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POLICY THEORIES OF CHILD WELL-BEING

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Welfare Reform, Management Systems, and Policy Theories of Child Well-Being

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Children's interests were frequently invoked during the congressional debate of the Personal Responsibility and Work Opportunity Reconciliation Act (hereafter referred to as the Personal Responsibility Act). Those who supported the act, those who wanted to amend it, and those who opposed it outright all argued that they were the ones who knew what was best for children. Yet, legislators did not share a common understanding of children's interests. Behind these various claims rested different ideas about what children needed and how public policy could improve children's lives, and the adoption of the Act did not resolve these competing visions.

The Act itself reflects several distinct ideas about what is best for children. For example, the preamble promotes marriage and the need to raise children in two-parent families. The body of the Act, however, advances a program aimed at moving single mothers into paid employment, justified at least partly on the grounds that children would fare better when they have a working parent. Supporters of the Act, trying to deflect opponents' criticisms that the time limits and block grant provisions would further impoverish children, claimed that children's material needs would still be met and that the states could protect this vulnerable group just as well as the federal government.¹

What happens to these different approaches to children's well-being depends on what the states do as they develop their own programs and implement the requirements of the Personal Responsibility Act. This paper therefore asks the question: How have the states addressed the interests of children in their welfare reforms, not just in their formal policies but in the ways they implement those policies in their management or administrative systems? The paper draws on field research conducted for the Rockefeller Institute of Government. Nineteen research teams, one in each state included in the study, collected data at the state level, as well as through visits to two local welfare offices in each state, on the institutional changes wrought by welfare reform: on the ways in which states have organized or reorganized their management systems, often encompassing a vast number and variety of public and private institutions, for carrying out their welfare programs.

Here we use this institutional research to reveal the *policy theories* that are being enacted in the day-to-day operations of state and local welfare systems. By policy theories, we mean the explicit—or, more often, implicit—set of postulated causal connections between policies and desirable outcomes. We consider what kinds of services are provided, in what sequence, to which persons, and to what apparent ends,

and we determine what agency missions, types of expertise, and data-management capacities are brought to bear on the tasks of running welfare programs. By examining the services delivered, the kinds of organizations and workers who deliver them, the criteria for performance embedded in contracts and funding formulas, and the kinds of information collected and used, we can begin to discern what these new welfare systems are organized to *do*—and, by the same token, what they do not seem to be doing at all.

We see the Personal Responsibility Act as containing three major approaches to children's well-being—three policy theories that relate program activities to the interests of children:

1. *The family structure theory* contends that children benefit from being born only to families who are able to care for them, specifically, *not* to unmarried couples or teens;
2. *The resource theory* holds that children benefit from increased resources obtained as caregivers enter and progress in the workforce; and
3. *The environment theory* maintains that children reap psychological and sociological benefits from being part of a family in which the head of the household works.

Although the Act includes elements of all three of these policy theories, our research finds that states are creating welfare systems that depend, for the most part, on the third policy theory—where the simple fact of working is expected to create a more structured, better functioning home environment. The first theory, where programs would be designed to prevent teen and out-of-wedlock births and encourage two-parent families, has not commanded the broad legislative support that the work-related goals have in most states. The programs that do exist are typically devolved down to localities and the discretion of local workers, who often (though not always) have little interest in discussing family planning issues with clients.

Work, on the other hand, has been a central goal of most state welfare reforms. States have overwhelmingly emphasized quick-attachment approaches. However, work first is neither intrinsically compatible nor incompatible with the environmental or resource theories. These two theories do, however, pose different problems for implementation. The environmental theory may be implemented by creating new program signals that encourage or even enforce work activities, by reducing barriers to employment through absorbing the additional costs of work (such as child care and transportation), and by monitoring and checking the effects of increased work activities on children's environments. In the context of work first, the resources theory requires that signals and work services be provided; it also demands, given the usual circumstances of most families eligible for welfare, that families be allowed to combine earnings with other forms of income support, including assistance beyond that which is needed to pay the direct costs of working.

Our research shows that the institutions of welfare have changed. Most (though not all) states have implemented important changes in program signals—which is no mean feat, given the failure to convey work expectations in previous rounds of welfare reform.² States have changed these signals largely through new institutional arrangements. Program processes often require applicants to consider alternatives to

welfare and participate in some work-related activity almost immediately, and applicants or recipients are likely to confront institutions whose missions focus on employment. People are sorted according to their employability not so much by formal assessment tools as by forcing most applicants and program participants to look for jobs and then noting and responding to the results. Interactions between families and front-line workers have expanded in number and intensity. Sanctions are more likely to be imposed, especially graduated sanctions that impose partial or brief reductions in support. Greater resources are available for child care and other work support services. Greater discretion and flexibility have been handed down to local welfare offices or systems, although unfortunately often without adapting welfare information systems to the needs of local managers and workers.³

These new systems and institutional arrangements, along with the growing economy, have surely encouraged increasing numbers of low-income parents to seek work. However, these institutional changes seem likely to have two more specific effects: in most states, the changes encourage the choice between welfare *or* work rather than some mixture or combination of assistance and earnings; and, as these changes are put into place, connections with other systems, especially entitlements such as food stamps, have been disrupted. As a result, families are unlikely to increase their overall resources, since most research to date suggests that any additional earnings due to program-inspired work efforts can easily be wiped out by the loss of benefits for which poor families are eligible.

Given the lack of implementation of the resources theory, the necessary conditions for the environment theory are the only ones actually met in most of the states. However, even the implementation of this policy theory is in many ways incomplete. States are generally succeeding in creating strong program signals and incentives for mothers wanting to minimize dependence on welfare by finding work, usually unsubsidized jobs, and staying in the workforce, even if having a job has little positive impact on their total household income. Although many problems still exist, states are doing a better job in providing work support services, particularly child care, which certainly have the potential of affecting the environment in which children are raised. Despite these efforts, state welfare systems are leaving many of the putative connections between workforce participation by mothers and child well-being as just that—more assumed than known. What little research has been done on these interconnections suggests that many of them are interactive; they depend on many other factors, such as the psychological well-being of the mother, and cannot be assumed to work out the same way in all situations.⁴ Up to this point, though, states know very little about whether these connections exist. Their welfare information systems are quite weak in tracking even basic information about child care, and, in any event, many of the work signals are operating on families not on the welfare rolls and thus, beyond the experiences of agency workers and managers. At the same time, neither states nor localities typically take these sorts of conditions into account in their attempts to move mothers into the workforce.

Although states are paying little attention to the environments of children when their mothers work, they are imposing significant costs on children whose parents fail to respond to incentives and sanctions in the desired way. Children who are conceived and

born, despite the incentives parents face not to have them; children whose parents fail to show up at orientation meetings, look for work seriously, or follow through on their personal responsibility agreements; and children whose parents fail to gain financial independence before the time limits are up—all of these children may be harmed as a necessary component of the reforms-as-implemented, not as an unforeseen side-effect. These penalties and costs are integral to the policy theories that lie behind the new programs' attempts to change behavior and increase overall work participation rates.⁵

Family structure theory

The first policy theory—the family structure theory—is highlighted in the preamble to the Personal Responsibility Act, which opens with a congressional finding that "marriage is the foundation of a successful society."⁶ Marriage is an "essential institution" for the promotion of children's interests, Congress continued, and children require "responsible fatherhood and motherhood" for a successful upbringing. These statements underscore the belief that children's well-being is protected and advanced most when children are raised in two-parent families. Indeed, Congress continued the preamble with a detailed account of the problems encountered by children raised in single-parent homes: they are more likely to receive public assistance and to receive it for longer periods of time; they are more likely to have problems in school and lower educational achievements; they are more likely to be involved with the juvenile justice system and to live in neighborhoods with higher crime rates; and they are more likely to grow up to be adults who are poor, do not marry, and receive welfare.⁷

The preamble reflects the fact that, for many legislators, the key to improving children's lives is to alter the structure of families by reducing out-of-wedlock births and promoting marriage. For example, Representative James Talent (R-MO) professed that "the growth in illegitimacy is the single most important change in our country in the last generation. It is a fact so powerful that it annihilates all other facts."⁸ Representative Clay Shaw (R-FL) explained that the best way to fight poverty was to encourage marriage and discourage out-of-wedlock births.⁹ Representative Tim Hutchinson (R-AR) echoed this thought with, "it may take a village, but it sure takes a father" to raise children successfully.¹⁰ For these legislators, what children need most is to be raised in a two-parent family. The primary problem is single-parent families, not poverty, welfare receipt, school failure, or juvenile delinquency. These are secondary problems that would wane if only children were born and raised within the institution of marriage.

Advocates of the family structure theory argue that "you get what you pay for," and argue that AFDC paid for and promoted single motherhood.¹¹ They believe that withdrawing public assistance from single mothers—or making the assistance less attractive—would hinder the formation of single-parent families by encouraging women to forego childbearing or to get married before or when they got pregnant. Congressional adherents of this view pushed for federal provisions requiring states to impose family caps and deny aid to unwed teen mothers and their children.¹² They were unsuccessful in imposing such federal mandates, but they were able to include provisions in the Act

allowing states to adopt these measures. The Act also requires states to demand that teen mothers live at home and attend school in order to receive public assistance.¹³

The Act also allows states to pursue additional policy tools aimed at promoting marriage. These include granting aid to two-parent families, based on the idea that aid provided only to single-parent families encourages families to break apart, and implementing employment and training programs for men, based on the idea that men will not marry if they do not have adequate jobs.¹⁴ Such proposals received little attention in congressional discussions about welfare reform, although the block grant provisions certainly gave states the latitude to experiment with these alternatives.

Work and the Personal Responsibility Act: the resource theory

Although the preamble to the Personal Responsibility Act highlights marriage and the reduction of out-of-wedlock births, the stipulations of the Act itself focus on moving welfare recipients into the workplace and off the welfare rolls. Through time limits and work requirements, the Act emphasizes the importance of paid employment by single mothers.¹⁵ Republicans as well as many Democrats lauded the replacement of AFDC, a program adopted to enable mothers to stay home with their children, with TANF, a program providing only temporary aid with the expectation that mothers would support their families through paid employment.¹⁶ When President Clinton signed the Personal Responsibility Act, he praised it for being "tough on work," and for correcting deficiencies in earlier versions of the legislation, which he characterized as "soft on work."¹⁷

While the Act distinctly demands greater emphasis on paid employment, it does not present any one particular reason for moving women on welfare into the workforce. There can be many justifications for an increased emphasis on paid employment. One argument linking these policy changes to children's interests was that employed parents—typically, mothers—would promote child well-being. Policy makers have been somewhat vague about the particular aspects of child well-being they thought would improve if parents moved from welfare to work, but generally their expectations fall in two categories—either the resource model, or the environment theory.

