Chapter 1

Learning From Midwestern Leaders

Carol S. Weissert

Few, if any, intergovernmental programs in recent memory have received the academic, political, and public attention of the 1996 federal Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), which abolished Aid to Families with Dependent Children (AFDC) and replaced it with Temporary Assistance for Needy Families (TANF). The 1996 legislation, which converted welfare from an entitlement program administered by the states to block grants that states can use as they see fit, has led to intense media attention and legislative debate, as well as numerous studies and information sources.[1]

State welfare reform efforts that both preceded and emanated from the 1996 federal law are difficult to encapsulate in any one report or study. The difficulty lies partly in the fact that welfare reform encompasses economic and administrative dilemmas at the national, state, and local levels, and also affects recipients in myriad ways. Many state welfare programs incorporate both conservative and liberal ideas and centralize some functions while dispersing others to local control. In so doing, they reflect the federal legislation that helped shape — if not spawn — much of the state action.

One way to capture the nuances of some of this complexity — and thus to better understand the nature and potential outcomes of the experiment on which the nation has embarked—is to focus on a few key states. That is what this book does. The authors take a close look at the political forces propelling welfare reform in Kansas, Michigan, Minnesota, Ohio, and Wisconsin. They examine why the states enacted the laws they did, how they delegated responsibility to state agencies, local governments, and the private and nonprofit sectors, and what those choices have meant for states' ability to track and report the outcomes of their experiments.

The authors in this book are state researchers in the State Capacity Study sponsored by The Nelson A. Rockefeller Institute of Government at the State University of New York, Albany, and funded by the W. K. Kellogg Foundation and others. Their work was part of a research project that examined how 20 states have implemented the new welfare reform programs (Nathan and Gais 1998). The research was conducted in 1997 and updated for this volume. It is based on interviews with political and administrative leaders in state and local governments, review of state documents, contracts, reports, press releases, and other relevant information on welfare reform, and detailed case studies of two local sites within each state.

Why the Midwest?

The story of welfare reform in the Midwest is significant because several governors in the region played visible and apparently influential roles in the federal debate preceding passage of PRWORA in 1996. Among the most the visible and vocal were two rather unlikely media darlings — Wisconsin Governor Tommy Thompson and Michigan Governor John Engler. Both had already prompted their states to change welfare assistance, and both strongly urged Congress to allow states to shift even more dramatically from providing cash benefits to insisting that participants find jobs (Weissert and Schram 1996, Weaver 1996).

The two governors competed mightily for press attention and bragging rights regarding welfare reform. Governor Thompson's reforms started earlier (he was elected four years before Engler), but Michigan's comprehensive state welfare reform law was enacted prior to Wisconsin's. Wisconsin and Michigan were the first and second states to submit their TANF plans to Washington. But the significance of welfare reform in these states extends far beyond competition for bragging rights. The reforms were meaningful as well as early. And they were and are useful to other states and to researchers interested in welfare policy.

Other Midwestern governors also emphasized changing the focus of welfare to emphasize work first. More quietly, but no less successfully, governors in Ohio and Minnesota built welfare systems different from those in Michigan and Wisconsin that fit the structure and politics of their own states. The governor of Kansas took a backseat on reform by eschewing the legislative arena but nevertheless shaped in quiet ways a significant welfare reform effort.

Table 1-1
Demographic and Economic Characteristics of Five Midwestern States

	Population 1996	*Per Capita Income 1996*	*Unemployment 1996*	*AFDC Average Monthly Payment per Family 1995*
Kansas	2.6 million	$23,281	4.5	$336
Michigan	9.6 million	$24,810	4.9	$414
Minnesota	4.7 million	$25,580	4.0	$520
Ohio	11.2 million	$23,537	4.9	$310
Wisconsin	5.2 million	$23,269	3.5	$439
5-State Mean	–	$24,095	4.4	$404
U.S.	–	$24,231	5.5	$377

Source: *Statistical Abstract of the United States: 1997*, tables 26, 626, and 706; *1996 Green Book: Overview of Entitlement Programs*, http://www.aspe.os.dhhs.gov.

The story of welfare reform in the Midwest is also significant because these states have strong elements of what Elazar (1984) calls moralistic political cultures and are not known for their harsh social policies or heartless disregard for the poor. Indeed, the five states we will examine awarded average AFDC monthly payments per family in 1995 substantially higher than those of the nation, despite per capita incomes very close to the national average (see Table 1-1). Yet these states quickly embraced the notion of requiring welfare recipients to take personal responsibility and put work first, often imposing relatively harsh sanctions requiring mothers of very young children to work soon after birth. How and why these states came to embrace these policies in a relatively short period of time is both interesting and noteworthy.

