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State Strategies for Welfare Reform: The Wisconsin Story

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Abstract

The experience of Wisconsin is commonly cited as evidence of the capability of states for reforming welfare. Wisconsin's welfare caseload declined by 22.5 percent between December 1986 and December 1994. This paper argues that the decline was most likely the product of restriction of eligibility and benefits, a strong state economy, and large expenditures on welfare-to-work programs encouraged by an exceptional fiscal bargain with the federal government. Opportunities for continued reduction of welfare utilization by means other than denying access are jeopardized by proposed changes in federal cost-sharing, a prospective state deficit, and the growing share of the caseload accounted for by residents of Milwaukee. Wisconsin Works, the state's plan for public assistance in a post-block-grant world, continues benefit reduction and eligibility restriction but expands emphasis on employment. The special circumstances enjoyed by Wisconsin are unlikely to be duplicated elsewhere. Other states and the federal government should not assume that expanded state discretion will produce comparable gains unless accompanied by major outlays for employment and training programs, reduction in benefits, and tightening of eligibility requirements. The first policy is expensive to taxpayers; the second and third approaches harm recipients.

State Strategies for Welfare Reform: The Wisconsin Story

Sometime in the 1980s, welfare reform turned around. Before that time, the focus of most initiatives was expansion of the federal role in public assistance. Since that time, reformers have shown increasing interest in expanding the role played by states. The welfare block grant plan contained in Republican-sponsored House and Senate welfare reform legislation (the Personal Responsibility Act of 1995 and the Work Opportunity Act) is the culmination of this new trajectory, but interest in expanding state authority is bipartisan. President Clinton regularly cites his own administration's record in approving state welfare experiments as an indication of support for devolution of welfare authority.[1]

The new view appears at least in part to be the product of highly publicized state experiments with welfare-to-work programs in the early 1980s. It has been encouraged by the substantial increase since 1992 in rates of proposal and initiation of multicomponent state welfare reforms.[2] Proponents of welfare decentralization cite the new state initiatives as evidence that previous efforts at increasing uniformity in national welfare policy inhibited both innovation and adaptation of income support systems to local circumstances. A block grant would, it is argued, remove remaining federal barriers to beneficial restructuring of public assistance.

Wisconsin is widely viewed as exemplary of the capability of states to reform welfare policy. This perception is the product of four things.

First, as Figure 1 indicates,[3] welfare utilization in the state has fallen substantially since 1986, while caseloads elsewhere in the United States have grown.

Figure 1: National and Wisconsin Caseloads, 1986-94
(Tables and figures are bound at the end of the paper)

Second, these changes have been associated with a wide spectrum of welfare reform initiatives. Since 1992 Wisconsin has been involved in implementation and operation of more welfare experiments than has any other state in the country.

Third, Wisconsin Governor Tommy Thompson has for almost a decade made welfare reform a centerpiece of his administration's social policy. Wisconsin's caseload decline is largely coincident with his administration, which began in 1987. He has demonstrated conclusively that welfare policy can be a political asset. His record and his position as chair of the National Governors' Association assure that his judgments receive attention and that the state's record will continue to serve as case-in-point for those promoting a larger state role in welfare reform.

Fourth, the Thompson administration produced the first reasonably complete plan for public assistance operation under a system of block grants. The plan, called *Wisconsin Works*, provides insight into the direction of change in state welfare policy should federal restrictions be eased; as such, it is worthy of national attention.

Welfare reform is politically contentious, and dispassionate discussion of the effects of state initiatives is hard to conduct. But such investigation is essential, because of the importance attached in the welfare reform debate to assertions about what states have accomplished. In a lead editorial published in early February, 1995, the *Washington Post* cited as the *first* of seven "Principles for Welfare Reform" that "states should be given broad leeway to experiment."[4] According to the *Post*, "these experiments should be encouraged, since they provide important clues for building a better system." As leader, Wisconsin's experience is certain to continue to play an important role in the reform debate. It is therefore useful to review state policy and state accomplishments to see just what the "important clues" the *Post* promises might be. That is the objective of this paper.

A WISCONSIN PRIMER

The story begins with the social and economic background of Wisconsin welfare policy. Wisconsin is a near-median sized state in America's upper Midwest. In 1994 the state's population was approximately 5.1 million. Between 1986 and 1994 the population grew at the relatively slow annual rate of about 0.8 percent, compared to 1 percent nationally and 2 percent in California.[5]

Wisconsin's minority population is small. In 1990 whites accounted for 93 percent of the population, blacks 5.1 percent, and the remainder was distributed among various racial or ethnic groups, including a small population of Hmong refugees. The state's black population is largely concentrated in Milwaukee.

Migration is not a substantial factor in state population growth. Between 1985 and 1990 there was some net in-migration of poor persons, and this plus other evidence has fueled a continuing controversy over the role of the state's welfare system in attracting welfare users.[6] But even those concerned with welfare migration do not claim it is a major contributor to caseload accumulation or that it is to any significant extent associated with international migration (Frey et al., 1995, p.13) .

As is true elsewhere in the United States, employment in manufacturing in Wisconsin is down from levels established in the 1970s. But the state's experience since that time, and in particular since 1989, is exceptional. Figure 2 shows manufacturing employment trends in Wisconsin and for the country as a whole since 1969. The employment totals have been normalized for comparison with the 1969 starting point.

Figure 2: Manufacturing Employment: U.S. and Wisconsin, 1979-1994
(Tables and figures are bound at the end of the paper)

Three things are important here. First, long-term growth in Wisconsin's manufacturing base is quite strong compared to the nation as a whole. Between 1979 and 1994 the proportion of the nation's manufacturing employment accounted for by Wisconsin rose by 16 percent. Second, the path to this increase in importance was tortuous. The manufacturing component of the state's economic base took a terrific hit in 1980–83. Over this interval the rate of decline in manufacturing employment in Wisconsin was almost one and one-half times that experienced by the rest of the nation. Third, since 1983 the recovery has been quite robust, and the most recent national recession was largely avoided. Officials are now hinting that the state may return to 1979 levels of manufacturing employment by 1996.[7]

The contrast between Wisconsin and the rest of the country in trends in employment in the manufacturing "base" is evident also in comparison of unemployment rates (see Figure 3). By 1994 the state was actively *recruiting* skilled labor.

Figure 3: Wisconsin and U.S. Unemployment Rates, 1979-94
(Tables and figures are bound at the end of the paper)

The experience of rapid job growth and low unemployment is widespread, although job growth in Milwaukee has been slower than elsewhere, and unemployment rates there are higher. In July 1995 the state's unemployment rate was 3.2 percent; the rate in Milwaukee suburbs was 2.2 percent; and the central city rate was 4.9 percent. In contrast to all of this, the national unemployment rate was 5.8 percent.

In sum, if one were to select an ideal economic environment for operating welfare-to-work programs, this is it.

The state's economic record is to some extent the result of Thompson administration policies, and many are willing to argue that economic development is everywhere an important contributor to welfare policy success. But other states with similar unemployment rates have not enjoyed the same caseload experience. Thus there is room for arguing that more than the economy is involved in the state's accomplishments.

THOMPSON AND THE FATEFUL FEBRUARY

Wisconsin has a tradition of welfare generosity.[8] The state's rank with respect to welfare payment levels has long exceeded its rank in per capita income. But a generous outcome does not mean that the political process that produced such benefits was harmonious. Conflict between liberals and conservatives is common. This partisan contention was exacerbated in the early 1980s by rapid caseload growth brought about both by the recession and by administrative changes that facilitated welfare access by integrating eligibility determination for food stamps, AFDC, and Medicaid and reducing county-to-county variation in intake procedures.

By 1986 the state was locked in a clash between the legislature and the governor and between Republicans and Democrats over what to do. The leader on the Democratic side was Governor Anthony Earl; on the Republican side, Assembly minority leader Tommy Thompson. The result was two things: A Work Experience and Job Training (WEJT) program in 1986 and a new governor, Tommy Thompson, for 1987.

WEJT. WEJT was a carefully crafted compromise between the policy factions termed by Corbett (1995) the welfare policy "hards" and "softs." To the hards, WEJT promised more emphasis on recipient effort toward achieving self-support. The softs were promised more attention to supportive services and careful case management. The key to consensus was mutual obligation: Recipients were supposed to do more, and so was the state.

The ideology of mutual obligation that was the foundation of the WEJT compromise was very similar to the ideology that underlay the welfare-to-work program initiated for the nation as a whole by

Congress in the Family Support Act of 1988 (FSA) (Wiseman, 1991). Like the Job Opportunities and Basic Skills Training (JOBS) program created by the FSA, WEJT emphasized reciprocity. Welfare recipients in Wisconsin were obliged to be involved in job search, training, and, in some cases, community work experience. In return the state, operating through county welfare departments, promised to deliver the necessary case management and supporting services.

Initially planned as a pilot project in five counties, WEJT substantially increased the state's commitment to welfare-to-work programs and, at least in principle, placed control of them in the hands of the state's welfare agency and its county government counterparts. Investing the income maintenance agency with managerial control over the welfare-to-work effort was intended to connect welfare checks more closely with the obligation to work toward self-support. It also allowed local welfare offices to contract with a variety of providers for the services required by recipient employability development plans and, at least in principle, to hold such providers responsible for performance (Corbett, 1993).

The ideological and structural similarity between WEJT and JOBS is interesting, but what is more important is that WEJT gave Wisconsin an administrative head start on JOBS. Appreciating the significance of this head start requires returning to 1987 and the activities of the new governor.