Proponents of the resource theory argue that work would improve children's material well-being; employment would elicit higher incomes, which could be used to purchase the things children need. The idea that paid employment should make one better off than when receiving public assistance is the principle behind the Clinton administration's phrase "make work pay,"¹⁸ and Clinton reiterated this sentiment when he signed the Act, explaining that "the best antipoverty program is still a job."¹⁹ This approach to child well-being requires not only that mothers get jobs that pay at least as much as they might receive in cash assistance and food stamps lost as their earnings increase, but also that they receive adequate support services, such as child care and transportation assistance, to make up for the increased costs of going to work. Some advocates of this theory also emphasize the need for education and training so that women can obtain higher-paying jobs,²⁰ and others suggest various forms of wage

supplements,²¹ assuming that adults with little work experience and few skills are unlikely to acquire such positions.

Work and the Personal Responsibility Act: the environment theory

This resources model, however, was not the only argument in favor of work-based reforms. Policy makers rarely rely only on material wealth to champion work, as a host of studies document the difficulty of raising substantially the incomes of poor men and women through employment alone.²² Downplaying increased income as a central goal of work, many policy advocates instead see work as an activity that changes people for the better. When this view of work is applied to child well-being, it forms the crux of the third theory, the environment theory.

Adherents of the environment theory emphasize a desire to improve the nature of children's upbringing and present work as the key to this transformation. In this third policy theory, an employed parent is supposed to be a better parent, one who through her own employment transmits to her children the psychological benefits of higher self-esteem and confidence as well as the development of discipline, structure, and hard work needed to fulfill the role of a good worker.²³ During the congressional debate on welfare reform, for example, Representative Ensign (R-NV) proclaimed, "I grew up with a single mom ... And I watched my mom get up every day and go to work. That is what we need in this country is to have children watching their parents go to work on a daily basis."²⁴ Parents who worked would be more responsible, more disciplined, and more structured, and they would expose their children to the world of work and the characteristics needed to survive in it. Work would "give children of this country an opportunity and incentive to enjoy the American dream, to get off the welfare system, to know what the free enterprise system is about."²⁵

In the environment theory, increased earnings obtained through employment are a good but not a necessary aspect of the policy theory. Work is salutary even if it does not lead to upward mobility because of the effect it has on the behavior and attitudes of mothers and their children.²⁶ Consequently, this policy theory places little emphasis on education and training, or various ways to supplement the earnings of low-income workers. What is important is that women receiving welfare go to work and get off the rolls; how much they earn or their prospects of advancement are not important.

One support service that is critical to the environment theory, however, is child care. At least implicit in the theory is the idea that poor mothers receiving welfare may not be very good mothers, and that their children will be better off if the mothers go to work and the children receive alternative care.²⁷ Some adherents of this theory believe so passionately in the transformative value of work that they do not place much importance on the quality of care received by these children; others emphasize the need for quality care that provides better developmental opportunities for poor children.²⁸

State choices: work, not wombs

As the legislative debate moved out of the Congress and into the states, there was an important change in the focus of the reforms. While the preamble to the federal

legislation expressed an urgent need to reduce teen and out-of-wedlock births and promote marriage as the keys to children's interests, states have placed much less emphasis on these goals in designing their new welfare programs, particularly when compared to their strong focus on work. Now that states have considerable power to design their welfare programs, there are important variations from state to state and even within some states. But generally the states have written laws, constructed management systems, and allocated resources around the task of moving parents into the workforce. By and large, the states have rejected the family structure theory; they have not focused on changing marital or reproductive behavior.

One reason for the winnowing out of explicit measures to alter reproductive and marital decisions is the greater controversy surrounding proposals relating to family formation. Usually, some support for a proposal targeting family formation could be found, but typically no single approach has commanded majority support. Even in relatively progressive states such as Washington, early welfare reform bills emphasized not just time limits but also denial of welfare benefits to unmarried teen mothers and family caps. However, these latter provisions were eventually jettisoned as later legislative proposals focused instead on moving adults into the workforce.

Proposals with a central focus on family structure were also replaced by work-oriented legislation in politically conservative states. The early (1992) welfare reform bill in Mississippi, designated by its main proponent as a "pro-family" bill, included proposals to implant "female AFDC recipients with four or more children with the birth control drug Norplant," impose a family cap, and offer "a thousand dollar 'reward' to women who married and left the rolls."²⁹ State Senator Gunn said the primary intent of the bill was "'to restore sanctity to the family and dignity to the individual.'"³⁰ But there was strong opposition from the State Legislature's Black Caucus and a variety of advocacy and religious groups, and the bill eventually died after the chair of the House Appropriations Committee refused to consider it, saying that he "didn't want to put the House through the misery of debating this bill."³¹

Ultimately, the new proposal focused instead on work and self-sufficiency, with an emphasis on immediate attachment to the workforce. The final program retained the family cap, and the governors' comments justifying it invoked the family structure theory when Governor Fordice argued that because the cap would prevent births to teen mothers, it would reduce "the continual production of children that nobody seems to want to take responsibility for raising," and the policy would get "right to the root cause of crime in Mississippi."³² Other than the cap, no specific program of services to prevent out-of-wedlock pregnancies was adopted. With the strong work orientation, the final vote in the legislature "bordered on unanimity."³³

Other states have created new disincentives for teens or unmarried women (and, to a lesser extent, men) to have additional children. Family caps in a strict sense exist in 18 states: 16 states deny all support to children born or presumably conceived while on welfare, and two states (Wisconsin and Utah) offer only flat grants that do not adjust to family size. Another five states reduce grants to additional children or require the grants to be provided to third parties or in the form of vouchers.³⁴ The geographical pattern of

family caps, however, tends to reduce their potential effect: strict family caps are mostly found in the South and West, in states that do not have high benefit levels, so the financial disincentive tends to be small. In Mississippi, for example, each child adds only \$24 per month to a household's AFDC/TANF benefits if the state's family cap does not apply.³⁵

While the federal government gave states the discretion to decide whether they would have family caps, it requires that teens live at their parent's home if they want to receive benefits for themselves and their children. Other than complying with this federal requirement, states have done little to target teen births. States have not emphasized services or programs explicitly designed to reduce teen birth rates through their welfare program.³⁶ No states are picking up on one of the major initiatives pushed in the U.S. House of Representatives by proponents of the family structure theory, the option to deny aid outright to unwed teen mothers.

While there may be consensus on the wisdom and desirability of preventing pregnancies among teens and unmarried couples, there is no consensus on how to do it. The basic divide is between abstinence education and comprehensive sex education, which includes the discussion, and possibly the distribution, of contraceptives. Because of the difficulty in reconciling these divergent approaches to pregnancy prevention, a common response by the states is to create fairly unspecific, poorly funded programs and devolve the controversial decisions to local governments and agencies.³⁷ When compared to other welfare functions, such as employment services and cash assistance, states are more likely to pass decision-making authority over pregnancy prevention down to local governments and institutions, and are less likely to exert state-level control over the delivery of services, the design of administrative processes, and even the adoption of basic policies.³⁸ Where state control is exercised, it is sometimes intended to restrict what can be done, not to encourage local offices to do more. In Utah, for example, front-line workers are prohibited from discussing birth control options with welfare recipients. Finally, field research at local welfare offices in other states suggests that many front-line workers simply do not feel that it is appropriate to discuss reproductive or marital issues with clients. As one New York City official commented to our field researcher, “Ninety percent of our workers are themselves single parents and identify on that point with their clients.”³⁹

Thus, aside from family caps—which are easy to administer, and which save rather than cost states money—the states as a whole have done relatively little to change marital or reproductive behavior. To the extent that they have done anything, they have given greater attention to preventing births than facilitating marriage. Unlike family caps, which spread quickly to other states after first adopted in New Jersey, bridefare (cash payments by welfare offices to women receiving public assistance who marry) has not spread widely, and few other ideas about encouraging marriage have emerged. Fatherhood programs tend to be unreliable and small in scope, and because early evaluations such as a recent assessment by MDRC show little promise of effectiveness,⁴⁰ states may be reluctant to continue expanding them. States are required by federal law to make greater efforts to establish paternity and tighten up on child support enforcement,

but these activities are aimed at requiring financial contributions from noncustodial parents and not at promoting joint parenting by mothers and fathers. In fact, some analysts believe that these requirements will further separate children from their fathers.⁴¹

Work first—a new political equilibrium

In contrast to the weak implementation of direct measures to influence family formation, states have put enormous emphasis on employment goals. Although state welfare reforms are very diverse, most of the states share a strong focus on employment, with an emphasis on a “work first” model that seeks to create “an immediate attachment to the workforce.” This employment orientation appears in a variety of ways, including changes in legislative politics, agency responsibilities, the distribution of power between state and local offices, the types of signals emitted by programs, and the services provided. One of the more surprising changes in the aftermath of the Personal Responsibility Act, as well as in the more comprehensive waiver programs, has been the considerable consensus supporting this new emphasis on work. In most of the states, the emphasis on work—specifically, imposing strict and extensive employment obligations on adult recipients of welfare benefits—has commanded widespread and often bipartisan political support. As Thomas Kaplan noted in his Wisconsin field report for this study:

A striking feature of this abrupt change in approach toward AFDC has been the apparent breadth of acceptance of that change in the state. From the governor’s first proposals to reduce AFDC benefits in families with teens not attending school (Learnfare), many (though by no means all) representatives of the inner city poor in Milwaukee have endorsed the changes. Wisconsin’s Democrats were the initial proponents of ‘ending welfare as we know it’ in this state, and very little opposition has arisen to the requirement of W-2 that public assistance cash income must derive only from participation in work or work-like programs...⁴²

The story was similar in most other states. Although partisan fights erupted in some states and on some issues, those divisions were more the exception than the rule. In fact, the most contentious issue in many states was not so much over the substance of welfare reform as over who would control or administer the program. In North Carolina, the most contentious issue was over the autonomy and flexibility to be accorded to counties in operating the reforms, an issue that was also at the center of the debate in California. The most divisive question in Arizona was privatization. In many states, a major issue concerned which state agencies would have what program responsibilities over welfare reforms: that is, whether labor or employment bureaucracies would have a major role in the reforms, or whether large social service bureaucracies would continue to exert more or less exclusive control over welfare.