The Politics of Enactment

The politics of welfare reform in the five Midwestern states shared more similarities than differences, with reform efforts encountering few disagreements and raised voices. Democrats and Republicans across the five states largely agreed that past policies were not working, and that a new approach requiring a person to find and keep a job was admirable. In Wisconsin, members of a welfare coalition agreed early on that they would not try to defeat the overall initiative but rather would attempt to change the program on its margins. In Michigan and Minnesota, new state legislation built on successful existing programs, thus alleviating some possible concern about the effects on recipients.

The task at hand is not to explain the variation among the five Midwestern states, or even to show how these states differ from the other 45. Rather, we will focus on the elements contributing to successful implementation common across the five states: the strong local economies, the political entrepreneurship of the Republican governors, and a record of earlier pilot programs and requests for waivers from federal guidelines that initiated a process of incremental reform.

The Mid est Economy

In the mid-1990s, the Midwest economy was booming. While the U.S. unemployment rate hovered at 5.4 percent in 1996, for example, the rate in these five states averaged 4.4 percent (see Table 1-1). Wisconsin — one of the leaders in welfare reform — boasted a 3.5 percent unemployment rate.

Throughout the Midwest, employers were begging for workers. The director of Michigan's Department of Social Services, Gerald Miller, told audiences that requests for employees helped drive his support for work-focused welfare reform. Similarly, in Wisconsin and Minnesota, the strength of the state economy and the ready availability of jobs were important in assuaging Democrats and liberal advocates that a fundamental change in approach might make sense.

The strong economy also likely played an important role in ensuring political and public acceptance of work first as fundamental to welfare reform. Early welfare reform efforts, undertaken in part to cut welfare programs and budgets in response to recession-induced fiscal problems, had prompted very different political reactions. Norris and Thompson (1995) described the welfare reform politics of the early 1990s in six states (including Michigan, Ohio, and Wisconsin) as having a high political profile, provoking considerable disagreement between the governor and the legislature, and being "highly conflictual." Yet later welfare reform measures engendered very little conflict between governor and legislature and no noticeable public outcry. Even the strongest welfare advocates had to agree that jobs could be had by welfare clients.

Table 1-2
TANF Recipients, Allocations and Caseload Reductions in the Midwest

	Number of TANF Recipients September 1998	*Basic TANF Allocation*	*Percentage Drop in Caseload 1993-98*	*Percentage Drop in Caseload 1996-98*
Kansas	63,783	$102 million	-63%	-49%
Michigan	502,354	$775 million	-59%	-44%
Minnesota	169,744	$268 million	-28%	-19%
Ohio	549,312	$728 million	-56%	-42%
Wisconsin	148,888	$318 million	-86%	-77%
5-State Mean			-58%	-46%
U.S.	—	—	-46%	-38%

Source: U.S. Department of Health and Human Services Administration for Children and Families, http://www.acf.dhhs.gov/news/stats/caseload.htm, and Lazere 1999, p. 15.

The healthy economy provided not only an impetus for change but also the resources to fund a new approach. The economy has been linked to the recent dramatic drops in welfare caseload in many states, including those in the Midwest (Blank 1997, Gais 1997). Four of these five Midwestern states saw caseloads drop at a greater rate than that of the national average, even before federal reform (see Table 1-2). The Council of Economic Advisors (1997) estimated that 44 percent of this decline resulted from the improving economy. The federal reform also helped greatly by basing TANF block grant allocations on federal grants paid from 1992 to 1995, when welfare caseloads and spending reached historic highs.

The recent dramatic reductions in caseloads have allowed states to use relatively large amounts of funds to serve fewer people. The Government Accounting Office (GAO) has concluded that the "combination of the decline in caseload levels, the higher federal grant levels and the maintenance of effort requirement for the states' contribution to the programs means that most states have more budgetary resources available for their low-income family assistance programs since enactment of welfare reform than under prior law" (Government Accounting Office 1998a, p. 10). The GAO found that 45 states received more in federal resources from TANF than they received in the year prior to reform.

Indeed, the five Midwestern states posted a mean difference of 25 percent between the TANF block grant and what they would have received before reform; the national mean difference was only 13 percent. In Wisconsin, the expenses in the first year of TANF ran much less than expected, according to Thomas Kaplan. In a chapter in this volume, Kaplan reports that Wisconsin saved some $100 million under the first year of reform, with $36 million of that targeted to reinvest in the communities.

Gubernatorial Leadership

All five governors in office when their states adopted welfare reform were Republican. In four of the five states, the same Republican governor led the state throughout the 1991-1998 time period (see Table 1-3).

