.

Only 10 states have benefits higher than Wisconsin's. The test is designed to determine whether Wisconsin, with its relatively high level of benefits, is a welfare magnet attracting poor people here from other states.

Legal Action of Wisconsin, a

federally funded organization that represents low-income people in civil litigation, served notice on both the state and federal governments two weeks ago that it would sue to stop two-tier.

The organization previously succeeded in obtaining a court order halting Learnfare in Milwaukee for many months until a settlement was worked out.

Legal Action lawyers say the two-tier test is unconstitutional because it hinders the freedom of the poor to travel and move to other states, thus infringing on the equal protection clause of the U.S. Constitution.

In a letter to Whitburn, Mary Jo Bane, assistant secretary of the U.S. Department of Health and Human Services, hinted that the department also may have questions on the constitutional soundness of two-tier.

The one-paragraph letter informs Whitburn that the department will not help the state in any legal challenge to the two-tier test in light of a 1994 California case in which a similar welfare test was ruled unconstitutional and the "long line of constitutionally-based decisions on which it is premised."

"It's sad, but President Clinton is taking a pass on defending the two-tier initiative in Wisconsin," Whitburn said.

He said the decision "clearly calls into question" the Clinton administration's commitment to welfare reform and state experimentation with reforms.

Thompson has gained national attention for his welfare reform initiatives and is thought by many to be considering seeking national office based on that national reputation.

Whitburn said the Thompson administration is prepared to defend two-tier against any court challenge.

"The people of Wisconsin want this and we will fight to defend it," he said.

Administration lawyers believe the experiment meets constitutional tests and that Wisconsin's two-tier program is different in key areas from the California test, Whitburn said.



Whitburn

Hudson Institute

WR - Wisc.

Leslie Lenkowsky
President

July 13, 1994

The Honorable Bruce Reed
Deputy Assistant to the President
Domestic Policy Council
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20506

Dear Bruce:

Enclosed is a copy of the announcement of our project on welfare reform in Wisconsin, along with a copy of the project's proposal. As you may recall, we will be working with the Thompson administration and the legislature to help them re-design the state's public assistance program, as required by the sunset legislation enacted last year.

If you wish, our project director, Anna Kondratas, and I would be delighted to come by the White House to brief you and other members of the Welfare Reform Task Force about what we will be doing.

Sincerely,



Leslie Lenkowsky
President

LL:jrs

cc: Paul Dimond

Enclosures

Herman Kahn Center
P.O. Box 26-919, Indianapolis, Indiana 46226
317-545-1000 • FAX 317-545-9639

Hudson Institute

HUDSON INSTITUTE BEGINS WELFARE REFORM PROJECT IN WISCONSIN

Contact Peter Pitts, (317) 545-1702

July 12, 1994, INDIANAPOLIS. Hudson Institute today announced a major privately funded research study on the future of welfare policy in Wisconsin. Hudson will work in conjunction with the welfare reform efforts currently under way in the state.

The Wisconsin legislature passed a "sunset" law in December 1993, mandating that welfare, as it currently exists in the state, end December 31, 1998 and that a new system be put in its place. A leading innovator in national welfare reform, Wisconsin will implement "Work not Welfare" (a two-years-and-out program), "LearnFare" (requiring children of welfare parents to stay in school), an aggressive child support program called "Children First," and has streamlined welfare-fraud enforcement.

During the next year and a half, Hudson project staff will study relevant social service data and welfare initiatives from across the country (as well as in Wisconsin), gather and analyze the information, and prepare a series of operational policy options for the state of Wisconsin to consider in replacing its current welfare system.

Hudson's project director will be Anna Kondratas, former Assistant Secretary for Community Planning and Development at the Department of Housing and Urban Development, and Executive Director of the National Commission on America's Urban Families. Other Hudson staff includes John C. Weicher, former HUD Assistant Secretary for Policy Development and Research, and Sally Kilgore, a senior researcher on education policy and Director of the Modern Red Schoolhouse project.

Herman Kahn Center
P.O. Box 26-919, Indianapolis, Indiana 46226
317-545-1000 • FAX 317-545-9639

"No state has ever undertaken the complete overhaul of its welfare system," said Wisconsin Secretary of Health & Social Services Gerald Whitburn. "We're delighted to have this opportunity to work with the Hudson Institute on this important effort."

The Hudson study is funded by the Lynde & Harry Bradley Foundation, the Charles Stewart Mott Foundation, and the Annie E. Casey Foundation. Other sources of private funding are pending.

Hudson Institute President Leslie Lenkowsky, a nationally recognized expert in social program reform, will take an active role in the development and field work stages of this project.

"We expect our work to yield two important results," said Dr. Lenkowsky, "recommendations for a new and better Wisconsin welfare system, and a detailed and operational plan for other states -- in the best Hudson tradition of research designed for a better future. It's an exciting project."

Founded in 1961 by the late Herman Kahn, Hudson Institute helps shape the future through research designed to anticipate the political, economic, and cultural trends critical to the success of U.S. public policy and business today and into the 21st century.

REINVENTING WELFARE IN WISCONSIN

March 14, 1994

Hudson Institute

Herman Kahn Center • P.O. Box 26-919 • Indianapolis, Indiana 46226 • 317-545-1000 • FAX: 317-545-9639

REINVENTING WELFARE IN WISCONSIN

A Proposal for Research by

Hudson Institute

BACKGROUND

Wisconsin is a state which has been in the forefront of welfare reform in recent years. The Family Support Act of 1988 expanded the leeway granted to states to reform their welfare systems by requesting waivers from the Federal government for various experiments. Critics have called such an approach "tinkering," because the basic premises and structure of AFDC are not altered. Changes come only at the margin. Regardless, Wisconsin's "tinkering" has been inspired and the results have been impressive.

Since 1987, when Governor Tommy Thompson took office, welfare caseloads have been reduced by over 15 percent, even though they have been rising nationally. Requiring AFDC teens to attend school regularly (Learnfare), extended health care for those leaving the AFDC rolls, comprehensive employment and training programs and other incentives to take jobs have all contributed to Wisconsin's success. Soon, Wisconsin will begin an experiment with time-limited welfare in several counties. While this concept is still at the discussion stage at the national level, able-bodied recipients in parts of Wisconsin will be required to work in exchange for their benefits and not allowed to collect benefits for longer than two years.

In addition to approving this program, called "Work, Not Welfare," Wisconsin's legislature proposed scrapping and replacing the current welfare system with an entirely new program by 1999. Governor Thompson accepted the challenge and signed this "sunset" provision into law. To fulfill this mandate, legislation creating the new system would have to be introduced in the state legislature in 1995. Consequently, Wisconsin's human services officials clearly have a major research and development effort ahead of them in the coming year. Moreover, the legislature has appropriated no money to help them do it.

THE HUDSON INSTITUTE STUDY

Shortly after the "sunset" provision became law, Hudson Institute wrote state officials, proposing to assist their efforts to design a new program. With the full cooperation of the state, Hudson would take an independent look at the Wisconsin welfare system and prospects for reform.

For over thirty years, Hudson has specialized in "hands-on" projects, taking ideas from theory into practice. It is experienced in dealing with implementation and financing issues, as well as developing research-driven ideas about what works. The goal of its efforts in Wisconsin would be to provide, within parameters determined in consultation with state officials, a feasible design for a new welfare system based on "state-of-the-art" research and grounded in political and economic realities. Financial support for this work would be sought from foundations, corporations, and other private sources.

The final product of the Hudson study would be a set of options for state officials. With the state and Hudson working independently, but closely, throughout the project, Hudson's contribution would complement the state's own efforts.

PROJECT TASKS AND SCHEDULE

Upon commencement of the project (May - June, 1994), Hudson researchers would work with designated state human resources officials and staff to analyze Wisconsin's caseload and the preliminary results of reforms to date. Concurrently, Hudson would begin intensive internal work to review the current literature, analyze the state of reform nationally, and lay the conceptual groundwork for Wisconsin's overhaul. This would include in-house "brainstorming" sessions with Hudson's full project team, as well as with other experts.

A variety of issues will be explored during this period. For example, we will take a close look at what has happened to former welfare recipients in states and cities that have curtailed, or substantially limited their public assistance programs. We will also examine the respective roles and records of the public and private sectors in job-training and job-creation programs, as well as in related social services, education, housing and transportation programs. For some time, welfare experts have emphasized the social, demographic, and geographic differences among welfare recipients; we will review this work with a view toward answering the question of whether or not it is useful to expect that one kind of program will "fit all." Not least important, we will seek to find workable solutions to the vexing challenges presented by teenage pregnancy (and single parenting generally), geared both toward reducing their incidence and helping those involved -- including the children -- achieve more fulfilling lives.

In the near future, state officials will begin a series of public meetings on welfare policy. Hudson will observe these closely to provide the state complementary information as soon as

possible. It will also analyze the record of all such public meetings throughout the life of the project to identify and evaluate common themes, concerns and original ideas. To facilitate ongoing interaction with state officials and other Wisconsin players, Hudson will establish a one-person Madison office during the duration of the project. The specific issues the project will address will grow out of this process, as well as from Hudson's research and surveys of national activities.

Based on our preliminary groundwork, Hudson would organize a two-to-three-day meeting with Wisconsin officials. At the meeting, we would present our analysis of Wisconsin's system and its potential, and a review of other relevant developments around the country, to bring to Wisconsin the best available information about welfare reform opportunities. We would leave significant time to receive reaction, information and guidance from Wisconsin participants at this meeting.

In addition to representation from the Wisconsin Department of Health and Social Services (which should include not only the Economic Support team, but also representatives from such areas as Community Services, Vocational Rehabilitation and the Adolescent Pregnancy Prevention Board), we would envision the participation of the Department of Public Instruction, Department of Industry, Labor, and Human Relations, Department of Transportation, and the Wisconsin Housing and Economic Development Authority. This list of participants is not necessarily comprehensive and would be developed in conjunction with the Department of Health and Social Services.

The reason for having such a wide group of agencies involved is to take advantage of the opportunity the "sunset" provision offers to think more broadly about the problems of welfare policy. Instead of confining ourselves to examining AFDC and related programs, we will look comprehensively at affecting the conditions that give rise to the growth in welfare rolls. Work programs and programs designed to change the lifestyles and expectations of those on welfare can only have limited results if persons are already on welfare before they commence.

Policymakers from both "liberal" and "conservative" backgrounds are increasingly finding common ground in recognizing the need to deal with the personal, social, and economic factors that help create welfare dependency. Some of the breakthroughs in local programs and national experiments have come about as a result of recognizing the importance of family and community support, of grass-roots activism and civic participation (fostering community-based solutions), and of "empowerment" strategies. While empowerment may be an imprecise term, the concept reflects the fact that self-sufficiency can only result when persons are both

motivated and have the necessary skills to enter the work force, and only when they are allowed to save and invest for the future. Hence, the recent policy emphasis on asset-based welfare reform (to use Michael Sherraden's term), microenterprise and other economic development approaches, on public-private partnerships including those with community and religious groups for service delivery, on more responsive service delivery through interagency cooperation (e.g., one-stop shopping), and other such innovations.

A major challenge of this project will be to take these concepts, examine their feasibility for conditions in Wisconsin, and determine how public policy might most usefully embrace them. Among other tasks, this will require addressing the incentives created by a wide range of existing welfare and human resources programs, the bureaucratic cultures to which they have given rise, and the kinds of responses they have produced among recipients, employers, and communities. With the opportunity to look at all this anew, in the light of today's circumstances, not those of 1935, when the first parts of our welfare system began to go into place, we can anticipate the possibility of identifying alternatives that are major breakthroughs, akin to those that are producing a restructuring of American industry and capable of obtaining widespread support. At the same time, these will have to be tempered by the realities of both the Wisconsin political and economic environment and the overlay of national rules and legal precedents governing welfare in the United States.

Outcomes of these meetings should include a meshing of Wisconsin and Hudson perspectives on welfare reform and the beginnings of a conceptualization of a post-welfare assistance system that would cut across current service structures and organizations. In operational terms, we will come from the meeting with a better definition of "what is on the table" and which specific avenues to explore further as the potential core of the future Wisconsin welfare system.

During the next period, the Hudson team will continue fact-finding, focussing on Wisconsin communities rather than the national scene. This would include meetings with legislators and local governments, as well as recipients and community organizations. In addition, further conceptualization of the new system would proceed apace, with frequent interaction with Wisconsin officials from all relevant state agencies as well as national welfare reform experts (primarily, but not exclusively, those in Washington, D.C. who are involved in policy development, implementation and program evaluation). Hudson would continue monitoring national developments, as well as participating in (and assessing the record of) public meetings held by the state.

During this period, the Hudson team would move from basic principles to analyzing details and fleshing them out, evaluating implications, and doing some preliminary costing. At this point, Hudson would prepare a progress report, describing the essential framework for a possible new system.

State officials would then review Draft I of the Hudson report and offer their comments and suggestions for changes or expansion. Afterwards, the Hudson team would review its activities underway or already completed, and repeat those parts of the process needed to move system development in the appropriate direction, as well as strengthen the analytic substance of the report. Draft II will result from this process.

Thereafter, the Hudson Institute would organize community outreach efforts, primarily through meetings and panel discussions in Madison, Milwaukee and in 4 - 6 other communities throughout the state. We would ask participants -- a mix of community leaders, welfare recipients and poor non-recipients, service providers and local experts -- to react to our preliminary proposal and recommendations. We would also solicit informal critiques by other welfare experts and administrators. Not least important, in order to assess the feasibility of getting federal waivers or legislation to implement the type of system we would recommend, we would ask for reactions from Washington policymakers.

Midway through this process, we would again meet formally with Wisconsin officials to make sure Hudson's developing options were consistent with the state's own program development efforts.

The final product, which we expect to deliver no later than June, 1995, would be a set of recommendations and options for the State of Wisconsin, with descriptive detail, costing, and feasibility analysis.

Finally, we would assist state officials in translating our combined efforts into legislative language, begin working on obtaining federal concurrence, and initiate the legislative process. During this phase, the Hudson Institute will provide supportive services as requested by state officials and will participate in the legislative process as needed.

HUDSON INSTITUTE PROJECT PARTICIPANTS

Anna Kondratas, Director -- Hudson Senior Fellow, former Assistant Secretary at the U.S. Department of Housing and Urban Development, and former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture. Expert on welfare reform, poverty, homelessness and community development.

Experience in program development, implementation and administration as well as in interagency and intergovernmental cooperative efforts.

Deborah Daniels -- Hudson Adjunct Fellow, former U.S. Attorney for Indiana and national director of the "Weed and Seed" program. Expert on child support enforcement and neighborhood development.

Wade Horn -- Hudson Adjunct Fellow, former Administrator, Bureau of Children, Youth and Families, U.S. Department of Health and Human Services and national director of Headstart program. Expert on child development and family services.

Sally Kilgore -- Hudson Senior Fellow, former Director of the Office of Research, U.S. Department of Education. Expert on education for the disadvantaged.

Leslie Lenkowsky -- President of Hudson Institute, former consultant to Senator Daniel Patrick Moynihan. Expert on welfare reform.

Arnold Packer -- Hudson Adjunct Fellow, former Assistant Secretary, U.S. Department of Labor and director of the SCANS Commission. Expert on employment and job-training programs for welfare recipients.

John Weicher -- Hudson Senior Fellow, former Assistant Secretary, U.S. Department of Housing and Urban Development, former Chief Economist, U.S. Office of Management and Budget. Expert on housing policy, urban poverty, social program expenditures and cost analysis.

David Weinschrott -- Hudson Research Fellow, former RAND staff member and consultant to state and local agencies. Expert on Medicaid, health economics and teen pregnancy.

Robert Woodson -- President, National Center for Neighborhood Enterprise. Expert on community empowerment, programs for welfare "fathers."

The above staff, in addition to participating in project conceptualization and design and interacting with their counterparts in Wisconsin organizations as needed, may also be requested to lead "cluster groups" for specific issues to the extent that the program design developed by Hudson will require detailed reform in the areas of their respective expertise. In addition to the core Hudson group, there will be research assistants and support staff, as well as a deputy in charge of the Madison office.

The project director and support staff will be based in Washington, D.C. Other key staff will be in Indianapolis and Madison.

attached.

WADE F. HORN
Adjunct Fellow
Hudson Institute

Wade F. Horn, Ph.D., is the Director of the National Fatherhood Initiative (NFI), a national non-profit, tax-exempt organization, the goal of which is to address the issue of fatherlessness in America and its impact on children by reconnecting men to the ideal of fatherhood and male responsibility.

From 1989-1993, Dr. Horn was the Commissioner for Children, Youth and Families and Chief of the Children's Bureau within the U.S. Department of Health and Human Services. Dr. Horn also served as a presidential appointee to the National Commission on Children from 1990 until 1993.

Prior to these appointments, Dr. Horn was the Director of Outpatient Psychological Services at Children's Hospital National Medical Center in Washington, D.C., and an Associate Professor of Psychiatry and Behavioral Sciences at George Washington University.

Dr. Horn is also currently an adjunct faculty member in the School of Public Policy at Georgetown University in Washington, D.C., an affiliate scholar with the Institute for American Values headquartered in New York City, and an Adjunct Fellow with the Hudson Institute in Indianapolis, Indiana.

Dr. Horn received his Ph.D. in child clinical psychology from Southern Illinois University in 1981.

SALLY B. KILGORE
Senior Research Fellow
Director, Education Policy Studies
Hudson Institute

Sally Kilgore is a senior research fellow at Hudson Institute in Indianapolis, where she serves as director of education policy studies. She is also co-director, with Denis P. Doyle, of The Modern Red Schoolhouse, Hudson's school-reform project for the New American Schools Development Corporation.

Dr. Kilgore has published extensively on the organization of schooling and achievement. Her recent work focuses on science and mathematics in secondary schools. Dr. Kilgore's work has appeared in leading scholarly journals, including the *American Sociological Review*, *Harvard Education Review*, and *Sociology of Education*. In the early 1980's, she co-authored the controversial work *High School Achievement* with Thomas Hoffer and the noted scholar James S. Coleman.

Dr. Kilgore currently serves on the editorial board of the *American Education Research Journal* and is co-editing a series on *New Directions in Sociology* for Ablex Publishing. She has served on numerous national advisory boards on education. Her current advisory board appointments include the Center for Urban Education Research at the University of Illinois at Chicago and the Center for Education Statistics at the U.S. Department of Education.

Between 1986 and 1988, Dr. Kilgore served as Director of the Office of Research for the U.S. Department of Education. Her other administrative roles have included co-principal investigator of a National Science Foundation study of mathematics and science achievement and associate vice-president for research and advanced studies at the University of Cincinnati where she served before coming to Hudson Institute.

Dr. Kilgore served on the faculties of Emory University, University of Cincinnati, and Huston-Tillotson College, where she was chairman of the sociology department.

Dr. Kilgore holds a Ph.D. in sociology from the University of Chicago, an M.A. in sociology from Tufts University, and a B.A. in sociology and history from Baylor University.

ANNA KONDRATAS
Senior Fellow
Hudson Institute

Anna Kondratas is a Senior Fellow at Hudson Institute's Washington, DC office. She contributes to the Hungarian-American Enterprise Fund's social welfare project, as well as to Baltic projects. She also works on poverty, welfare, and urban issues.

Before joining Hudson, Ms. Kondratas served as executive director of the National Commission on America's Urban Families at the U.S. Department of Health and Human Services. From 1989 to Spring 1992, she was assistant secretary for community planning and development at the U.S. Department of Housing and Urban Development. In that position she oversaw multi-billion dollar grant and loan guarantee programs to promote economic development and assist low- and moderate-income Americans in the states and communities. She was Secretary Jack Kemp's principal advisor on homelessness and poverty issues and represented the Department on the Domestic Policy Council's Economic Empowerment Task Force and the Interagency Council on the Homeless. She also represented Secretary Kemp on the Board of the Neighborhood Reinvestment Corporation. From 1986-89, Ms. Kondratas was with the U.S. Department of Agriculture's Food and Nutrition Service, where she served as administrator from 1987-1989, responsible for the food stamp, school lunch, and other federal nutrition programs.