In some states this emphasis on work displaced other emerging program orientations, some of which included a more direct emphasis on child well-being. In North Carolina, for example, comprehensive social service reform could be traced back to Governor James B. Hunt’s 1992 campaign for reelection, but his original focus was on

children's issues, especially pre-school age concerns, such as day care, pre-school education, child health and development, and support services for families. The resulting "Smart Start" demonstration program emphasized devolution to local governments and public-private partnerships. However, after Republican gains in the state's legislature in 1994, Governor Hunt launched a work first program by executive order, a program that was later described as a "comprehensive, statewide approach to moving families from welfare to work" with little emphasis on direct services to children.⁴³

The political allure of the work first approach was strong, and it showed some promise of establishing a widely accepted mission that AFDC had long lacked. Indeed, work seemed to be an equilibrium point for creating majority coalitions. In conservative states, provisions that emphasized extreme measures relating to reproductive behavior—such as the mandatory birth control measures introduced in Mississippi—often failed to garner majority support, while the work-related provisions survived. While in a liberal state such as Rhode Island, entitlements survived but were conditioned by work requirements as the legislation was modified to secure broader support. In the end, work could be seen as both a responsibility that conditions benefits as well as an opportunity to pull families out of financial dependence on public assistance, and its protean character produced a new and widely shared mission under the new block grant.

State implementation: institutional change and increasing complexity

Work requirements in legislation are not new to welfare.⁴⁴ More surprising is the fact that our field research on the early stages of the implementation of the Personal Responsibility Act shows that these requirements are being translated into major changes in the institutions of welfare. Perhaps the strongest program changes to date may be found in the *signals* emitted by programs—signals that put a much greater emphasis on work and utilizing options other than public assistance to deal with financial crises—and the availability of resources to support work activities, particularly child care. A few basic characteristics of these new programs and their management systems are especially important in understanding how children's interests are treated under the new welfare:⁴⁵

New institutional configurations— As mentioned above, one of the characteristics of this round of welfare reform has been the willingness of legislators and governors to adopt new institutional structures to carry out the reforms. *New program signals are being emitted in part by changing, or adding, signalers.* Employment bureaucracies or workforce development systems have been given greater control over the design and operation of welfare programs. In some cases, such as Wisconsin and Utah, the entire program is operated under a workforce development agency. More typically, employment bureaucracies share control with social service agencies over the new welfare. Although few states have actually privatized their cash assistance functions under TANF, the growing role of workforce development systems and job services—which have long relied on private service agencies—have greatly expanded the role of for-profit and nonprofit agencies in dealing directly with welfare families. The result is usually increasing the range and complexity of institutional arrangements at the local

level. To merge the efforts of social service and employment bureaucracies (or, more typically, their contractors), states have developed several approaches: some rely on case managers to execute most functions or at least oversee the clients' progress across different functions and organizations; some segment the welfare process into different parts and assign responsibility over each part to a different institution; and some states rely on local collaboration between workforce development boards and welfare offices to administer the programs.

New program “tools” and more complex processes— Families now face, and agencies preside over, much more complicated program processes, and these processes are arranged to communicate the new work expectations. Most of the states use client mandates to move families through the system. New Jersey requires families to cooperate in getting child support before they apply for assistance, while Wisconsin demands that applicants look for jobs (and show evidence of having done so) even before their applications may be accepted. In Michigan, welfare applicants must attend an orientation meeting, jointly conducted by the state's social service agency and the local workforce development agency, before benefits may be received. We found that initial job search—usually while an application was pending—was one of the first steps in the intake process in over half of the local sites (15 out of the 26 for which there were data). Steps that tended to be early in the process also included general program orientations, formal diversion, eligibility reviews for entitlements and TANF, child support or paternity determination, and development of personal responsibility plans. Employability assessments, support services assessments, and job readiness/skill building services tended to be back-loaded in the process. States generally relied more on the labor market itself than assessment tools to determine an individual's employability. That is, after sifting out families with straightforward exemptions (such as mothers with infants), most program participants were expected to look for work for some more or less fixed period of time before the agency undertook an intense assessment of special needs or barriers. Some cash diversion programs were also used to deflect people from applying for cash assistance, though our research found that informal forms of diversion were more important than formal cash assistance: alternative sources of support might be discussed during an eligibility screening or during the development of a personal responsibility agreement. In some states, personal responsibility agreements were treated fairly seriously and formed the basis of intense interactions between front-line workers and clients (although in some states they were just another form for applicants to sign). At least in West Virginia and Michigan, these interactions might include home visits. Finally, as we will discuss below, these new work and anti-dependency tools and requirements have been added onto welfare eligibility and recertification processes that have not greatly changed, and these processes were already complicated and often difficult for families, especially those with jobs.

Increased use of sanctions— Although states have had the authority to sanction families—i.e., reduce benefits or even cut off all benefits to a family—for noncompliance with work and other program requirements in the past, they are now imposing a greater

number of sanctions on a larger part of the caseload. Most of the sanctions imposed are partial or brief reductions in benefits. In Minnesota, for example, first sanctions are common in enforcing attendance at orientation meetings, but those sanctions only reduce benefits by ten percent. More states, such as Kansas, have moved toward full family sanctions, not simply the elimination of benefits to the offending adult, because they consider them to be more effective and even “humane” as a way of getting the attention of clients. Indeed, before Kansas implemented full-family sanctions, “20 percent of TANF cases were under sanction at any point in time,” but under the new policy, sanctioned families count for less than three percent of all TANF cases.⁴⁶

Expanded work support services— States are also expanding the range and availability of services in support of work activities, especially child care. The new program signals that mothers ought to look for work are combined in most states with increased resources for child care, job search, transportation, and other services in direct support of work. TANF and state welfare reforms have created new political dynamics in support of greater child care funding.⁴⁷ With attention centered on moving recipients into jobs and off the rolls, elected officials are motivated to eliminate barriers to employment, and the need for child care to enable single mothers to work is an easily recognized barrier, perhaps one that is perceived to be more readily removed than other obstacles such as minimal job skills or substance abuse problems. Moreover, in some states, child care interest groups have organized as advocates, effectively pushing legislators toward a solution to a nagging problem: more child care funding in order to expedite employment by mothers. Governors in many states have pushed for substantial expansions of child care programs serving welfare recipients, and political parties have even competed to claim credit for increased funding for child care. For example, in Washington, the governor and the mayor of Seattle strongly emphasized the importance of child care to the success of welfare reform, and state funding for child care in 1997-99 was increased by 41 percent over the previous biennium.⁴⁸ Georgia increased its spending on subsidized child care for families from \$18 million in FY 1991 to \$143 million in FY 1999, including an increased proportion going to families not on welfare but in transition from welfare or otherwise with limited incomes.⁴⁹ Wisconsin also added substantial new resources for child care. As part of W-2, the state adopted child care assistance for families below 200 percent of the federal poverty line and collapsed five categorical programs, some with long waiting lists, to one program with one set of benefits and co-payments. Over a two-year period, the state doubled the annual funds available for child care, increasing them to \$180 million in 1998-99 from \$90 million in 1996-97. Georgia, North Carolina, Florida, and other states also made substantial increases in the funds available for child care.

Second-order devolution— States are devolving greater responsibilities in designing and conducting programs, with duties trickling down to local governments, contractors, or local offices of state agencies. Some of this devolution is due to the changing function of welfare and the growing role of labor or employment bureaucracies, which have

traditionally been much more decentralized than social service agencies. Diversion programs also tend to be highly decentralized, as they often vary depending on local circumstances. The new decentralization is hardly limited to states with county-administered programs, such as New York and California. We have also found downward shifts in program responsibility and discretion in states that used to be highly centralized, such as Florida. In some instances, this new devolution has been accomplished by establishing new institutions. For example, in Florida, the local WAGES Boards exercise considerable local autonomy and governance over the administration of welfare in their area. Some states, such as Wisconsin and Ohio, have devolved these responsibilities, while at the same time creating new and more formalized relationships involving contracts or complex plan review and approval procedures, between the state and the local entities. Ohio's original model of the relations between counties and states, in fact, was the franchise relationship between Wendy's Restaurants and the parent corporation.⁵⁰

Implications: problems of combining cash assistance and earnings

Most state welfare systems are more complex, devolved, and work-oriented than they were only a few years ago. Do they put into effect either of the two work-based policy theories found in the Personal Responsibility Act regarding the effects of welfare reform on children? Although there is variation from state to state, to the extent that any theory is implemented, it is the environment theory, not the resources theory, that drives state welfare systems today. The initial conditions of the environment theory only require that states succeed in promoting work, and those conditions seem to hold. A complete implementation of the environment theory would require some monitoring or detection of the environments faced by children, and it is true that states and localities are *not* doing that. However, the resources theory is even less fully implemented. The particular character of the new program signals—and the institutional changes that help to create those signals—encourage work but also appear to make it more difficult for families to combine earnings with other sources of support, including public assistance and in-kind entitlement benefits. Exceptions exist, but the tendency of most state and local systems is to promote welfare *or* work, with higher costs imposed on those who want to mix the two.

The capacity to mix earnings and assistance (beyond direct work support services such as child care or transportation) is critical because it is increasingly clear that, even in good economic times, earnings and child care assistance (and other assistance in paying for the direct costs of working) are typically not sufficient to increase family incomes, much less lift them out of poverty. This premise is hardly new; recent evaluations merely underline the point⁵¹. One example is the recent evaluation of the New Hope project in Milwaukee. This welfare reform project, which involved extensive services, generous disregards, an earnings supplement, and work requirements, was widely interpreted as successful, in part because of its moderate impact on earnings, especially for families that were not initially employed. Nevertheless, the estimated increase in earnings would not have come close to compensating for the loss of income if the families had lost their Food Stamps, AFDC, *or* their “earnings supplement.” Thus, any program-induced increase in

overall income due to greater earnings depended on the continued receipt of *all* assistance for which the families were eligible.⁵² The same conclusion may be drawn from the most recent evaluation report on Florida's Family Transition Program (FTP), an AFDC waiver program that shares many of the characteristics of TANF programs. Even among the most successful recipients—those with a high school diploma and employed sometime in the year before program entry—average earnings of program participants were not high enough to match the income of the AFDC control group if the FTP families failed to receive the food stamps and cash assistance for which they were eligible.⁵³

Thus, welfare systems designed to increase overall family resources would be accepting, even encouraging, of families who wanted to combine earnings with cash assistance. This translates into a strong emphasis on work participation rates for persons on welfare with little or no emphasis on caseload reduction. These systems would limit diversion activities to providing assistance in job search and help in dealing with short-term emergencies, but they would not create unnecessary barriers to program entry. States would also design and implement eligibility systems to ensure that families who qualify for food stamps, Medicaid, EITC, and other entitlements would in fact receive those benefits if the families want them. States would also pass child support collected from noncustodial parents through to the families —(or at least a large part of it). Such systems would also have fairly generous income and asset disregards, thereby minimizing the costs of earnings in terms of cash assistance or other benefits. The welfare system would be well-integrated with the state or district's workforce development system. Parents would have access to the whole panoply of work services, including skills training that could enable parents to acquire higher paying jobs, and not just job placement, job readiness training, and other services designed to get people into any job fast. Recertifications would be relatively infrequent. And data on earnings—not just caseloads, work participation rates, or even duration of employment—would be tracked and treated as significant measures of performance.