The New Governor. Governor Thompson demonstrated independence in welfare policy almost immediately upon assuming office. One of his first official duties as governor was to attend meetings of the National Governors' Association (NGA) in Washington in February 1987. In that meeting, the governors endorsed a $1 billion job-based welfare reform requiring recipients to work, participate in job training, or attend school as a condition for receiving benefits. Three-quarters of the money for the new initiative was to come from the federal government.

Thompson was the only governor to vote against the welfare proposal. He was quoted by United Press International as saying that Wisconsin was "way out front" on welfare and that the NGA proposal would hinder state reforms.[9] The chair of the NGA at the time and the organization's spokesman on welfare reform was Governor Bill Clinton of Arkansas.

Thompson's maverick stance attracted little immediate attention. But that week in February was extremely important in the history of national welfare policy. To understand why, it is necessary to backtrack one more step to review Reagan administration welfare policy and the institution of welfare waivers.

The Low-Income Working Group. In his 1986 State of the Union message, President Reagan called for renewed attention to welfare reform. He charged the White House Domestic Council to present by the following December "an evaluation of programs and a strategy for immediate action to meet the financial, educational, social, and safety concerns of poor families." "I am talking about real and lasting emancipation," he said, "because the success of welfare should be judged by how many of its recipients become independent of welfare."[10]

In response to the president's charge, a Low-Income Opportunity Working Group was formed. Membership included representatives of federal agencies and departments responsible for the various federal public assistance programs and staff from the White House Office of Policy Development. The group reported as charged in December 1986. The conclusions were dramatic:

> . . . the federal government should create the proper climate for innovation by giving states the broadest latitude to design and implement experiments in welfare policy. In other words, we are asking the federal government to develop a process for discovering new ways of reducing dependency rather than to design a specific federal program. The federal government remains an integral part of this strategy: It will articulate the goals and define the parameters for any reform experiment; it will maintain the level of current federal financing, and it will continue to enforce all due process and civil rights obligations. At the same time, however, the federal government must allow states and

communities the maximum flexibility to experiment. (Low-Income Opportunity Working Group, 1986, p. 51; emphasis in original)

Three things about this statement are important to the story that follows. First, the institutional basis for "giving states latitude" is what are termed the "waiver" provisions of the enabling legislation for food stamps, Aid to Families with Dependent Children (AFDC), and Medicaid.[11] Both the Social Security Act and the Food Stamp Act include provisions for relevant administering agencies to allow states to deviate from statutory program requirements when doing so serves larger objectives of the program. The Working Group thus recommended that such waivers be granted more liberally. Second, the group recommended no increase in federal funding, but it also suggested no decrease. Third, while the Working Group encouraged more state experimentation, emphasis was placed on the role of the federal government in "articulating goals and defining parameters."

The following January (in 1987) the president referred to the initiative for state experimentation in his State of the Union message. However, the proposal was overshadowed by his acknowledgment that "serious mistakes were made" in the sales of American weapons to Iran.[12] The recommendations did result in the establishment in July of the Interagency Low-Income Opportunity Advisory Board, to provide "one-stop shopping" for states seeking demonstration approval (Interagency Low-Income Opportunity Advisory Board, 1988).

Four weeks after the president's State of the Union message, the governors convened at the NGA meetings and passed their own proposal. The lone dissenting vote came from Tommy Thompson. Governor Clinton and his colleagues met with members of Congress and with President Reagan to discuss the NGA plan. Governor Thompson went to the Department of Health and Human Services (DHHS) to meet with Secretary Otis Bowen to discuss a package of welfare experiments proposed by Wisconsin.

From the perspective of the Reagan administration, Thompson had something to offer: Not only did the governor intend to undertake the kinds of experiments the Low-Income Opportunity Working Group had encouraged, but Thompson was explicit in his support of what would come to be called the "federal fiscal neutrality" concept, that is, that the types of welfare reform the state proposed would involve no additional federal costs. The governor was, by his own account, well received.[13]

Policy Divergence. Welfare politics is not the stuff that attracts enduring notice by scholars, so February 1987 has for the most part been neither noted nor remembered in the chronicles of welfare reform. But in retrospect it is apparent that what happened during that month marked a very important bifurcation in the stream of welfare policy development. One offshoot leads to the Family Support Act and, ultimately, the Clinton welfare proposals of 1994. The other produced an avalanche of state welfare reform initiatives and, eventually, the Republican welfare reforms before the current Congress.

The National Governors' Association proposals initiated a process that was ultimately to produce the Family Support Act of 1988 and the JOBS program. This stream of policy development had its roots in the employment- and training-oriented state experiments fostered by the Omnibus Budget Reconciliation Act of 1981. In February (again, that singular month) the Ford Foundation published a compilation of the results of evaluations of eight OBRA initiatives by the Manpower Demonstration Research Corporation (MDRC) entitled *Reforming Welfare with Work* (Gueron, 1987). The booklet, written by MDRC President Judith Gueron, concluded that for the most part the state initiatives had been cost-effective.

The MDRC evaluations, which included analysis of a small experiment in Arkansas, were regularly cited as evidence supporting the NGA initiative and, subsequently, the employment programs and obligations contained in the Family Support Act. Years later Erica Baum, who in 1987 was a principal aide to Senator Daniel Patrick Moynihan and one of the architects of the Family Support Act, called the Gueron monograph "the most scintillating omen for the prospect of welfare reform" (Baum, 1991, p. 607).

Unlike Arkansas and many other states, Wisconsin had not undertaken an OBRA demonstration (Greenberg and Wiseman, 1992). But Governor Thompson was willing to initiate state experimentation of a different, more broadly focused variety in 1987. This second stream of development, encouraged by the White House, was ultimately to foster a large and diverse set of reform initiatives in many states. Few of these initiatives appear to have been planned carefully or developed in context of a coherent welfare reform strategy (Wiseman, 1993). The result has been little or no improvement in the structural integrity of the welfare system. At the same time, these initiatives served to diminish the political legitimacy of welfare institutions by creating an image of accomplishment. The paradox is that despite Governor Thompson's role in the development of state initiatives and in promoting devolution of control over welfare from the federal government to the states, the tools provided by the Family Support Act ultimately became the key elements in his own reform strategy in Wisconsin.

In contrast, by 1990 Governor Clinton, an FSA progenitor, was campaigning for the presidency on a platform that included a promise to "end welfare as we know it." Although both because of funding and its own timetable FSA was not yet fully implemented, the changes accomplished in 1988 were very much a part of welfare, and "end welfare" was rarely qualified to exclude anything. Once he became president, Bill Clinton proved unable quickly to produce a welfare reform package that delivered on his campaign promise and unwilling to promote a federal role in "articulating goals and defining parameters" for state welfare experimentation within the institutional context established by FSA reforms. Tommy Thompson and other governors took advantage of the opportunity presented by this delay and reticence.

THE THOMPSON PROGRAM

When Governor Thompson visited Secretary Bowen in February 1987, he discussed procedures for obtaining federal approval for a set of welfare experiments. The experiments proposed were part of a general welfare policy package the governor was promoting. The welfare package had three major components:

- Expansion of the Work Experience and Job Training (WEJT) program.
- A reduction and freeze in the state's need standard and benefit payment.
- A set of welfare reform experiments.

Of the three components of the Thompson program, it is the waiver-based experiments that have attracted the greatest outside attention. Nevertheless, the reduction and freeze in the state's need and benefits payments affected by far the largest share of the caseload, and it played an important role in financing both WEJT expansion and costs incurred in some of the experiments. Since altering procedures for federal financing of AFDC, food stamps, and Medicaid form a major component of current welfare reform initiatives, it is important to understand the financial undergirding of Wisconsin's policy initiatives.

The Trend in Benefits. As is true for other states, Wisconsin's AFDC plan includes both a need standard and an assistance standard. Both vary by family size. The need standard sets the level to which a family's income (net of certain expenses) must fall to establish eligibility for public assistance. The assistance standard establishes the amount that a family will receive if it has no other income.

Federal law allows states to set both the need and assistance standard. Wisconsin has a biennial budget, and the state's constitution grants the governor broad line-item veto powers. The budget passed by the legislature in 1987 for the 1987–89 biennium presumed an increase in the state's need standard but offset the effect on benefits by lowering the assistance standard from 85 percent of need to 84.04 percent. This action reduced benefits by 1 percent relative to what would have been paid had the 85 percent convention been retained.

Governor Thompson used his veto power to reduce the payments standard further, to 80 percent of need. He accomplished this by elimination of 4's and the decimal (8~~4.~~0~~4~~) in the legislature's budget.[14] The combination of actions produced an effective *6* percent reduction in benefit payments, compared to what would have been paid given the increase in the need standard and payments scaled at 85 percent of need.

The need standard has not changed since, nor has the ratio of payment to need. Prices, however, have continued to rise. The result, as illustrated by Figure 4, is a decline of 26 percent in the real value of the need standard between 1986 and 1995 and a decline of 31 percent in the basic AFDC benefit. Part of the decline in AFDC benefits has been offset by an increase in food stamps so that, overall, the welfare cash and food stamp benefit has declined by approximately 14 percent.[15] Over time, this policy reduced the attractiveness of the welfare benefit package relative to wages available in the labor market and also reduced the maximum income a family could have and still retain welfare eligibility.[16]

Figure 4: Eligibility and Benefits 1986-95: Wisconsin Family of 3, in 1995 Dollars
(Tables and figures are bound at the end of the paper)

The Funding Bargain. Reduction in AFDC benefits is common among states in this era. What is less common is the administration's response. Despite the fact that much of the benefit reduction was the product of the governor's veto pen, the Interagency Low-Income Opportunity Advisory Board treated it as part of the package of welfare reforms and allowed the state to count the federal share of the reduction of benefits as "saving" that could be used to offset costs incurred elsewhere in the program.[17]

When the federal government approves a waiver of regulations for a state demonstration, the agreement between the federal agency and the state is summarized in a "terms and conditions" document to which the state must agree in writing. For every dollar in benefits the state paid following the beginning of the demonstration, the DHHS terms and conditions for the Wisconsin welfare reform package waiver allowed the state to assume that the benefit cut had saved [$1.00/(1 – .06)] – $1 = $.064 in AFDC benefits. The federal share of Wisconsin's benefits at the time was 59 percent, so the federal saving was $.064 × 0.59 = $.038.