She is co-author, with Stuart Butler, of *Out of the Poverty Trap*, published by Free Press/MacMillan in 1987, as well as numerous articles.

Ms. Kondratas received an M.B.A. in managerial economics from George Mason University and an M.A. in East European history from Boston University. She received her B.A. degree *magna cum laude* in Russian history at Harvard University, where she was elected to Phi Beta Kappa. She has attended Columbia University's School of International Affairs and Russian Institute on a National Defense Foreign Language fellowship and was a Fulbright Fellow in history at the University of Poznan, Poland.

11/92

LESLIE LENKOWSKY

President
Hudson Institute

Dr. Leslie Lenkowsky is President of Hudson Institute in Indianapolis.

For five years before joining Hudson Institute in August 1990, Dr. Lenkowsky was President of the Institute for Educational Affairs in Washington, D.C., a nonprofit organization devoted to encouraging innovative thinking in higher education, philanthropy, and public affairs. He was also an adjunct professor of public policy at Georgetown University.

From 1976 to 1983, Dr. Lenkowsky was director of research at the Smith Richardson Foundation. As chief program officer of the foundation, he was charged with developing, reviewing, and monitoring projects dealing with a wide range of public policy issues, both foreign and domestic. In 1983, Dr. Lenkowsky joined the United States Information Agency where, as deputy director, he was responsible for implementing the Administration's policies through oversight and direction of USIA operations, personnel, and facilities in the United States and abroad.

In 1985, Dr. Lenkowsky was a resident fellow of the American Enterprise Institute for Public Policy Research, where he was responsible for developing a major new project on identifying non-governmental ways of dealing with social policy problems. He has also served as a consultant to Senator Daniel Patrick Moynihan and as an assistant to the secretary of the Pennsylvania Department of Public Welfare.

Dr. Lenkowsky is a graduate of Franklin and Marshall College and holds a Ph.D. from Harvard University. He is the author of *Politics, Economics, and Welfare Reform: The Failure of the Negative Income Tax in Britain and the United States*, among numerous other publications. He is a regular contributor to *The Chronicle of Philanthropy*.

Dr. Lenkowsky is a member of the Board of Directors of the Commission on National and Community Service, an adjunct scholar of the American Enterprise Institute, and a director of the Foreign Policy Research Institute. He also serves on the Board of Advisors for the National Association of Scholars and is Vice Chairman of the Board and Chairman of the Executive Committee for the Madison Center for Educational Affairs. He is a member of the Advisory Board of the Dyslexia Institute of Indiana and a director of Park Tudor School, Indianapolis. He is a director of The Greater Indianapolis Progress Committee, a director of the Economics Club of Indianapolis, and a member of the Board of Trustees of the Bodman and Achelis Foundations in New York City.

JOHN C. WEICHER
Senior Fellow
Hudson Institute

Economist John C. Weicher specializes in housing, urban policy, and federal budget issues. Dr. Weicher, who is also a visiting economist at the Federal Reserve Bank of St. Louis, is based in Hudson's Washington, D.C., office.

From 1989 to 1993, he served as assistant secretary for policy development at the Department of Housing and Urban Development, where he was the principal policy advisor to HUD Secretary Jack Kemp. Dr. Weicher served as chief economist at the U.S. Office of Management and Budget during the Reagan Administration and as chief economist at HUD during the Ford Administration. He has participated in three national housing policy commissions.

Dr. Weicher has held the F. K. Weyerhaeuser Chair in Public Policy Research at the American Enterprise Institute. He is a past-president of the American Real Estate and Urban Economics Association, the major professional association for scholars in real estate, housing, and housing finance.

He is the author or editor of nine books, including *Maintaining the Safety Net: Income Redistribution Programs in the Reagan Administration*. He has also written more than 40 articles on public policy issues. He holds a Ph.D. in economics from the University of Chicago.

JOHN O. NORQUIST
MAYOR



C. Bruce
OFFICE OF THE MAYOR
MILWAUKEE, WISCONSIN

WR-WISC.

May 11, 1994

Ms. Joan Baggitt
Executive Office of the President
White House Offices
1600 Pennsylvania Avenue, NW
Washington, D.C. 20500

Dear Ms. Baggitt:

Thanks for meeting with me last week to talk about welfare and other issues. I felt it was a fruitful discussion and am writing to follow up on one of the major items we discussed.

No one since FDR has done more to help the poor and the cities in which they concentrate than President Clinton. His \$20 billion increase in the Earned Income Tax Credit, his serious efforts to bring the federal budget into balance, and his success in securing ratification of NAFTA and negotiating GATT are just three examples.

Welfare is also a major urban issue. Nothing is more important to cities than getting rid of welfare--and substituting work that pays. I believe that a short discussion between some of the mayors who have most focused on this issue and President Clinton will help the President produce a welfare plan that is both better policy and better politics. In 1996, the President will need to show the voters that he has in fact "ended welfare as we know it." His welfare plan in its current form does not clearly meet that goal. We can help him meet it.

I am writing to request a brief meeting between a few big-city Mayors and President Clinton on the President's plan to "end welfare as we know it" before the President finalizes the details of the plan.

In addition to myself, I believe that Mayor Richard Daley, Mayor Sharpe James, Mayor Edward Rendell, Mayor Michael White, and former Minneapolis Mayor Don Fraser, would constitute a good group to meet with the President.

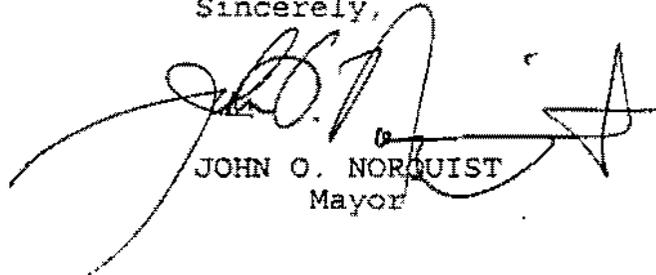
Page 2
May 11, 1994

My purpose in requesting the meeting is to have an opportunity to personally ask President Clinton to consider two changes in his welfare plan:

- (1) That he propose not just a two-year limit on AFDC--but a complete repeal and replacement of the welfare system.
- (2) Alternatively, if he sticks with a two-year limit on AFDC, that states be given broad authority to set a lower limit (e.g., one year, six months, or no AFDC at all) for some or all categories of poor people if the states put in place policies that get the poor out of poverty and that cost the federal government no more.

Thank you for your consideration of this request. I look forward to hearing from you.

Sincerely,

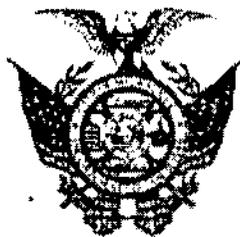


JOHN O. NORQUIST
Mayor

Enclosures

c: Marcia Hale
Bruce Reed
Mack McLarty

JOHN O. NORQUIST
MAYOR



OFFICE OF THE MAYOR
MILWAUKEE, WISCONSIN

For release Wednesday July 26, 1993
Contact Jeff Bentoff, (414) 286-8580; Jeff
Fleming, (414) 286-8531

NATIONAL TASK FORCE CALLS FOR
FUNDAMENTALLY TRANSFORMING WELFARE SYSTEM

Milwaukee Mayor John O. Norquist, chairman of a national task force on family poverty, called for ending the welfare system and substituting new policies rewarding work.

The National League of Cities' Task Force on Federal Policy and Family Poverty, chaired by Norquist, concluded in a new report that "welfare is a failure and should be fundamentally transformed." The report recommended federal policies that would instead make work available and make work pay.

The task force found that the welfare system perpetuates poverty in America.

"To get poor families out of poverty in the United States and to encourage the formation and maintenance of families in this country, we need fundamental change in welfare policy," the task force report said.

Norquist said he was pleased that the National League of Cities' board of directors unanimously accepted the panel's study and recommendations at a recent meeting in Minneapolis.

"Federal policies trap people in poverty," Norquist said. "Work, not welfare, is the way for people to lift themselves out of poverty. The federal government should be encouraging work, not discouraging it."

The recommendations reflect a marked change in attitude by cities in how to fight poverty, Norquist said. Until now, cities generally supported the welfare system or backed "welfare acupuncture" -- merely tinkering with the system, he said.

Minneapolis Mayor Don Fraser, president of the National League of Cities, praised the task force recommendations.

"We agree with the task force that reducing family poverty must be one of the top priorities of the National League of Cities," Fraser said. "Change in the welfare system is essential to the rebuilding of our cities. Much of what we consider to be the crises facing cities reflects the decline of families as the fundamental nurturer of our children."

- MORE -

The task force consists of officials from 14 cities and includes Baltimore Mayor Kurt Schmoke and representatives from Los Angeles, Portland, Tallahassee, Birmingham, Pasadena and Houston.

According to the report:

Welfare should be recognized as a failure and be fundamentally transformed. Poor people want to work. Many people on welfare work illegally. "What kind of crazy system is it that induces people to work to survive -- and then requires them to hide their earnings to stay out of jail?" The poor should be helped by "a system that makes work legal and rewards work effort."

Work should pay. The earned income tax credit should be expanded to the extent needed to get working families out of poverty.

Work should be available. All family heads should have access to full-time work. Community service jobs should be offered but only as a last resort to those who truly cannot find private-sector jobs.

Families should have access to affordable child and health care.

Child support should be absolute. The identity of a child's parents should be established at birth. The financial support of a child should be the automatic responsibility of both parents.

Marriage should be rewarded. There should never be a tax penalty or AFDC penalty for getting or staying married.

The report noted that these principles are the basis for promising local programs currently attracting national attention. Such programs include Milwaukee's New Hope Project, which offers participants help in finding a job, earning supplements that assure that work pays more than the poverty level, health insurance and child care.

The task force criticized several federal policies that "directly create obstacles" to families getting out of poverty. In addition to the welfare system, federal obstacles include subsidies favoring automobile commuting over transit use and the lack of multi-modal access to federal work places and facilities.

The report found that "federal policy is not reducing poverty," and that poverty in the United States is widespread. The poverty rate for young children has increased, with nearly a fourth of American children under 6 living in poverty in 1991.

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NATIONAL LEAGUE OF CITIES

Task Force on Federal Policy and Family Poverty

Report to the NLC Board of Directors

July, 1993

John O. Norquist
Mayor of Milwaukee
Task Force Chair

REPORT OF THE TASK FORCE ON FEDERAL POLICY AND FAMILY POVERTY

OVERVIEW

In January 1993, the NLC officers established the Task Force on Federal Policy and Family Poverty. They asked the Task Force to examine the effects of federal policies on family poverty and to recommend to the Board strategies regarding these matters.

We met on March 7 to develop a focus and direction. We met again on May 20 and 21 to review research findings, to hear presentations from officials engaged in these topics, and to agree on this report.

We are pleased to offer to the NLC Board of Directors the following observations and recommendations.

OBSERVATIONS

Reducing Poverty is of Great Importance and High Priority to America's Cities and Towns

Poverty among children and families, concluded the National Commission on Children, "leads to other social ills....[which] take a dreadful toll on the individuals directly affected and...also impose enormous costs on society." (*Beyond Rhetoric*, 1991, p. 80.) For municipalities, poverty lowers revenues as well as increases costs. Reducing poverty will reduce unnecessary social and individual suffering and will reduce the financial stress on government, including municipalities and including jurisdictions where poverty rates are low.

Poverty also imposes long-term costs, both for the individual and for society and governments. This is especially true of childhood poverty, the consequences of which can be myriad and miserable over a lifetime. The cost of effective early intervention is very small compared to the long-term costs of not intervening.

Why Families are Poor and Shattered in the United States

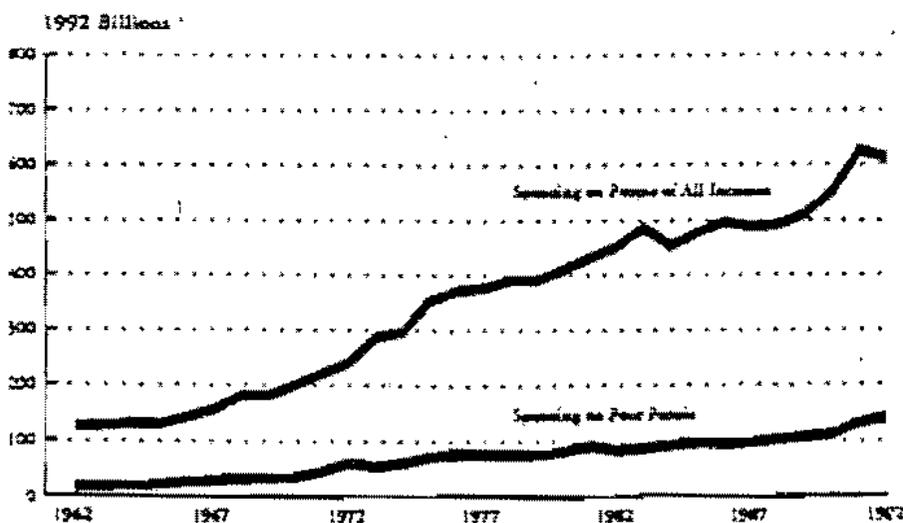
After a substantial drop in the early 1960s, the percentage of Americans who are poor has ranged between about 11 per cent and 15 per cent since 1966. The poverty rate in 1967 was 14.2 per cent; the rate in 1991 was 14.2 per cent.

Federal policy is not reducing poverty. The welfare program's perverse effects are more broadly known than some others. "Entitlements" and mandatory spending, the

Report of the Task Force on Federal Policy and Family Poverty

largest segment of the Federal budget, are not primarily for poor people. (See chart below.) About 20 per cent of these outlays are means tested. To take another example, a brief analysis submitted by Mike Lindberg from the Portland, Oregon, Office of Transportation found that the basic U.S. approach to transportation (the personal automobile) is very high cost and "has the effect of limiting the ability of the poor to escape poverty." The analysis also found several Federal policies that "directly create obstacles" to families getting out of poverty (the bias toward subsidies for commuting to work by automobile rather than transit; lack of requirements for multi-modal access to Federal facilities and workplaces).

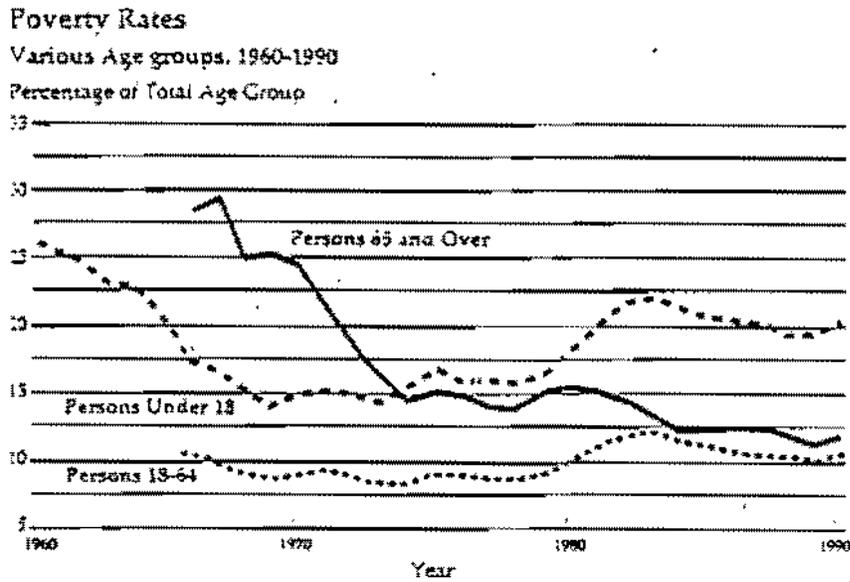
MANDATORY SPENDING BY INCOME
(Outlays)



Source: Office of Management and Budget, Budget of the United States Government, Fiscal Year 1992 (Washington, D.C., Bureau Office of the President, 1991), Part One, p. 13

The percentage of children who live in poverty has risen. After declining by half from 1959 to a low of 14 per cent in 1969, the poverty rate for persons under 18 rose to 21.8 per cent in 1991 (see chart on Page three). The poverty rate for younger children (under 6) is even worse - 24.6 per cent in 1991. Fully 51.7 per cent of young African-American children and 44.6 per cent of young Hispanics are poor; 17.7 per cent of all of families with children under 18 were poor in 1991.

Report of the Task Force on Federal Policy and Family Poverty



SOURCE: U.S. Bureau of the Census, Poverty in the United States: 1990

There is no mystery about family poverty and shattered families in America.

Families become poor when family heads cannot find work at good wages and the safety net of social insurance programs fails to cushion them against the effects of unemployment and low wages. Poverty is so widespread in the United States because, in this country, unlike the nations that are our peers and competitors, millions of family heads cannot find work in the regular economy; millions more cannot find work at good wages; and America's safety net then fails to provide them the jobs and earning supplements they need to get above the poverty line.

Families shatter when the irresponsible behavior that leads to shattering is rewarded and tolerated...and when the kind of responsible behavior that could lead to family formation is punished or frustrated. Millions of families are so badly shattered in the United States because, in this country, unlike the nations that are our peers and competitors, family non-formation is encouraged by Federal policy, while family building is systematically discouraged, and in some ways, dysfunctional families are encouraged.

None of this is inevitable. Much of it is the result of public policy — especially Federal policy. Adults, and particularly family heads, want to work. They generally want to provide for and nurture children. Low-paying jobs with no benefits, lack of adequate transportation systems, and unsatisfactory child care are among the obstacles many parents face. These and other such obstacles are greatly shaped by Federal policies and programs.

Report of the Task Force on Federal Policy and Family Poverty

A Work-and-Family Strategy for Reducing Poverty

To get poor families out of poverty in the United States and to encourage the formation and maintenance of families in this country, we need fundamental change in Federal policy.

The framework of change should rest on the following principles.

- (1) Welfare is a failure and should be fundamentally transformed. The poor want to work. Most AFDC recipients want to work. In fact, as Christopher Jencks and Kathryn Edin have suggested in their study of AFDC recipients (*The Real Welfare Problem*, October 1990), most recipients do work. In order to survive, they supplement their incomes by working -- and then they don't report their earnings, which is illegal. What kind of crazy system is it that induces people to work to survive -- and then requires them to hide their earnings to stay out of jail? It is time to legalize work. We have an obligation to help the poor and their families. But we should meet that obligation, unless the poor are disabled from working, through a system that makes work legal and rewards work effort. We should provide, over sufficient time periods, the supports and services needed to aid families to move from welfare to work.
- (2) Work should be available. All family heads who can work should have access to full-time work. Community service jobs should be offered as a last resort to those who, after an aggressive job search, still cannot find work in the regular economy. Trade policies, business incentives, etc., need to be assessed in terms of how many jobs and what kinds of jobs these policies create.
- (3) Work should pay. Full-time work should provide enough earnings -- and, if need be, earnings supplements including an expanded Earned Income Tax Credit (EITC) -- to get all family units well out of poverty.
- (4) Working more should pay more. The higher the number of hours of work and the higher the wages earned, the higher should be the family's net (i.e., after-benefit reduction, after-tax) income.
- (5) Child care should be available. Family heads who need child care to work should have access to affordable, quality child care.
- (6) Health care should be available. Families should have access to affordable, quality health care.

Report of the Task Force on Federal Policy and Family Poverty

- (7) Child support should be absolute. At birth, every child should have both parents' identity established. From birth until adulthood, the financial support of children should be the automatic responsibility of both parents.
- (8) Marriage should be rewarded. There should never be a tax penalty or AFDC penalty for getting married or staying married. Children will be better off.
- (9) Federal policies should be assessed in terms of their effects on work and family and especially poor families. Such assessments, including recommendations for revising the policies, could be done in areas as diverse as transportation, trade policies such as the North American Free Trade Agreement (NAFTA), vocational education, entitlements and "mandatory spending," and housing subsidies.