This, of course, is a tall order, and no states have all of these characteristics. But some are closer than others. One state that seems to be striving toward implementing the resources theory is Michigan. Its Family Independence Program (FIP) has relatively generous income asset disregards. Families may keep the first \$200 and 20 percent of all earned income per month before benefits are affected, and one car is exempt from the asset limit of \$3000. The state has no formal diversion program. However, it requires applicants to begin the process of finding unsubsidized employment, by attending orientation meeting and developing a personal responsibility plan, before they can enroll in FIP.⁵⁴ The state quickly brings to bear the services and capacities of its workforce development system to the welfare process: initial orientation meetings are jointly sponsored by the state's welfare agency and the local workforce development agency, and contracts with local employment service agencies require reporting on average wage at placement as well as the number of placements and client employment rates after 90 days. Michigan has a well-funded, generous child care program which pays all child care costs for welfare recipients and families in the one-year transition period. The state also pays partial child care costs for families not on welfare but with low incomes, with no

time limit on assistance. Consequently, state spending on child care increased by 400 percent between 1992 and 1998.

The spirit of the system seems to be captured, however, in the Project Zero program, which offers local welfare systems greater flexibility and resources to help them reduce (to zero) the number of target families without earned income. This project became possible with a great deal of foresight [PC1] and personal involvement from Governor John Engler, and though it began in only six sites, the emphasis on maximizing the proportion of families with earned income while still on the rolls seemed to send a strong signal to other local systems that the administration cared about the employment of families, not the reduction of caseloads. Supporting this message is the critical fact that Michigan's welfare reform law has no time limits; presumably, the state will pay for benefits for families no longer eligible for TANF cash assistance after they pass the five-year limit. Thus, the state's emphasis is not getting people off of welfare; instead, the focus is on increasing earnings and, if those earnings are low, combining earnings with cash assistance as well as in-kind benefits. Perhaps as a result, even though Michigan's unemployment rate plummeted between 1993 and 1997 by 43 percent, the decline in its food stamp caseload between 1994 and 1998 was much smaller (27 percent), and its TANF decline between 1994 and 1998 was only a little larger (55 percent). By contrast, in all of the states, TANF caseloads declined an average of twice the average rate of state declines in unemployment (48 percent decline in TANF cases compared to 24 percent decline in unemployment); and food stamp caseload declines averaged about the same as state declines in unemployment during this period (25 percent).

Michigan, however, is not a typical state. Most states and localities are less accommodating to families that would benefit from combining earnings and welfare. Wisconsin, for instance, institutionalizes caseload decline as the major and overriding goal. Mothers who apply for benefits and are deemed to be employable may *not* receive cash assistance. They may receive Food Stamps, child care, Medicaid, case management, and job services, but the only cash they receive is that which they earn, and they are not considered to be "cases" under W-2 counting rules.

Wisconsin is also an unusual state—probably more so than Michigan—but most of the evidence suggests that more states are like Wisconsin in this one respect: stress is placed on work *or* welfare. This emphasis is not always explicit or obvious, but several factors tend to discourage families from combining earnings and cash or other forms of assistance for extended periods of time.

First, the new welfare processes are much more complex and burdensome for families who want to get and keep assistance, and the effect is to discourage families who can avoid welfare from relying on it. This is, of course, precisely the signal that. However, the result is that despite the many new services available to families on TANF assistance as well as the increased generosity of state income and asset disregards—the real "carrots" of welfare reform—the administration of the laws tends to discourage many working families from enjoying these benefits.⁵⁵

Second, the new work orientation and welfare processes described above have not replaced but have been added onto the older "quality control" emphasis on minimizing eligibility errors, what Bane and Ellwood call the compliance/eligibility culture of AFDC

offices. In a related study of front-line practices in local welfare offices, Irene Lurie reported preliminary evidence that, based on direct observations of interactions between families and front-line welfare workers, eligibility determination processes are just as complicated and lengthy as before; in some cases, the processes are even more burdensome.⁵⁶

Lurie's direct observations fit with the more indirect evidence we have collected during the first round of research for the State Capacity Study. Even though the Personal Responsibility Act repealed AFDC Quality Control, most of the states in our research sample had not relaxed their efforts as of early 1998, and some had actually stepped up their anti-fraud programs. California strengthened its fraud detection program by increasing penalties for violators and by sharing the state's savings from fraud detection with the counties. Mississippi was implementing new links between several databases—including those used by the Employment Security Commission, the Motor Vehicle Department, and the Department of Revenue—to access information about welfare clients. Texas did not alter its fraud detection programs in response to TANF, but as our field researchers reported, "[in] the years preceding passage of the Personal Responsibility Act, Texas' own welfare reform efforts, both legislatively and administratively, featured substantial bolstering of its fraud prevention and protection efforts."⁵⁷ Recent efforts include the Lone Star Image System (LSIS) Pilot, which was initiated in 1996 and featured finger/photo-imaging of welfare (TANF and Food Stamp) applicants and recertifications to detect and deter fraud as measured by duplicate benefit receipt. As of 1998, the state was beginning to roll out this initiative statewide. Texas' Department of Human Services also began making use of "data brokers" in the early 1990s to run extensive credit checks on applicants and recertifications to corroborate information gathered by DHS eligibility staff as part of their regular process. As our researchers wrote in their field research report:

Some of these anti-fraud efforts—especially biometric imaging via the Lone Star Card—may place special burdens on clients and potential clients... [Tying] imaging to the Lone Star Card at point of sale would have the effect of stigmatizing welfare clients who have long been viewed with disdain in the state. Originally, the Lone Star Card was intended to de-stigmatize welfare as well as to make conducting such transactions more cost-efficient. Note that ...such stigma might be consistent with the Governor's Office goal of having zero welfare cases in 2000, as well as DHS' Texas Works redirection policy [a diversion program]...Much of state policy is designed to reduce welfare receipt and promote self-reliance.⁵⁸

Among the other states in our sample, Florida's WAGES Act enhanced the state's anti-fraud measures; Kansas, Michigan, New Jersey, New York, Rhode Island, Washington, and West Virginia made few or no changes in their QC programs; and Ohio hired a consulting firm to advise counties on how to minimize errors in the food stamp program. Only Arizona, Georgia, Minnesota, and Utah downsized their QC programs or

began to change them toward monitoring outcome measures more meaningful to the TANF program. Thus, families are not just facing new, complicated, and sometimes intrusive processes involving work preparation, personal responsibility agreements, orientations, and sometimes separate visits to a workforce development agency; they still face the extensive documentation and review processes that have long characterized AFDC application and recertification procedures.

Many of our states reported that they still feel pressure from the federal government to minimize eligibility errors in the food stamp program, which in some cases is still handled by the same personnel who review clients for TANF assistance. In Arizona, managers at both local sites in our study still saw one of the primary goals of their office as “ensuring correct eligibility determination,” largely because of the continued concern over food stamp error rates and penalties. Our field researchers reported that:

The state-wide error rate for Arizona for benefits issued...was over 10 percent for four consecutive years (it almost reached 14 percent one year)... Because of this high error rate, the federal government ordered Arizona to reduce errors or face a \$4-5 million penalty. Each local office would get its share of budget cuts if this penalty were levied. So there is an incentive of sorts to improve the error rate at local offices, and the...office has done that.⁵⁹

In Washington State, for example, our researchers report that “there is some concern that recent mandates for reduction of food stamp error rates [imposed after the federal government penalized the state for eligibility errors] divert attention” away from critical issues of welfare reform.⁶⁰

Finally, one other factor makes it harder or less attractive to families to mix earnings and cash assistance. Although states are putting greater emphasis on securing child support orders for families on welfare rolls and securing support from noncustodial parents, nearly all states refuse to let families have all or most of the child support while the family receives cash assistance, thereby strongly encouraging families with support to get off of welfare. Twenty-nine states pass along none of the child support received. Eighteen states pass through \$50 per month—the amount they were required by the federal government to pass through under AFDC—though in four of those states, the pass-through is only temporary. One state (Kansas) passes through a reduced amount (\$40), while two states increased the amount given to families (Connecticut, \$100, and Nevada, \$75). Only Wisconsin chose to pass through all child support.⁶¹

Thus, the combination of complex work-first processes and the persistence, even the enhancement, of anti-fraud and quality control processes increases the hassle factor of getting and staying on welfare (that is, of mixing earnings and assistance). The inability to receive child support while receiving welfare may make it even less worthwhile for working parents to try to supplement their earnings with cash assistance. Families that can find work and low-cost day care with relatives may consider it to be neither feasible

nor desirable to stay on the rolls, even if the extra assistance would help them increase their overall incomes.

One consequence of the greater costs of receiving and maintaining TANF assistance seems to be a fallout by families where potential gains are small. In states where TANF benefits are low—mostly states in the South and West—families have typically had to make do without much assistance; and now that the processes are more burdensome, many may avoid getting benefits altogether. Some patterns in the data suggest that this dynamic may be at work. As Table 1 shows, among the states that showed the largest declines in AFDC/TANF caseloads between August 1994 and August 1998, the average (mean) benefit levels were relatively low, while states that showed smaller declines tended to have higher benefits. The pattern seems to compound inequalities across states. In states with higher benefit levels, families may be more likely to get onto or remain a part of the rolls, even if they are working, and combine earnings and assistance. In lower benefit states, more families may be avoiding assistance, even when they qualify for it, unless they have no other option, and are thus even less likely than families in other states to combine earnings and welfare.