AFDC savings were in part offset by the increase in food stamps (see Figure 4). The terms and conditions estimated such costs to amount to $.28 for every dollar in benefits reduction; this amounts, again for every dollar in benefits paid, to $.064 × .28 = $.018. Subtracting food stamp costs from AFDC savings, the state's estimated net federal savings were calculated to amount to $.038 – .018 = $.02 per dollar *spent* on AFDC benefits. In state fiscal year 1988, total benefits came to about $450 million. At two cents on the dollar, this gave the state a claim on federal savings of $9 million in the first year alone of program operation.[18]

These "savings" did not translate into a federal check made out to Wisconsin for $9 million. What the savings calculation did mean was that the state could claim federal cost-sharing for a wide range of outlays on services related to fostering movement by adults from welfare to work and for operating other welfare experiments. For services and administrative costs linked to the larger state effort at moving people from welfare to work, the matching rate was at least 50 percent, that is, $1 in state expenditure established a claim on a $1 of federal waiver savings.

Thus by the end of his first year in office, Governor Thompson had not only obtained approval for every initiative proposed save one (the "two-tier" demonstration, discussed later), but he had convinced the Interagency Low-Income Opportunity Advisory Board to treat the reforms, including the benefit cut, as a unit and to allow federal savings from a benefit reduction to be used as a major reservoir of federal matching funds for support of welfare-to-work services. This bargain, the waivers, and the head start that WEJT provided on JOBS became the foundation of future policy.

THE WAIVERS

Governor Thompson's welfare reform package included much more than experiments, but much of his reputation as a reformer is the product of attention paid to the waiver initiatives. Outside observers seeking the key to Wisconsin's accomplishments probably look among these initiatives first. It is important that the waivers be appreciated both in terms of their substance and in terms of the role they played in the governor's general political strategy.

Wisconsin's waivers fall into three episodes: (1) The set of waivers developed by the governor or his welfare reform commission in early 1987; (2) a second set of projects proposed in 1992; and (3) a third set generated following the election of President Clinton. Each of the three waves is closely associated with presidential initiatives.

The First Wave. Table 1 lists the proposals in the first wave. One of these initiatives, the experiment with the "100 hours" rule in AFDC-UP, was actually formally proposed in 1989. However, the initiative had long been debated within the state, it enjoyed bipartisan support, and it is appropriately included as part of the first wave. It is not the purpose of this essay to go into detail on these initiatives, except to comment on their generally benign character, the timing of initiation, and the problem of evaluation.

Table 1: Wisconsin Welfare Demonstrations Proposed in 1987
(Figures and tables are bound at the end of the paper)

Of the five initiatives in the list, three are in no sense punitive, and the immediate caseload effects of the others were very uncertain. The "$30 and 1/6 rule" is a simple manipulation of work incentives that initially takes away some benefits from recipients who take jobs and then, in subsequent months, gives at least as much back. The Medical Assistance Extension expanded the health insurance subsidy for persons making the transition from welfare to self-support. The change in eligibility requirements for two-parent families expanded the set of circumstances under which such families could continue to receive assistance once the "principal earner" became employed.

Two of the initiatives are restrictive. The attempt to extend requirements for WEJT (and later JOBS) participation to mothers with younger children might have reduced caseloads immediately if in practice county welfare offices had been able to make the requirement meaningful by creating employment preparation activities for them. In practice, most welfare offices initially lacked capacity to deliver services to JOBS candidates with preschool children. Very few cases were affected.

The second restrictive initiative, Learnfare, was the centerpiece of the first round of Wisconsin initiatives. DHHS announced the award of this waiver ahead of the others, and Governor Thompson pushed hard for early implementation. The result was an administrative disaster, for insufficient time and resources were devoted to developing the institutional framework necessary to monitor attendance and to link schools with the welfare system (Corbett, 1995, p. 39). Many of the problems were eventually solved, and Learnfare is now an entrenched part of the state's welfare system, as Table 1 indicates. The core of the Learnfare program is a sanction applied to families with students who fail to show up for school. The sanction involves benefit reduction, not loss of eligibility. Although over the long run it is possible that requiring teenagers to remain in school may reduce the likelihood that new cases will open, it is doubtful that the sanctions used in Learnfare have a direct effect on the caseload, since sanctioning reduces benefits but does not close cases.

These initiatives illustrate the important distinction between program announcement and program initiation. Only the Learnfare and 20-Hour Requirement initiatives began before 1989, and in both cases the scale of operation was very small. But while the lag between approval and implementation of these initiatives reduced costs, the bank account of federal waiver savings from the benefit cut was growing.

The final point on the first wave of demonstrations is that from a national standpoint they have not been very productive. As of mid-1995, Wisconsin had not publicly released reports on the 20-Hour, $30 and 1/6th, Medical Assistance Extension, or 100-Hour experiments. The final report on the $30 and 1/6th and Medical Assistance Extension reported no net effects of either intervention (Deloitte & Touche, 1995). Preliminary analysis of the 100-Hour experiment suggests that the state may have erred in procedures followed for creating "control" and "experimental" groups for studying outcomes, with the result that applicability of the results may be impaired.[19]

Evaluation of the Learnfare initiative was subcontracted to a unit of the University of Wisconsin–Milwaukee. The original evaluation plan called for a nonexperimental approach; implementation was severely complicated by a number of problems, some of which were rooted in the state's own planning problems (Quinn, Pawasarat, and Roehrig, 1991). Eventually the legislature assumed responsibility for the Learnfare evaluation and initiated an assessment itself, using standard evaluation techniques; only the interim results for the first two semesters are now available, so while over seven years have passed since the Learnfare waiver was authorized, it is still too soon to draw conclusions.[20]

The Second Wave. In the fall of 1991 the Bush administration developed a new push for state initiatives. The formal announcement was included in President Bush's 1992 State of the Union address (Wiseman, 1993). The president's budget called for continued assurance that state experiments would have no net effect on federal costs, and "rigorous evaluation" standards were retained. However, the Low-Income Opportunity Working Group's reference to a federal responsibility for "articulating goals and defining standards" was not repeated. The administration attempted to lower the time required for approval of demonstration proposals to *one month* from the point of submission.

Once again, Governor Thompson was ready. The 1992 initiatives are summarized in Table 2.

Table 2: Wisconsin Welfare Demonstrations Proposed in 1992
(Figures and tables are bound at the end of the paper)

. Wisconsin's 1987 initiatives were in part the product of a Welfare Reform Commission appointed by Governor Thompson when he took office (Corbett, 1995, p. 38). Unlike the 1987 initiatives, Wisconsin's 1992 proposals were not formulated with task-force assistance. Although the initiatives assumed a high profile (the PFRI, or "Bridefare," initiative was announced in a White House Rose Garden press conference in March 1992), most affect only small subgroups of recipients. As of mid-1995, Bridefare affected about 500 cases.

Like the 1987 initiatives, for the most part the 1992 proposals increase the generosity of the welfare system. Only the "two-tier" welfare migration initiative unambiguously reduces benefits, and, as the table indicates, this effect endures for only six months. As a sidelight, it should be noted that the two-tier proposal was the one Wisconsin initiative discouraged by the Reagan administration in 1987, apparently on constitutional grounds.

The third wave of Wisconsin demonstration proposals followed the election of President Clinton. These will be taken up after consideration of the effects of the early initiatives on the caseload.

WAIVER EFFECTS, JOBS, AND THE CLINTON ROUND

Implementation began on the Bush initiatives only in 1994. Thus, if the state's demonstrations have had significant effects on the caseload, the ones that count were part of the first wave. Figure 5 plots the caseload against the major landmarks in waiver policy.

Figure 5: Wisconsin AFDC Caseload and Policy Landmarks
(Figures and tables are bound at the end of the paper)

This diagram poses a serious puzzle for those looking to Wisconsin's waiver initiatives for clues concerning welfare strategy in other states. It is common for Thompson administration officials to cite the caseload change as measured from December 1986 to the present as evidence for policy accomplishments. The caseload decline is indeed startling—22.5 percent though December 1994. But three-quarters of this decline was accomplished by the end of Governor Thompson's first term. Learnfare and the 20-hour rule were the only restrictive welfare demonstrations in operation in this period, and by 1989 the Family Support Act had provided all states with the authority to involve mothers with young children in employment preparation activities. What, then, produced the decline?

Certainly, available research indicates that the reduction in the real standard for eligibility and in the basic benefit was one factor in the caseload reduction.[21] The very favorable economy also played a role. But it is important to recognize the consequences for Wisconsin of the other trend in national welfare policy and the JOBS program it produced.

The Welfare-to-Work Effort. President Reagan signed the Family Support Act in September 1988, calling it "the culmination of more than two years of effort," that would help families achieve "lasting emancipation from welfare dependency." The Family Support Act authorized initial funding for JOBS beginning July 1, 1989. In Wisconsin, WEJT, the JOBS precursor, was already well under way. By February of the following year WEJT was operating in 31 Wisconsin counties, and of these five had been in operation since 1987 (Wisconsin Legislative Fiscal Bureau, 1991). The WEJT apparatus, plus the pool of federal match funds, gave Wisconsin a substantial head start.