These principles are manifest in some promising local programs that are attracting national attention. The "New Hope" program in Milwaukee offers participants help in finding a job, wage subsidies that assure an income from work that is above the poverty level, health insurance, and child care. "America Works" in Hartford and New York, is a privately-owned company that has placed 3,000 welfare recipients into jobs.

A Perspective on Perverse Outcomes of Federal Policies

Our discussions in the Task Force meetings did not always follow the usual lines of urban policy thinking. The conventional approach is to develop lists of good programs that the Federal government should fund. We do not propose to abolish this approach, but we do propose to add another useful approach. We analyzed problems, sought their causes, and identified by this route Federal policies that produce bad outcomes for families which local governments must then try to ameliorate. We, therefore, propose to deal directly with some of the causes of those bad (not intentional, but certainly perverse) outcomes -- namely to change the Federal policies that are responsible so that they address the problem and its causes.

This way of thinking has a substantial tradition at NLC. In the 1970s, NLC adopted and pursued a policy of "Urban Conservation." In that framework, NLC undertook reassessments of the "indirect impacts" on cities of a wide range of Federal policies. In 1978, the NLC Board of Directors adopted a formal statement, Toward a National Policy of Urban Conservation. Part of that statement was A Critique of Governmental Policies which argued as follows:

Report of the Task Force on Federal Policy and Family Poverty

We look to governments to meet these needs. Unfortunately, public policy is not only a source of solutions: it is a major part of the problem. That starting point toward a national policy of urban conservation is the recognition that, in many instances, government actions – Federal, state, and local – have worsened or even created the problems of cities.

We found this approach useful in thinking about family poverty, especially about welfare. We think the NLC Board of Directors and NLC's Policy Committees may find it useful across a broad array of policy and problem areas.

RECOMMENDATIONS

1. We recommend that the Board of Directors adopt the following statement:
NLC establishes reducing family poverty among its highest priorities.
2. We recommend that the Board affirm for NLC the general strategy for reducing poverty set forth in this report. That strategy focusses on work and family – making work pay; making work feasible for families; and making work available. The Board should convey this report to the Policy Steering Committees and request them to assess the *National Municipal Policy* from this perspective and develop policy, as needed, accordingly.
3. We recommend that NLC aggressively participate in the deliberations, formal and informal, around the so-called welfare reform effort in the Federal government. NLC should approach this issue from the perspective of the wider work-and-family anti-poverty strategy set forth in this report. NLC should seek outcomes that fundamentally transform welfare, not merely tinker with it.
4. We recommend that NLC support the proposed expansion of the Earned Income Tax Credit (EITC). The Board of Directors should also instruct the staff to provide cities with information needed to promote use of the EITC.
5. We recommend that NLC support efforts to create central places within both the Federal Executive and Legislative branches to coordinate discussions of Federal policies on children and families.
6. We recommend that, based on the strategy set forth in this report, NLC join with other groups, organizations, and coalitions to pursue effective anti-poverty lobbying strategies.

Report of the Task Force on Federal Policy and Family Poverty

7. We recommend that the Board affirm to the NLC Officers and staff that they should speak out publicly on behalf of NLC about the need to reduce poverty and about factors that contribute to worsening poverty including racism, faulty Federal policies, etc.
8. We recommend that the Board request the NLC President to write to the Presidents and Executive Directors of the state municipal leagues, the Advisory Council, constituency and member groups, and other NLC groups to explain the concerns raised in this report and to encourage their action with regard to them.

TASK FORCE ON FEDERAL POLICY AND FAMILY POVERTY

Officers

John Norquist, Mayor, Milwaukee, Wisconsin -- Chair
Sheila Jackson-Lee, Councilmember, Houston, Texas -- Vice Chair
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Alicia M. Sanchez, Mayor, Port Huron, Michigan
Kurt Schmoke, Mayor, Baltimore, Maryland

JOHN O. NORQUIST
MAYOR



OFFICE OF THE MAYOR
MILWAUKEE, WISCONSIN

WR-Wisc.

May 10, 1994

Mr. Bruce Reed
Ms. Marcia Hale
Executive Office of the President
White House Offices
1600 Pennsylvania Avenue, NW
Washington, D.C. 20500

Dear ~~Mr. Reed~~ and Ms. ~~Hale~~:

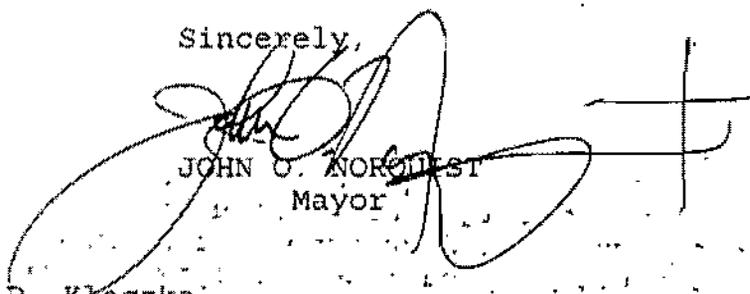
I am writing to request that President Clinton include in his welfare reform proposal the provision pending in Congress that allocates federal AFDC and Medicaid savings generated by the New Hope Project in Milwaukee directly to the New Hope Project.

Specific language to this effect (attached) has already been approved once by both Houses of Congress and twice by the House of Representatives and Senate Finance Committee. Unfortunately, as you'll recall, the first time the New Hope amendment passed Congress, it was included in a bill that former President Bush vetoed. When the same amendment was approved last year by the House as part of the budget bill, it was removed in the Senate; and when the Senate Finance Committee included it in a different bill, that bill was blocked on the Senate floor by Senator Helms because of an unrelated dispute over abortion.

As a result, one of the best options for providing continuing federal funding for the New Hope Project is to include the New Hope amendment in the President's welfare reform plan. As you know, including the New Hope amendment in the President's plan will have no actual fiscal effect, since only federal savings from AFDC and Medicaid are provided to the New Hope Project.

Thank you for considering this request. K

Sincerely,


JOHN O. NORQUIST
Mayor

cc: Representative Gerald D. Kleczka
Senator Herb Kohl
Senator Russell Feingold
Representative Thomas Barrett
Tom Schrader, President, New Hope Project Board of Directors
Sharon Schulz, Executive Director, New Hope Project



United States
of America

Congressional Record

PROCEEDINGS AND DEBATES OF THE 102^d CONGRESS, SECOND SESSION

Vol. 138

WASHINGTON, FRIDAY, SEPTEMBER 25, 1992

No. 133

Senate

SEC. 1114. NEW HOPE DEMONSTRATION PROJECT.

(a) IN GENERAL.—The Secretary of Health and Human Services (hereafter referred to in this section as the "Secretary") shall provide for a demonstration project for a qualified program to be conducted in Milwaukee, Wisconsin, in accordance with this section.

(b) PAYMENTS.—For each calendar quarter in which there is a qualified program approved under this subsection, the Secretary shall pay to the operator of the qualified program, for no more than 20 calendar quarters, an amount no greater than the aggregate amount that would otherwise have been payable to the State with respect to participants in the program for such calendar quarter, in the absence of the program, for cash assistance and child care under part A of title IV of the Social Security Act, for medical assistance under title XIX of such Act, and for administrative expenses related to such assistance.

(c) DEMONSTRATION PROJECT DESCRIBED.—For purposes of this section, the term "qualified program" means a program operated—

(1) by The New Hope Project, Inc., a private, not-for-profit corporation incorporated under the laws of the State of Wisconsin (referred to in this section as the "operator"), which offers low-income residents of Milwaukee, Wisconsin, employment, wage supplements, child care, health care, and counseling and training for job retention or advancement; and

(2) in accordance with an application submitted by the operator of the program and approved by the Secretary based on the Secretary's determination that the application satisfies the requirements of subsection (d).

(d) CONTENTS OF APPLICATION.—The operator of the qualified program shall provide, in its application to conduct a demonstration project for the program, that the following terms and conditions will be met:

(1) The operator will develop and implement an evaluation plan designed to provide reliable information on the impact and implementation of the program. The evaluation plan will include adequately sized groups of project participants and control groups assigned at random.

(2) The operator will develop and implement a plan addressing the services and assistance to be provided by the program, the timing and determination of payments from the Secretary to the operator of the program, and the roles and responsibilities of the Secretary and the operator with respect to meeting the requirements of this paragraph.

(3) The operator will specify a methodology for determining expenditures to be paid to the operator by the Secretary, with assistance from the Secretary in calculating

the amount that would otherwise have been payable to the State in the absence of the program, pursuant to subsection (b).

(4) The operator will issue an interim and final report on the results of the evaluation described in paragraph (1) to the Secretary at such times as required by the Secretary.

(e) EFFECTIVE DATE.—This section shall take effect on the first day of the first calendar quarter that begins after the date of enactment of this Act.

THE NEW HOPE PROJECT: BLUEPRINT FOR THE FUTURE PROGRAM DESIGN

Developed by Congress for a Working America, a non-profit organization in July, 1988.

New Hope is now administered by a 23-person board of directors with broad-based representation by business, labor, education, religion, government and persons directly affected by poverty. The board is chaired by Thomas Schrader, president and chief executive officer of Wisconsin Gas Company.

INDEPENDENCE VERSUS DEPENDENCY

New Hope tests the theory that people on welfare will choose work over welfare and unemployment if given the opportunity to work, the chance to receive a decent wage, adequate healthcare and child care.

New Hope also addresses perhaps the hardest hit population segment—the working poor by offering a competitive wage and appropriate health and child care benefits so they will not fall back into welfare dependency.

PROGRAM OBJECTIVE

To change federal and state welfare and poverty policies by demonstrating that employment and work-based income and supporting services are a better, more humane, more cost effective way to deal with poverty and joblessness than the current welfare system.

HOW NEW HOPE WORKS

New Hope will select 600 households in two Milwaukee neighborhoods, one on the north side and one on the south side.

The project will offer poor people in these neighborhoods, whether receiving public assistance or not, the opportunity to choose to work full-time.

New Hope will provide help in securing private sector jobs.

New Hope will provide help in securing community service jobs if aggressive efforts to secure conventional private sector employment do not succeed.

New Hope will provide wage supplements for full-time workers whose wages are below the official poverty line, up to 115% of poverty.

New Hope will provide health care and child care coverage to allow people to secure long-term, career oriented work.

ADMINISTRATION

New Hope will be run by a full-time director beginning in 1992.

Administrative costs will stay at 10% or less of budget.

Congress For a Working America (CWA) will be the staffing agent for the 50-person pilot.

New Hope director will work with existing agencies such as CWA, the Private Industry Council and other community-based organizations to assist in private sector job placement.

NEW HOPE TIMETABLE

The project will be spread over a five year period with final design in 1991, a pilot phase then full implementation in 1992, 1993, 1994 and project completion and evaluation in 1995.

RESEARCHED AND ENDORSED

The New Hope concept has undergone intense scrutiny by think tanks, politicians, experts in the field of social policy, educators, business people, community leaders and people receiving some form of government assistance.

These diverse groups have come to the conclusion that New Hope offers a unique and important alternative to welfare and unemployment.

Feasibility reviewed by a Greater Milwaukee Committee Task Force, July 1990.

A panel of seven experts in the field of social policy concluded that New Hope is "a unique intervention with the potential of identifying important approaches to poverty reduction and welfare replacement."

Eleven academic experts from the Robert M. La Follette Institute of Public Affairs found that New Hope contains a unique set of program provisions and provides a stronger work test than 60 previously tested welfare reform programs.

FUNDING NEW HOPE

The total cost of the program is \$12.5 million, with the bulk of the funds needed for the implementation years, 1992-1994.

The sources of these funds will be split between the public and private sector.

Approximately \$5 million of federal funds will flow through the State of Wisconsin.

The state of Wisconsin has allocated \$500,000 over the 1991-93 biennium for New Hope. Release of these funds are dependent upon a matching commitment from another funding source. Additional state funds will be sought in the next biennium.

The city of Milwaukee has earmarked \$500,000 toward the Milwaukee Community Service Corp. for community service jobs for New Hope.

Private funds totaling about \$10 million are needed from both local and national sources.

An immediate funding need of \$300,000 is required so a pilot program with 50 people can begin in the first quarter of 1992.

BENEFITS TO BUSINESS

New Hope will identify workers at a time when shortages of qualified job candidates are predicted.

New Hope could replace expensive deferred and emergency medical care with normal preventive health care, and possibly reduce medical expense paid by tax funds.

Reduce welfare support paid by tax funds as people move from complete welfare support to at least partial, then full self-sufficiency.

Reduce expense of bureaucracy to deliver public assistance due to consolidation/co-ordination under New Hope concept.

BENEFITS TO THE COMMUNITY

Anti-poverty concepts could reshape the structure and administration of assistance provided by the state.

Promotes the value of people and their capabilities.

Potential to improve the quality of life for hundreds of Milwaukee area residents.

Invests public dollars in developing people as productive members of the workforce.

Community service jobs will add value to Milwaukee by doing work that is not now being done.

Reduce expenses to treat urban problems caused by poverty.

Positive national attention for Milwaukee and Wisconsin due to being the model for national policy change.

Redirect dollars away from some of the current welfare and criminal justice categories toward investment in our greatest natural resource—people.

NEW HOPE PROJECT, INC. BOARD OF DIRECTORS

Thomas Schrader, New Hope chair, President & Chief Executive Officer, Wisconsin Gas Company.

Miguel Berry, Director, Milwaukee Enterprise Center-South.

Thomas Brophy, Director, Milwaukee County Health & Human Services.

Artie Brown, Member, Congress For a Working America.

Chris Crawley, Executive Director, Congress For a Working America.

Charlie Dee, Instructor, Milwaukee Area Technical College.

Dr. Howard Fuller, Superintendent, Milwaukee Public Schools.

Steve Graff, Managing Partner, Arthur Andersen & Co.

Donna Ishman, Member, Congress For a Working America.

John Maciver, Senior Partner, Michael,

Best & Friedrich.

Rt. Reverend Patrick Matolengwa, Dean of All Saints Cathedral, Interfaith Conference of Greater Milwaukee.

David Meissner, President & Chief Executive Officer, Barkin, Paulsen, Meissner & Kimball, Inc.

Ameensah Muhammed, Project Director, Women Rising—Rosalie Manor, Inc.

John Parr, District Council 48, AFSCME.

Roger Peirce, President, Super Steel Products Corp.

David Risner, Director, Milwaukee Department of Administration.

Linda Stewart, Assistant State Director, Wisconsin Board of Vocational, Technical & Adult Education.

Six additional board seats are reserved for participants from the New Hope target neighborhoods.

Facsimile Cover Sheet

To: Bruce Reed
Company: Domestic Policy Council
Phone:
Fax: (202) 456-2878

From: Leslie Lenkowsky
Company: Hudson Institute - Indianapolis, IN
Phone: 317/549-4152
Fax: 317/545-1384

Date: 08/04/95
Pages including this
cover page: 12

PLEASE DELIVER IMMEDIATELY.

Hudson Institute and Welfare Reform in Wisconsin.

Hudson Institute

HUDSON INSTITUTE AND WELFARE REFORM IN WISCONSIN

ATTACHMENTS

- * Press release announcing Hudson Institute/Wisconsin Welfare project.
- * One-page description of Wisconsin welfare reform ("W-2"), prepared by Hudson Institute.
- * Text of Governor Thompson's speech announcing "W-2" program.
- * Milwaukee Journal article on speech.
- * Associated Press article on speech.

For further information please contact Peter J. Pilts, (317)549-4155.

Herrick Kahn Center
P.O. Box 26 919, Indianapolis, Indiana 46226
317-345-1100 • FAX 317-345-9839

INDIANAPOLIS • WASHINGTON • MONTREAL • BRUSSELS

Hudson Institute

HUDSON INSTITUTE BEGINS WELFARE REFORM PROJECT IN WISCONSIN

Contact Peter Pitts, (317) 545-1702

July 12, 1994, INDIANAPOLIS. Hudson Institute today announced a major privately funded research study on the future of welfare policy in Wisconsin. Hudson will work in conjunction with the welfare reform efforts currently under way in the state.

The Wisconsin legislature passed a "sunset" law in December 1993, mandating that welfare, as it currently exists in the state, end December 31, 1998 and that a new system be put in its place. A leading innovator in national welfare reform, Wisconsin will implement "Work not Welfare" (a two-years-and-out program), "Learnfare" (requiring children of welfare parents to stay in school), an aggressive child support program called "Children First," and has streamlined welfare-fraud enforcement.

During the next year and a half, Hudson project staff will study relevant social service data and welfare initiatives from across the country (as well as in Wisconsin), gather and analyze the information, and prepare a series of operational policy options for the state of Wisconsin to consider in replacing its current welfare system.

Hudson's project director will be Anna Kondratas, former Assistant Secretary for Community Planning and Development at the Department of Housing and Urban Development, and Executive Director of the National Commission on America's Urban Families. Other Hudson staff includes John C. Weicher, former HUD Assistant Secretary for Policy Development and Research, and Sally Kilgore, a senior researcher on education policy and Director of the Modern Red Schoolhouse project.

Herman Kohn Center
P.O. Box 26-919, Indianapolis, Indiana 46226
317-545-1000 • FAX 317-545-9639

"No state has ever undertaken the complete overhaul of its welfare system," said Wisconsin Secretary of Health & Social Services Gerald Whitburn. "We're delighted to have this opportunity to work with the Hudson Institute on this important effort."

The Hudson study is funded by the Lynde & Harry Bradley Foundation, the Charles Stewart Mott Foundation, and the Arnie E. Casey Foundation. Other sources of private funding are pending.

Hudson Institute President Leslie Lenkowsky, a nationally recognized expert in social program reform, will take an active role in the development and field work stages of this project.

"We expect our work to yield two important results," said Dr. Lenkowsky, "recommendations for a new and better Wisconsin welfare system, and a detailed and operational plan for other states -- in the best Hudson tradition of research designed for a better future. It's an exciting project."

Founded in 1961 by the late Herman Kahn, Hudson Institute helps shape the future through research designed to anticipate the political, economic, and cultural trends critical to the success of U.S. public policy and business today and into the 21st century.

PREPARED BY HUDSON INSTITUTE

Wisconsin Works (W-2): Brief Description

Wisconsin Works is a new system of public aid that fundamentally changes how government helps needy families and fights poverty. Completely replacing the state's current Aid to Families with Dependent Children (AFDC) program, W-2 focuses entirely upon helping parents establish their own means of support -- primarily through employment -- and maintain self-support. Key features include:

- o Aid to Pursue Self-Sufficiency: Low-income parents of dependent children will be eligible to work with a W-2 Personal Planner, who helps parents design and stay with a self-sufficiency plan. Planners serve as case managers and service brokers, linking parents with various services helping them to obtain the highest level of earnings and outside support possible. Planners work with parents even after employed, helping them make the adjustment into stable workers and dependable supporters of their families. Non-custodial parents cooperating with child support are eligible for certain services and all paid child support will be passed through to the intended family.
- o The Self-Sufficiency Ladder: Able-bodied parents will be offered employment and expected to work to support themselves, unless other sources of dependable support, such as child support, are secured. Fully subsidized Community Service Jobs, partially subsidized Trial Jobs (available with certain private employers), and unsubsidized employment will constitute a self-sufficiency ladder, allowing clients to enter employment at the level appropriate for them and develop skills and experience enabling them to move into unsubsidized employment. W-2 agencies will be located and integrated with local jobs centers that offer an array of employment-related services, training, and assistance.
- o Child Care/Health Care: Subsidies for child care and health care will be made available to all low-income working families (not just W-2 eligibles) helping to eliminate critical work barriers for parents.
- o When Parents are Not Able to Work: The permanently disabled would continue to be supported through the Federal SSI program, while those with temporary disabilities are assisted through W-2 contingent upon doing whatever is appropriate to become ready for work. Childbirth exclusion would be allowed similar to family leave law. Non-SSI eligible parents unable to succeed in the competitive job market on their own will be aided as necessary but required to contribute as they can to their own support.
- o Service Delivery: W-2 service providers may include private, non-profit, and government agencies, and all will serve under competitive contracts and be rewarded for performance. W-2 standards will emphasize moving clients quickly into sustained, non-subsidized jobs generating high earnings. Local community organizations will be drawn upon to establish support network for W-2 parents and children.