Table 1-3
Midwest Gubernatorial Leadership 1991-98

	1991-94	*1995-98*
Kansas	Joan Finney (D)	Bill Graves (R)
Michigan	John Engler (R)	John Engler (R)
Minnesota	Arne Carlson (R)	Arne Carlson (R)
Ohio	George Voinovich (R)	George Voinovich (R)
Wisconsin	Tommy Thompson (R)	Tommy Thompson (R)

SOURCE: Council of State Governments, *The Book of the States*, various editions.

In four of the five states, Republican governors were strong political leaders, if not policy entrepreneurs (Bardach 1972, Weissert 1991, Oliver and Paul-Shaheen 1997). Governors Engler and Thompson were highly visible leaders who relied on the mass media to pursue their goals. Both identified welfare reform as a top priority, and both yoked their political success to it. Governor Engler, especially, links his political capital to the success of welfare reform. He continues to issue monthly press releases on his state's program, especially a demonstration project entitled Project Zero, which aims to reduce the number of unemployed recipients in targeted counties to zero. Tommy Thompson made welfare reform a major issue in his campaign for governor in 1986, promising to reduce AFDC benefits and stop what he claimed was welfare-induced migration to the state. Like Engler, Thompson is not given to modesty. Thomas Kaplan quotes from a 1998 Thompson press release that boasts, "Ours was the first welfare-to-work program in the nation, and it remains a model for other states to follow."

Ironically, it was Democrats in Wisconsin who stepped up that state's advance in welfare reform by arguing that the governor's 1993 "Work Not Welfare" proposal merely tinkered with the system, when what it really needed was replacement. Wisconsin Democrats demanded that AFDC must be replaced by a wholly new system before December 31, 1998, that included childcare, health care, and public-sector jobs for people who could work but were unable to find employment. The governor, using his extensive item veto power, retained the language eliminating AFDC yet deleted all the programmatic directives. As Kaplan puts it, the "governor had thus crafted a requirement that a cabinet agency under his direct control propose an indeterminate replacement for a welfare system now mandated to end."

Governors also played key roles in Ohio and Minnesota. Governor Voinovich of Ohio was initially unsuccessful in his attempts to end general assistance and eliminate barriers to employment of welfare recipients. But with the help of a strong human services director, the governor could claim success in 1995 when the legislature set time limits on cash assistance, required recipients to either work or participate in education to retain welfare benefits, and provided one-time payments for recipients' special needs that might pose barriers to employability. Minnesota's governor set up a bipartisan task force composed of legislators and state welfare officials to develop recommendations following the passage of PRWORA. Four months later, legislation was enacted

In Kansas, the governor's role was much more muted and did not play out in press releases and media attention. Nonetheless he was an important force in crafting what Jocelyn Johnston and Kara Lindaman in this volume dub "a reform environment that precluded vigorous legislative intervention." In so doing, the governor maintained the moderate tenor of welfare policy changes despite punitive approaches favored by more conservative members of his party.

Agenda setting has long been one of the primary roles of governors in public policy formation (Schneider 1989, Rosenthal 1990, Herzik 1991, Beyle 1999). Each of these governors used his powers to put welfare reform on his state's policy agenda. But the governors did more than set the agenda: they outlined their vision for welfare reform and used their political resources to translate their vision into policy. For example, when Michigan's Project Zero sites do not raise the number of clients with earned income to the goal, the directors receive a call from the governor's office, and must submit a report detailing the reasons for the shortfall. Several governors have also continued to pursue changes in welfare after the initial reform legislation.

Governors Thompson and Engler clearly utilized their informal powers to garner press attention and eventually public acclaim for their efforts. Both were active in Washington debates and were cognizant of their roles as leaders in federal and state welfare reform efforts. Thomas Kaplan notes that Governor Thompson's first waiver request in July 1993 was widely viewed as the governor's attempt to beat President Bill Clinton to a time-limited welfare system. Carol Weissert describes the role that Governor Engler's national political aspirations were felt to play in the swift passage of Michigan welfare reform legislation in December 1995.[2]

In Ohio, Kansas, Michigan, and Wisconsin, the head of the welfare agency was also key to the success of welfare reform. In a chapter in this book, Charles Adams and Miriam Wilson describe how Ohio's Governor Voinovich was roundly criticized for his early attempts at devising welfare reform largely without consulting legislative and interest group leaders. A welfare director hired in 1993 worked to develop strong relationships with these leaders, especially between the department and the legislative committees responsible for welfare. In Kansas, the welfare department and its director were the primary force for policy change. In Michigan, the social services director was a major player in the design and initial implementation of the state welfare policy, and also worked with Washington officials on federal legislation. In Wisconsin, the head of the state welfare division was a key figure in the executive branch committee that designed the state's welfare reform legislation.