This quick response is clearly evident in the state's outlays on welfare training efforts, as Figure 6 illustrates.

Figure 6: Wisconsin Welfare Employment and Training Outlays
(Figures and tables are bound at the end of the paper)

Wisconsin's JOBS record is, as one might infer, exceptional. By (federal) fiscal year 1993 the state managed to have 30.9 percent of those adult welfare recipients who were not exempted from JOBS participation active in welfare-to-work effort. The required rate was 11 percent.[22] The expansion in welfare-to-work effort and case management produced a large increase in costs of administration. Between 1988 and 1994 administrative expense per AFDC case increased by 5 percent nationwide; in Wisconsin costs more than doubled and now exceed the national average by 14 percent.[23] In 1988 Wisconsin had the lowest administrative cost in the region; by 1994 administrative costs were second only to Minnesota.[24]

The key question is, of course, what did this effort accomplish? It is not possible to say with much precision because of the difficulty of sorting out benefit, labor market, and JOBS effects. As Figure 5 shows, the state's caseload began to fall again in mid-1992. This turnaround is roughly coincident with the decline in the state's unemployment rate (see Figure 3), and it comes after three years of increased outlays for JOBS.[25] It may be that, just as WEJT set the stage for JOBS, JOBS set the stage for turning the state's good economic fortune to the advantage of welfare recipients. What does seem clear is that the outcome has little if anything to do with the direct effect of the waiver demonstrations.

In August 1994, *Rising Tide*, the magazine of the Republican National Committee, printed an article on Governor Thompson's welfare reforms. In the article Governor Thompson is reported to have stated that his favorite program in the "welfare arena" "is a comprehensive program for welfare recipients that 'has been up and running in every county in the state and involved more than 185,000 people' since 1990" (Shively, 1994, p. 25). That favorite program is JOBS. Neither the reporter or *Rising Tide* seem to have appreciated the irony in the fact that Governor Thompson was endorsing the program that grew out of the initiative he rejected in 1987.

The Clinton Waivers and Ending Welfare as We Know It. In the course of his successful campaign for office in 1992, President Clinton repeatedly called for "ending welfare as we know it" and limiting the time for which people would be allowed to receive welfare payments without work. While he established his own Working Group on Welfare Reform, Family Support, and Independence to develop a welfare reform proposal, he promised the National Governors' Association in a speech on February 2, 1993, that he would not allow his own welfare reform efforts to "rob you [the governors] of the ability to do more, to do different things."[26]

Once again, Tommy Thompson was ready. In July 1993, Wisconsin filed its first waiver request to the Clinton administration. The proposal was for the Work Not Welfare (WNW) initiative. This is summarized, along with subsequent initiatives, in Table 3.

Table 3: Wisconsin Welfare Demonstrations Proposed After 1992
(Figures and tables are bound at the end of the paper)

Work Not Welfare was a political coup. It was a concrete proposal that specifically incorporated the feature most often discussed by the president in the course of his campaign: a two-year time limit on benefits. Moreover, the governor had managed to get his plan before the public well in advance of delivery of the administration's own scheme. Like earlier initiatives, while the WNW proposal received massive national publicity, its planned scale of implementation was small. Governor Thompson chose to concentrate the innovation on a relatively small number of recipients and to avoid exposing the state to significant financial risk. Numerous objections were raised to the proposal and its potential consequences for families reaching the two-year limit (Greenberg, 1993), but it was ultimately approved.

Back in Wisconsin, the WNW proposal faced considerable legislative resistance. In what can be reasonably interpreted as an attempt to outdo the governor on welfare reform, the legislature approved the Work Not Welfare initiative, but attached a provision calling for the state's Department of Health and Social Services to submit by January 1, 1995 "a proposal for welfare reform in this state" that would replace most public welfare programs by December 31, 1998.[27]

The legislature's mandate specified that the new plan was (a) to guarantee income support to needy persons who could not work, (b) guarantee employment to those who could work but could not find jobs, and (c) assure low-income persons "affordable child care" and "affordable health care." Once again, the governor used his veto powers to pare the requirement. After extensive excision, the revised mandate called on the governor simply to submit a plan sometime in 1995 for welfare reform in the state that provided for replacement of the AFDC program.

The "end welfare" stipulation provided by the Democrats in their Work Not Welfare authorization was clearly a boon to Governor Thompson. In the context of national politics, the requirement allowed— indeed, *mandated*—the governor to use agency resources to develop and advertise a comprehensive reform scheme. The opportunity thus presented was widely recognized: The Hudson Institute, a conservative policy analysis organization with home offices in Indianapolis, promptly opened and funded an office in Madison that was specifically charged with providing technical support to the governor's reform task force. The Hudson Institute solicited and received financial support for its support effort from other foundations, most notably the Annie E. Casey Foundation of Baltimore.

WISCONSIN WORKS

The DHSS/Hudson Institute plan, called "Wisconsin Works" and nicknamed "W-2," was completed in early spring of 1995. It was formally announced by Governor Thompson on August 3, following a Vermont meeting of the National Governors' Association.

Wisconsin Works is complicated, and a careful critique would require far more space than is available here. Viewed from both state and national perspectives, Wisconsin Works is an extremely important proposal. It is the first fully articulated plan for what a state welfare system might look like in an era of block grants. The governor appears committed to its implementation, and the plan has been endorsed by both Republicans and some Democrats, most notably Mayor John Norquist of Milwaukee. For citizens concerned about the direction of public assistance policy, Wisconsin Works provides a picture of one direction that states may go when freed of the program restrictions previously contained in the Social Security Act.

The Wisconsin Works strategy has four major components (Wisconsin Department of Health and Social Services, 1995a; page references that follow are to this source). First, the plan links virtually all cash assistance to some form of employment. "For those who can work, only work should pay," is listed as "philosophical principle" number 1 in the plan (p. 1). Second, the plan calls for reducing linkage between assistance and services such as health care, child care, and job search assistance. According to the official W-2 description, "the new system should provide only as much service as an eligible individual asks for, rather than any and all available services. Many individuals will do better with just a light touch" (p. 2). Third, the governor is committed to rapid and complete implementation. W-2 is to be operating in every county in the state by July 1, 1997. Finally, the emphasis within the new system is dramatized by a shift in responsibility for its operation from the Department of Health and Social Services to the state's employment service agency, the Department of Industry, Labor, and Human Relations, now relabeled as the Department of Industry, Labor and Job

Development (DILJD). DILJD will, in turn, be responsible for competitive subcontracting with various public and private organizations for W-2 operation. In this case, the principle is that the state “should reassess government’s traditional role in managing programs and look to other alternatives using market and performance mechanisms to best achieve our objectives.”[28]

The W-2 program has four tiers of support for adults with children. These are summarized in the “Wisconsin Works Self-Sufficiency Ladder” reproduced in Table 4. Persons seeking assistance will first meet with a Financial and Employment Planner (FEP). It is the job of the FEP to assist help-seekers “to think through their best options to provide for the economic security of their families” (p. 34). The process will culminate in one of five possible outcomes. Some applicants will move into unsubsidized employment—the highest ladder rung. Applicants initially unable to find unsubsidized employment will be either accommodated in “trial” subsidized jobs in private or public organizations or, if judged not ready for subsidized employment, placed in community service jobs (CSJs) and paid a grant equal to 75 percent of the minimum wage. Trial jobs are for persons who approach W-2 with “a willing attitude, but without a work background” (p. 8). CSJs are for “those who need to practice the work habits and skills necessary to be hired by a private business” (p. 9). W-2 Transition is “for those legitimately unable to perform independent self-sustaining work even in a community service job” (p. 9).

Table 4: The Wisconsin Works Self-Sufficiency Ladder
(Figures and tables are bound at the end of the paper)

The DHSS believes that at the point Wisconsin Works begins, 15 percent of the current AFDC caseload can be moved directly into unsubsidized employment, 10 percent will be placed in subsidized jobs, 50 percent will require some time in community service employment, and the remaining 25 percent will be placed in W-2 Transitions. After program initiation, new applicants are expected to be distributed as follows: approximately 40 percent in unsubsidized employment, 15 percent in subsidized employment, 35 percent in CSJ's, and 10 percent in W-2 Transitions.[29] As is apparent from the table, the program is structured so that movement upward on the ladder raises income, and duration of tenure in each category save W-2 Transitions is strictly limited. The overall lifetime limit on W-2 participation is five years.

The sub-minimum "wage" attached to community service jobs is an administrative fiction. It is calculated by dividing the W-2 benefit by the required work time. Failure to work 40 hours will result in a prorated penalty charged against the grant on the basis of hours not worked. The fact that the CSJ wage is in reality a welfare grant explains the absence of earned income tax credit eligibility.

Persons in each tier are eligible for subsidized health and child care, with copayments dependent upon income. Wisconsin Works commits the state to provision of child care and health care subsidies to working parents with children on the basis of income and assets only; and eligibility for some subsidy is to be extended to families with incomes as great as 165 percent of the federal poverty line. Child care costs are to be constrained by some relaxation of standards for caretaker eligibility; health care costs are to be constrained by use of managed care, benefit reductions, monthly premiums, and restrictions on the ability of persons previously participating in employer-paid health insurance plans to transfer to the W-2 health program (Kaplan, 1995). For some, the "light touch" referred to in the Wisconsin Works principles may involve only subsidization of health insurance and child care.