**TOMMY G. THOMPSON**

Governor
State of Wisconsin

W2 Welfare Announcement
Racine, Wisconsin
August 3, 1995

Thank you, Jean (Jacobsen, Racine County Executive).

I'd like to thank Racine Mayor Jim Smith for his help in making this event possible ... also County Human Services Director Bill Adams. And I thank the legislators who are here today.

We are here today to celebrate an end ... and a beginning.

We are celebrating the end of a bad system ... and the beginning of a new era of hope and opportunity in Wisconsin.

Today, we are ending welfare in Wisconsin.

Thirty years ago, the federal government set out to free everybody from poverty ... and ended up creating a community of dependents instead. Freedom and dependency don't really go together.

Today in Wisconsin, we are setting out to free poor families from the net of welfare dependency ... and we are calling this declaration of independence "W2 -- Wisconsin Works."

W2 is a jobs program. There will be no more welfare offices ... there will be no more welfare checks ... there will be no more welfare families.

There will be job centers ... paychecks ... and working families.

There will be training ... health care ... child care ... and financial planning services.

There will be responsibility ... and hope ... and pride.

The day of the automatic welfare check is history ... and it's about time.

I have always thought that handing someone a check every month and asking for absolutely nothing in return is not public assistance ... it's public apathy. Here's your check ... see you next month.

W2 will prepare people to work ... it will prepare them for the future ... it will prepare them for a productive and independent life.

From now on in Wisconsin, you don't sign up for welfare ... you sign up for work. Because for those who can work, only work should pay ... and everyone can do something.

There will be four different levels of work:

- First, of course, is a job ... a job in the private sector. This is our goal for every W2 participant.
- For people who have no work experience, there will be jobs where the state provides a small subsidy to an employer for training and trying-out a new employee. This will be limited to 6-9 months.
- Community service jobs will be available for those who need work experience in order to be hired by the private sector. These jobs will be limited to 9 months.
- And last is something we call "W2 Transition" ... reserved for those who legitimately are unable to perform self-sustaining work. In order to receive cash benefits, these people will work in activities consistent with their abilities.

W2 also differentiates between teenagers and adults. It is time to break the cycle of teenage pregnancy that has put so many women and children on the welfare rolls.

Under W2, Wisconsin will no longer treat teenagers as adults ... we will no longer allow a teenage mother to move out and set up house on her own.

Under W2 we are treating teenagers ... as teenagers. Teen mothers will live at home. For those who can't, they will have three living options: a foster home ... a group home ... or for some older teens, supervised independent living.

Work and family were the victims of the old welfare system. They are the standards for W2.

Today is the culmination of eight years of hard work here in Wisconsin.

We didn't wait to see what the other guy would do. We started welfare reform before most people were even talking about it.

And can you imagine if we had waited? Can you imagine if we had waited for the federal government to do something about welfare reform?

The federal government is finally poised to start reforming welfare.

Wisconsin is ending it.

I am so proud to be here today.

I am proud of the people who worked so hard to make welfare reform a reality in this state ... the people at DHSS ... in the county offices ... the lawmakers and social workers.

But most of all I am proud of the people who paved the way ... who proved to supporters and naysayers alike that welfare was wrong.

I am talking about the young mothers all over this state who proved to themselves -- and to all the rest of us -- what they were made of.

It is because of them that we are standing here today. And it is because of them that Wisconsin is leaving hopelessness behind ... and replacing it with work ... with self-respect ... and a brighter future.

It's a great day in Wisconsin!

Q & A Responses

Clinton's new waiver proposal -- "a positive step ... but instead of ending welfare as we know it, he is merely tinkering with the federal bureaucratic process as we know it. I think we can do better."

Race to the bottom - "Wisconsin today is setting a standard that will have states aiming for the top ... not rushing to the bottom."

Welfare

Plan shifts focus

Under 'W-2' Program

- All participants must work.
- Top priority: Help find full-time jobs with private employers.
- People unable to work at even community service will be required to engage in some work activity, such as in a sheltered workshop, for a certain number of hours per week.
- Teen mothers will be expected to live at home with their parents and will not receive assistance in setting up their own household.
- Child and day care are available with co-payments to low-income families.

Continued on page 9

Welfare plan puts all to work

Thompson's 'W-2' proposal makes no exceptions for disabled, untrained or parents of small children

8/4/95

By AMY RINARD
of the Journal Sentinel staff

Racine — Welfare recipients would have to work for

their checks under a revolutionary proposal announced Thursday by Gov. Tommy Thompson that would make Wisconsin the only state without a traditional welfare sys-

tem.

Dubbed "Wisconsin Works," or "W-2," the new program -- to be implemented sometime in 1997 -- would require every participant to do some kind of work, from full-time private sector job

Please see WELFARE page 9

and state-subsidized trial jobs to community service work and participation in sheltered workshops.

There would be no exceptions. Not for parents of small children, not for those without education or job training, not for those with disabilities, not for drug addicts.

Critics of the plan, which would replace the Aid to Families With Dependent Children program, say that — especially in Milwaukee County — there may not be enough jobs to go around.

They also argue that participants' wages would be eaten up by co-payments which would be required for health and child care, and that the program may inadvertently encourage poor people to have children.

"This really is the end of welfare," said Michael Wiseman, a professor at the Robert M. La Follette Institute for Public Affairs of the University of Wisconsin-Madison. "This is a total reform."

The Legislature would have to approve the plan.

It is also dependent on what the Republican-dominated Congress does with federal aid for state welfare programs. Block grants would give Wisconsin the ability to implement W-2. Absent those grants, Thompson would have to request a waiver of current federal welfare regulations.

In a speech preceding a groundbreaking for the new \$14.9 million Racine County Service Center, Thompson predicted his W-2 plan would serve as a model for the nation.

"The day of the automatic welfare check is history," he told a crowd gathered in a small tent at the muddy construction site. "W-2 will prepare people for work, prepare for the future, prepare for a productive life."

Under the W-2 program:

■ The goal is to find every participant a full-time job with a private employer. Administration officials said they expected at least 40% of all program participants, and as perhaps as many as half of all people in the program, to find such jobs. These workers would also receive food stamps and extra in-

Carol Skornicka, secretary of the state Department of Industry, Labor and Human Relations — who would administer W-2 in a newly configured agency — said the state's strong economy and low state unemployment rate would help the program succeed.

■ Program participants whose job skills are not adequate to find jobs with private employers would be placed in full-time wage-subsidized jobs on a trial basis for six to nine months. These participants also would be eligible for food stamps and the federal tax credit.

■ Full-time community service work paying 75% of minimum wage would be assigned anyone who cannot find jobs or who cannot be placed in wage-subsidized jobs.

■ Those unable to work would be required to participate in some work activity, such as at a sheltered workshop, for an as-



Ament



Krug

signed number of hours each week. Administration officials said they expected the number of people falling into this category to be very small.

■ Eligibility would be limited to custodial parents with minor children whose family income is 115% of the federally defined poverty level or less. Non-custodial parents under child support orders and pregnant women are eligible for some services.

■ Small, no-interest "job access loans" would be available.

■ Health and child care would be provided, but participants would have to make co-payments on a sliding scale based on income.

■ Teenage mothers would be expected to live at home with their parents and would not receive assistance to set up their own households.

■ To administer the program, the state would be divided into small areas. Private for-profit and non-profit businesses could bid on contracts to manage the program in each area.

Thompson said the program changed the whole focus of welfare from entitlements and dependency to paychecks and self-sufficiency.

He acknowledged there would be start-up costs for the plan, but said it would eventually save the state money. He did not put a price tag on those costs.

Milwaukee Mayor John Norquist asked for comment, called the plan "excellent" and said it "moves in the right direction."

"This plan is good for Milwaukee because it will raise incomes of city residents and help businesses that can't find workers," Norquist said.

However, he said, "I disagree with the proposal's requirement that participants have a child to get help. I hope this mistake and a few other problems are fixed."

Rep. Shirley Krug (D-Milwaukee) found fault with restricting the plan to custodial parents with minor children or non-custodial parents under child-support orders.

"The effect is perverse," she said. "It suggests that if you're an able-bodied person with no child and no job the way to support yourself, or at least get a community service job, is by fathering a child or by having one."

County Executive E. Thomas Ament said he supported the mandatory work requirement, but thought there would be "difficulty" in providing a job for everyone.

Supervisor Richard D. Nyklewicz Jr., chairman of the County Board's Finance Committee, said he was concerned about disabled people who would lose their general assistance requirements.

Gretchen Scholdt of the Journal Sentinel staff contributed to this story.

Copies to Joan B., Joe V.
+ Bruce Reed -

WR-Wisc

Linda

Thompson wins favor on welfare

By CRAIG GILBERT
Journal political reporter

State residents cite this issue above all others

As Gov. Tommy G. Thompson gets ready to launch his re-election campaign Tuesday, one issue more than any other is fueling his popularity and shaping his image among Wisconsin voters.

It's not jobs, crime, schools or taxes. It's welfare.

That is the unambiguous message that emerged from interviews last week with three dozen voters around the state who were asked to discuss their impressions of Thompson at the outset of his campaign.

"I think he tries. He pushes for reform, you know, especially with the public aid deal," said Laura Grady, a real estate ap-

praiser from Kenosha County. "I'm tired of paying for it, for people who don't want to take responsibility for themselves."

Those interviewed included Democrats, Republicans and independents, working people, stay-at-home moms, retirees, farmers, suburbanites and city-dwellers.

To sum up:

■ Consistent with political polls, which show Thompson is popular, and the conventional wisdom, which rates him a heavy favorite for re-election, the overall weight of opinion toward Thompson was favorable.

■ Thompson was criticized for being against "average peo-

ple," for being "around too long," and for failing to stop the rise of property taxes.

■ He was praised for being hard-working and aggressive, showing fiscal restraint and presiding over a good economy while other states have floundered.

■ While some voters said it was time for a change, most characterized Thompson's length of tenure — he's the state's longest-serving governor and will seek a third term — as irrelevant.

■ Hardly anyone could supply the name of Thompson's likely opponent, Democrat Chuck Chvala, a state senator

Thompson to tour state to kick off campaign

Gov. Tommy G. Thompson will tour the state Tuesday and Wednesday to formally announce his candidacy for re-election. On Tuesday, he will visit Madison, Wausau, Green Bay and Milwaukee. On Wednesday, he'll be in Superior, Eau Claire, La Crosse and the Beloit/Janesville area.

from Madison. The election is Nov. 8.

Spiraling property taxes — expected to be a major campaign

issue — was one complaint about Thompson.

"He just promises us so much, and when you come right down to it, he doesn't deliver. We're farmers, and our taxes are going higher and higher every year," said Caroline Clowes, of Walworth County.

At the same time, others praised the governor for the state's economy.

"The business climate seems to be better in this state. . . . The tax situation hasn't gone completely nuts," said Charles Anderson, a municipal water plant operator from West Allis.

But no issue came up nearly as often as welfare.

"He's tried to change the wel-

Please see Thompson page B

Thompson/Welfare reform issue fuels his popularity with voters

From page 1

fare system. ... He's trying to look at new alternatives rather than just stay with the status quo," said Sue Malmberg, a homemaker north of Sheboygan.

"I think he's doing a pretty good job, trying to get that welfare straightened out," said Wilfred Zoerb, a Two Rivers retiree.

"I like his ideas on welfare reform and keeping criminals behind bars," said Steve Downs, a security guard from Madison.

Schofield retiree Jane Meulver said her vote would depend on whether Thompson "follows through on his welfare reform."

"I think it's great," she said. "All these unwed mothers shouldn't be laying around not working and depending on working people to support them."

In fact, of two dozen voters who mentioned specific issues when asked about Thompson — from jobs to taxes to crime to gambling — more than half mentioned welfare. Nothing else came close.

The comments of voters suggested a depth of frustration toward the welfare system, which is now linked in the eyes of many to such problems as crime, teen pregnancy and illegitimacy.

"Having welfare causes a whole lot of problems. It's the problem with unwed mothers, it's the problem with crime," said Deanna Schuette, an Edgerton mother who says she's waiting to see if Thompson succeeds in "ending welfare totally."

A KEY ISSUE WITH MANY GROUPS

But the comments also underscore the political magic of the

welfare reform issue, which can make the same politician look tough to conservatives, reform-minded to independents, and progressive to some liberals who support more training and education for poor people.

It was, in fact, Democrats in the Legislature who last spring proposed repealing the current welfare system by 1999, a measure that Thompson signed.

Rob Nandola, a Madison student, said of Thompson, who has made welfare reform a centerpiece of his agenda since his first election in 1986:

"I like his welfare reform. Wisconsin has always been a good state to lead the nation in those liberal type of ideas."

Among those critical of Thompson, Pewaukee retiree

Charlotte Smith said: "I think he's first a politician and then a governor."

"He's all for the big guy," said Leslie Ullom, who owns a dairy farm in Shell Lake.

"I just think he's been in too long," said waitress Brenda Van Roy of Green Bay.

Others praised him for "getting around to the people" and taking tough stands.

"I think he's the greatest and wish he'd run for president. He keeps his word and he's honest and he doesn't sit on his tail like most politicians," said Omro retiree Tracy Stasia.

The interviews were conducted by telephone with voting-age adults who had participated in a previous opinion poll conducted by The Journal.


 DEMOCRATIC PARTY

of Wisconsin

Bruce
 PLS. call me so
 we can have
 a 2-minute
 conversation about
 this. thy,

Linda M.
 x6-6500.

To: Linda Moore, White House
 Jeff Forbes, DNC
 Kevin Thurm, DHHS

From: Hannah Rosenthal
 Date: June 15, 1994
 Re: Welfare and Wisconsin

You all know where I come from on this subject. While I am deeply disappointed in the family cap action, at least I know that the Administration was fully informed and aware of the political and policy troubles this will create. I appreciate your past assistance in that regard.

I am sending with this memo a copy of an article from today's Wisconsin State Journal headlined "Thompson Aide Scoffs at Clinton Proposal."

Gerald Whitburn, the aide in question, is Thompson's welfare architect and one of his two closest advisors. His comment, that the Clinton Plan was an attempt to "save welfare as we know it," should be regarded as a direct affront from Governor Thompson.

Why is this important?

For one thing, Whitburn is the same guy who has been granted inside access to Administration welfare deliberations and felt free to speak to the press about them.

For another thing, Whitburn and Thompson are getting exactly what they want from the plan -- family caps -- without having to fight for them and over the objections of the leadership of our Democratic legislative leadership. They now remain free to publicly trash the President.

Can we get someone in the Administration to take these guys on and respond directly to this article? We are weary of Republicans getting everything they ask for from our Administration then trashing the President, without having a response from you.

I would be happy to facilitate an interview between the reporter, Jeff Mayers, and you Kevin, or anyone else would you like to put forward. We cannot allow the Governor to have it both ways.

WISCONSIN STATE JOURNAL

6-15-94

Thompson aide scoffs at Clinton proposal

By Jeff Mayers
State government reporter

GOP Gov. Tommy Thompson's administration thinks Democratic Bill Clinton's welfare reform plan is a proposal "to save welfare as we know it."

That's how Thompson welfare chief Gerald Whitburn characterized Tuesday's announcement of Clinton's welfare reform plan.

Whitburn said although Clinton deserves credit for highlighting welfare reform, the proposal "comes up short" on the critical point of "moving people off of the rolls."

Because the proposal excludes those born after 1971, about two-thirds of those receiving Aid to Families with Dependent Children (AFDC) won't be affected, Whitburn said.

"For the vast majority ... it's business as usual," Whitburn said. Quoting Thompson, he said it was obvious that Clinton had "veered left" since making the 1992 campaign promise to reform welfare "as we know it."

Whitburn also criticized Clin-

ton's work proposal, saying it fails to set a truly limited period for someone to draw welfare. Thompson's plan to limit benefits to two years is set to go into effect on an experimental basis in Pierce and Fond du Lac counties on Jan. 1.

He said the only way someone could be eliminated from the rolls under Clinton's plan "is to be caught turning down a legitimate job offer."

"It's a squishier, less no-nonsense version (of the Thompson reform)," he said. "I don't anticipate this will play to strong reviews on Capitol Hill."

Thompson, mentioned as a potential national political candidate, is known in national GOP circles mostly for his welfare reform efforts. One of the more well-known experimental programs is due to begin July 1. That program will test so-called "welfare migration" into the state by administering two-tiered cash benefits in Milwaukee, Racine, Kenosha and Rock counties. New residents will get the benefit level they received in their previous state.

Hudson Institute

Leslie Lenkowsky
President

March 31, 1994

The Honorable Bruce Reed
Deputy Assistant to the President
Domestic Policy Council
The White House
1600 Pennsylvania Avenue, N.W.
Washington, DC 20506

Dear Bruce:

Enclosed is the description of the work on welfare policy we will be undertaking for the Thompson Administration. We will begin as soon as the funds for the project are raised. I look forward to talking more with you about this as the project proceeds.

Sincerely,



Leslie Lenkowsky
President

LL/jkf

Enclosure

Herman Kahn Center
P.O. Box 26-919, Indianapolis, Indiana 46226
317-545-1000 • FAX 317-545-9639

INDIANAPOLIS • WASHINGTON • MONTREAL • BRUSSELS

→ Copy to Bruce Reed, Dom. Policy

Tride

WR -
Wisc.

Milw. Sentinel 5-28-94

U.S. expected to OK welfare benefit cap

State wants limits for additional children

By STEVEN WALTERS
Sentinel Madison Bureau

Madison — The federal government will issue a waiver letting Wisconsin cap benefits for welfare recipients who have more children, a state official said Friday.

Gerald Whitburn, secretary of the Department of Health and Social Services, said President Clinton decided this week that states should be able to experiment with benefit limits even if the mother has more children.

"State options for family caps will be part of welfare reform," which Clinton is scheduled to announce in June, Whitburn said.

"I think our waiver is in pretty good shape now," he added.

Republican Gov. Tommy G. Thompson has asked the Legislature to end current law that increases benefits to welfare recipients if they have more children.

"The president this week has pulled the trigger and said he's doing it."

— GERALD WHITBURN
secretary, Health and Social Services

The change would take effect after Jan. 1.

Although the State Senate approved the cap, Assembly Democratic leaders refused to schedule a vote on it before the Legislature adjourned March 25.

With the federal waiver in hand, Thompson will ask the Legislature to approve it early next year so the cap is in place by July 1, 1995, Whitburn said.

The Assembly's refusal to ap-

prove the cap "delays the process," said Whitburn.

According to estimates, the change could save \$22.9 million in state funds each year, and an additional \$37.6 million in federal funds.

When Assembly Democrats next vote on the issue, it will be approved, Whitburn predicted. They should follow the recommendation of Clinton, a fellow Democrat, Whitburn said.

Whitburn said he has confirmed with Washington officials that Clinton decided this week states should be able to try benefit caps and other alternatives to the current welfare system.

"The president this week has pulled the trigger and said he's doing it," Whitburn said.

However, Whitburn said he would not ask Thompson to call a special session of the Legislature to approve the benefit cap.

WILL WISCONSIN SHOW THE WAY?

If it accomplishes nothing else on welfare reform, the Senate has at least returned the focus of the debate to the real world of work and earning a living from the House's ideological diversion to illegitimacy and social ills.