The legislative role in the Midwest was clearly reactive to governors' proposals. This legislative responsiveness may have stemmed from the recognition by politicians of both parties of the need for change in the delivery of welfare services. Legislators seemed reluctant to argue for the status quo, and put few other policy plans on the table to compete with the work-first notions. Ohio's plan in 1997 passed unanimously in both houses. Minnesota's legislature adopted a plan based on the governor's framework with relatively few objections early in the legislative session. Interestingly, party control is not the explanation for this quiescence. In only one state — Kansas — did Republicans control both houses throughout the period of welfare reform. Governor Thompson faced a Democratic House with his early reforms, and Governor Carlson faced Democratic legislatures throughout the early and mid-1990s (see Table 1-4).

Table 1-4
Party Control in Midwest Legislatures

	1991-92 Senate House	*1993-94 Senate House*	*1995-96 Senate House*	*1997-98 Senate House*
Kansas	R R	R R	R R	R R
Michigan	R D	R Tie	R R	R D
Minnesota	D D	D D	D D	D D
Ohio	R D	R D	R R	R R
Wisconsin	R D	R D	R R	D R

SOURCE: *The Book of the States,* various editions.

Other actors proved important in the story of welfare reform. Several governors set up blue ribbon commissions or task forces, and foundations and think tanks were very much involved in formulating policy in Wisconsin. However, these efforts were secondary to those of both elected and appointed leaders of the executive branch.

Evolution, Not Revolution

In these five states, the welfare reform packages of the mid-1990s saw their genesis in initiatives, waivers, and proposals of earlier years (see Table 1-5). The five states averaged six prereform waivers, compared with a national average of only four. For Michigan, Wisconsin, Ohio, and Kansas, the predecessor programs established from federal waivers, or the federal Job Opportunities and Basic Skills Training (JOBS) program, were important building blocks for implementation of the TANF program. Minnesota's welfare reform plan, for example, built on two earlier initiatives — a pilot welfare program, entitled the Minnesota Family Investment Program (MFIP), and a jobs program, Success Through Reaching Individual Development and Employment (STRIDE). State leaders also incorporated an innovative health program called MinnesotaCare into their welfare reform initiative. Thus, while some reform packages represented large-scale changes, they stemmed from pilot programs that not only tested the ideas but also cushioned political opposition. Thomas Kaplan described the changes in Wisconsin, for example, as emerging "only gradually and haltingly from a decade of experimentation."

Table 1-5
Pre-Reform Waiver Provision

	Number of Pre-Reform Waver Provisions Adopted[1]	*Date of State Welfare Reform Legislation*
Kansas	5	NA
Michigan	7	December 1995
Minnesota	5	April 1997
Ohio	7	July 1997
Wisconsin	6	April 1996
5-State Mean	6	
U.S. Mean	4.0	

SOURCE: General Accounting Office. *Welfare Reform: States Are Restructuring Programs to Reduce Welfare Dependence,* 1998.

1 The GAO (1998) documented nine possible waiver provisions, including: lowered age of youngest child exemption to under one year, established full-family sanction for noncooperation with work requirements, increased asset limits over $1,000 and/or vehicle allowances over $1,500, changed earned income disregard policies, imposed time limits on the receipt of benefits for entire family, liberalized 100-hour or labor force attachment rules for two-parent families, established full-family sanction for noncooperation with child support enforcement requirements, allowed or required noncustodial parents to participate in JOBS, imposed teen living and/or teen school attendance requirements.

Thus, overall, the politics of welfare reform were shaped in these states by a strong economy, dominant Republican governors, and prior policy initiatives.

Putting New Policies into Action

One of the most striking commonalities across the five states is the emphasis on work first strategies. Although PRWORA sent a clear signal to states that welfare reform should emphasize work first, these five Midwestern states had already adopted this goal.

Indeed, each of the five Midwestern states established programs that emphasized job search and de-emphasized education and training for that job. Wisconsin's system places recipients on one of four "rungs" of self-sufficiency. Recipients on the transition and community service rungs are expected to work their way up to unsubsidized employment, the top rung. In Michigan, and elsewhere in the Midwest, training and education assistance is very limited.[3] Kansas provides limited job training only during the first 60 days of assistance to those with poor or low skills, although it has recently intensified its employment preparation services for those with substantial barriers to employment.