One implication of Table 4 is that for persons not "qualified" for W-2 Transitions, income begins with work. Persons needing immediate cash assistance for work-related expenses will be eligible for "Bridge Loans" of up to $1,000 (p. 6). Bridge loans carry no interest, but repayment obligation begins immediately, with a maximum repayment period of 24 months. Recipients can repay up to 80 percent of their loan obligation in kind by engaging in community service activities at a rate of $4.50 per hour (p. 36).

Wisconsin Works takes principles established in waiver-based demonstrations and generalizes them to the caseload as a whole. There is no 100-hours rule; adults in single- and two-parent families with children both have access to the self-sufficiency ladder. There is a time limit, although the limit is somewhat more flexible than the one applied in Work Not Welfare. There is a "benefit cap": The income of persons in the trial job, community service job, or W-2 transition components does not change with family size; only food stamps and the earned income credit are adjusted. In the state's benefits cap experiment the provision that there be no change with family size applies only to cases in which children are conceived following accession to assistance; in W-2, however, it applies to all families. The effect will be to reduce the basic benefit paid to families with more than two children (or more than one child, if both adults are present) and potentially to raise cash paid for single parents with one child, when such parents work 40 hours. The structuring of the relationship between grant and work in the CSJ component is anticipated in the Pay for Performance Initiative. The restriction on automobile value is relaxed further than the standard established in the Vehicle Asset Limit Demonstration. And the role of the Financial and Employment Planner is anticipated in the Self-Sufficiency First demonstration's efforts to divert would-be recipients of AFDC directly to jobs or use of other resources.

While "work preparation" is acknowledged as a component of activities related to CSJ placement (p. 68), W-2 is clearly intended to continue a trend toward reduced emphasis on skills training as a component of welfare policy.

Even given the necessary brevity of this description, it should be clear that the state has, with the support of the Hudson Institute and its financial associates, developed a comprehensive vision of welfare reform that meets the legislature's mandate. The vision includes what appears to be an exceptional commitment to child and health care assistance for low-income working families with children. The program justifiably can be said to "end welfare as we know it," if the welfare we know is a system of means-tested income support, based on family size, to which persons are entitled based on income, assets, and the presence of children in the household.

At the same time, Wisconsin Works presents an unprecedented administrative challenge. In the first six months of operation, the state's plan calls for creation of 26,800 community service jobs for the existing caseload and for moving an additional 6,500 persons into such jobs in the six months that follow. At the same time the state's contractors are expected to move 20,200 people into unsubsidized employment and place 11,000 people in transitional minimum wage jobs in the private sector.[30] The scale of this effort is put in perspective by comparing these numbers to what has been accomplished under JOBS. Fewer than 15,000 JOBS participants entered employment for the state as a whole in 1993; in March of 1994 (the most recent date for which such information is available) the state had 1,668 persons active in any type of community work experience or on-the-job training slot (Wisconsin Department of Health and Social Services, 1994, p. 6 and p. 27). Before the program begins, W-2 contractors must be chosen for every county, Financial and Employment Planners must be trained, subcontracts for subsidized and community service jobs let, and so on. The crux of the administrative challenge is that the scale of this initiative vastly exceeds anything attempted to date in Wisconsin or elsewhere, and it is to be undertaken by an agency whose leadership has little prior experience in welfare administration. One major feature not adopted from earlier demonstrations is the experimental approach. The Wisconsin Works program description contains no reference at all to "experiment" or, for that matter, "evaluation."

These are concerns to be expressed nationally or, at least, in Madison. But it is also useful to consider the proposal from the ground level. Accept for the moment the notion that at least some persons who come to the state for assistance are virtuous but genuinely in need. Indeed, since it is very much a part of the ideology of Wisconsin Works that people are to avoid asking for assistance whenever possible, it may be reasonable to expect that persons finally driven to the DILJD door may be in dire straits. Under W-2, income will not be available until a job has been found and time has been spent on it. Even then, over one-quarter of total income is derived from the state and federal earned income credits—money that will in most cases not be available until *the following year*.[31] If a job is not found and the DILJD W-2 subcontract fails to deliver either a trial job or a CSJ, the only assistance available will be food stamps. There is no cash fallback.

Since granting of the original reform waivers in 1987, Wisconsin's welfare strategy has been founded in part on the principle that cash benefits would be reduced in order to generate the federal and state tax savings necessary to fund employment-oriented interventions. Although these changes have clearly reduced the amount of cash provided those in need, the basic benefit remains substantial, and when county welfare agencies failed to deliver services on the JOBS side, recipients at least got cash. W-2 makes those in need bear the brunt of any failure by the state's welfare bureaucracy (operating under whatever name) to deliver. W-2 in principle creates two work tests, but the sanctions are unequal. On the one hand, Principle 1, that "for those who can work, only work can pay," means that benefits are genuinely work-tested. If recipients fail to live up to this standard, the only benefit available is food stamps, and failure to comply may mean a case referral to child protective services, since clearly, when income is not available, children will suffer. But on the other, if the state fails to deliver, it is again those in need who will pay.[32]

Although it is not spelled out in the legislation, it is possible that W-2 planners anticipate that when other placements cannot be accomplished and community service jobs are unavailable, recipients will be paid the CSJ monthly stipend for full-time work, which is approximately the same as the current AFDC payment for a family of three. However, like payments to participants who are actually enrolled in CSJ, this amount would not vary by family size, and once job assignments are made, actual payments to recipients would depend upon their hours of participation.[33]

Of all the difficulties surrounding the governor's plan, the problem of projecting costs has proved exceptionally thorny. The state's initial estimates focused on the issue of whether W-2 would increase current welfare costs. Given favorable assumptions about caseload trends prior to implementation and a range of other factors, as well as estimates of Wisconsin's block grant under national welfare reform proposals, the administration argued that W-2 need not entail an increase in state social assistance outlays beyond those already incorporated in the state's budget for fiscal year 1997 (Wisconsin Department of Health and Social Services, 1995b). An analysis of the legislation by the Legislative Fiscal Bureau largely replicated DHSS calculations and elaborated on the assumptions underlying them, but provided little analysis of the sensitivity of cost projections to the various assumptions incorporated in the DHSS estimates (Wisconsin Legislative Fiscal Bureau, 1995). The most significant LFB conclusion was that the program was likely to cost $39 million more than the state's current public assistance programs in the first full year of operation. However, this estimate is based on the assumption that caseloads for the two programs would be the same (Wisconsin Legislative Fiscal Bureau, 1995, pp. 74–75).

The administration had originally sought legislative action on W-2 in September, but action has now been deferred until January. The implication is that W-2 is likely to change, and in any event its final form will very much depend upon the character of the national welfare reform that eventually emerges from negotiations between the White House and congressional Republican leadership. In this context, it is still appropriate to discuss the implications of Wisconsin Works, plus the state's record on welfare reform, for the future. It is useful to do this from state and national perspectives. The implications for Wisconsin are considered first.

IMPLICATIONS FOR WISCONSIN

The Three-Part Dilemma. On the eve of what may be a major restructuring of federal-state relations in welfare, the state finds itself in a three-part dilemma. The dilemma results from the dependence of the state's welfare-to-work program on federal assistance, the state's budget problems, and the difficulty of sustaining rates of reduction in welfare utilization.

- The dependence of the strategy on federal matching funds

Insofar as WEJT/JOBS welfare-to-work programs have contributed to Wisconsin's achievements, the gain has been paid for with federal matching funds. No dollar of state expenditures on JOBS has cost state taxpayers a full dollar. Indeed, the cost has in general been much less. But with a block grant, the state will no longer enjoy this luxury. Block grant allocation formulas contained in both the House and Senate versions of welfare reform are very favorable to the state, but the new system still means that "last dollars" of expenditures on W-2 must be financed wholly from state sources. Outlays for trial and community service jobs, as well as health and child care, will therefore compete dollar-for-dollar with education and other pressing state needs. The outcome of this new budgetary calculus is difficult to predict. The state's expenditure projections for W-2 appear to assume that if state outlays remain below current budgeted levels, they can and will be sustained. Nevertheless, loss of the federal funds match means that every dollar saved from welfare can be used for tax relief, schools, or other matters of state concern. It is unlikely that such a dramatic change in the terms of trade among these types of outlay will leave budgets unaffected, especially if the state experiences an economic slow-down.

- The larger budget crunch

The loss of federal matching funds in effect raises the “price” of welfare employment and training expenditures to the state. However, over the coming two years, price effects do not pose nearly so important a problem for maintaining welfare effort as does the state’s general budget situation.

The state faces substantial fiscal difficulties, and they are self-imposed (Reschovsky and Wiseman, 1995). In 1993 the legislature’s attempt to outpace the governor’s efforts on welfare reform generated the authorization for ending AFDC by December 1998. The same conflict in 1994 produced legislation calling for a substantial (over $1 billion) shift in responsibility for school finance from the local property tax to state revenues. In his February 1995 address to the legislature, Governor Thompson promised to accomplish the change with no increase in state taxes. The result is a substantial projected cutback in a wide range of state services. Even with such cuts, the Wisconsin Taxpayers Alliance, a citizens’ group, projects that the governor’s original budget plan would cause the state to begin the 1997–99 biennium with $459 million in unfunded obligations, a carryover deficit amounting to about 5 percent of general fund appropriations for the 1996–97 fiscal year (Wisconsin Taxpayers Alliance, 1995). The Alliance predicts that, given expected growth in revenues and planned growth in prison expenditures, outlays on all other state government expenditures will decline in absolute amounts by about 5 percent between the 1994–95 and 1997–98 fiscal years. Given inflation, the reduction in real services will be greater. In this environment, it is virtually certain that resources devoted to welfare will be cut, even if state economic growth proves more robust and carryover resources from the past fiscal year prove larger than the Alliance anticipates.