There's still no telling just where Congress will end up, of course, or whether President Clinton will sign its final product. But the Senate's version of welfare reform might encourage some states to get serious about their own programs.

Perhaps Wisconsin will show the way. Republican Gov. Tommy G. Thompson has unveiled Wisconsin Works, a plan developed by the Indianapolis-based Hudson Institute to put work front and center. Even the program's nickname, W-2, has a work connotation.

"W-2 is a jobs program," Thompson said in August when he launched the program. "There will be no more welfare offices. There will be no more welfare checks. There will be no more welfare families."

Wisconsin Works sounds too good to be true. The biggest worry is that that's just what it may turn out to be.

In designing W-2, the Hudson Institute adopted and adapted innovations that have proven successful in various experiments under way since 1988 in states across the country.

All roads in the Wisconsin program lead to work. Job-ready welfare recipients are to be found regular employment in the private sector. Those who need to develop employment records will get government-subsidized jobs. Community-service jobs will help those not yet ready for the subsidized jobs to develop work habits and basic skills. Personal planners—they're no longer called caseworkers—will shepherd participants through their job searches and keep in touch with them after they get jobs.

This approach employs at least two lessons. In one of the most successful welfare experiments tried so far, Riverside County in California showed the importance of focusing the attention of the entire enterprise on work. It sounds obvious, but most so-called jobs programs still concentrate on making the participants prove their eligibility and on writing checks.

An experiment in Chicago, called Project Match, demonstrated the need for continued contact with participants after they enter the workforce. Welfare recipients typically lose their first jobs after a few weeks or a few months. Project Match kept track of them and helped them get second, third and fourth jobs. When participants in Riverside County's model program lost their jobs, they still had to get back on welfare and start the process all over.

Several other crucial elements of the Wisconsin plan are child care, health care and child-support enforcement. Study after study has shown that welfare mothers leave work and return to welfare or never get off it in the first place because of the lack of health care and the absence of safe and affordable child care. An experiment in Florida showed, for example, that a big difference between the success rates of welfare mothers with older children and those with preschool children was the lack of funds to provide the youngest mothers with good child care.



Shepard Shebell/SABA

W-2 also promises to turn over to the custodial parent all child-support payments that the state collects. Most states hang on to the money to compensate the government for cash assistance to welfare recipients. To no one's surprise, absent parents are extremely unlikely to pay up when the money doesn't go directly to their kids.

That's the W-2 plan. The W-2 reality won't be known for a couple of years, until after it is implemented in 1997.

The biggest imponderable is the bottom line: How is it going to be paid for and who's going to foot the bill? County officials are very suspi-

cious that the buck will literally stop with them.

"The state does not run any welfare programs in Wisconsin," said Richard J. Phelps, the elected executive of Dane County (home of the capital, Madison). "They're all run by the counties. W-2 is based on sound principles. It is bold. It shows leadership. My concern is, Where is this going to be funded?"

Phelps cites many instances in which states have foisted financial responsibilities for social programs on counties. Because the cost of placing neglected or abused children in alternative settings has been skyrocketing, Phelps said, "the state passed a law that says the counties will pay for it." When Congress increased federal aid for this purpose, the money went to the state. "We didn't see a dime of it," Phelps complained. "The state took it all."

The child care component of W-2 is very generous. "Subsidies for child care will be made available to all low-income working families (not just W-2 eligibles) helping to eliminate critical work barriers for parents," the Hudson Institute's fact sheet proclaimed.

"This is the kind of disconnect I'm talking about," Phelps said. "We have waiting lists [already]. Millions of dollars will have to be invested in child care to cover child care for not only welfare eligible people but the working poor. Is this a real proposal? Or is this posturing?"

Over the past eight years, Thompson has acquired a national reputation for his innovations in welfare reform, which have dramatically lowered the welfare rolls in Wisconsin. Analysts worry that the state may have gone as far as it can go. Everyone who is able to get a job might already have one.

Thompson's welfare reform strategy has also been greatly assisted by a healthy state economy. That, too, may be coming to an end.

"The governor has committed the state to a massive system of property tax relief and that is really not fully funded," Michael Wiseman, a professor of public affairs at the University of Wisconsin, said. "He's established a structural deficit in the state's budget that really comes home to us in fiscal 1997." Just when W-2 really kicks in.

The Wisconsin plan may have its problems, but it is solidly grounded on the notions of work and responsibility. Other states are working on similar schemes. It would be a pity if, on the way to welfare reform, Congress gets mired in ideological quicksand. ■

Welfare to work

An estimated 13,500 job vacancies exist in Indianapolis on any given day. About 12,500 Marion County families are on Aid to Families With Dependent Children. If only the welfare recipients could be matched with the jobs, Indianapolis would have no unemployment.

It sounds like a pipe dream. But a local planning council on welfare reform wants to turn it into a reality.

On Thursday, Mayor Stephen Goldsmith released the council's report: which calls for the end to AFDC in Marion County and the creation of a job placement and training

If only the welfare recipients could be matched with the jobs, Indianapolis would have no unemployment.

program called the Indianapolis Independence Model. Goldsmith said he will ask the 1996 Indiana General Assembly to pass legislation implementing some or all of the ideas.

The proposal is exciting and innovative and could serve as a model for the entire state. Key features include:

■ Creation of a one-stop job center offering placement, skill development services and career planning for former AFDC recipients and other job seekers.

■ Establishment of career ladders between companies, enabling recipients to learn basic skills at lower-paid jobs, then move up to higher skill levels with other companies.

■ Immediate eligibility of participants for food stamps, child care, Medicaid and transportation assistance, which are now available only after someone is on welfare for three months.

Although the Bayh administration has its own welfare reform program, with a heavy emphasis on job training, it applies only to a small number of recipients and fails to make the structural changes many consider necessary to get people to work. And there are no incentives for caseworkers to go beyond doing paperwork to help poor mothers find jobs.

The evidence is in the low number of AFDC recipients referred to job placement providers by the Division of Family and Children, which oversees welfare in Indiana.

"Nearly every week, one or more of the providers bring this problem to the attention of the mayor's office and the Private Industry Council," the report states. "While there are over 12,000 families on AFDC in Marion County and jobs are lined up and waiting, each of our providers has received on an average less than 29 referrals a month."

The proposal is similar to one being developed in Wisconsin, which has voted to end AFDC and replace it with a jobs and income support program effective Dec. 31, 1996. The Indianapolis-based Hudson Institute has been heavily involved in putting together that program.

Hudson Institute president Les Lenkowsky has also served on the Marion County Welfare to Work Planning Council.

The council decided to focus on job placement rather than training after concluding companies want to prepare their own workers for the specific tasks they are hired to do. And the fact of the matter is: Jobs are already available, which distinguishes Indianapolis from other communities tackling the issue.

"Indianapolis businesses are desperate for workers," the council says. "They are demanding government agencies to spend less money and time on training welfare recipients and other low income people . . . They need people today."

Even though Indianapolis has a thriving economy and a nominal jobless rate, pockets of the city continue to experience high welfare caseloads and double-digit unemployment. If ever there were a time to move welfare recipients into jobs, it is now.

The local planning council, which represents business, labor, neighborhood groups and social services, has given the 1996 legislature a valuable piece of work that could help lift families out of poverty and strengthen the Indianapolis economy.

Mayor wants to 'blow up' welfare system

■ Goldsmith seeks to replace program with one to aid the jobless who desire to work.

By Larry MacIntyre
STAFF WRITER

Mayor Stephen Goldsmith wants to eliminate traditional welfare in Marion County and replace it with a system that would give plenty of help to people who want to work, but nothing to people who don't.

The system, described by Goldsmith in a news conference Thursday, would end cash grants to about 11,700 adults and 23,000 children enrolled in the Aid to

Families With Dependent Children program.

Goldsmith will seek state legislative approval to use that money — about \$49 million this year — for job placement, job training and subsidies to help with day-care and transportation expenses.

Most of those services would be provided on a contract basis with private companies, neighborhood organizations and nonprofit groups.

"The concept is quite simple," Goldsmith told reporters. "Everybody in this city has a right to a job. And we're going to do our best to connect them to a job. If they elect that they don't want a job, then government no longer has a responsibility of paying a cash supplement in place of a job."



Stephen Goldsmith says proposal would use welfare funds for job placement and training.

Advocates for welfare families questioned the need for such radical change.

Ken Falk, a lawyer for the Legal Services Organization of Indiana, reminded the mayor that AFDC was designed to benefit children, not parents. He said most AFDC families collect benefits for only a short time.

"Any program that gets people jobs who otherwise wouldn't get them, I think is good," Falk said. "But to turn the system upside down for a minority of AFDC recipients is going to end up punishing the children."

Goldsmith conceded that the concept, possibly one of the most radical in the nation, might be difficult to get passed in the upcoming short session of the Indiana General Assembly.

Welfare advocates will undoubtedly oppose it. But politics among more conservative factions could be even more troublesome. That's partly because Goldsmith is considering a run for governor and has political opponents in key legislative positions, and partly because the legislature last session

passed what many consider to be sweeping welfare reforms.

Able-bodied applicants for welfare in Indiana are now required to sign a personal responsibility agreement and are entitled to no more than 24 months of cash benefits while they search for work.

"What they do is tinker with the system," Goldsmith said. "What we'd like to do is really blow up the system."

How will he persuade legislators to support his plan?

"I hope the logic of the proposal will overcome politics," Goldsmith said. "I think it's going to be difficult to pretend you're for welfare

See WELFARE Page 2

WELFARE

Continued from Page 1

reform and be against this proposal."

The plan was drafted during the past year by a 27-member planning council that included representatives from business and industry, schools and advocacy groups for the poor. They have dubbed it the Indianapolis Independence Model.

The panel was headed by Tim Worthington, chairman of General Hotels Corp., who said his company was one of many that needed more workers.

Goldsmith said more than enough private sector jobs existed

in Marion County to accommodate the county's welfare caseload.

"We have an acute labor shortage in this marketplace," he said. "That means that if we can provide the right economic incentives and structural help, then everyone who wants to work in this city could work today."

Also serving on the panel was Les Lenkowsky, president of the Hudson Institute, a conservative think tank that has been working on a similar welfare-to-work plan for Wisconsin.

Lenkowsky said people who initially are not fully prepared for employment would be steered to a variety of options, including job

training, subsidized jobs or public service jobs.

"Research shows recipients don't have great difficulty in finding jobs. The big difficulty is keeping them, and this program is designed to help them keep jobs," he said.

Goldsmith said the plan contains many incentives to get welfare recipients — mostly women — into jobs.

They would be able to continue receiving state-provided Medicaid health insurance and food stamps as long as they meet income guidelines.

They also would be able to keep all child-support money paid by noncustodial parents.

EDITORIALS

*"Let the people know the facts
and the country will be saved"*

ABRAHAM LINCOLN

Real reform

As Congress continues to bicker over the details, the federal government falls further behind the curve in the welfare revolution.

Block grants, once enacted, will be a welcome reform that will free up states to use tax dollars more sensibly. But most of the other changes being debated by Congress are minor, irrelevant or have already been adopted by states like Indiana in the form of waivers from federal rules.

Few of these measures will end welfare as we know it. That is because they preserve the "income maintenance" allowance that has characterized Aid to Families With Dependent Children since its inception in 1935.

One state, Wisconsin, really has decided to end welfare as we know it.

One state, Wisconsin, really has decided to end welfare as we know it. On Dec. 31, 1998, AFDC will cease to exist there.

For the past year, the Indianapolis-based Hudson Institute has been working with the administration of Gov. Tommy Thompson to draft a program that will replace AFDC. Although the details have yet to be adopted by the legislature, the idea is this: You must earn any cash you get.

The program blends a conservative work ethic with New Deal jobs program mentality, which is why its supporters include Thompson, a conservative Republican, and the liberal mayor of Milwaukee, John Norquist.

Its key features include:

- A self-sufficiency ladder. Able-bodied parents will be offered jobs and expected to support themselves. Those unable to obtain private sector employment will be given subsidized community service jobs. Non-custodial parents paying child support will be eligible for job services.

- Income support. Case managers will help clients maximize their earnings through use of food stamps and the earned income credit.

- Subsidies for health care and child care will be available to all low-income working families, not just the formerly AFDC-dependent. Clients will make a co-payment based on their income level.

By replacing welfare with a jobs program, many of the issues being debated in Congress become irrelevant, the Hudson Institute contends. Clients will get cash based on the number of hours worked, not the number of children they bear, which eliminates the discussion of family caps and benefit limitations.

At the same time, the program will give the most help to those who are most helpless, says Anna Kondratas, senior fellow at the Hudson Institute's Washington office. For a woman with a crack cocaine addiction, "work" could be defined as time spent in a substance abuse program.

The ultimate vision is to blend the program, known as Wisconsin Works, into the unemployment compensation system so essentially all adults in need of employment support are treated equally.

Hudson Institute President Les Lenkowsky says other attempts at welfare reform are misguided in that they seek to fix what's wrong with welfare. Welfare is what's wrong with welfare. The real issue, he says, is: "if you lived in a world without AFDC, what would you do with the people?"

Congress' failure to properly frame the question is illustrated by the fact it is seeking to cut other social supports at the same time it is changing the rules of AFDC, Kondratas says. "If you want to have people enter the work force, why are you cutting those programs that help the working poor?"

The beauty of the Wisconsin project is that it eliminates the feature of AFDC that taxpayers find most offensive: free cash. But it maintains a great deal of compassion toward people trying to help themselves.

Before the next legislature convenes, Indiana Gov. Evan Bayh should examine the Wisconsin experiment. His welfare reform program already focuses on the importance of job training and placement. As long as Indiana is moving in this direction, perhaps we should follow Wisconsin's lead and go all the way.

A welfare reform plan that works

By Andrew Bush

Recently Wisconsin Gov. Tommy Thompson announced plans for a new system of aid intended to completely replace Aid to Families with Dependent Children (AFDC) that does nothing less than entirely redefine what welfare reform aid should be about.

Designed with help from Hudson Institute and the experiences of welfare-to-work successes and failures, "Wisconsin Works" (or "W-2" as it is called) is a completely work-based system of assistance, intended to give recipients the best opportunity to become permanently self-supporting. Other states wanting to look beyond welfare, might note some of the key strategies embedded in this new plan, called by the Los Angeles Times, "the biggest break from the traditional welfare system proposed anywhere in the country":

■ **Replace Benefits with Earnings:** Instead of giving cash that replaces earnings, we should continue helping parents so they keep working and remain self-supporting. By taking responsibility for their own support as quickly and fully as possible, families can begin getting acclimated to the lifestyle that self-sufficiency requires. Families may take many different paths into poverty, but there is only one way out. Someone must generate earnings and do so consistently. Making that happen must be at the heart of public aid.

■ **Offer a Ladder into World of Work:** Parents must be offered employment opportunities consistent with their abilities. Many can find jobs almost on their own, but others need real help and may need to begin working in subsidized jobs (with employers, or fully-subsidized community service jobs) that open doors to better, unsubsidized employment. By helping develop skills on the job and providing supportive services, public aid can give parents stepping stones leading to consistent unsubsidized employment and increasing wages.

■ **Focus on Workforce Attach-**

ment: Training is important, but the kind that is most useful to welfare recipients is obtained through working. Those who need the most help tend to have generally weak work histories, and little appreciation for what it takes to hold down a job consistently. They may be able to get jobs, but often have difficulty keeping them. Up-front formal education and training often proves useless, but job-based training and training that helps parents manage their schedules, deal with constantly arising difficulties, and still stay employed tends to be crucial and is best learned while working.

■ **Concentrate Aid on Barriers to**

States wanting to look beyond welfare, might note some of the key strategies embedded in this new plan, called "the biggest break from the traditional welfare system proposed anywhere

Work: While able-bodied parents can be expected to work, many face considerable barriers with which they need help. Key among them are child care and health care. A system expecting low-income parents to support their children through work — especially single parents — must help them with child care and health care. Resources now used for benefits should subsidize services that enable low-income parents to work. Beyond subsidies, though, many parents need practical help that can make the difference between keeping and losing a job, such as establishing a family budget, finding child care backup when a child is sick, and in figuring out the host of other arrangements needed in the very complicated lives of working parents.

■ **Keep Aid Flexible, Case Managed and Family-Based:** Needy families face different problems and possess varying abilities. Strategies for helping each family should be

customized. Case managers should be used to serve as a family's prime contact, service broker and counselor for designing and executing self-sufficiency strategies. Strategies should treat participant families as a whole, helping non-custodial parents who cooperate with child support, and seeking any other support relatives or friends would be willing to provide.

■ **Believe in Those You Help:** The vast majority of welfare recipients can work and support themselves, and a system intending to help them achieve that goal must convey a strong message that we believe in their abilities. Self-esteem is crucial to being a successful worker and a good parent but, unfortunately, it also tends to be the most common characteristic welfare recipients lack. Building self-confidence in those we help is often the most important service we can provide. There will be those who need our long-term help, and we should help them, but all can contribute something to their self-support and we should never underestimate the abilities of any parent determined to succeed.

■ **Keep the Mission Focused:** Both service providers and the families they help must stay focused entirely on achieving self-sufficiency. Aid rendered should help participants to either get immediate work, succeed at and stay working, or otherwise help secure dependable income for the family (such as child support).

Similarly, participating parents must dedicate themselves to becoming self-sufficient and be prepared to do whatever it takes to succeed. The system can and should link families with other services useful for helping with other problems, but for it to be most effective at promoting independence, public aid should never become distracted from its prime mission. As in all endeavors, single-minded determination is a mighty engine.

Moving beyond welfare to a system of aid that truly helps families stand on their own is a monumental task. Doing so will offer great promise and hope to millions of American families who do not want to depend upon welfare. In Wisconsin, we can begin to see how this can be done.

Andrew Bush is a research fellow with the Hudson Institute.

The latest thing in welfare.

TOMMY'S NEW TUNE

By Mickey Kaus

This summer, as the U.S. Senate prepared to debate welfare reform, Wisconsin Governor Tommy Thompson proclaimed a "dramatic break" in his state's welfare policy. Thompson had announced dramatic breaks before. In 1987, he hyped Wisconsin's experiment with "Learnfare," a relatively insignificant program that shaves the checks of welfare recipients if their teenage children don't attend school. In 1992, he appeared at a White House Rose Garden ceremony to inaugurate "Bridefare," a program that liberalizes welfare rules for parents who stay together—but only affects about 400 households. In 1993 came "Work Not Welfare," which cut off welfare payments after two years, even if recipients were willing to take public "workfare" jobs. Public jobs were "just another form of welfare," Thompson sneered. But this "landmark" plan applied only in two of Wisconsin's seventy-two counties.

So when Thompson, on August 3, announced "the end of the automatic welfare check," the national press largely ignored him. Only *The Los Angeles Times* made a fuss about his proposal, called Wisconsin Works ("W-2"). The trouble is, *this* Thompson plan really is a landmark. If it receives the attention it deserves, it could tip the balance in the current congressional argument over welfare.

To be sure, many states are attempting their own welfare fixes, a phenomenon the White House is eager to publicize (and take credit for). "[U]nder President Clinton's leadership," declares a press release from the Department of Health and Human Services, the states "have begun the move toward a new welfare system."

Clinton, the release notes, has approved welfare "demonstration projects" in thirty-two states. A recent *New York Times* article bought this line, declaring that "many of the changes contemplated by Congress have already been tested in the states."

But this is highly misleading. Most of the experiments that have been approved involve relatively unrevolutionary changes, like raising the \$1,000 limit on the assets welfare recipients can accumulate or fiddling with the rate at which they lose benefits when they go to work. The big reform, at the heart of the legislation now before Congress, is the institution of a time limit, either a Clinton-style limit (after which recipients must engage in workfare) or a cold-turkey limit (after which both welfare and workfare disappear). Neither sort of limit has been "tested," at least not on the single mothers who make up the vast majority of welfare recipients. Though some states have started time-limit experiments, none has been going on long enough for the limits to have been reached.