Funding pilot programs is a popular mechanism for the Midwestern states. Michigan's Project Zero is an example of such a pilot, which started in 6 counties in the first year and grew to 35 in the third year of funding. Project Zero provides additional resources to welfare offices to reduce the number of recipients not working to zero. Ohio has a TANF Early Start pilot in five counties that identifies at-risk infants. These programs enhance the receptivity of the offices or counties (as well as legislators) to reform, since they demonstrate what problems can arise and how resources might best be used.

Contrasts in Implementation

Yet despite their similarities in goals and politics, the Midwest states have varied greatly in their implementation of welfare reform, especially in how they have devolved responsibility to local governments and nonprofit agencies and demanded accountability.

The states also differ in their imposition of time limits, exemptions for new mothers, earnings disregards, transitional Medicaid and childcare benefits, maximum benefit levels and benefits for additional children, and sanctions for noncompliance. Table 1-6 provides an overview of these substantive components of the states' welfare programs.

Given their unique reform packages, the states are hard to classify as liberal or conservative, tough or lenient. For example, Michigan has refused to establish a time limit for welfare recipients, and has proposed supporting those who exceed the five-year federal time limit with state dollars. Yet Michigan also expects mothers to work when their child is three months old and provides relatively modest benefits. It also recently became the first state to subject all TANF applicants to drug testing (initially in five pilot counties). Wisconsin does not increase family benefits when more children are born but supports recipients who perform community service relatively generously.

All the states do impose moderately tough sanctions. Wisconsin's case is among the most interesting. Sanctions were relatively rare in the early months of implementation of the W-2 welfare reform program, according to Thomas Kaplan. But in December 1997 the state's chief administrator of W-2 wrote to the implementing agencies urging greater use of sanctions where appropriate. Shortly thereafter between 26 and 29 percent of all participants in the two lower rungs were sanctioned. Any time a participant misses hours of assignment in W-2 transition or community service without good cause, her monthly grant is reduced by $5.15 an hour. Ohio maintains a three-tiered sanction policy that withholds 100 percent of participants' assistance grants from one to six months, as well as the adult portion of their food stamp benefits. Kansas and Michigan withhold the entire grant allotment for families of participants who fail to meet work standards.

The combination of harsh and more supportive policies within each state program makes them difficult to rank. For example, in a ranking by Tufts University's Center on Hunger and Poverty (1998), only Minnesota appeared in the top 15 states in the fairness of its program (ranking 12th). Michigan was ranked 28th, Wisconsin 30th, Ohio 38th, and Kansas 49th of 51 jurisdictions (including the District of Columbia).[4] The study authors themselves note the complexity of state policies, providing Michigan as an example of a state

Table 1-6 Characteristics of TANF Programs Across Five Midwestern States

	Kansas	*Michigan*	*Minnesota*	*Ohio*	*Wisconsin*
Time Limit	60 months	None	60 months	36 months[1]	60 months[2]
Age of Youngest-Child Exemption for Work	Under age 1	Under age 12 weeks[3]	Under age 1	Under age 1	Under age 12 weeks
Earnings Disregard	$90 plus 40% is disregarded	$200 plus 20% is disregarded	36% of gross earnings	$250 plus 50% is disregarded[4]	Disregarded until family reaches 115% of poverty level
Transitional Medicaid	12 months	12 months	12 months	12 months	12 months
Transitional Childcare	All families up to 185% of the federal poverty level, regardless of program status[5]	24 months[6]	12 months	12 months	All families up to 200% of the federal poverty level, regardless of program status.
Maximum Benefit Level For Family of Three	$429	$459 (Detroit)	$532	$362	$673 for family in community service; $628 for family in transition
Family Cap	No	No	No	No	Yes
Sanction for Noncompliance with individual responsibility plan	Termination; sanctions are suspended as soon as the client complies with program requirements	Reduction, removal of individual or termination	Reduction, removal of individual	Condition of eligibility	Loss of $5.15 for every hour out of compliance (termination allowed under the law)

Source: U.S. Department of Health and Human Services, *Temporary Assistance for Needy Families Program: First Annual Report to Congress*, August 1998.

1 Recipients can receive cash benefit for up to three years. Once limit is reached, participants cannot collect benefits for at least two years. After that, they can apply for another two years if they need additional assistance and can show good cause why they cannot find work.
2 Only 24 months in any one tier of the four tiers of the W-2 program.
3 In DHHS's First Annual Report to Congress, Michigan is listed as not providing automatic exemptions. However, the state in its TANF report indicated that deferred persons included the mother of a child under the age of 3 months.
4 An 18-month time limit was eliminated as of July 1, 1999.
5 Two months after case closing, families may be subject to a sliding scale fee based on income.
6 After 12 months, there is a sliding scale and recipients receive day care benefits according to their level of income.

that relies on both negative sanctions and positive incentives to move people off welfare. Another problem with this and other rankings is the difficulty of developing measures that reflect how the program is actually implemented. For example, while both Michigan and Wisconsin have significantly increased their spending for childcare and made the service available to those with incomes well over poverty on a sliding scale, Wisconsin's program has been undersubscribed and Michigan's has not. Minnesota's childcare program has a waiting list of over 7,000; Michigan is able to accept participants without waiting. A final problem is the changing nature of programs, which makes rankings based on one point in time misleading.