- The difficulty of sustaining achievement

As Figure 5 shows, most of the caseload reduction was accomplished by the end of the governor's first term in office. As the national economy has begun to expand, other states are beginning to show caseload decline as well. Over the near term, it is likely that rates of decline among the laggards will exceed those reported by Wisconsin, even given this year's high rates of JOBS expenditure. AFDC allocations under the reconciled House and Senate welfare plan are based on federal outlays for fiscal year 1994. Wisconsin's average AFDC caseload in 1994 was 77,188. In July 1995, the caseload was 70,324, down 8.9 percent. Although impressive and well above the overall U.S. decline of 6.4 percent, Wisconsin's decline ranked *25th* among the states.[34]

A slowdown in Wisconsin's relative rate of welfare reduction may be a political problem for the governor. It may be a problem for the rest of the state as well. The new fiscal arrangements for welfare establish levels of federal support based on past outlays. Given that Wisconsin's decline started early and may now be largely accomplished, the opportunities for generating additional savings in the near term may be more limited in this state than others, even in context of as radical a change as is projected under Wisconsin Works. In part, this is a problem of geography. In a sense, welfare policy in Wisconsin is just now getting to the hard part: poverty in the urban core.

The Milwaukee Challenge. To this point, this discussion has emphasized the split in achievement between Governor Thompson's first and second terms. But a distinction may also be drawn between what has happened in Milwaukee County and the rest of the state. This distinction is evident in Table 5.

Table 5: Change in Total AFDC Caseload in Wisconsin
(Figures and tables are bound at the end of the paper)

On the eve of Governor Thompson's first term, Milwaukee accounted for 40 percent of the state's AFDC caseload. Last December it reached 50 percent. If welfare utilization is to be further reduced, greater emphasis must be placed on Milwaukee. This fact is not lost on the Thompson administration. The state has assumed responsibility for Milwaukee's JOBS program, and it has undertaken some very innovative programs (Mead, 1995; Wiseman and McGrath, 1995). But, again, the core of Wisconsin welfare policy in Milwaukee is the same as elsewhere in the state. It is not contained in the publicized waivers experiments. It is JOBS.

To their credit, the authors of W-2 recognize the challenge posed by Milwaukee. The plan calls for dividing the county up into between four and ten separate administrative areas in order to improve administrative efficiency, make W-2 operation feasible for a larger number of potential bidders, and link system operation more closely to neighborhoods (p. 17). Nevertheless, projections for the W-2 caseload presume a rate of success in moving participants from one tier to the next based on experience outside Milwaukee, and not upon achievements to date of activities within the city. Moreover, the concentration of the caseload in Milwaukee means that the labor market effects of any increase in labor force participation produced by W-2 will also be concentrated there. The job developers responsible for trial and community job development, as well as W-2 Transitions activities, will have to find more than half of such positions within Milwaukee and its suburban counties. Gaining access to suburban employment for low-skilled workers is not an easy task, especially when the majority of participants will be nonwhite and the metropolitan area is notorious for its segregation and inner-city concentration of poverty (Jargowsky, 1994).

The Bottom Line, for Wisconsin. The state can reasonably take pride in its welfare policy record. The problem is that it is still not clear what parts of the welfare reform strategy pursued since 1987 have worked. Whether or not the decline in the caseload is the result of a reduction in benefits, some families—those without the alternatives that permit them to avoid assistance—have lost.

Beyond concern about the effects of diminishing incomes on the families left on welfare and about issues that will face all states if the national organization of public assistance is altered, the state faces three particular problems. One is fiscal. The current welfare strategy is very service-intensive, and regardless of what happens in Washington, the struggle to contain a burgeoning state deficit would make continuation of the present strategy difficult, if not impossible, in the future. Wisconsin Works reduces state expenditure on training. But there is substantial risk that operating the various subsidized employment programs, and managing the flows of participants among them, could prove far most costly than is acknowledged in the W-2 proposal. To the extent that job creation fails, the fallback (if there is one) is to a reduced level of income support and nothing like JOBS. It is a gamble for which the poor are asked to provide the stakes. The W-2 strategy is, if anything, more labor- and management-intensive than JOBS. If it is to be done seriously, it will be expensive. There seems to be little ground to believe that potential efficiencies from subcontracting for W-2 operation will offset these costs.

The second Wisconsin lesson is a matter of information. For the past eight years Wisconsin has operated its welfare system on very favorable terms. Given the combination of generous federal matching funds and declining benefit costs, learning exactly what worked or did not work was not particularly important. But in the face of the state’s deficit and a possible change to block grant financing, the last dollars spent by the state on welfare payments and services become much more costly. Some way must be found to produce better and more timely evaluations of the various components of the state’s strategies. It appears that far too much effort has been devoted to the waiver initiatives and too little effort has been focused on sorting out what it is about JOBS that made a difference. In any event, the state now proposes to embark on a reform that is several orders of magnitude more ambitious than anything attempted before, a reform that includes many components drawn neither from previous demonstrations in this state or from demonstrations elsewhere. Under such circumstances, an implementation plan that incorporates explicit procedures for learning-by-doing and midcourse correction is prudent. To date, such considerations have not been mentioned in official program descriptions or discussions.

BEYOND WISCONSIN

For Other States. The news from Wisconsin for other states is mixed. On the one hand, something about JOBS may work. On the other, if governors and legislators elsewhere think that someone has the key to operating a welfare system adequate to meet the needs of the destitute at low cost, they are wrong. The message from Wisconsin is that the state is not sure exactly what the key elements of a JOBS-based strategy are, but it is very unlikely that the answer, whatever it is, is cheap. The surprise is that it is very likely that states already have, in JOBS, at least the infrastructure they need. Unfortunately, both the House and the Senate versions of welfare reform kill the JOBS program, although states can in principle continue to provide some JOBS services and retain the JOBS infrastructure.

Beyond JOBS, other states should note that block-grant funding decisions, when combined with the special advantage that Wisconsin has enjoyed for demonstration funding, place the state in a very favorable fiscal position that at least temporarily allows leeway for initiatives as bold as Wisconsin Works. The situation in other states may provide less margin for error.

For Congress. In one sense, House Republicans did welfare reform a great favor by calling the governors' bluff on the issue of cost saving in public assistance policy. Governors know what is common knowledge in the community of welfare policy analysts: Although a range of interventions have been shown to have small but significant effects, it is a great leap from the successes of a few locations to the design, implementation, and financing of comprehensive welfare policy. If one believes media publicity about accomplishments in Wisconsin and elsewhere, a block grant with fewer strings and an early federal claim on savings makes sense.[35] But the Wisconsin record and the plan for W-2 do not support the claims of those who believe that welfare policy can be remanded to the states with no fear for the consequences, in terms both of waste of taxpayer dollars and of suffering for the needy.

The fact is that the one innovation Wisconsin has undertaken that is known for certain to lower assistance costs is to reduce benefits and restrict eligibility.[36] This policy and JOBS reduced Wisconsin's caseload, but recent evidence suggests another consequence: the recession experienced by the state at the beginning of this decade, while minor, led to an increase in poverty rates that substantially exceeded the experience of the nation as a whole, although the impact of the recession elsewhere was greater.[37] Faced with the new fiscal environment created by block grants and the uncertainty concerning the feasibility and effects of service-oriented strategies, most states are likely to continue to reduce benefits. At a minimum it would seem to be important to include in block-grants legislation requirements for collecting information that will reveal the extent to which those receiving assistance receive other services and welfare-to-work assistance. Performance indicators are not unwarranted federal intrusions into state business; at least half of the money spent will continue to come from Washington. Unfortunately, both the House and Senate reform bills virtually eliminate performance data collection.

The Administration. Less than a month after his inauguration, President Clinton addressed the National Governors' Association meeting in Washington and promised to support continued state welfare experimentation:[38]

> We need to encourage experimentation in the states. . . . There are many promising initiatives right now at the state and local level, and we will work with you to encourage that kind of experimentation. I do not want the federal government, in pushing welfare reforms based on these general principles, to rob you of the ability to do more, to do different things.

The president went on to assure the governors that he would authorize waivers for experiments of which he did not approve, with a proviso:

> And the only thing I want to say, to ask you in return, is let us measure these experiments and let us measure them honestly so that if they work, we can make them the rule. . . . That's the only thing I ask of you, if we say, okay, we're going to have more waivers and you're going to be able to experiment in projects that use federal dollars, let's measure the experiment, let's be honest about it. And if it works, let's tell everybody it works so we can all do it, and if it doesn't, let's have the courage to quit and admit it didn't.

Viewed from the perspective of Wisconsin, this policy has failed. The president has subsequently asserted, correctly, that his administration has approved more waivers in two and one-half years than the Reagan and Bush administrations approved in eight. But while the number of state initiatives multiplied, federal oversight and restraint diminished. The administering agency within DHHS lacks the necessary staff, and leadership attention was focused, at least for the first 18 months, upon the development of the administration's own welfare reform plan. The department's leadership has been guided by consultants through numerous "reinvention" exercises, but such attention was never devoted to the waiver process.[39]

Much remains unknown about welfare policy. Operating alone, states have little incentive to evaluate or to face results, in the president's term, "honestly." Even under a block grant system, responsible welfare administration that is mindful of wise use of tax dollars and concerned about poverty must play an active role in monitoring and assuring public awareness of what states do and in encouraging, coordinating, and assessing state innovation.