TABLE 1. AVERAGE AFDC/TANF MAXIMUM BENEFITS IN STATES BY LEVEL OF CASELOAD DECLINE BETWEEN 1994 AND 1998.

<i>Quintiles of States by AFDC/TANF Caseload Changes, 1994-98; Ranges of Caseload Changes</i>		<i>Average (Mean) of Maximum Benefit Level in State for Family of 3 (1994)</i>
Highest quintile	+17% to -22%	\$564
Fourth quintile	-23% to -38%	\$409
Third quintile	-39% to -43%	\$371
Second quintile	-44% to -49%	\$329
Lowest quintile	-50% to -82%	\$309

N = 51.

Problems of ensuring access to food stamps

While several factors may inhibit families from combining earnings and cash assistance, other factors may make it more difficult for families to augment their earnings with in-kind benefits, such as Food Stamps and Medicaid. Food Stamp and Medicaid enrollments have both declined in recent years. Medicaid enrollments for nondisabled children, who are likely to be in the poor families served by TANF, declined by 3.3 percent between 1996 and 1997 from an estimated 20.5 million to 19.9 million. This decline came after an increase in enrollments from 20.4 million to 20.5 million between 1995 and 1996.⁶² The decline is surprising in part because Medicaid eligibility has been expanded in recent years, and yet the number of children in low-income families without medical insurance has continued to grow. Some recent studies have suggested, though

indirectly, that declining Medicaid caseloads may be attributable to welfare reforms and TANF in particular.⁶³

Food stamp enrollments declined from a peak in March 1994, when 28.0 million people participated in the program, to September, 1998, when only 18.7 million people received benefits. Household participation has seen the same degree of change, as it fell from 11.3 million households in March 1994, to 7.8 million in September, 1998. These declines are not totally unexpected. Declines in food stamp enrollments are common during periods of economic growth—like the middle and late 1990s—as eligibility depends primarily on family income and assets. Nor are declines anomalous in light of recent policy changes. Federal legislation in 1996 cut off benefits to legal aliens and imposed new work requirements on able-bodied individuals without dependent children.

Nonetheless, the scope, pattern, and timing of change suggest that more than economic factors and changes in eligibility rules are at work. Most of the decline in food stamp enrollments is attributable not to legal aliens and able-bodied individuals without dependents, but rather poor families with dependent children. According to a study by the U.S. Department of Agriculture, 61 percent of the decline in food stamp cases between 1994 and 1997 was due to a drop-off in the number of families on cash assistance.⁶⁴ Of course, this decline in participation by families may be the result of the economy, as more and more poor families find jobs. Although this may be happening in many instances, economic factors still do not account for much of the variance. When caseload changes between 1994 and 1998 are examined at the state level, two of the typical economic variables included in models of food stamp enrollments—poverty rates and unemployment—have lost a great deal of their association with caseload declines. Table 2 shows the declining correlation between economic changes and food stamp caseloads by comparing two estimated regression equations. Both equations regress state-level changes in food stamp caseloads onto state-level changes in unemployment and poverty, but one of the equations is estimated from data during the pre-waiver and pre-TANF period (1989-93), while the other is estimated from data in the period when most of the major waivers and TANF reforms were taking place (1994-98). Although both the poverty and unemployment variables were significantly related to caseload changes in the pre-reform period, only unemployment was significant in the reform and post-reform period, and its standard error was twice as large. The total variance accounted for by the model also declined between these two periods. Whatever relationship existed between food stamps and these economic variables has diminished significantly in just five years.

TABLE 2. THE DECLINING WEIGHT OF ECONOMIC VARIABLES IN EXPLAINING FOOD STAMP CASELOAD CHANGES, PRE-REFORM PERIOD (1989-93) AND REFORM PERIOD (1994-98).

DEPENDENT VARIABLE: CHANGE (IN PROPORTIONS) IN FOOD STAMP CASES AT STATE-LEVEL OVER FOUR-YEAR PERIOD. ENTRIES ARE ESTIMATED OLS REGRESSION COEFFICIENTS. STANDARD ERRORS IN PARENTHESES.

	<i>Caseload changes, 1989-93</i>	<i>Caseload changes, 1994-98</i>
Change in unemployment (one year lag)	0.32 (0.06)	0.37 (0.12)
Change in poverty rate (one year lag)	2.11 (0.70)	-0.15 (0.35)
Intercept	0.33	-0.15
R-squared	0.44	0.16

N = 51

The declining connection between Food Stamp caseloads and economic variables has suggested to some observers that state welfare reforms—and their downward effects on AFDC/TANF caseloads—are dragging Food Stamp caseloads down as well. Some of the specific reasons for this possible effect will be discussed below, but if this is happening, it is not happening in all states to the same degree. For just as the relationships between economic variables and food stamp caseloads have diminished in strength, so have the connections between these two programs. As Figures 1A and 1B show, the fairly close state-level relationship between changing caseloads in these two programs in the pre-reform period (1989-1993) has also largely disappeared in the reform and post-reform period (1994-1998). The scatterplots show, for each time period, the state-level relationship between changes in welfare caseloads (AFDC/TANF) and food stamp caseloads. The connections that existed between food stamps and AFDC in the pre-reform period no longer seem to exist in the reform period, or at least *they no longer exist in the same way across all states*. If TANF is having an effect on food stamp caseloads, it is no simple dragging down of caseloads; rather there is a large source of variation now in relations between these two programs and their enrollments.

The problem lies in understanding what might account for these caseload changes, because some of the factors may involve changes in access to food stamps by welfare-eligible families. To determine some estimate of variation across the states in providing this access, we took the residuals from one of the equations in Table 2—the equation that regressed changes in food stamp caseloads onto changes in economic variables for the period 1994-98—and classified the states in our field research sample into three general categories:

1. States whose food stamp caseloads fell during the period 1994-98 much more than the economic factors might lead us to expect (i.e., whose residuals were negative and large). These states were Arizona, Wisconsin, Mississippi, Texas, Kansas, and Ohio.

2. States whose caseloads fell less than expected, given their changes in unemployment and poverty (i.e., whose residuals were positive and relatively large). These states included Washington, West Virginia, Michigan, New Jersey, and North Carolina.
3. All other states whose residuals were relatively small, suggesting that their food stamp caseloads were proportionate to their economic changes during this period. These states include California, Florida, Tennessee, Rhode Island, Georgia, Utah, Minnesota, and New York.

The first two categories are particularly interesting. Why are food stamp caseloads tracking so differently relative to economic changes? In Michigan, West Virginia, and Washington, for example, unemployment dropped much more (by about 40 percent) than food stamp cases (which fell by 18-27 percent). At the other extreme, Wisconsin, Arizona, Mississippi, Kansas, and Texas showed much greater declines in food stamp enrollments relative to their changes in unemployment (or poverty).

FIGURE 1A. SCATTERPLOT BETWEEN CHANGES IN FOOD STAMP CASELOADS AND AFDC CASELOADS AT THE STATE LEVEL, 1989-1993.

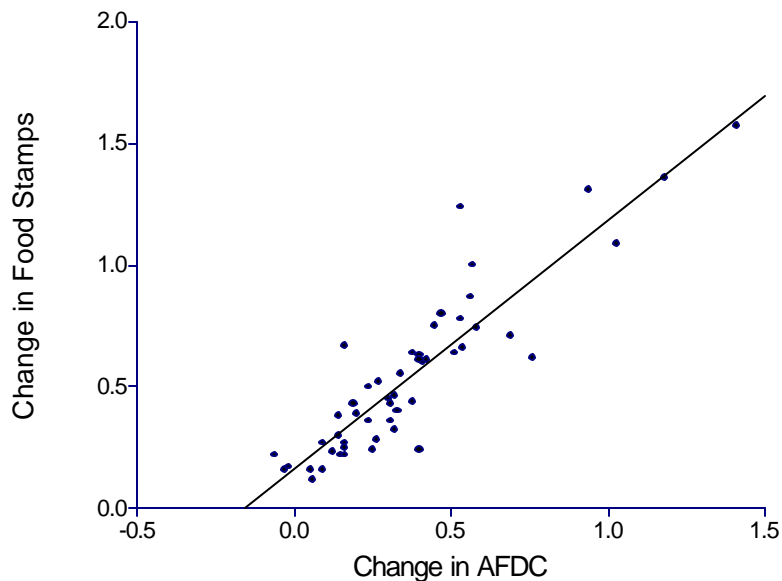
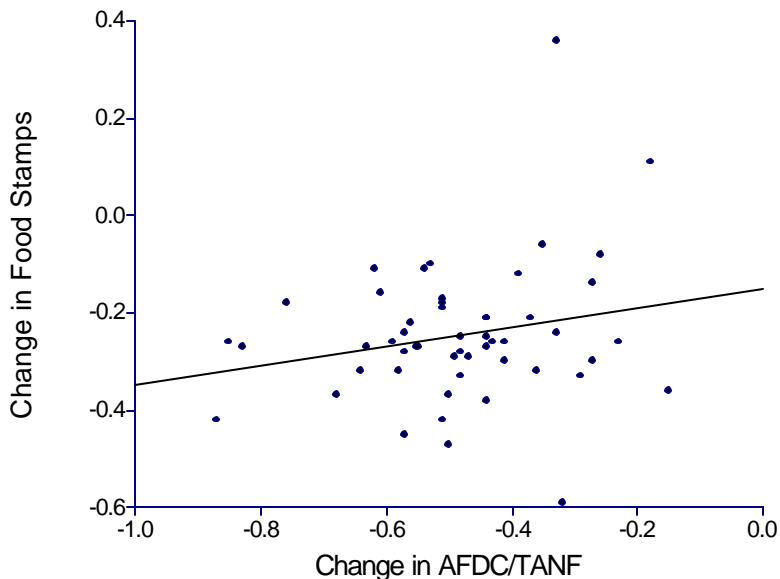


FIGURE 1B. SCATTERPLOT BETWEEN CHANGES IN FOOD STAMP CASELOADS AND AFDC/TANF CASELOADS AT THE STATE LEVEL, 1994-1998.



NOTE: Each dot is a state; the lines represent estimated regression equations.