The chapters in this book explore the policies of the five Midwestern states more fully to provide advanced understanding that such large-scale rankings and studies cannot capture.

Devolution and Accountability

Rather than the command-and-control approach of AFDC, which prescribed welfare policy and regulated state administrative activities, TANF allows states considerable discretion to either retain control over welfare programs or devolve funds and responsibilities to counties, workforce development boards, or nonprofit agencies, including religious groups. In fact, states can choose not to provide cash assistance at all (Schram and Weissert 1997). Yet in return for this administrative freedom, states must report the results of their programs to the federal government.

State Administrative Change

The Midwestern states studied here have clearly taken advantage of the opportunity in PRWORA to revamp their administrative structure implementing welfare — and sometimes other programs. The states moved quickly and decisively, typically assigning responsibilities to state agencies dealing with welfare and labor or workforce issues.

Each of the five states made major changes in state administration and/or staff assignments and duties. Minnesota, Michigan, and Wisconsin set up new or newly named departments that emphasized the work-first approach. Wisconsin, for example, switched all public assistance functions (except Medicaid) to the Department of Industry, Labor and Human Relations, then changed the agency's name to the Department of Workforce Development. Michigan too changed the agency's name to reflect the new emphasis — from the Department of Social Services to the Family Independence Agency. Ohio is considering a consolidation of its employment and welfare agencies. Table 1-7 provides an overview of the organization of the states' welfare programs.

Table 1-7
Types of State Agencies With Primary Responsibility Over Employment, Cash Assistance, and Child Care Functions

State	*Employment and Training*	*Cash Assistance*	*Child Care*
1. Employment bureaucracy shares responsibilities for job services with social service agency			
Kansas	Department of Human Resources Social and Rehabilitation Services	Social and Rehabilitation Services	Social and Rehabilitation Services
Ohio	Department of Human Services[1] Department of Development Bureau of Employment Services	Department of Human Services	
2. Employment agencies have dominant responsibility for employment and training			
Michigan	Department of Career Development	Family Independence Agency	
Minnesota	Department of Economic Security	Department of Human Services	Department of Children, Families and Learning
Wisconsin	Department of Workforce Development		

1 State law calls for the Ohio Department of Human Services and the Ohio Bureau of Employment Services to be combined into the Ohio Department of Job and Family Services by July 1, 2000.

In Wisconsin, income maintenance workers became financial and employment planners; in Michigan, eligibility workers became family independence specialists; Kansas combined former income maintenance and employment preparation positions into new caseworker positions. Ohio added a new position called account managers, borrowing a term from the private sector.

In states such as Michigan, Kansas, and Ohio, where two separate state agencies formerly coordinated employment and eligibility functions, combining state agencies has sometimes proved difficult. An issue for a number of Midwestern states has been changing the cultures of the agencies responsible for the new programs — from one where the key issue for staff is determining eligibility to one where the focus is on helping clients help themselves, from issuing checks to finding jobs. In Michigan, for example, the welfare agency and the jobs agency had little experience in working together. A reticence or unwillingness among state agencies to share welfare and jobs information has also been a problem in Ohio.

More successful in Kansas has been the state human services agency's effort to work with the rehabilitation services and corrections agency, the University of Kansas, and other organizations to refine tools for diagnosing learning disabilities that will be used to assess clients' initial employability.

In short, the five Midwestern states made major substantive changes in the organization of agencies responsible for implementing welfare reform. These changes have required some cultural changes in the agencies' staff, as welfare workers are encouraged to help clients become more independent, rather than to meet their needs through making aid and other assistance available to them.

To Centralize or Decentralize Authority

The five states differ substantially in the way they divide responsibility for administering TANF among state and local entities. Michigan and Kansas are state-supervised and administered systems; Minnesota, Ohio, and Wisconsin are state-supervised and locally administered. However, these classifications understate differences among the systems. For example, Michigan's local welfare offices are staffed with state employees who traditionally have had little interaction with local government. However, on the employment side of Michigan's welfare reform initiative, funds flow to workforce development boards that have much closer relationships with local employers and county officials.