A good place to begin the process of reinvention of the federal-state partnership would be the 1986 report of the White House Low-Income Opportunity Working Group. Those responsible for the national interest should “articulate goals and define parameters,” and translate such articulation into renewed effort to make the federal-state partnership in welfare policy work. Only with leadership is it likely that state demonstrations will genuinely provide the “important clues for building a better system” we so urgently need.

Endnotes

[1]For example, in his 1995 State of the Union address, the president said:" Our administration gave two dozen states the right to slash through federal rules and regulations to reform their own welfare systems, and to try to promote work and responsibility over welfare and dependency."

[2]The state demonstrations were fostered by the Omnibus Budget Reconciliation Act of 1981; the later projects were encouraged by the Bush administration. For a summary of results of early demonstrations see Gueron and Pauly (1991). Bush administration policy is discussed in Wiseman (1993).

[3]The national caseload total used in Figure 1 for 1994 was estimated by the author on the basis of incomplete data. Detailed information on sources for all data and calculations reported in this paper are available from the author. See also Wiseman and McGrath (1995), Appendix A.

[4]"Principles for Welfare Reform," *Washington Post*, Sunday, February 12, 1995, p. C6.

[5]The demographic data used here were provided by Woods & Poole Economics, Inc. See Woods & Poole Economics (1994).

[6]On poverty migration, see Frey (1993). Slightly more than one out of five recipient families in Milwaukee in July 1992 had moved onto public assistance at approximately the same time as their arrival in Wisconsin (Wiseman and McGrath, 1995). Most authorities are skeptical of the role of welfare benefits in motivating migration; see Walker (1994) and Frey et al. (1995). Academic skepticism notwithstanding, anecdotal evidence of the significance of welfare-related migration as a factor in caseload development in the state abounds. See, for example, Dirk Johnson, "Larger Benefits and Safer Streets Attract Chicagoans to Wisconsin," *New York Times*, May 8, 1995, p. A1.

[7]Defense expenditures—or more accurately, the lack of a defense industry—played a role in the most recent experience. Defense procurement expenditures in Wisconsin are quite low, and as a result the direct effect on the state of reductions in national defense expenditure was quite small (Hooker and

Knetter, 1994). The state exports both manufactured goods and agricultural products and has benefited substantially from exchange rate movements.

[8]Corbett (1995) provides an excellent summary of state welfare policy history.

[9]United Press International, February 25, 1987.

[10]Ronald W. Reagan, *The State of the Union*, Address to the Congress, White House Office of the Press Secretary, Washington, D.C., February 4, 1986.

[11]For waiver history, see Bennett and Sullivan (1993).

[12]David Hoffman, "'Serious Mistakes' Made in Iran Deal, Reagan Says," *Washington Post*, January 28, 1987, p. A1.

[13]United Press International, February 25, 1987.

[14]Wisconsin Legislative Reference Bureau, *Wisconsin Briefs*, Veto Review, 1987 Bill 100, LRB-87-WB-6, p. 171.

[15]See Wiseman and McGrath (1995) for sources. The benefit numbers are deflated using the consumer price index for all consumption except medical services. Welfare recipients receive medical services "in-kind" through Medicaid, and the quality of the service has remained largely unchanged over this interval.

[16]The effect of the decline in the real value of the need standard on the number of families in Wisconsin potentially eligible for AFDC cannot be assessed without annual data on the income distribution, which are unavailable. Some impression of trends in earnings is provided by data on wages paid in low-skill occupations in the Milwaukee metropolitan area that are published by the U.S. Bureau of Labor Statistics in the series *Area Wage Trends*. In 1987, median weekly earnings of switchboard operator/receptionists in firms surveyed by the BLS were $220; by 1993, wages increased to $310. For "Janitors, Porters, and Cleaners" the median hourly wage in 1987 was $3.75; by 1993 this was $6.00. Since both the need and payment standards were constant over this interval, this suggests

that the wage distribution was shifting upward relative to the AFDC eligibility standard.

[17]Letter of waiver approval, Otis R. Bowen, M.D. (Secretary of the U.S. Department of Health and Human Services) to Timothy Cullen (Secretary of the Wisconsin Department of Health and Social Services), October 29, 1987.

[18]This is the author's estimate. The precise amount of the waiver savings pool was negotiated. Eventually the Administration for Children and Families determined that Wisconsin's reforms generated $78 billion in savings between September 1987 and September 1992. Negotiations on total savings generated by the state's initiative were concluded in 1992; the state was then allowed $14 million more per year through 1997, for a total match pool of $148 million (Letter from Jo Anne B. Barnhardt, Assistant Secretary for Children and Families, U.S. Department of Health and Human Services, to Gerald Whitburn, Secretary, Wisconsin Department of Health and Social Services, September 1, 1992). The state's allocation of Federal JOBS funds was $20.4 million in fiscal year 1993; the waiver savings pool thus provided a substantial potential for increase in outlays beyond the capped JOBS entitlement (Committee on Ways and Means, 1994, p. 349). The original terms and conditions also called for adjusting the federal savings estimate for the impact of the welfare benefit reduction on the cost of federal rent subsidies for welfare recipients in public housing. In practice this proved difficult, so the requirement was dropped.

[19]See "Wisconsin's 100 Hour Rule Experiment: Preliminary Report," Wisconsin Department of Health and Social Services, Office of Policy and Budget, Evaluation Section, October, 1993. The design for the 100-hour experiment called for random assignment of existing and newly opened cases to a control group subject to the 100-hour rule and an experimental group to which it did not apply. Group assignment was based on the second-to-last digit of the applicant's social security number. When the experiment began, caseworkers reopened all recently closed cases (with appropriate social security numbers) which would have remained open except for the application of the 100-hour rule and added

them to the experimental group. The result was that the experimental group included, in comparison to the control, an exceptional number of cases which had been on welfare prior to initiation of the experiment. The state has attempted to adjust for this problem retroactively by excluding the experience of the reopened cases from the analysis, but this procedure also biases outcomes because recent closures have a substantial probability of reopening without state intervention. As a result, exclusion of such cases biases downward the estimates of the effects on recidivism of eliminating the 100-hour rule.

[20]See Wisconsin Legislative Audit Bureau (1995). The LAB finds positive effects on school attendance among some teenager subgroups but concludes that, overall, "Learnfare had no detectable effect on school participation" for students subject to the requirement compared to students in a control group not subject to Learnfare. Allocation of teenage recipients to experiment and control groups was done by random assignment.

[21]See Robert Moffitt's (1992) survey and the discussion in Wiseman (1995b).

[22]See U.S. Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance, *Job Opportunities and Basic Skills Training (JOBS) Program Information Memorandum JOBS-ACF-IM-94-6*, June 29, 1994. Other state rates include California (9.9 percent), Illinois (11.8 percent), New York (16.1 percent), and Arkansas (27 percent). The JOBS participation rate is a complex figure, and state reports are not audited by DHHS. As a result, the reliability of some of these data is questionable.

[23]Administration for Children and Families (1995), p. 7. This increase may not be entirely "real." Some share is produced by efforts at both county and state levels to identify as many expenditure items as possible as JOBS-related and therefore eligible for federal match. Inertia may also be involved; it is difficult to scale down any bureaucracy at a rate commensurate with the decline in Wisconsin's caseload. Administrative expenses include the costs of operation and evaluation of the various state

welfare reform demonstrations.

[24]Administration for Children and Families (1995), p. 25. Region V includes Illinois, Indiana, Michigan, Minnesota, Ohio, and Wisconsin.

[25]Caution is advised in comparing Figures 3, 5, and 6. The unemployment data are annual averages for the indicated calendar year. The caseload data are monthly. The information on employment and training outlays are for the state's fiscal year, which runs July–June. Federal reports on administrative expenditures (see note 23) are for the federal fiscal year, which runs October–September.

[26]Transcript provided by the National Governors' Association. See Wiseman (1993), pp. 63–64.

[27]Bob Lang, Director, Legislative Fiscal Bureau, *Memorandum to the Legislature on 1993 Wisconsin Act 99: Work-Not-Welfare Pilot and the Sunset of the AFDC Program*, December 22, 1993.

[28]The entire list of eight "philosophical principles" that are reported to have guided the development of W-2 includes: "(1) For those who can work, only work should pay. (2) We should assume everybody is able to work, or if not, at least capable of making a contribution to society through work activity within their capabilities. (3) Families are society's way of nurturing and protecting children. Both parents, whether or not living with their children, are assumed equally responsible for their care. All policies must be judged by how well they strengthen the responsibility of parents to care for their children. (4) The benchmark for determining the new system's fairness is by comparison with low-income families who work for a living, not by comparison with those receiving various government benefit packages whether inside or outside the Aid to Families with Dependent Children (AFDC) system. (5) The culture of entitlement has undermined the status which used to be attached to work and self-sufficiency. The system rewards of W-2 should be designed to reinforce appropriate behavior. (6) Individuals are part of various communities of people and places. We should pay attention to how communities affect families, and how they can support individual efforts to achieve self-sufficiency. (7) The new system should provide only as much services as an eligible individual asks for, rather than

with any and all available services. Many individuals will do better with just a light touch. (8) We should reassess government's traditional role in managing programs and look to other alternatives using market and performance mechanisms to best achieve our objectives." (Wisconsin Department of Health and Social Services, 1995a, pp. 1–2).

[29]These estimates are taken from the estimate of costs provided by the Department of Health and Social Services to the state's Department of Administration. See Wisconsin Department of Health and Social Services (1995b).