Some recent analyses have suggested that diversion programs or procedures may reduce access for TANF-eligible families to receive food stamps. The concern is that potential TANF applicants may not learn about the availability of food stamps, even though they may qualify, if their applications are denied, if they accept a diversion payment in lieu of an application, or even if they find a job during an initial job search but the expected earnings are not enough to lift the family out of poverty. Indeed, the USDA's Food and Nutrition Service observed some of these problems in its investigations of two job centers in New York City.⁶⁵

However, based on our comparisons and field research, if TANF diversion affects access to food stamps, the effects depend on details regarding informal practices and procedures. The existence (or nonexistence) of formal diversion programs has no clear connection with declines in food stamp enrollments. Among the states with lower than expected food stamp enrollments, only Texas and Ohio have formal cash diversion programs (though Wisconsin's local contractors exercise strong diversion efforts). West Virginia, Washington, North Carolina, and New Jersey also have formal cash diversion programs, though their food stamp enrollments have not dropped as much as expected given their declines in unemployment and TANF.⁶⁶

Still, diversion may matter, though the laws and state regulations may be less important than local-level administrative practices. Our researchers indicate that Texas and Wisconsin have the strongest welfare diversion efforts—the activities go well beyond

offering cash assistance and include referrals to charitable organizations and job search—and these states show large relative drop-offs in food stamp caseloads. Diversion programs can be administered in such a way that they do not lead to such large declines in the use of in-kind benefits. West Virginia sought to divert clients, but it does so in a way that can reverse the expected effects of diversion on entitlement enrollments. Our West Virginia researchers found that most diversion is informal and occurs in the interactions between front-line workers and clients in the eligibility screening process. As our researchers wrote, “The eligibility review process is the primary diversion mechanism of the district.” However, given the lack of jobs in the state, diversion must be *toward* something as well as *away* from cash assistance, and so it is used in this state to divide those “who will come under the aegis of [West Virginia] Works and those who can be diverted to other, more limited services, *such as food stamps.*” Thus, it is not surprising that food stamps in West Virginia declined only 19 percent at the same time that its TANF/AFDC rolls dropped 76 percent. We have found similar approaches in comparable contexts. Although Minnesota does not emphasize diversion in the high-growth Twin Cities area, we found diversion to food stamps and Medicaid in a northern rural area with seasonal employment patterns. Families were expected to have many short periods of financial stress, and case managers urged them to preserve their time on cash assistance by relying on other sources, including food stamps, whenever possible.

Rather than diversion or any other particular program or process, the factor that most distinguishes the states in the higher and lower than expected food stamp enrollment categories is not so much *what* they are doing but *who* is doing it. Two shifts in institutional responsibilities seem particularly important: the privatization of TANF services, which often creates a greater separation between TANF and food stamp administrative structures, since food stamps (and Medicaid) must be administered by public employees; and the increased reliance on labor, employment, or workforce development agencies for administering welfare, agencies whose missions, expertise, and jurisdictions may not stress the goal of ensuring that TANF families have access to food stamps. In essence, the same institutional rearrangements that are signaling the new expectations of work and personal responsibility, particularly while the old quality control orientation lives on, are greatly increasing the complexity of local welfare systems, and this complexity means that there are many opportunities for families to lose or fail to establish food stamp benefits. The effects of this complexity on maintaining access to benefits might be countered by having front-line workers and agencies who know eligibility rules well and are motivated to ensure access to qualified families, but in some of the states, those conditions are less likely to hold true.

Wisconsin and, to much lesser degrees, Mississippi and Texas have relied on private contractors to administer their cash assistance programs under TANF. Wisconsin, for example, has awarded W2 contracts to private agencies in a handful of counties across the state as well as five profit and nonprofit private agencies in the Milwaukee area. In these privatized settings, employees of the private contractor provide case management, determine eligibility for W2 participation, arrange services, and generally play the dominant role in overseeing families’ involvement in the program. However, public employees still determine eligibility for food stamps and Medicaid. This approach

separates eligibility processes and gives greater control over communications with families to agencies whose contracts focus on creating strong incentives among families to work and leave welfare, not on ensuring access to entitlements.

Although Mississippi eventually jettisoned its privatization effort, the state initially relied on private contractors for case management and job placement under its TANF program. It was a cumbersome, “haphazard,” three-part arrangement.⁶⁷ Eligibility reviews for TANF (and food stamps) were handled by the state’s human services department and organized into six regions; the state’s economic development department contracted with private agencies for case management services in 12 districts; and the third component, the job placement contractor, was contracted out through nine districts. The relationships among these three entities at the local level were generally “dysfunctional,” eventually leading the state to bring most case management and job services in-house by late 1998. While the arrangement still existed, TANF clients who persevered through the process (and many in fact dropped out) were at some institutional (and sometimes physical) distance from state eligibility workers who, of course, were much more likely to understand food stamp rules and how they differed from TANF regulations.

Kansas is an example of a more common problem. To eliminate the problem of fragmentation, in which local income maintenance (IM) and employment preparation service (EPS) workers were completely separated, the state integrated these functions by creating a new IM/EPS position. These new workers are responsible for “determining eligibility, awarding cash and food stamp benefits, and providing employment services through assessment and referral to other service providers.”⁶⁸ This change certainly enhances program signaling, as in the pre-reform period “IM and EPS workers were often unaware of each other’s decisions concerning a common case.”⁶⁹ However, in Kansas, as well as several other states in our sample, this consolidation creates significant problems. Johnston and Lindaman learned:

The stress of integration seems to be greatest for EPS workers, who must now master the technical details of determining and reviewing clients’ eligibility, even though they are oriented toward the social work aspect of case management and are far less interested in such technical tasks. IM workers, on the other hand, seem more inclined to welcome the opportunity to deal with the whole client.⁷⁰

Wrap-around case management may thus reduce the amount of front-line expertise in applying detailed eligibility criteria, including food stamp rules, to families in increasingly complicated situations. Of course, this local-level uncertainty has been exacerbated by uncertainty at the top, as the USDA has been particularly slow in promulgating rules concerning the impact of TANF on food stamp eligibility.⁷¹

In other states, the growing role of employment or labor bureaucracies in administering welfare programs may reduce the emphasis placed on access to entitlements. In Wisconsin, food stamps as well as TANF were moved out of the

Department of Health and Social Services and placed under the jurisdiction of the Department of Workforce Development. In Texas, major job placement and preparation functions have been assigned to the Texas Workforce Commission and its local (and private) workforce development boards, including the design and execution of the initial “workforce orientation” for TANF applicants, which applicants must attend to be certified for cash assistance. In both cases, employment bureaucracies play a major role in overseeing and administering benefits to welfare clients. However, their basic missions involve work, not access to entitlements, and thus may be less sensitive to problems of such access.

Why have other states not suffered such large relative declines in food stamp caseloads? In general, most of the states in this category have augmented their social services systems with less disruption of those basic institutions and their missions. In Washington state, case managers were recruited from financial eligibility workers, and the dominant welfare agency under AFDC retained its lead role while adding (actually, continuing and upgrading) the functions of the state’s employment services agency. These workers were given expanded responsibilities, but the basic system for determining eligibility was not disrupted in any major way. Michigan also essentially changed its system through addition: the Family Independence Agency retains its focus on state-wide adherence to rules and regulations, while the Michigan Jobs Commission, which provides job services at local welfare sites, is much more decentralized and adaptive to local circumstances. The relationship between these two very different agencies has not been pleasant, but the connections have developed without direct assaults on either agency’s basic mission, whether it be ensuring access to all benefits for which a family is eligible, or finding jobs and matching them up with people. Of course, there is also a negative corollary to this argument: in states such as New Jersey, where institutions have not undergone as much change and work signals are not as strong, access to entitlements may remain fairly open.

Thus, what may be critical in ensuring access to entitlements while still reforming the welfare system is maintaining the basic institutions and capacities of the social services system, while adding to and connecting with another very different system that focuses on jobs. That is, rather than transforming or replacing social service systems and their traditional functions, continued access to entitlements in the new world of welfare may require strong connections between very different agencies, as well as a frank acceptance of continued tension between distinct institutions and orientations, while still requiring them to work closely together. This, of course, is no simple management challenge.

In sum, states are doing much more. They are realigning and rearranging their social service institutions to signal the new expectations of work and personal responsibility. They are giving local offices more tools and administrative discretion. They are creating more complicated processes and heterogeneous teams of agencies for families to move through, and they are doing much of this without appreciably cutting back on their more traditional emphases on minimizing errors. These complex processes and systems are not only difficult for local and state managers to oversee, they may also be hard for many clients to deal with, and families may find that it is not only more

difficult but also less attractive for families who can find work to supplement their earnings with various benefits or supports.

This argument suggests that families are unlikely in most instances to see significant increases in their overall income. Sometimes they may be on the welfare rolls and sometimes they may be working, but combining sources of support from both systems may be increasingly uncommon. We do not yet know this outcome to be true. Although work participation rates of welfare recipients have increased significantly in most states, those increases are generally much smaller in magnitude than the declines in caseloads—and many of those who are counted in those rates are not receiving any earnings. As a result, the absolute number of families with earnings *and* income support has probably fallen in recent years; and as we would expect, overall income levels have dropped among the lowest-income single-parent families despite strong increases in earnings, especially when food stamps is included as income (and before EITC is considered, which is not as much affected by these implementation issues as are cash assistance and food stamps).⁷² Of course, it is also possible that working, even without short-run increases in income, may eventually lead to higher incomes. Some of the welfare “leaver” studies that track families over many quarters through administrative records show slight increases in earnings over time, yet these effects are not terribly strong nor easy to interpret at the level of individual families;⁷³ and it is not clear whether these increases produce overall increases in income. It is not unreasonable to say, then, that most states have not yet implemented the resources theory.

Relying on a theory of home environment

Thus, while the Personal Responsibility Act encompasses three major theories of how children could benefit from welfare reform, only one of these theories has been widely implemented. States are doing relatively little to alter the structure of families in which children are raised, and they are not adopting policies and developing management systems that expedite combining wages with cash and in-kind assistance to increase family resources. They are, however, strongly promoting and facilitating work and work-like activities, whether or not they result in increased overall income. Thus, most of the effects on children must come through the environment model, under the assumption that a working parent will improve children's wellbeing by altering the way in which children are raised.

This environment model, however, depends on several strong assumptions. It assumes that work by the head of household will lead to a more structured, orderly life at home rather than a chaotic or stressful one. It assumes that a working mother feels greater control over her life, greater independence, and a greater competence that will carry over into her family roles. It assumes that children will envision and realize a relationship between hard work and achievement rather than hard work that goes unrecognized and unrewarded. It assumes that children will be well cared for in reasonably safe and nurturing child care facilities, as opposed to being supervised by an unreliable patchwork of caregivers. Moreover, once hypotheses specifying how a working parent will help children are explicated, it becomes apparent that the model depends on other factors besides the employment of the mother, including the

psychological health of the mother, characteristics of the family's interactions with one another, and the quality of available child care in the local area.