Even before such a test, though, it's easy to spot problems with the time-limit idea. Poor mothers are to be given a check, and then after a certain period of time—typically two years—the state will try to take it away. The temporary period of cash aid is supposed to give recipients time to get their act together. But it also muddles the message to young women who aren't yet on the dole. To some it might say "Welfare isn't permanent, so don't count on it." To others it might say "Have an out-of-wedlock child and get two years of benefits." And it's always harder to take a check away from someone than it is to not give it to them in the first place. Even the states undertaking the toughest time-limit experiments typically exempt large portions of the welfare caseload. Virginia's experiment, for example, limits benefits to twenty-four months but exempts about 40 percent of the caseload, according to a survey by the Center for Law and Social Policy. Massachusetts plans a very tight sixty-day limit (followed by workfare)—but this applies only to the 20 percent of welfare families whose children have reached school age. The welfare reform bill passed by the Republican House only requires states to get half of their welfare recipients working by the year 2003.

The new Wisconsin plan is different. To the vast majority of families seeking aid, it doesn't offer *any* period of cash assistance. The time limit, in effect, is zero. If you're poor and need immediate help, you can get a "bridge loan." But you'll have to pay it back starting the next month. If a loan won't solve the problem, you'll be matched with a private job or offered a community service job, plus child-care to enable you to take that job. The general principle is "no cash, only work." Yes, mothers can get cash support for the first twelve weeks of their child's life. But that's all. Those certified as disabled (but who for some reason don't qualify for federal disability benefits) will also get cash assistance, but a state official estimates that no more than 15 percent of those who apply for aid will qualify for this "W-2

"Transitions" program. Even these disabled recipients will be required to do some work, in special "sheltered workshops" if necessary.

In one sense, the W-2 plan is harsh. Single moms with 13-week-old infants will have to take a job if they have no other means of support. But it's because of this unyielding message that W-2 can be expected to have a large effect on the culture of ghetto poverty. Young women will no longer have out-of-wedlock babies and then go on welfare—forming non-working non-families—for the simple reason that this will no longer be possible.

In another sense, W-2 is ambitiously generous. Essentially, Thompson is promising a job, plus child care, to every poor Wisconsin parent who walks in the door. If he can't find you a private job, he'll give you one of the public, workfare jobs he once sneered at. That will require a lot of public jobs, and a lot of child care. One estimate, from inside Thompson's bureaucracy, is that about 30 percent of W-2 applicants will need workfare jobs—about 15,000 to 20,000 people. Far more will need child care, since Thompson promises to subsidize this service for all working families making less than about \$20,000—even those working in the private sector. Oh, and one more thing: W-2 guarantees health coverage to "all families with low incomes and with low assets."

How is Thompson going to pay for all this, especially if the Republicans in Congress succeed in replacing open-ended federal welfare payments with a fixed "block grant" to each state? That's the key question about W-2. One reason many states find time limits appealing, after all, is that they avoid the expense of offering jobs and child care immediately to all comers.

Thompson's advisers apparently expect the number of Wisconsinites seeking support to fall dramatically once people realize they can no longer get cash without working. That would free up money to finance jobs and day care for the remainder of those seeking aid. In Fond du Lac, one of the two counties where Thompson imposed his trial two-year time limit, caseloads dropped 40 percent in a single year, well before anybody hit the two-year wall. Those who would have gone on welfare seem to have found private jobs instead, or moved. But Fond du Lac is a largely white area with low unemployment and no "inner city." It may be wishful thinking to expect a similar result in the ghetto culture of Wisconsin's major urban center, Milwaukee. One suggestive bit of evidence: over the eight years since Thompson began his reforms, the caseload outside of Milwaukee has declined by 41 percent; in Milwaukee the rolls have shrunk only 6 percent. If Milwaukee's impoverished residents can't find private jobs, and line up to claim the public jobs W-2 has promised, will Thompson step in and fund them even if it means doing it with state, not federal, money? Even if it means raising state taxes?

Thompson has yet to announce the cost of his plan. But his press secretary has already been quoted as saying that unless Congress provides a big enough block

grant, W-2 will have to be cut back. That's a bit galling, since it was Thompson who pushed the idea of block grants in the first place, over Democratic warnings that they wouldn't be generous enough. If Thompson can afford W-2 under the Republicans' block grant regime, that may only be because Wisconsin does relatively well under the formula for allotting the grants. Under the Senate GOP's block grant bill, Wisconsin will get \$1,589 for every poor child in the state (mainly because, historically, Wisconsin has paid out high welfare benefits and received generous federal "matching funds"). But what about Texas, which, even after winning a change in the allocation formula, will only get about \$447 per poor child? Simply put, in the block grant system Thompson has championed, states like Texas won't be able to undertake the W-2 style reform Thompson himself now thinks is necessary. Of course, that will only make Thompson look better.

There are other problems with Thompson's scheme. W-2 limits public service employment to two nine-month stints. What if someone still can't find a private-sector job? Perhaps Thompson will make generous use of a provision allowing further public employment, in times of recession, on a case-by-case basis. Or perhaps willing workers will wind up on the streets. Thompson's plan also depends heavily on the just-expanded federal Earned Income Tax Credit, which makes private sector work more attractive than either welfare or workfare. Yet Republicans in Congress are now busy attacking the EITC.

S till, it's hard to deny that Thompson's proposal gives new credibility to the GOP push for welfare block grants. The best argument for the block grant approach has always been that it encourages state-by-state experimentation. Thompson's radical plan might radically shrink the underclass. But it might be a disaster. There is only one way to find out, and given the risks it's probably better to find out in one state than to impose such an experiment on the entire nation.

The most widespread objection to welfare block grants cites the danger that, offered a fixed federal payment, governors would compete to spend as little as possible on the poor. States, the argument goes, will be happy to experiment by cutting recipients off, cold turkey. They might be happy to tinker with the system while essentially maintaining the status quo (since it's relatively cheap to just send people checks). But no state would want to spend its own money for a work-based system that required lots of expensive child care and public jobs.

Now, though, at least one state says that, if the Republican bills pass, it will try the tough-but-expensive approach. Thompson's W-2 initiative hardly removes all the objections to block grants. (Some governors might still respond by ending all aid to the poor. And why not give those states that mandate work a federal guarantee of sufficient child care money?) But W-2 should undermine a major argument against the Republican reform. If anybody notices. *

Power to change welfare system lies with states, Hudson Institute says

By Cheryl Wetzstein
THE WASHINGTON TIMES

While Congress can and should enact welfare reform, the states are going to make the most tangible changes to their welfare systems, the president of a leading think tank said yesterday.

"I hope Congress does something. It doesn't make much difference what it does because the real action in welfare policy has to occur at the state level," Hudson Institute President Leslie Lenkowsky told editors and reporters at The Washington Times.

"The problem now is that, with the exception of [Wisconsin] Gov. Tommy Thompson and a handful of others, most governors are sitting on their hands, waiting to see what Congress will do, rather than doing what is completely within their own powers to do today.

"If [Senate Majority Leader]

Bob Dole produces a real block grant, that will be fine," said Mr. Lenkowsky, a veteran social-policy expert and former professor at Georgetown University.

"If Bill Clinton can really get HHS to grant waivers on 30 days' notice, which I tend to doubt, that would be fine," he said, referring to the president's pledge to speed Department of Health and Human Services approval for changes in how states run federal welfare programs.

"If [Texas Republican Sen. Phil] Gramm wants to stick all sorts of provisions on, it won't matter. Most of these provisions are useless. They're more symbolic than actual," Mr. Lenkowsky said.

Even the most radical welfare reforms such as the "family cap," in which welfare mothers are not given more cash to care for children born on welfare, are not likely to greatly reduce welfare

dependency, he said.

"I call it the 15 percent solution" — reforms that are "statistically significant but modest in their effects," he said.

And while the Senate is expected to pass its welfare reform bill by mid-September and send a joint Senate-House bill to Mr. Clinton shortly thereafter, many governors already are moving forward with welfare reforms, Mr. Lenkowsky said.

Congressional reforms will clarify issues and regulations for states, he added, but governors already have considerable leeway to make changes — as evidenced in Wisconsin, where the Hudson Institute has helped design a system to replace that state's welfare system by 1998.

States will still have to face three hurdles in welfare reform: state legislatures, the federal waiver process and challenges in



Photo by Ben V. Goulin/The Washington Times
Leslie Lenkowsky heads the Hudson Institute, which worked on Wisconsin's welfare reform.

the courts.

The courts are likely to be the severest testing grounds, Mr. Lenkowsky added. Welfare reform will introduce "a lot of discretion" into the system.

The Washington Times

September 1, 1995

Helping parents achieve self-sufficiency

By ANDY BUSH

Though much attention is being given right now to new reforms, states and the federal government have been reforming welfare almost nonstop for several decades. The problem is that reforms to date have left intact most of the underlying programs that have existed for years, and which are at the heart of what needs to be changed.

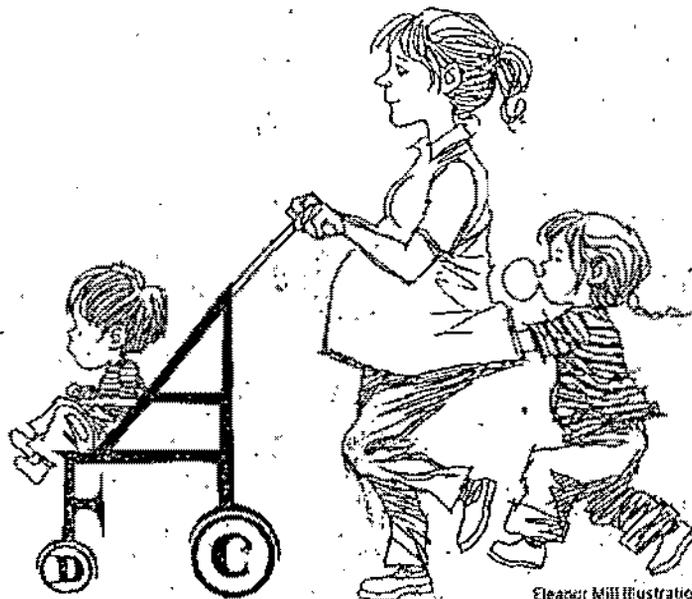
Despite recent reforms claiming to move recipients into work and make welfare more demanding, the welfare system of today still spends most of its energy just making sure that recipients get the money and other benefits to which they are entitled. Unfortunately, the system discourages much else.

The guiding idea behind welfare is that government must be the financial source of last resort for those least able to support themselves. This seems a reasonable and compassionate notion. However, in our concern for the most vulnerable of families — and especially for their children — we systematically subsidize primarily father-absent families where mom rarely if ever works. As long as government substitutes itself as a family's provider we will continue to encourage dependency, and by doing so we condemn many children to lives in poverty.

Complete supporters

We should stop trying to reform the programs we have and instead replace them with a new system of aid dedicated entirely to helping parents be the complete supporters of their children. Achieving self-sufficiency is not easy, but for most now on welfare it is not as hard as it may seem. It can only be accomplished by families committed to work, and a truly helpful system of aid must require those who are able to support their families through work.

Work does work. Those who work, and who work consistently, can escape poverty and support their families. The prospects for even the lowest wage earners are better than many might think. A



Eleanor Mill Illustration

single parent with one child, earning a minimum wage, and working full-time, year-round, can earn about enough to escape poverty when collecting federal wage subsidies; they also would be able to collect food stamps.

More important, those who work consistently develop the experiences, skills and contacts that can quickly move them to higher paying jobs.

The problem is that many low-income parents either do not work, or do not work consistently. Welfare is popularly thought to be clogged with families that sit on the rolls for years, yet the more characteristic long-term experiences involve families that frequently bounce back and forth between welfare and jobs.

This has two important implications for a work-based system of aid. The first is that a large proportion of welfare recipients are quite capable of getting jobs without any remedial training.

The second point is that government should not only help people get jobs, but help low-income working families stay with and succeed in jobs once they have them. Eliminating welfare as an alternative to work will help, but the difficulties go deeper than that. Many workers at the low end of the earnings scale (welfare or

not) are new and unsophisticated entrants to the work force. Many may have no idea how to find a job or how to deal with the hassles and adversities of holding down a job. This is considerably more problematic for single parents who have children and day care arrangements to worry about.

Additional complication

An additional complication is the structure of the low-wage job market. Many low-wage jobs are part-time or are limited in duration, and very few offer benefits critical to single parents, namely child and health care. It is because many low-wage earners don't work full-time or year round that their total earnings leave them in poverty.

It is a considerable challenge, but the lion's share of money and effort in an alternative system of public aid ought to focus on helping poor families enter the mainstream work force and do what it takes to stay with it. A compassionate system of aid that best serves the interest of children is one that helps their parents succeed in the world of work.

Bush, a research fellow of the Indianapolis-based Hudson Institute, heads its Madison, Wis., office where he is working on the "Reinventing Welfare in Wisconsin" project.

Wisconsin Plans to Steer Welfare Seekers to Work

■ Labor: Gov.

Thompson's proposal breaks ground by guaranteeing jobs, and requiring they be taken. Approval is expected.

By ELIZABETH SHOGREN
TIMES STAFF WRITER

WASHINGTON—Wisconsin announced a revolutionary plan Thursday to guarantee an immediate job to everyone who applies for welfare—and to require them to take it.

The plan, announced by Gov. Tommy Thompson, represents the biggest break from the traditional welfare system proposed anywhere in the country.

It also offers a vivid example of the kind of approaches to welfare that states are likely to take if they are freed from federal restrictions, as they would be under the welfare reforms scheduled for final debate in the Senate beginning Saturday.

Wisconsin is somewhat more free to experiment than many other states because it has virtually no unemployment. Under the state's new plan, the state would place recipients in private-sector positions if possible and furnish state-subsidized jobs for the rest. But the new system would have none of the customary exceptions for hardships. For example, recipients would have to work even if they have small children, or lack a high school diploma or job training.

"The automatic welfare check is history," Thompson said.

The cost per person of Wisconsin's welfare program would increase under the new plan because wages would be higher than existing benefit payments and the state would have to bear additional child-care costs. But state officials hope the total cost will not rise, arguing that people will move into unsubsidized jobs or leave the welfare rolls because they do not like the government's new terms.

"We're hoping to make it cost-neutral," Thompson said in an interview.

The plan, which is expected to win approval of the state Legislature, joined advocates for the poor and some public policy specialists. They said the new plan could be devastating for troubled, uneducated or untrained mothers who are not ready to go to work, and they raised warning flags about the cost of creating jobs for tens of thousands of parents and providing child care for their children—as provided for under the plan.

While virtually all elected officials and welfare specialists agree that the current system fails taxpayers as well as the people who receive aid, some questioned whether the nation is ready for a leap of this magnitude.

"It goes far beyond any of the experiments that we've seen in Wisconsin or other states to date," said Michael Wiseman, a professor at the University of Wisconsin. "It really is ending welfare, not just ending welfare as we know it, but ending welfare—period."

The proposal would do away with the main welfare program—Aid to Families With Dependent Children, which guarantees basic

cash assistance to poor families.

Instead, the state would place recipients in full-time jobs. For those applicants who cannot be placed in private-sector jobs, the state would offer community service positions and subsidized jobs with private companies. Even parents with disabilities or serious substance abuse problems would be required to work in group settings and, in some cases, attend rehabilitation clinics.

"They have to work like everybody else," Thompson said. "Everyone will have some responsibility."

Other states have imposed tougher requirements than exist under the current federal system, such as setting time limits on benefits or requiring recipients to enroll in job training or classes. But none have tied cash assistance to full-time work from day one.

Some state officials and advocates for the poor said they were worried about the consequences for children.

"There are a lot of walking wounded out there," said Seymour J. Adler, director of the department of social services in Kenosha, Wis.—a small industrial city in the southern part of the state. "They lack able-bodied but they carry a lot of baggage. What's going to happen to those folks and the children they've spawned?"

Adler oversees one of the most successful county welfare experiments in the state, created under previous welfare reforms that Thompson initiated. But he and other skeptics warned that Thompson's new plan may go too far, leaving many people destitute and homeless.

Thompson may be right, Adler said, "but maybe he's wrong, and if he is it could be devastating for the lives of the people he's affected."

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INDIANAPOLIS INDEPENDENCE INITIATIVES

In Indianapolis, everyone is important and everyone works.

Work fulfills a basic human need—it connects individuals to society and its values and it provides a positive message through example to our children. Providing income without the need for work isolates welfare recipients from the broader society and is destructive to families and children. Requiring work for income is perhaps the only way to begin to reverse the negative effects of 60 years of the welfare state.

The challenge is to create a system that emphasizes work, promotes families, provides individuals with the tools and support to achieve and maintain self sufficiency, and affords meaningful ways to contribute to community life. Within this framework, our goal is to empower people to move from poverty to self sufficiency by creating opportunities through the principles of competition, entrepreneurship, and non-bureaucratic solutions to human problems.

Four major outcomes have been identified for the project:

1. The workforce development system is centered on private sector employment and self sufficiency.
2. Everyone in Indianapolis can and should contribute to the community by working.
3. Employers, sometimes working together, can create/extend career ladders from entry level positions to sustaining life long employment.

4. A safety net is maintained during times of economic down-turn and/or individual crisis.

Why the System Must Change Locally:

The State of Indiana has recently implemented a federally approved welfare reform package. This program of reform has been described as "the most aggressive in the nation," but its provisions will apply to only a small fraction of the welfare population. The Indiana General Assembly has passed welfare reform legislation (Senate Enrolled Act 478) with even more stringent provisions. While Indiana's extensive welfare reform plans include changes in eligibility, they do not address some of the fundamental problems inherent in the welfare system.

The welfare system is a large government bureaucracy which holds a monopoly on service delivery. Even well-intentioned welfare caseworkers have no incentive to help recipients move from dependence to independence. In fact, there are strong disincentives to doing so. Caseworkers are required to be more concerned about accuracy of eligibility determination and benefit calculation rather than enabling those they serve to become/return to being self sufficient. When an AFDC recipient begins a job, more work is required of the caseworker (e.g., earnings, child care costs, transportation expenses, and the like must all be verified).

The Indianapolis unemployment rate has been below 4 per cent for the last several quarters. Record numbers of new jobs have been created in Indianapolis from 1992 through 1994. Over 6,000 new jobs were created in 1994 alone. The Indianapolis Private Industry Council estimates that there are over 13,500 job vacancies on any given day in Marion County.

Even though the community as a whole is thriving economically, some neighborhoods within Marion County experience high welfare caseloads and double digit unemployment.

We have a rich array of job placement providers within the community. Even so, a continuing problem for our providers is the low number of referrals they receive from the Division of Family and Children. Nearly every week one or more of the providers bring this problem to the attention of the Mayor's Office and the Private Industry Council. While there are over 12,000 families on AFDC in Marion County and jobs are "lined up and waiting," each of our providers has received on an average less than 29 referrals per month.

Indianapolis businesses are desperate for workers. They are demanding government agencies to spend less money and time on training welfare recipients and other low income people. Businesses want to train their own workers. They need people today.

Focus of the Indianapolis Independence Model:

A successful model must be comprehensive and competitive and must ensure customer choice and dignity. The following are key components of the Indianapolis Independence Model:

- * All 12,000 AFDC adult recipients will be reached and assisted in attaining self sufficiency. It is understood that people on public assistance are at various stages of work readiness and will require individualized plans for self sufficiency.

new

- The strong local economy makes it possible to identify all jobs for transitional people in the private and non-profit sector. It is therefore best, under these circumstances, to avoid even the appearance of workfare.
- All contracts and policies will be performance-based and incentive driven.
- Incentives will be provided to service providers as well as to clients.
- A broker/case manager system that is non-bureaucratic, competitive, and incentive based will be included to assess and route clients to service providers. Post placement supportive services will be ensured through contract requirements.
- Business support (through the Indianapolis Private Industry Council and in conjunction with creative use of grant diversion opportunities) is essential to facilitate the development of career ladders from entry level jobs across and among companies.
- Non-government funding will fund incentives (such as no interest loans for small businesses) that would make it easier for others who are dependent to be able to work. This funding could also be used to advance incentive payments to brokers and job placement firms to enable more companies to get into the business and to establish financial control practices for government to copy in an expedited payment environment.
- Receipt of transitional benefits as well as coordinated employer benefit packages with availability of AFDC related transitional benefits will be ensured.
- Develop a system to evaluate long term effectiveness of various job placement programs.