[30]These estimates are based on simulations conducted using the caseflow assumptions contained in Wisconsin Department of Health and Social Services (1995b). The simulation details are available on request from the author.

[31]Part of the federal EITC can be obtained through advance payment, but this option is often difficult to exercise. A useful enhancement of W-2 would be for Wisconsin to join with Minnesota and Michigan in seeking provision in the tax code for third-party EITC payment for workers in transition. For a discussion of methods for linking welfare-to-work transition with the EITC and the Minnesota and Michigan proposals, see Wiseman (1995a).

[32]It would be possible to design "work tests" for Wisconsin Works implementation that would signal, early on and before too much damage might accrue, the extent to which the state's new welfare agency and its subcontractors are able to achieve W-2 goals. Lack of attention to real "work tests" for bureaucracy has long been a problem with welfare-to-work efforts; see Wiseman (1987).

[33]This conjecture is based upon early discussion of W-2 phase-in, in which state officials proposed labeling benefits as wages even before actual job assignments were taking place.

[34]The national figures used here are preliminary estimates from the Department of Health and Human Services. See Greenberg (1995a).

[35]If Congress chooses to shift welfare funding to a block grant and initial allocations are based on

payments in a recent year, other states are likely to protest the exceptional advantage that would be gained by Wisconsin. In recent years Wisconsin's receipt of money from Washington reflects not only normal state entitlement to federal funds but also use of federal matching funds from the waiver savings pool. In addition, as discussed in the text, state administrative costs have increased substantially, and under existing funding arrangements these, too, are eligible for federal match. A block grant would to some extent "lock in" advantageous current payments levels. See Greenberg (1995b).

[36]Wisconsin's experience is used to support many different arguments. In their recent evaluation of the Contract with America, DiIulio and Kettl conclude that "Wisconsin's tough work programs have reduced welfare" and attribute the decline to the expansion in state outlays (DiIulio and Kettl, 1995, p. 50). As authority, they cite Lawrence M. Mead's "The New Paternalism in Action: Welfare Reform in Wisconsin" (Mead, 1995). Mead's argument is consistent with the position taken in this paper. As detailed in the text, there is plenty of reason to believe that recent caseload reduction is the result of JOBS outlays. DiIulio and Kettl fail to notice that a major portion of the state's welfare reduction came about before employment and training program outlays began to accelerate. Their claim that Mead's work demonstrates "that Wisconsin's overall success . . . could be explained almost entirely by . . the degree to which welfare clients were supervised and monitored closely by county-based case managers" (DiIulio and Kettl, 1995, p. 50) cannot be supported by Mead's analysis.

[37]This statement is based on unpublished results of calculations by the Urban Institute using Current Population Survey data. The UI analysis compares changes in post-transfer poverty rates from 1987 to 1989 and from 1991 to 1993 across states (data are aggregated across three years because of small CPS sample sizes in some states). The calculations show that over this interval the poverty rate in Wisconsin rose by 3.3 percent; nationwide the change was just 0.6 percent. An undetermined amount of this increase may be attributable to poverty migration and not to the recession; however, other states

more affected by migration exhibit lower poverty increase. I am grateful to Wendell Primus for drawing these data to my attention.

[38]All materials from the president's speech quoted or summarized in the following paragraphs are taken from a transcript provided by the National Governors' Association. This section repeats some material from Wiseman (1993).

[39]The Department of Health and Human Services did publish new guidelines for demonstration proposals in the fall of 1994 (see *Federal Register,* 59 [186], p. 49249). The guidelines do not change policy in any significant way. For the administration's perspective, see Bane (1995).

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Table 1
Wisconsin Welfare Demonstrations
Proposed in 1987

Learnfare
Requires that, unless specifically exempted, AFDC teens (aged 13 or more) including teen parents, must attend school regularly. If teenagers fail to meet the school attendance requirements and fail to demonstrate good cause, they are not counted in determining the family's benefit.

Implementation: Began in Milwaukee in spring 1988. Now operating statewide.

JOBS 20-Hour Requirement
Applies more stringent requirements for participation in the Job Opportunities and Basic Skills Training (JOBS) program than those in federal regulations. Wisconsin can require mothers with preschool children to participate in JOBS activities for more than the federal maximum of 20 hours per week.

Implementation: Began statewide in September 1988.

$30 and 1/6
During the first four months following job-taking by an AFDC recipient, the state pays slightly lower benefits than required by the federal government; however, benefits are higher for the next eight months.

Implementation: Began statewide in February 1989.

12-Month Medical Assistance Extension
Continues Medicaid eligibility for 12 months after loss of AFDC eligibility because of employment. Eliminates federal redetermination requirements.

Implementation: Statewide demonstration began in February 1989; some parts of the program were subsequently supplanted by federal regulations.

100-Hour Rule
Under federal law, a two-parent family loses AFDC when the "principal earner" works more than 100 hours per month regardless of income or family size. In Wisconsin, AFDC is lost only if net earnings increase beyond the income standard of welfare eligibility regardless of the number of hours worked.

Implementation: Statewide demonstration began October 1991.

Source: Author's summary based on information provided by U.S. Department of Health and Human Services, Administration for Children and Families, and by the Wisconsin Department of Health and Social Services.

Table 2
Wisconsin Welfare Demonstrations
Proposed in 1992

The Parental and Family Responsibility Initiative
New welfare applicants under age 20 and their spouses (or adjudicated fathers) will be subject, if living together, to liberalized AFDC eligibility requirements, liberalized treatment of earnings and benefits computations, and reduced grant increases after birth of a second child. Unemployed, noncustodial fathers of children must participate in JOBS.

Implementation: Began in Milwaukee and three other counties in July 1994.

Two-Tier AFDC Benefit Demonstration
New arrivals to Wisconsin receive AFDC payments for six months at the level of the state from which they moved.

Implementation: Began in Milwaukee and three other counties in July 1994.

Vehicle Asset Limit Demonstration
Families allowed to own automobiles valued no more than $2,500, up from the $1,500 federal maximum.

Implementation: Began statewide in January 1995.

Special Resources Account
Welfare recipients could accumulate up to $10,000 (instead of $1,000 maximum) in special resources accounts for either (1) education or training of the parent or child, or (2) improving the employability of a family member.

Implementation: Began statewide in January 1995.

Source: Author's summary based on information provided by the U.S. Department of Health and Human Services, Administration for Children and Families, and by the Wisconsin Department of Health and Social Services.

Table 3
Wisconsin Welfare Demonstrations
Proposed after 1992

<u>Work Not Welfare</u>
Limits AFDC for parents to two years, with a one-year extension of transitional benefits; provides substantial employment preparation services. Combines food stamps with AFDC to make one payment, to be "earned" through employment and training activities. Eliminates increase in AFDC benefit for additional children unless client had not received WNW payment for six months. Child support payments made directly to custodial parent. 100-Hour Rule eliminated for AFDC-UP recipients, all recipients subject to 30 & 1/6 disregard.

Implementation: Initiated in Pierce and Fond du Lac counties in January 1995.

<u>AFDC Benefit Cap Project</u>
Eliminates increase in the AFDC cash benefit upon the birth of an additional child after 10 months of AFDC receipt. Child is still eligible for Medicaid and Food Stamps.

Implementation: To be implemented statewide January 1, 1996.

<u>Self-Sufficiency First</u>
Requires AFDC applicants to participate in certain orientation and job search activities during the 30-day period following AFDC application (before receiving any AFDC payments).

Implementation: To be implemented statewide March 1, 1996.

<u>Pay for Performance</u>
Would reduce the amount of the AFDC grant based on the level of participation in the JOBS program. For every hour of required JOBS participation not completed, the AFDC check is reduced by the hourly minimum wage in the subsequent month.

Implementation: To be implemented statewide March 1, 1996.

Source: Author's summary based on information provided by the U.S. Department of Health and Human Services, Administration for Children and Families, and by the Wisconsin Department of Health and Social Services.

Table 4
The Wisconsin Works Self-Sufficiency Ladder

Tier		Basic Income Package	Time Required	Program Imposed Limits	W-2 Health & Child Care Eligibility	Average Expected Monthly Income Package (Parent & 2 children)
1	**Unsubsidized Employment**	Market wage *plus* Food Stamps *plus* Federal and State Earned Income Tax Credit	40 hours per week	None	Eligible, if within income and asset limits	$1,390 @ $5.99/hour average
2	**Trial Job (Subsidized Employment)**	$4.25/hr. *plus* Food Stamps *plus* EITC	40 hours per week	6-9 months per job; 24 month limit	Eligible, if (as is likely) within income and asset limits	$1,236
3	**Community Service Jobs (CSJs)**	$3.19/hr *plus* Food Stamps (no EITC)	40 hours per week	6-9 months per job; 24 month limit	Eligible, if (as is likely) within income and asset limits	$802
4	**W-2 Transitions (W-2 T)**	$519 monthly (former AFDC benefit) *plus* Food Stamps (no EITC)	W-2 assigned activity hours; could be less than 40 for some individuals	24 month limit with extensions granted on case by case basis	Eligible, if (as is likely) within income and asset limits	$776

Source: Wisconsin Department of Health and Social Services, *W-2: Wisconsin Works*, p.12.

Table 5

Change in Total AFDC Caseload in Wisconsin

(December to December)

Change	Total State	Milwaukee County	Rest of State
1986-1994	-22.5%	-2.6%	-35.7%
1986-1990	-17.3%	-4.9%	-25.6%
1990-1994	- 6.3%	+.4%	-13.6%

Source: Calculations by the author from caseload data supplied by the Wisconsin Department of Health and Social Services.