In Ohio, the most decentralized program among the five, each county operates independently but with a common mission and set of activities. The county boards sign partnership agreements with the state department of health specifying expectations of county performance and state contributions. Under the agreement, the counties receive block grants that represent pooled state funds for human service programs. The counties also work closely with each other, developing networks and sharing informal advice without assistance from the state. In Wisconsin, decentralized services are sometimes provided by counties and sometimes by private agencies.

To improve coordination between state and counties and alleviate possible conflicts, several states have important regional components to their delivery of services. In Ohio, account managers in each of 12 regions serve as liaison between the counties and the state. These managers assess county performance and provide feedback to both county and state. They also connect the county with state-level technical training and support. As part of its recent reform, Kansas has given regional offices greater responsibility for administering welfare. Wisconsin's W-2 program identified geographic areas for local administration and, where the existing agency did not win a right of first selection, allowed any agency — public or private, profit or not-for-profit — to bid to provide services.

In Minnesota, some state-local difficulties have arisen over the uneven distribution of TANF education and training funds to counties. As Thomas Luce notes in a chapter in this volume, one county's average funding per case was 72 percent of the state average, while another's was some 246 percent of the state average — a difference of over $1,400 per case.

Ohio, Kansas, and Michigan have also encouraged nonprofit and private agencies to become involved in delivering TANF services. Ohio has launched pilot state projects with local neighborhood and faith-based community organizations. When the Ohio legislature appropriated $5 million for involving community-based organizations in welfare reform, over 200 organizations applied for funding.

Such moves have raised questions about accountability. Ohio chose a private-industry model of accountability in which county "franchisees" operate independently but must meet performance objectives. In Michigan, the Department of Career Development has limited oversight over the workforce development boards responsible for training and job assistance; nearly all the TANF dollars directed to work-related issues flow to the local boards. In neither of these cases is anyone monitoring the types of jobs recipients are finding nor assessing what type of assistance they require along the way.

Decentralization is part and parcel of what Nathan and Gais (1999) call "second-order devolution" where the states are providing greater responsibilities to local governments which in turn often hand over program responsibilities to non-profit and for-profit organizations under contracts. This is certainly the case in the five Midwestern states examined here. Even strong-state supervised systems like that in Michigan have devolved a great deal of discretion to regional workforce development boards which utilize very different approaches to providing job assistance to clients. Ohio's devolution has been the most dramatic, with counties operating the welfare program independently following broad state guidelines.

Federal Monitoring

The new federal law shifted the focus from management reporting to performance-based reporting. If states do not meet statutory requirements specifying the percentages of caseloads participating in work or work-related activities, they will incur financial penalties.[5] Federal "bonuses" go to the five states that have most success in lowering their teenage pregnancy rates, and to the ten states that achieve the most success in helping welfare recipients find jobs and earn income. The U.S. Department of Health and Human Services (DHHS) uses the states' reporting to rank states annually on the percentage of participants they place in long-term private-sector jobs, the number of children living in poverty, and the reductions in percentage of out-of-wedlock births (GAO 1998b). States must submit detailed quarterly data reports to DHHS, collecting information they had often not previously collected on clients' work participation, hours worked, the types of work and the services they receive, and the reasons people leave welfare. States are also required to report on the activities they engage in with their "maintenance-of-effort funds" — the state dollars spent on welfare. Federal law requires states to maintain effort equal to 75 percent to 80 percent of their own spending in 1994.

The success of states' response will rely in large part on the quality of their management information systems. However, many states are struggling to change systems geared for management reporting to those geared to reflect performance, especially in tracking participants' success in getting and keeping jobs. Nathan and Gais (1998) have contended that "if there is any major weakness in the implementation of the new welfare, data systems are it."

The problem stems partly from the very flexibility the federal welfare law now allows. In Michigan, for example, the Family Independence Agency, responsible for cash assistance, and the Michigan Department of Career Development, responsible for employment and training, have different information systems. Local officers must manually re-enter data from one system into another. What's more, this information is often considered proprietary. There is so little interaction among agencies handling this information that in one state key welfare agency computing staff did not even know their counterparts in the jobs agency. A further concern is making certain that such data are accessible to counties for their own use — an important issue in states choosing to decentralize considerable responsibility to local governments. Ohio, for example, has struggled with how to set up an integrated system that will collect the data necessary for federal reporting but also provide information useful to the counties. To solve such problems, the state has decided to devote considerable funds from its welfare-related surplus to create an integrated management information system. In Kansas, local area offices complain that the reports generated by the state are virtually useless. Decentralization clearly complicates reporting and the accountability that flows from it. The more decentralized the services, the harder the task of describing, monitoring and evaluating the results. This is one of the major paradoxes of welfare reform in the Midwest and elsewhere. A skeptical Congress considering reauthorization of PRWORA in 2002 may well question the benefit of decentralization if it comes at the cost of limited accountability.