Whether or not this model is correct, it is nonetheless untested, and states are not collecting the information they need to examine even the simplest aspects of the model. Our study of welfare information systems and their capacities show that states are collecting and reporting very little information about children's environments or the potential factors that affect how well the environment theory works. States know very little about child care arrangements or needs among families on welfare. In the Institute's field research questionnaire, a large number of questions were posed that we considered to be important in implementing welfare reform, yet many of the questions dealing with children were the ones that states were least able to answer.⁷⁴ Welfare information systems were found to be good at keeping track of the basic status of welfare cases: how many applications were filed, how many were approved, how many cases were active at a particular site, and, to a lesser degree, how many were assigned to a work activity and how many were actually working. Unfortunately, very few state information systems could report on whether families lacked child care (and are thus exempt from work requirements), or how long they had been waiting for child care services.⁷⁵ Similarly, states fail to capture much information about children and their home environments in their "tracking studies," which constitute most of what passes as evaluation in the post-AFDC world. These studies focus on adult employment behavior and the capacity of families to stay off the welfare rolls.⁷⁶ Lacking even basic information about children and where they spend their days, states do not have the means to examine more complicated questions about work conditions, family dynamics, and child development—factors that are central to the environment theory of child well-being.⁷⁷ These problems are compounded by second-order devolution, the decentralization of programs within states down to local welfare offices or systems. While state-level data on child well-being and some of these intermediate conditions may be obtainable, though at substantial cost, collecting information on these connections in each locality is certainly a formidable problem.⁷⁸

The environment model is implemented incompletely in states because they are not examining the connection between a working parent and children's well-being. Implementing the other two models creates even more difficulty for states. The continuing political struggles over sexuality (and especially teen sexuality) may make it hard for many states to construct strong coalitions in favor of any concrete approach to reducing teen and out-of-wedlock births. Though the resources theory may have straightforward causal linkages between its proximate and ultimate objectives—that is, increasing families' material resources will improve child well-being—putting the theory into effect poses difficult administrative problems in the context of work first. Finding ways to satisfy concerns about quality control without over-burdening working parents may require enormous creativity. Most of all, however, the resources theory demands good management at the level of social service *systems*, not just at the TANF or program level. Increasing family resources in a significant way may require greater *connectivity* between three difficult-to-reconcile social program principles: work-first, which is largely

represented in state and local TANF systems; entitlements, which are still well represented in the food stamp and Medicaid programs; and human capital investment, which underlies most state workforce development systems (a system we have not examined in this paper but will in future reports). The tensions between the administration and operation of these basic principles are real, and they can easily lead to mutual disruption and even deterioration. The signaling and institutional realignments used to implement work-first may undermine access to entitlements, but given the kinds of jobs that most welfare recipients are moving into, we may not be able to expect major increases in family resources unless all three systems are reconciled, and most states still seem to be some distance from meeting these management challenges.

The political appeal of the environment theory as a way to connect welfare reform to children's interests may stem from the fact that the causal connection between a working parent and children's well-being can be assumed so easily. If policymakers presuppose that an employed head of household improves children's upbringing, they can concentrate on establishing systems that promote and enforce work, without extensive worrying about the consequences for children. Although doing this is not easy and has required much effort by the states, it is easier than establishing a work program *and* monitoring, studying, and improving children's environment. As a result, children will have to depend on the success of a policy theory—the environment theory—whose ultimate connections with child well-being are more assumed than observed, and probably are not very well understood.

¹ Robert Pear, "Governors Agree Children Must Be Protected No Matter What Shape Welfare Takes," *New York Times*, February 1, 1995, p. A19

² Marcia K. Meyers, "Gaining Cooperation at the Front Lines of Service Delivery: Issues for the Implementation of Welfare Reform," *Rockefeller Report* (June 1998); Marcia K. Meyers, et. al., "On the Front Lines of Welfare Delivery: Are Workers Implementing Policy Reforms?" *Journal of Policy Analysis and Management* 17(1998):1-20

³ These and other findings are summarized in Richard P. Nathan and Thomas L. Gais, *Implementing the Personal Responsibility Act of 1996: A First Look* (Albany, N.Y.: Rockefeller Institute of Government, 1999). A copy of this report is available on the Institute's web page, <http://rockinst.org>

⁴ Martha J. Zaslow and Carol A. Emig, "When Low-Income Mothers Go to Work: Implications for Children," *The Future of Children* vol. 7 no. 1, Spring 1997, pp. 110-115; Toby L. Parcel and Elizabeth G. Menaghan, "Effects of Low-Wage Employment on Family Well-Being," *The Future of Children*, vol. 7 no. 1, Spring 1997, pp. 116-121

⁵ U.S. social policy has long rested on dividing the poor into groups with different assistance programs for each group and different degrees of assistance based on expectations about the ability of individuals in each group to work and support themselves. For a discussion of these divisions and the associated policies, see James T.

Patterson, *America's Struggle Against Poverty* (Cambridge, MA: Harvard University Press 1994)

⁶ Personal Responsibility and Work Opportunity Reconciliation Act of 1996, Pub. L. No. 104-93, 110 Stat. 215, Title 1, Sec. 101

⁷ Ibid

⁸ *Causes of Poverty, With a Focus on Out-of-Wedlock Births*, Hearing before the Subcommittee on Human Resources of the House Ways and Means Committee, 104th Cong., 2nd sess. (March 5, 1996), p. 20

⁹ Ibid., p. 4

¹⁰ Ibid., p. 12

¹¹ This argument about AFDC has been made by many people in many places. See Charles Murray, *Losing Ground: American Social Policy, 1950-1980* (New York: BasicBooks, 1984); and David Popenoe, "Family Caps," *Society*, vol. 33 no. 5 (July 1996), pp. 25-27. To place current ideological views of poverty and welfare in a broader historical context, see James T. Patterson, *America's Struggle Against Poverty 1900-1994* (Cambridge, MA: Harvard University Press, 1994)

¹² Jeffrey L. Katz, "House GOP Welfare Plan Shifts Focus From Work to Teen Mothers," *Congressional Quarterly Weekly Report*, January 14, 1995, pp. 160-161.

¹³ Requiring teen mothers to live at home and attend school in order to receive public assistance is an indirect way to prevent teen births. It rests on the assumption that teens will be less likely to have children if they cannot establish independent households. It may also rest on the assumption that teen mothers will be less likely to have additional children because they will receive greater supervision living at home; this may well be a faulty assumption because these teens probably lived at home when they first became pregnant. Alternative reasons to support this requirement for teen mothers have little to do with the family structure theory and rely instead on ideas that teen mothers will be better single parents if they have assistance from their extended family and will be more capable of supporting themselves if they finish high school.

¹⁴ The argument that AFDC should be granted to two-parent families in order to prevent families from breaking up was made by President Kennedy when he proposed AFDC-UP in 1961. See "Program for Economic Recovery and Growth," presidential message sent to Congress on February 2, 1961, reprinted in *Congressional Quarterly Almanac* 1961, p. 863. For an example of a more recent version of this argument, see *Free to Be Family* (Washington, D.C.: Family Research Council, 1992), pp. 39-44. The argument that two-parent families do not form because men lack adequate jobs was advanced by Williams Julius Wilson in *The Truly Disadvantaged* (Chicago: The University of Chicago Press 1987)

¹⁵ For a summary of the Act's major provisions, see *Congressional Quarterly Almanac* 1996, section 6, pp. 13-21

¹⁶ For an account of the politics of the Personal Responsibility Act, see Gary Bryner, *Politics and Public Morality: The Great American Welfare Reform Debate* (New York: W.W. Norton 1998)

¹⁷ White House Office of the Press Secretary, Statement by the President, August 22, 1996

¹⁸ See Mary Jo Bane and David T. Ellwood, *Welfare Realities: From Rhetoric to Reform* (Cambridge, MA: Harvard University Press, 1994) for a discussion of the "make work pay" concept and the policies they advocate to fulfill this goal

¹⁹ White House Office of the Press Secretary, Remarks by the President at the Signing of the Personal Responsibility and Work Opportunity Reconciliation Act, August 22, 1996

²⁰ Dukakis and Kanter, op. cit. This was an important element of the Family Support Act of 1988; see Lloyd Bentsen, "Reforming the Welfare System: The Family Support Act of 1988," *Journal of Legislation*, vol. 16 no. 2 (October 1990), pp. 133-140

²¹ See, for example, Gary T. Burtless, "Welfare Recipients' Job Skills and Employment Prospects," *The Future of Children*, vol. 7 no. 1 (Spring 1997), pp. 39-51

²² Bane and Ellwood, op. cit.; Rebecca Blank, *It Takes a Nation: A New Agenda for Fighting Poverty* (Princeton, NJ: Princeton University Press, 1997); Kathryn Edin and Laura Lein, *Making Ends Meet: How Single Mothers Survive Welfare and Low-Wage Work* (New York: Russell Sage Foundation, 1997); Judith M. Gueron and Edward Pauly, *From Welfare to Work* (New York: Russell Sage Foundation, 1991)

²³ Presenting the psychological and sociological benefits of work is an important part of politicians' defense of work programs. For example, when President Clinton signed the Personal Responsibility Act, he relayed a conversation he had with a woman named Lillie Harden who had been on welfare and then got off. "I said, 'Lillie, what's the best thing about being off welfare?' And she looked me straight in the eye and said, 'When my boy goes to school and they say what does your mama do for a living, he can give an answer.'" White House Office of the Press Secretary, Remarks by the President at the Signing of the Personal Responsibility and Work Opportunity Reconciliation Act, August 22, 1996. See also Michael S. Dukakis and Rosabeth Moss Kanter, *Creating the Future: The Massachusetts Comeback and its Promise for America* (New York: Summit Books, 1988), pp. 107-133.

²⁴ *Congressional Record*, 104th Cong., 1st sess. (March 21, 1995), p. H3363

²⁵ Representative Manzullo (R-IL), *Congressional Record*, 104th Cong., 1st sess. (March 21, 1995), p. H3348

²⁶ Lawrence Mead, "Welfare Reform at Work," *Society* vol. 33 no. 5 (July 1996), pp. 37-40

²⁷ Cathy M. Johnson, "Welfare and Work: What Happened to Feminist Perspectives?" Paper presented at the annual meeting of the Midwest Political Science Association, Chicago, Illinois, April 23-25, 1998.