Program for Reform:

The Local Planning Council of Marion County proposes an Indianapolis Independence program which:

- Eliminates the current system of AFDC and replaces it with the Indianapolis Independence system, run primarily through contracts with private non-profit and for-profit vendors;
- Requires all parents to work to support their families;
- Provides opportunities for advancement through creation and extension of career ladders, either among firms in the same or different industries;
- Provides case management through a system of career planners;
- Provides for selection of job placement providers on a competitive basis;
- Makes "work first" and "everyone works" real, makes transitional benefits (e.g., child care and Medicaid) accessible before going on the welfare rolls, and makes complete grant diversion to educational programs and job related activities and support for working available to Indianapolis;
- Provides opportunities for education/training for employed persons (including opportunities within the work place) to enable people to increase their self sufficiency skills;
- Provides opportunities for asset development; and
- Requires child support payments be disbursed to the custodial parent.

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The one stop self sufficiency facility is analogous to an airline terminal. It will be developed to serve everyone in the community. It would operationalize our positive message of self sufficiency where everyone works and has access to life long career planning, skills development, and a job market place rather than a welfare,

unemployment or training office. It would be a comprehensive center that would include child care, transportation, training, social services, and government offices that are in or adjacent to the terminal. The terminal would serve as a market place where workers and employers can interact to transact an exchange of labor for employment. It is not just for poor people; it is for everyone. Components of the one stop center follow.

- A private sector terminal operator provides a number of services including recruiting workers and maintaining a data base of resumes of the local talent pool. This would include all welfare recipients and individuals receiving unemployment benefits (who are required to participate in the market place) as well as employed workers interested in improving their employment status. The terminal operator could also provide skill and worker readiness training.
- There are multiple "gates" within the terminal--non-profit agencies and for-profit companies who would serve as jobs brokers, companies who wish to hire directly, corporate "head hunter" agencies, and training companies. Exhibits and communication hook-ups could also be accommodated.
- Neighborhood community based organizations would serve as satellites to the terminal--bringing services from the terminal to where people live. These neighborhood community based organizations would conduct extensive outreach within their neighborhoods, in order to broaden the labor pool and ensure everyone in Indianapolis has the opportunity to achieve self sufficiency. We have already begun to explore this concept with a consortium of non-profit agencies in one Indianapolis neighborhood.

- The safety net and pre-employment jobs should be provided through the terminal and satellite operators, coordinated for the government by the terminal operator.

Regionalism should be considered as the second step in creating a job market exchange and support network that matches the local economy. In Indianapolis, consideration should be given to building a regional system that unites Marion County with the surrounding counties:

- A media/communications program is essential to increase awareness of people who need to work about the resources and opportunities available in the community. The communications program will also serve as a vital link between employers and potential employees.

Accountability:

To maximize chances for success, additional information is needed to guide our Independence Initiatives. At a minimum, the following types of information will need to be generated:

- An assessment of the work-readiness of current AFDC recipients;
- An independent evaluation of the retention rate of placements through our existing welfare-to-work providers, such as America Works, Goodwill, iNET, CCI, and TTI;
- A capacity survey of non-profit and for-profit placement providers, including traditional employment and training organizations, employment firms, employers themselves, and government employees with interest in competing for customers. This effort should include an outreach to providers not currently active in the Indianapolis market place;

- A quantitative and qualitative analysis of the frequently cited barriers to employment, including child care, transportation, health care, availability of transitional benefits, and the tax consequences of moving from assistance to self sufficiency; and
- A simple but complete description of the gap between a livable family income and the entry level wage and benefit package Indianapolis employers are able to pay. The description should include an assessment of the impact of two parents in the family, job sharing among family members, including teenage children and multiple jobs/overtime (working more than an eight hour day and/or weekend work). The possibilities of in-the-home, in-the-school, in-the-church, and in-the-community/community center work should also be assessed (e.g., on-line computer data input, telephone sales and government related part-time work in park/facility cleaning, maintenance, and security).

The number and quality of placements is the main criterion for evaluating vendors. Vendors would be expected to appeal to different markets and would be assessed differently. In the case of gates that focus on more skilled market segments, we would not need to evaluate them. They will be market driven. If they make money or perform a valuable service in filling their corporations' labor needs, they will prosper. For companies that place less skilled workers, the main criteria would be how many people get hired, for how long, at what wage, with what benefits, reasons for employee termination, employee advancement, and measures of employer and employee satisfaction with work assigned and work performed.

To ensure objectivity and credibility, the development and administration of the evaluation system for the terminal and its vendors should be contracted out from the beginning.

Assistance We Require:

WE DO NOT NEED ADDITIONAL GOVERNMENT FUNDING TO IMPLEMENT THIS INITIATIVE. The state and federal share of AFDC and JOBS dollars spent on behalf of Marion County residents in calendar year 1995 would be requested from the State. Indianapolis/Marion County would require waivers to eliminate the current AFDC system and replace it with a work first program. We would also require waivers of any requirement that workers be employed under a merit system.

Funds from businesses and foundations would finance start-up, no interest loans to start businesses, and other innovative components of the new system.

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Hudson Institute Report

Summer 1995

SHAPING THE FUTURE

Number 28

Hudson Institute project helps Wisconsin produce "landmark" plan to end welfare

New and innovative approaches to "ending welfare as we know it," developed by Hudson Institute's project on welfare reform, were major elements of Wisconsin Governor Tommy Thompson's proposed "Wisconsin Works" program, announced by Thompson in an August 3rd speech.

Hudson Institute has been working with the state of Wisconsin for more than a year to create a program to replace that state's existing welfare system, sunset by legislation to end in December of 1998. Since March of 1994, the Hudson project staff has studied relevant social service data and welfare initiatives from across the nation (as well as in Wisconsin), gathering and analyzing the information and preparing a series of operational policy options for Governor Thompson and his administration to consider.

"The biggest break from the traditional welfare system proposed anywhere in the country."

— Los Angeles Times

Dubbed "W-2," the proposals focus on jobs rather than direct cash payments. According to Governor Thompson, "Welfare in Wisconsin is going to be a jobs program. It will no longer be an entitlement. It will be the connection between looking for help and looking for a job."

This is the basic concept that was developed by the Hudson research team led by research fellow Andy Bush, the head of Hudson's Madison, Wisconsin office; senior fellows Anna Kondratas and John Weicher; and Hudson President Leslie Lenkowsky.

The perspective of this new and innovative approach was summarized in a brief "philosophy and goals" statement issued by Governor Thompson:

"Work fulfills a basic human need—it connects individuals to society and its values. By providing income without the need for work, welfare isolates recipients from society. Such a destructive influence can only end if work and income are rejoined."

"When we began this project, more than a year ago, we didn't want to simply tinker around the edges of welfare reform—we wanted to fundamentally change how government helps people go from dependence to real economic independence," said Hudson President Les Lenkowsky. "W-2 is the most creative welfare reform proposal

in the nation. The real battle for welfare reform is being fought on the state level, not just in Washington, D.C., and we're proud to be on the front lines along with Governor Thompson and the people of Wisconsin."

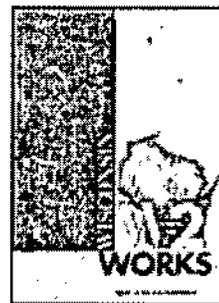
Articles in major newspapers and magazines are calling these reforms the most important and innovative to date on either the state or local level. According to Mickey Kaus, writing in *The New Republic*, "this Thompson plan really is a landmark. If it receives the attention it deserves, it could tip the balance in the current congressional argument over welfare." The next stop for "W-2" is the Wisconsin legislature, which will begin debate

Continued on page 8

Wisconsin Works: a brief description

Wisconsin Works is a new system of public aid that fundamentally changes how government helps needy families and fights poverty. Completely replacing the state's current Aid to Families with Dependent Children (AFDC) program, W-2 focuses entirely on helping parents establish their own means of support—primarily through employment—and maintain self-support. Key features include the following:

Aid to Pursue Self-Sufficiency: Low-income parents of dependent children will be eligible to work with a W-2 Personal Planner, who helps parents design and stay with a self-sufficiency plan. Planners serve as case managers and service brokers, linking parents with various services that help them to obtain the highest level of earnings and outside support possible. Plan-



ners work with parents even after employed, helping them make the adjustment into becoming stable workers and dependable supporters of their families. Noncustodial parents cooperating with child support are eligible for certain services, and all paid child support will be passed through to the family.

The Self-Sufficiency Ladder: Able-bodied parents will be offered employment and expected to work to support themselves, unless other sources of dependable support, such as child support, are secured. Fully subsidized Community Service Jobs, partially subsidized Trial Jobs (available with certain private employers), and unsubsidized employment will constitute a self-sufficiency ladder which will allow clients to enter em-

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Hudson Policy Bulletin

September 1995

A TIMELY LOOK AT THE ISSUES OF THE DAY

Number 14

Making welfare work in Wisconsin

By Andrew S. Bush

Special to the Hudson Policy Bulletin

Recently Wisconsin Governor Tommy Thompson announced plans for a new system of aid intended to completely replace AFDC. It does nothing less than entirely redefine what welfare reform aid should be about.

Designed with help from Hudson Institute and the experiences of welfare-to-work successes and failures, "Wisconsin Works" (or "W-2" as it is called) is a completely work-based system of assistance, intended to give recipients the best opportunity to become permanently self-supporting. Other states wanting to look beyond welfare, might note some of the key strategies embedded in this new plan, called by The Los Angeles Times, "the biggest break from the traditional welfare system proposed anywhere in the country."

acclimated to the lifestyle that self-sufficiency requires.

Families may take many different paths into poverty, but there is only one way out. Someone must generate earnings and do so consistently. Making that happen must be at the heart of public aid.

services, public aid can give parents stepping stones leading to consistent unsubsidized employment and increasing wages.

Focus on Workforce Attachment

Training is important, but the kind that is most useful to welfare recipients, is obtained through working. Those who need the most help tend to have generally weak work histories, and little appreciation for what it takes to hold down a job consistently. They may be able to get jobs, but often have difficulty keeping them. Up-front formal education and training often proves useless, but job-based training and training that helps parents manage their schedules, deal with constantly arising difficulties, and still stay employed tends to be crucial and is best learned while working.



Replace Benefits with Earnings

Instead of giving cash that replaces earnings, we should help parents establish earnings of their own immediately so they can support themselves. Once in a job we should continue helping parents so they keep working and remain self-supporting. By taking responsibility for their own support as quickly and fully as possible, families can begin getting

Offer a Ladder Into World of Work

Parents must be offered employment opportunities consistent with their abilities. Many can find jobs almost on their own, but others need real help and may need to begin working in subsidized jobs (with employers, or fully-subsidized community service jobs) that open doors to better, unsubsidized employment. By helping develop skills on the job and providing supportive

Concentrate Aid on Barriers to Work

While able-bodied parents can be expected to work, many face considerable barriers with which they need help. Key among them are child care and health care. A system expecting low-income parents to support their children

continued on page 3

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Hudson Briefing Paper

January 1995

SHAPING THE FUTURE

Number 172

Ending Welfare As We Know It

A Hudson Institute Symposium

- What was once a conservative argument—that welfare creates dependency—has become common wisdom, and reforming the U.S. welfare system is now a bipartisan priority.
- Debate rages over how to make the system work—or whether to reform it radically or even dismantle it altogether—and at stake is not only welfare but a host of other public-policy issues such as job training, housing policy, food stamps, community policing, and health care.

The key to "ending welfare as we know it" may be in the states and localities: while national leaders continue to disagree on the best approach, the states can try innovative ideas that may work better than what we now have.

Introduction

Leslie Lenkowsky, President, Hudson Institute

Even before last November's elections, welfare reform was certain to be an item on the agenda of the 104th Congress. In their wake, it is likely to be among the first measures taken up by the new Congressional leadership. Indeed, as part of the "Contract with America," the House of Representatives is supposed to vote on a Republican welfare reform plan within the first 100 days of the new legislative session. On the Senate side, the new chairman of the Labor and Human Resources Committee has prominently put forth her own plan for fixing the nation's public assistance program. And in Democratic circles, some of President Clinton's supporters are urging him to replace health care with welfare reform as the centerpiece of his legislative agenda.

This would not be the first time in living memory that the nation seemed ready to tackle its seemingly most intractable domestic problem. Twenty-five years ago, when Richard M. Nixon was in the White House, welfare reform was so high on the nation's agenda that all three major news magazines featured cover stories about it the same week. Yet, after a long and at times impassioned debate, nothing much happened.

Will that again be the case? The four experts on welfare policy who came together in late September at Hudson's National Policy Forum, and whose comments are reprinted here, provided an assessment of the prospects for reform not likely to satisfy advocates of one or another proposed plan. The consensus on what is wrong with the existing system and what a new one ought to accomplish, they agreed, is considerable. But their remarks also suggested that large differences, which cut across traditional partisan and ideological lines,

FISCAL ESTIMATE
DOA-2048 (R 11/90)

ORIGINAL CORRECTED UPDATED SUPPLEMENTAL

LRB or Bill No./Adm. Rule No.
LRB 4118/1
Amendment No. if Applicable

SUBJECT

Wisconsin Works (W-2)

Fiscal Effect

State: No State Fiscal Effect

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation

- Increase Existing Appropriation
- Decrease Existing Appropriation
- Create New Appropriation
- Increase Existing Revenues
- Decrease Existing Revenues

- Increase Costs - May be possible to Absorb Within Agency's Budget Yes No
- Decrease Costs

Local: No local government costs

- 1. Increase Costs
 - Permissive Mandatory
- 2. Decrease Costs
 - Permissive Mandatory

- 3. Increase Revenues
 - Permissive Mandatory
- 4. Decrease Revenues
 - Permissive Mandatory

5. Types of Local Governmental Units Affected:
- Towns Villages Cities
 - Counties Others _____
 - School Districts VTAE Districts

Fund Sources Affected

- GPR FED PRO PRS SED SES-S

Affected Ch. 20 Appropriations

20.435(4)(cn), (d), (dc), (df), (dg)

Assumptions Used in Arriving at Fiscal Estimate

This bill permits the Department to implement the Wisconsin Works (W-2) program, starting July 1, 1996, provided Wisconsin has received enabling federal waivers or legislation. Wisconsin Works replaces the Aid to Families with Dependent Children (AFDC) and Job Opportunities and Basic Skills Training (JOBS) programs. Under the W-2 program, eligible recipients must work off their grants and a time limit is placed on how long benefits are available.

The implementation of W-2 will involve increased costs for state and local agency administration, including training and computer systems modification. An intensive effort will be made during the 1995-97 biennium to reduce the AFDC caseload prior to full implementation of W-2. The bill immediately changes some JOBS benefits in preparation for full W-2 implementation.

The fiscal note assumes that W-2 begins full implementation in state fiscal year 1998 (SFY 98). The attached tables summarize projected funding levels and expenditures for each year.

Demographics

Under W-2 eligible custodial parents must engage in work activities to receive benefits. On July 1, 1997, the Department projects that 53,600 former AFDC recipients will be eligible for the W-2 program. The estimate is derived by subtracting the estimated number of Supplemental Security Income (SSI) cases (5,400) and the estimated number of non-legally responsible relative (NLRR) cases (5,600) from the projected total July 1997 AFDC caseload of 64,700. These SSI and NLRR cases are removed from the eligible W-2 population because they lack a casehead who can enroll in the W-2 work components.

It is estimated that these former AFDC recipients will enroll in the W-2 program and that they will be placed into employment categories based on the following assumptions:

Long-Range Fiscal Implications

Agency/Prepared by: (Name & Phone No.)

DOA/OPR James Johnston 266-9359

Authorized Signature/Telephone No.


Richard Lorang 266-9622

Date

09/28/95

25% in W-2 Transitional (W-2 T) category (13,400 cases);
 50% in Community Service Jobs (CSJ) (26,800 cases);
 10% in Trial jobs (5,360 cases); and
 15% in Unsubsidized employment (8,040 cases).

The fiscal note assumes that 2,100 new applicants to the W-2 program will be accepted during the first month of program operations. During the first two years of the program, the number of new cases will gradually reduce to 1,900 per month and will remain at this level. It is estimated that these new cases will be placed into the employment categories based on the following assumptions:

10% in W-2 Transitional (W-2 T) category;
 35% in Community Service Jobs (CSJ);
 15% in Trial jobs; and
 40% in Unsubsidized employment.

The fiscal note assumes that the initial W-2 caseload, composed of former AFDC cases, and new W-2 cases will move from one employment category to another employment category at the same rate. In addition, it is assumed that 5% of the caseload will leave the program each month for "other" non-work related reasons; such as moving out of state or leaving because the youngest child reaches age 18. The following table summarizes the assumed movement among employment categories for both former AFDC cases and new W-2 cases. The following table shows the projected movement of the W-2 caseload.

MOVING FROM	TO:					
	W-2 T	CSJ	Trial	Unsub.	Other	
W-2 T	--	55%	30%	10%	5%	
CSJ	5%	--	30%	60%	5%	
Trial	0%	5%	--	90%	5%	
Unsub.	0%	0%	0%	--	100%	

The bill establishes maximum time limits participants can receive benefits in each employment category. These maximum time limits can be extended based on W-2 agency review. The fiscal note estimates the maximum and average length of stay for actual participation in each employment category. The assumed length of stay in each employment category is used to determine the attrition rate per employment category. The assumed maximum time limit per employment category is:

36 months for the W-2 T category;
 24 months for the CSJ category;
 18 months for the Trial category; and
 120 months total overall eligibility for W-2 subsidized employment categories.

Work Subsidies

The Department will subsidize each W-2 employment category based upon a percentage of minimum wage. The W-2 T category is subsidized at 70% of the

federal minimum wage (\$2.98 per hour); the CSJ category is subsidized at 75% of the federal minimum wage (\$3.10 per hour); and the Department will reimburse private employers 80% of the wages for Trial job recipients. The total work subsidy costs assume that participants will work, on average, 35 hours a week for a total of 1,820 hours on an annual basis.

In addition to the wage subsidy, participants will be eligible for other programs that provide additional cash or in-kind income. Participants in W-2 Transitional and CSJ employment positions are eligible for the federal food stamps program; Trial job participants are eligible for food stamps and federal and state earned income tax credits (EITC); and participants in unsubsidized work may retain eligibility for food stamps and the EITC, depending on their income.

Work Subsidy Sanctions

The Department will impose sanctions for the following violations:

- 1) recipient's children who do not attend school (Learnfare sanction);
- 2) recipient refusal to participate three times in any W-2 employment position is ineligible to participate in that component; and
- 3) recipient refusal to cooperate with the establishment of a child support order.

The W-2 sanction rate is assumed to be about 3.5% of the caseload based on sanction experience of the current Learnfare, JOBS and child support programs.

Health Care

This fiscal note estimates health care costs by projecting participation rates for each wage category in the caseload and then multiplying the number of participants by the monthly premium to determine total health care costs. The premium contribution by participants is then subtracted from the total cost to determine total government cost.

The bill uses recent AFDC caseload demographics to determine the percentage of one-parent and two-parent families, as well as the estimated family size ratios. These data permit the calculation of income for each family as a percentage of the federal poverty level (FPL). Family income as measured by the federal poverty level is then used to calculate a participant's premium contribution.