Evaluation. Another important aspect of monitoring is evaluation — studies designed to provide more policy-relevant information than the performance-based approach. These studies can answer questions such as: Is the state saving money under welfare reform? What happens to families sanctioned under the new policies? Are former clients succeeding in developing long-term careers?

Support for evaluation varies widely across the states. Ohio and Wisconsin are coordinating internal and external evaluation and research efforts, which in the case of Wisconsin are extensive. For example, Wisconsin's Governor Thompson created the Management and Evaluation Project, which both stimulates evaluation projects and reviews proposals made by others. It also formally sponsors projects that may obtain data from the state more easily than outside studies. In Ohio, a number of outside evaluations are examining caseload dynamics and closed cases evaluating the state program more broadly. In contrast, Michigan has very limited evaluation efforts under way. Even its widely self-touted Project Zero is not being evaluated systematically to assess its effectiveness.

Conclusion

These five Midwestern states adopted and implemented welfare reform without acrimony and with considerable enthusiasm. While there were major differences among the states, particularly in the implementation of the reforms, there were also many similarities.

Governors played primary direct and indirect roles in shaping welfare reform. The changes that occurred after passage of the 1996 federal law built on earlier efforts the states had undertaken and have been integrated into health, education, and child-protection programs already under way. The region's strong economy has been a major contributor to the implementation efforts, allowing states to pursue work-first strategies without political opposition. The lower welfare rolls and stable federal funding have provided the states with financial windfalls that have been used for innovative or expanded programs that might not otherwise be possible.

Each of the five Midwestern states examined in this volume has made substantive changes in providing welfare and job-related services. They have reorganized state departments and devolved some authority to counties, nonprofits, and private agencies. They continue to make changes in the programs and to deal with problems of coordination and equity.

The Midwestern states have differed in their willingness to share implementation responsibility with counties and nonprofits. Ohio — at one extreme — is highly decentralized to the point that it is difficult to generalize across the counties. Michigan and Kansas, in contrast, have not relinquished power to counties but have decentralized some functions to regional offices (Kansas) and to workforce development boards (Michigan).

While it is difficult to say that the experiences and lessons of these states reflect those of other states, it is safe to say that they are being repeated in a number of other regions, and that insights from the midwestern experiences can provide useful guidance to state officials, researchers, and advocates evaluating the progress of one of the most significant laws of the 1990s.

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Endnotes

1 Research on welfare reform has been conducted by the Assessing the New Federalism project at the Urban Institute, the Rockefeller Institute of Government, the General Accounting Office, the Center on Hunger and Poverty at Tufts University, the National Governors' Association, the National Conference of State Legislatures, the Welfare Information Network and the American Public Welfare Association, and dozens of individual academics and policy analysts.

2 Interestingly, in some states the gubernatorial role has been described as much less significant. For example, in examining the New England states Francis (1999) found that administrative officials, not politicians, were leading welfare reform. There are several possible reasons for the startling different roles of governors in the Midwest and New England. First, the New England governors have fewer institutional powers than those of the Midwestern governors and other governors across the country. The six New England governors have a mean score of 3.1 in their institutional powers (out of a possible 5). The five Midwestern governors have a mean score of 3.7; the mean from governors across the country was 3.4 (Beyle 1999). Beyle also reports a measure of the personal powers of governors in 1998. Since the list of governors in 1998 is not identical to the governors in 1996, the scale is not as meaningful, but the same trends appear. The Midwestern governors score 4.2; the New England governors' mean is 3.6; the national mean is 3.8. It is important to note that state administrators are part of the executive branch and funded by the state legislature, and thus are usually well aware of gubernatorial and legislative policy preferences. In most states, the governors play an important role in the policy direction and certainly the policy priorities of the state bureaucracy.

3 In Fall 1999, Michigan implemented a new program providing more liberal training and education policies.

4 The Tufts scale evaluated benefit levels and eligibility, time limits, work requirements and sanctions, assistance obtaining work, income and asset development, childcare assistance, and policies toward legal immigrants' families.

5 States must have 25 percent of recipients from one-parent families working at least 20 hours a week by the end of 1997. These requirements rise to 50 percent working at least 30 hours a week by year 2002. Goals were also set for two-parent families. Failure to meet these rates can reduce a state's block grant by 5 percent in the first year eventually going to 21 percent.