All participants in the three subsidized wage categories (Transitional, CSJ, and Trial Jobs) are required to participate in the W-2 health plan. For those working in unsubsidized jobs, participation is voluntary. Enrollment rates are assumed to be 40% of the entire unsubsidized caseload. An unsubsidized case is ineligible for the W-2 health plan if the participant is offered employer-subsidized health insurance. For participants with incomes at or below 159% FPL, the premium is set at \$20 per month, with the premium increasing as income rises above that level.

Applicants with incomes above 165% FPL are not eligible to participate in the health care plan. However, once in enrolled in the plan participants may continue in the plan until their income exceeds 200% FPL. The maximum premium a participant will be required to pay is \$143.

The health care premium is currently estimated to be \$361/month, which is a blended rate of AFDC and Healthy Start Medicaid participants in HMOs in Milwaukee County. The benefit package will be similar to that offered state employees or private sector employees in medium and large corporations.

Child Care

Child care costs will vary by the income level of W-2 participants and the type of child care chosen by the participant. Family income level determines a participant's co-payment. In addition, family income is used to estimate the likelihood of participation in child care and the type of child care chosen (Center, Family Group, Family Certified, or Family Provisional Certified). Projected demand for each type of care is determined by multiplying the monthly charge for that type of care by the demand for that type of care. The premium contribution by participants is then subtracted from the total cost to determine total government cost.

The fiscal note uses recent AFDC caseload demographics to determine the percentage of one-parent and two-parent families, as well as the estimated family size ratios. These data permit the calculation of income for each family as a percentage of the federal poverty level (FPL). This in turn determines the participant's co-payment.

Child care subsidies are available to any family with an income below 165% FPL with one or more children below the age of 10. There are four child care settings available and three different rate structures based on age (0 and 1 year olds, 2-5, and 6-9). Participation assumptions differ according to age categories.

The total number of eligible families estimated to request child care subsidies is reduced by 40% for families with children between the ages of 0-5 and 62.8% for families with children between the ages of 6-9. This reduction in projected child care usage is based on national child care data showing the percentage of children that do not participate in formal child care regardless of income and by reducing estimated demand to reflect lower participation rates as a family's child care costs increase. The fiscal note uses the statewide average welfare related monthly cost of care (\$310) as the average cost under W-2.

SSI Supplemental Payments

Under the W-2 program, children who previously received an AFDC payment and whose parent(s) received a Supplemental Security Income (SSI) grant, will receive a \$77 grant state SSI supplement and MA medical benefits without any recipient premium costs. This estimate assumes that 12,000 children per month will be eligible for these benefits. The estimated MA costs associated with these cases is \$84 per child per month.

DVR Assessments

For most potential W-2 Transitional cases, the Division of Vocational Rehabilitation (DVR) must determine if the casehead is disabled. It is estimated that approximately 2.8% of the new cases will be incapacitated but not disabled, and therefore these cases will not require an assessment. This fiscal note assumes that the cost to perform an assessment is \$1,000 and that vocational counselors will spend approximately 7 hours per assessment.

Child Support Payments

Under current law, when any person applies for or receives AFDC, the right of the parent or any dependent child to support or maintenance from any other person is assigned to the state. Under the W-2 program, all child support or maintenance collected on behalf of persons participating in the program will be passed through to the participants in the program. This income will be counted in calculating eligibility for W-2 services.

W-2 Office Costs

W-2 office costs include expenses associated with contracting for the provision of services by the Wisconsin Works agencies, including salary and fringe benefits for staff, overhead expenses for operation of the agency, and the cost of case management and services provided to W-2 clients.

W-2 offices will be responsible for eligibility determination for all potential W-2 participants, and non W-2 potential food stamp and Medical Assistance (MA) recipients. At a county's request a W-2 office must allow the county to conduct eligibility determination for elderly and disabled county residents seeking food stamp and MA benefits. Funding for these activities would also be transferred from the W-2 office to the county.

Help Desk and Resource Specialists are budgeted based on the number and size of job centers throughout the state. It is assumed that Milwaukee will require six job service areas, with each area served by two job centers. Two job centers will be necessary in the next fourteen large counties and one each in the remaining 57 counties and 5 tribal organizations. Each center will be staffed by one help desk staff person who will direct people through the job center and perform clerical services. The Resource Specialist will determine eligibility and direct the client to the Financial Planner or Social Services Planner based on eligibility.

Caseloads for Social Services Planners are estimated at 300 cases per worker. Caseloads for Financial Planners are estimated to be 55 per worker. Duties for the Financial Planner include case management, personal financial planning, job search counseling, and private job development for W-2 clients. W-2 agency contracts will be performance based, and agencies will have flexibility to determine the exact staffing levels they need to meet their goals.

Ancillary services include services to W-2 clients for enrollment into the program and assistance in obtaining employment. The ancillary services monthly cost by employment category are estimated to be:

\$83 per month for Trial job participants,
\$100/month for CSJ clients and
\$150/month for W-2 Transitions clients.

Services covered by these ancillary charges include: enrollment, motivation, job readiness, job skill assessment, employment search, special job coaching, costs associated with community work experience or other work experience, transportation, emergency child care and any related costs for W-2 clients. The cost of worker's compensation premiums is included in the ancillary costs for W-2 Transitional and CSJ recipients. Employers will be responsible for paying worker's compensation premiums for trial job participants. As the case manager for the W-2 client, the financial planner's salary was included as part of this allowable cost for services.

Overhead for the job center is estimated at 30% of program staff salary and fringe costs.

Job Access Loans (Bridge Loans)

The Department will establish rules determining the maximum and minimum size of loans, the method of loan disbursement, the terms of repayment and the allowable interest charged. Job access loans will be available to W-2 recipients for job related purposes. The note assumes these loans are limited to \$1,000 per individual for a maximum loan repayment period of 24 months.

The budget estimate of costs for job access loans include administration costs and costs associated with default. The pool of funds required for loans is included as a cost, and repayments will offset future expenses.

Administration cost information is derived from Federal Reserve Bank (FRB) data collected from member banks. FRB calculated the cost of loan acquisition and of loan maintenance. These are averages of total costs to banks with assets less than \$50 million. The acquisition costs averaged \$124 per loan and the maintenance cost was \$10.78 per payment.

The default rate is based on historical evidence of low-income loan programs (30-40%) and other loan programs such as auto loan programs for high risk borrowers (33%). The fiscal note assumes loan begin to default three months after loan origination.

Demand for loans was estimated at 10% of the total W-2 subsidized employment caseload. Because of a limited loan pool, it is expected that the W-2 agency will limit the disbursement of job access loans to those that have specific and vital needs for obtaining employment.

Kinship Care/Foster Care

Currently 5,600 AFDC cases have a relative who acts as guardians receive AFDC payments while caring for a relative's child or children. Current data shows, on average, payments are made for 9,700 children per month. W-2 will eliminate this AFDC payment and replace it with a Kinship Care payment of \$215 per month. To receive this payment, the home must be considered a safe residence for the child and there must be evidence of a need to place the child outside of the parents' home.

Of the initial NLRR AFDC cases referred for Kinship Care status, it is assumed that 13.5% of the relatives will become certified as Foster Care providers and receive the higher Foster Care payment amount. The fiscal note assumes that 63% of the relatives will request the Kinship care payment. In the remaining cases it is assumed that the relatives will either continue caring for their relative's children without reimbursement or return the children to their parents. For new cases, it is assumed that 82% of the cases will request the Kinship Care payment and 18% will choose to be certified as foster care providers.

The average length of stay in these components is assumed to be 15 months based on turnover of out-of home care placements. Assessments for Kinship care are budgeted at \$25 per hour for 3 hours and assessments for Foster Care certification are \$300 based on a 12 hour assessment estimate.

These children will receive medical coverage through the medical assistance program. The current actuarial rate is \$107 per child. Also included in

this estimate is the budget for medical costs of teen mothers. It is estimated that there will be 100 teen mothers needing medical assistance, at a rate of \$214 per month.

Children First

W-2 will fund a work experience and job training program for noncustodial parents who fail to pay child support or fail to meet the children's needs as a result of unemployment or underemployment. The Department currently has a Children First Program operating in 23 counties, representing approximately 26% of all child support cases. Expanding the program statewide, assuming that the remaining counties have Children First caseloads in the same proportion as the current counties, will require additional funding.

Burial Costs

Under current law the Department reimburses counties for the costs of burying certain recipients of public assistance. This reimbursement is provided under the AFDC appropriation. This fiscal estimate assumes that the Department will continue to provide funding to counties for the costs of burying recipients of public assistance, funded at the current level.

Transitional/Start-up Costs

Transitional costs cover expenses incurred as systems and documentation is changed, personnel is trained on new policies and procedures, and contracts are put out for bid.

Request for Proposals

This budget of \$11,000 includes printing, advertising and distributing the proposal. Proposal development and evaluation will be completed within existing resources.

Computer Systems Costs

Deloitte & Touche, the current CARES systems contractor, estimates information systems changes at \$5.5 million dollars. Training State and W-2 agency staff on the new systems would cost an additional \$1 million. This includes programming costs for modifying and developing new software necessary for W-2. Because the State purchased and owns the equipment, current hardware used by counties and JOBS agencies will be used for the W-2 program.

Training Costs

Based on training costs associated with the new KIDS Child Support System, training to orient W-2 Agency and State personnel with the new policies and procedures of W-2 would cost \$4.572 million. This includes direct training expenses of \$1,300 per person for 1,979 personnel. Additionally, \$2 million is added to this estimate based on KIDS costs for training-related expenses including staff time to attend training, travel to the site, any lodging requirements for the training, etc.

Overlap of Contracts

Starting the new IM and employment program offices will result in the termination of current county and JOBS agency contracts with the state. There will be a four month period beginning after July 1, 1997 where two agencies are providing services to AFDC recipients. The State will need to continue the contracts with the old agency as those cases are transferred to the new W-2 agency and operations are phased out.

State Staff

The fiscal note assumes additional staff will be hired to develop W-2 policy materials, to develop W-2 agency contracts, to develop W-2 training materials and to monitor W-2 agency contracts.

W-2 Funding

The fiscal note assumes that the federal government will create state block grants for welfare programs starting in federal fiscal year 1996 (FFY 96). The House of Representative and the Senate have both passed bills which provide block grant funding. Both bills increase federal funding for Wisconsin and provide greater state flexibility to administer public assistance programs.

The House version of the block grant bill provides about \$309 million for Wisconsin, while the Senate bill provides about \$334.8 million. Part of the difference between the two bills is the treatment of child care funding. The Senate bill includes IV-A child care funding in the block grant (\$18.8 million), whereas the House version places IV-A child care funding in a separate block grant. The exact funding level will be determined by a conference committee. The attached chart indicates the range of W-2 funding potentially available based on the alternative block grant bills.

State funding is estimated to remain at SFY 97 funding levels through the next biennium. The W-2 bill combines a number of general purpose revenue (GPR) appropriations to increase the State's flexibility to match state funds to the federal block grant. This consolidation will allow the State to target funding where it is most needed.

The bill combines the following GPR funded public assistance appropriations into one biennial appropriation:

- s. 20.435 (4)(cn) Child Care for Recipients & Former Recipients of AFDC
- s. 20.435 (4)(d) Income Maintenance Payments to Individuals and Counties
- s. 20.435 (4)(dc) Emergency Assistance
- s. 20.435 (4)(de) Income Maintenance County Administration
- s. 20.435 (4)(df) Employment and Training Programs
- s. 20.435 (4)(dg) Services for Learnfare Pupils
- s. 20.435 (7)(b) Community Aids funding for Low-Income Child Care

The combined appropriation contains allocations for each of the listed areas at their previously appropriated funding level. The combined appropriation will allow the Department, with approval from DOA, to transfer up to 30% of an allocation to another allocation within the appropriation. The bill also allows the Department to transfer funds between fiscal years.

The increased federal funding, provided by the federal block grant, combined with the flexibility to target state funds where they are needed will enable the state to begin implementation of W-2 components this biennium within existing GPR appropriation levels. In addition, the increase in federal funding provided by the block grants will enable the state to carry forward federal spending authority into the 1997-99 biennium. The fiscal note assumes that the state will be able to carry over funding from this biennium to offset the costs of the first year of full W-2 implementation. Assuming the final block grant proposal averages the funding provided by House of Representatives and the Senate block grant proposals, the Department will be able to implement the W-2 program within SFY 97 GPR funding levels.

WISCONSIN WORKS EXPENDITURES

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
SUBSIDIZED EMPLOYMENT		\$257,026,000	\$215,709,700	\$166,019,200	\$141,522,300	\$131,036,700	\$129,162,800
Wage Subsidies	\$0	\$267,128,700	\$224,184,700	\$172,538,300	\$147,077,200	\$136,180,000	\$134,232,500
Less Sanctions	\$0	(\$10,102,700)	(\$8,475,000)	(\$6,519,100)	(\$5,554,900)	(\$5,143,300)	(\$5,069,700)
W-2 HEALTH CARE	\$0	\$372,728,400	\$369,712,800	\$358,321,500	\$357,593,200	\$362,542,000	\$370,126,900
CHILD CARE	\$0	\$111,393,700	\$138,011,300	\$146,588,900	\$155,976,700	\$165,103,400	\$173,392,200
CHILDREN OF SSI PARENTS	\$0	\$23,184,000	\$23,184,000	\$23,184,000	\$23,184,000	\$23,184,000	\$23,184,000
Benefit Costs	\$0	\$12,096,000	\$12,096,000	\$12,096,000	\$12,096,000	\$12,096,000	\$12,096,000
Medical Costs	\$0	\$11,088,000	\$11,088,000	\$11,088,000	\$11,088,000	\$11,088,000	\$11,088,000
DVR ASSESMENTS	\$0	\$11,871,800	\$2,364,400	\$2,332,800	\$2,332,800	\$2,332,800	\$2,332,800
CHILD SUPPORT	\$0	\$55,283,500	\$52,992,700	\$47,443,900	\$45,890,200	\$47,012,400	\$50,008,300
W-2 OFFICE COSTS	\$0	\$136,153,200	\$119,981,600	\$99,312,300	\$89,434,900	\$86,678,300	\$87,290,800
AFDC	\$0	\$122,762,400	\$105,233,700	\$83,653,400	\$72,884,000	\$69,280,900	\$69,135,200
Food Stamps	\$0	\$8,985,300	\$9,895,900	\$10,507,200	\$11,105,700	\$11,673,700	\$12,182,500
MA	\$0	\$4,405,500	\$4,852,000	\$5,151,700	\$5,445,200	\$5,723,700	\$5,973,100
BRIDGE LOANS	\$0	\$6,899,700	\$702,100	\$408,000	\$1,094,500	\$1,096,300	\$1,096,300
NLRR/TEEN PARENTS/KINSHIP CARE	\$0	\$37,767,700	\$39,374,000	\$33,549,800	\$31,973,800	\$31,973,800	\$31,973,800
Foster Care NLRR Payments	\$0	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000
Kinship Care Payments	\$0	\$25,500,900	\$26,339,500	\$22,348,600	\$21,268,300	\$21,268,300	\$21,268,300
Medical Costs	\$0	\$11,066,800	\$11,834,500	\$10,001,200	\$9,505,500	\$9,505,500	\$9,505,500
CHILDREN FIRST	\$0	\$1,316,200	\$1,316,200	\$1,316,200	\$1,316,200	\$1,316,200	\$1,316,200
BURIAL COSTS	\$0	\$3,300,000	\$3,300,000	\$3,300,000	\$3,300,000	\$3,300,000	\$3,300,000
STATE ADMINISTRATION	\$24,539,400	\$18,918,000	\$18,918,000	\$18,918,000	\$18,918,000	\$18,918,000	\$18,918,000
Systems Modifications	\$5,500,000	\$0	\$0	\$0	\$0	\$0	\$0
Transition Costs	\$15,129,400	\$0	\$0	\$0	\$0	\$0	\$0
State Staff/Training	\$3,910,000	\$18,918,000	\$18,918,000	\$18,918,000	\$18,918,000	\$18,918,000	\$18,918,000
TOTAL COSTS (excl. Fed FS Admin.)	\$24,539,400	\$1,026,856,900	\$975,670,900	\$890,187,400	\$861,430,900	\$862,820,200	\$879,919,600

W-2 REVENUE ESTIMATES

	House Bill		Senate Bill
AFDC			
Federal Block		\$309,200,000	Federal Block
			\$316,000,000
GPR Budget			GPR Budget
AFDC Payments	\$132,968,700		AFDC Payments
Emergency Assistance	1,659,700		Emergency Assistance
IM County Admin.	13,336,800		IM County Admin.
JOBS (Less Child Care)	20,274,100		JOBS (Less Child Care)
Learnfare Services	1,309,500		Learnfare Services
State Admin	9,959,500		State Admin
		\$179,508,300	
Total Block and GPR Budget		\$488,708,300	Total Block and GPR Budget
			\$495,508,300
Food Stamp E&T		\$7,000,000	Food Stamp E&T
			\$7,000,000
Total Funding Available		\$495,708,300	Total Funding Available
			\$502,508,300
CHILD CARE			
Federal Block		\$17,800,000	Federal Block
			\$29,800,000
CCDBG		\$10,099,200	CCDBG
			\$10,099,200
GPR Budget			GPR Budget
Consolidated	\$6,520,200		Consolidated
JOBS (incl. Self-Init.)	6,236,600		JOBS (incl. Self-Init.)
Community Aids/At-Risk	5,576,100		Community Aids/At-Risk
		\$18,332,900	
Total Available		\$46,232,100	Total Available
			\$58,232,100
HEALTH CARE (Based on SFY 97 Budget)			
Federal Budget		\$299,107,100	Federal Budget
			\$299,107,100
GPR Budget		\$202,161,700	GPR Budget
			\$202,161,700
Total Available		\$501,268,800	Total Available
			\$501,268,800
TOTAL FUNDING AVAILABLE		\$1,043,209,200	TOTAL FUNDING AVAILABLE
			\$1,062,009,200

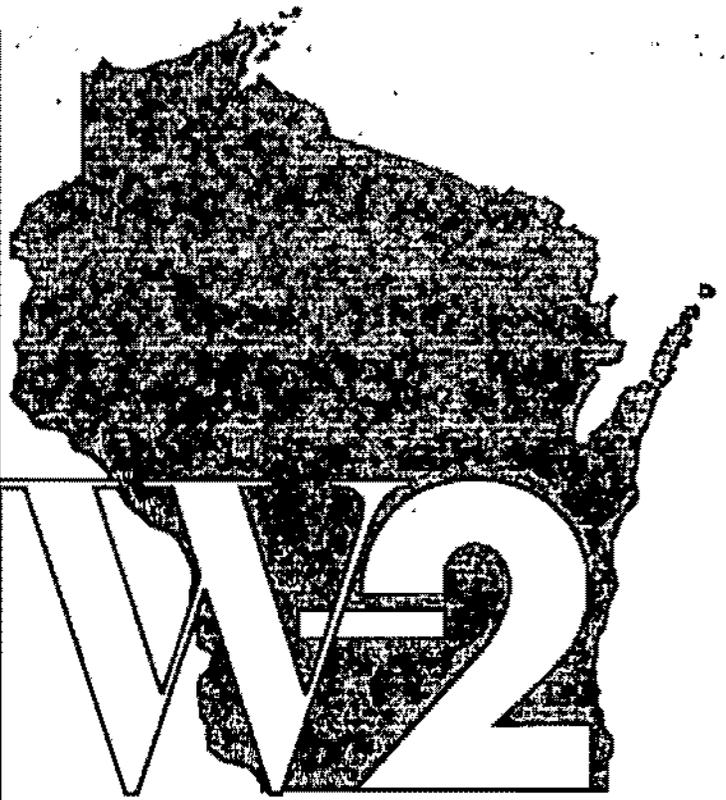
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