²⁸ This is sometimes referred to as a two-generation approach to poverty. Reducing poverty through enriched child development programs was a central justification of Head Start's inclusion in the Johnson administration's War on Poverty. See Lynda J. Ames, *Women Reformed, Women Empowered: Poor Mothers and the Endangered Promise of Head Start* (Philadelphia: Temple University Press 1997). For a broader discussion of

the politics of child care and welfare, see Mary Frances Berry, *The Politics of Parenthood* (New York: Penguin Books 1993)

²⁹ *Mississippi Field Research Report* (Albany, NY: Rockefeller Institute of Government 1998), p. 3

³⁰ *Ibid.*, p. 4

³¹ *Ibid.*, p. 5

³² *Ibid.*, p. 9

³³ *Ibid.*, p. 13

³⁴ Shelley Stark and Jodie Levin-Epstein. *Excluded Children: Family Caps in a New Era*. Washington, DC: Center for Law and Social Policy, 1999.

³⁵ U.S. House of Representatives, Committee on Ways and Means, *1998 Green Book* (Washington, DC: U.S. Government Printing Office, 1998), p. 419

³⁶ There are exceptions, of course. Georgia has repeatedly applied some of its “surplus” block grant funds to teen pregnancy prevention services—\$1.6 million in FY 1997 and \$3.5 million in FY 1998—and our field researcher reported that family planning services were available at one local site. Also, some states, such as Washington, have relatively extensive programs in place but fund them through Medicaid

³⁷ Richard Nathan, Paola Gentry, and Catherine Lawrence, *Is There a Link Between Welfare Reform and Teen Pregnancy?* (Albany, N.Y.: The Rockefeller Institute of Government April 1999)

³⁸ *Ibid.* Also see Richard P. Nathan and Thomas L. Gais, *Implementing the Personal Responsibility Act of 1996: A First Look* (Albany, N.Y.: The Rockefeller Institute of Government, 1999), pp. 39-42

³⁹ *New York Field Research Report* (Albany, NY: Rockefeller Institute of Government 1998)

⁴⁰ Fred Doolittle, Virginia Knox, Cynthia Miller, Sharon Rowser, *Building Opportunities, Enforcing Obligations: Implementation and Interim Impacts of Parents' Fair Share* (Manpower Demonstration Research Corporation, 1998)

⁴¹ Elaine Sorensen and Robert Lerman, "Welfare Reform and Low-Income Noncustodial Fathers," *Challenge* vol. 41, no. 4 (July 1998), pp. 101-116

⁴² *Wisconsin Field Research Report* (Albany, NY: Rockefeller Institute of Government 1998)

⁴³ *North Carolina Field Research Report* (Albany, N.Y.: Rockefeller Institute of Government, 1998)

⁴⁴ Patterson, op. cit.; Bryner, op. cit

⁴⁵ These points are discussed more extensively in Nathan and Gais, op. cit

⁴⁶ Johnston and Lindaman, op. cit., p. 58

⁴⁷ The popularity of child care benefits for welfare mothers contrasts sharply with the still strong political forces against child care services, an opposition based on the belief that mothers should be home with their children. This sort of opposition killed a child care

initiative in 1971 and altered substantially the Child Care and Development Block Grant in 1988. Even as recently as 1998, U.S. House of Representatives ignored the Clinton administration's child care initiative while passing a resolution lauding parents who stayed home to care for their children. See Sue Kirchhoff, "House Bill Supports At-Home Parents," *Congressional Quarterly Weekly Report*, March 14, 1998, p. 396

⁴⁸Janet Looney and Betty Jane Narver, "Meeting the Goals of Washington's Work First Program: Key Policy Challenges," in David Breaux, et. al., *Managing Welfare Reform* (Albany, N.Y.: Rockefeller Institute, 1999), p. 38

⁴⁹State of Georgia. *Budget Report, Fiscal Year 2000*.

⁵⁰Charles Adams and Miriam Wilson, *Ohio Field Research Report* (Albany, N.Y.: Rockefeller Institute of Government, 1998)

⁵¹Blank, op. cit.; Bane and Ellwood, op. cit.; and Edin and Lein, op. cit

⁵²See Hans Both, et. al., *New Hope for People with Low Incomes: Two-Year Results of a Program to Reduce Poverty and Reform Welfare* (New York: Manpower Demonstration Research Corporation, 1999), especially Table 5

⁵³Dan Bloom, Mary Farrell, James J. Kemple, and Nandita Verma, *The Family Transition Program: Implementation and Three-Year Impacts of Florida's Initial Time-Limited Welfare Program* (New York: Manpower Demonstration Research Corporation, 1999), p. 130

⁵⁴This description of Michigan's welfare reforms draws on Carol Weissert's chapter, "The Politics and Policy of Welfare Reform in Michigan" in the forthcoming book, *Learning from the Leaders* (Albany, N.Y.: Rockefeller Institute Press, forthcoming (1999))

⁵⁵On the greater potential gains from earnings under state welfare reforms, see *Does Work Pay? An Analysis of the Work Incentives under TANF*, by Gregory Acs, Norma Coe, Keith Watson, and Robert I. Lerman (Washington, D.C.: Urban Institute, 1998)

⁵⁶Presentation entitled "State Capacity Study: Implementing PRWORA at the Local Level," at *Evaluating Welfare Reform*, a conference sponsored by the Administration for Children and Families, Office of Planning, Research, and Evaluation, of the U.S. Department of Health and Human Services, Arlington, Virginia, May 12, 1999. The study is funded by the U.S. Department of Health and Human Services. The principal investigator is Professor Richard P. Nathan, and the two other senior investigators are Professors Norma Riccucci of SUNY-Albany and Marcia Meyers of Columbia University

⁵⁷Christopher King and Dan O'Shea, *Texas Field Research Report, State Capacity Study* (Albany, N.Y.: Rockefeller Institute of Government, 1998), Q4c

⁵⁸Ibid

⁵⁹John Hall, *Arizona Field Research Report* (Albany, N.Y.: Rockefeller Institute, 1998), Q6

⁶⁰Janet Looney and Betty Jane Narver, “Meeting the Goals of Washington’s WorkFirst Program: Key Policy Challenges,” in *Managing Welfare Reform: Updates from Field Research in Five States* (Albany, N.Y.: Rockefeller Institute, 1999), p. 35

⁶¹Jerome Gallagher, et. al. *One Year After Federal Welfare Reform: A Description of State Temporary Assistance for Needy Families (TANF), Decisions as of October 1997* (Washington, D.C.: Urban Institute, 1998), pp. 41-42

⁶²Frank J. Thompson and Richard P. Nathan, “The Relationship Between Welfare Reform and Medicaid: A Preliminary View,” Discussion Paper Prepared for the National Health Policy Forum, Washington, DC (February 26, 1999), p. 11, 13

⁶³*Ibid.*; Families USA Foundation, *Losing Health Insurance: The Unintended Consequences of Welfare Reform* (Washington, DC: Families USA Foundation, 1999); Marilyn R. Ellwood and Kimball Lewis, *On and Off Medicaid: Enrollment Patterns for California and Florida in 1995*, Occasional Paper Number 27 (Washington, DC: Urban Institute, 1999)

⁶⁴U.S. Department of Agriculture, Food and Nutrition Service, Office of Analysis, Nutrition, and Evaluation, “Who is Leaving the Food Stamp Program? An Analysis of Caseload Changes from 1994 to 1997,” *FNS Online* [<http://www.fns.usda.gov/fns/menu/Published/fsp/FILES/CDR.html>].

⁶⁵U.S. General Accounting Office, *Food Stamp Program: Various Factors Have Led to Declining Participation*, GAO/RCED-99-185 (Washington, DC: General Accounting Office, 1999), p. 14.

⁶⁶Thus, two out of six of the states with relatively large food stamp declines have formal diversion programs—and three out of six, counting Wisconsin—have strong diversion efforts. While four out of five of the states with relatively small food stamp declines—all except Michigan—have formal cash diversion programs. See “Formal Cash Diversion Programs: Overview,” *State Policy Documentation Project* [<http://www.spdp.org/tanf/>], May, 1999

⁶⁷David Breaux, Christopher Duncan, Denise Keller, and John Morris, “Privatization and Welfare Reform Implementation in Mississippi,” in *Managing Welfare Reform: Updates from Field Research in Five States* (Albany, N.Y.: Rockefeller Institute of Government, 1999)

⁶⁸Jocelyn M. Johnston and Kara Lindaman, “Kansas Carves Out a Middle Ground,” in *Learning from the Leaders: Welfare Reform in Five Midwestern States*, ed. Carol S. Weissert (Albany, N.Y.: Rockefeller Institute Press/Brookings Institution Press, forthcoming (1999)), p. 62

⁶⁹*Ibid.*, p. 63

⁷⁰*Ibid.*

⁷¹U.S. General Accounting Office, *Food Stamp Program*, pp. 15-16

⁷²For analyses of Current Population Survey data on family income in 1997 and before, see Wendell Primus, *The Initial Impacts of Welfare Reform on the Incomes of Single-Mother Families* (Washington, DC: Center on Budget and Policy Priorities, 1999);

Richard Bavier, “An Early Look at the Effects of Welfare Reform,” unpublished paper (March 20, 1999); and Arloc Sherman, *Extreme Child Poverty Rises Sharply in 1997* (Washington, DC: Children’s Defense Fund, 1999)

⁷³Catherine Born, *Life After Welfare: Third Interim Report* (College Park, MD: University of Maryland, School of Social Work, March 1999)

⁷⁴Nathan and Gais, pp. 56-57

⁷⁵Ibid

⁷⁶For an overview of tracking studies, see U.S. General Accounting Office, *Welfare Reform: Information on Former Recipients’ Status*, GAO/HEHS-99-48 (Washington, D.C.: U.S. General Accounting Office, April, 1999)

⁷⁷There are also obvious privacy questions about collecting these sorts of data. Child Trends’ excellent publication, *Children and Welfare Reform: A Guide to Evaluating the Effects of State Welfare Policies on Children* (Washington, D.C.: Child Trends, 1999), suggests that states might want to analyze these causal connections to child well-being using a variety of measures, including teacher surveys, in-home surveys and direct observations, and direct child assessments. That approach may help address the “black box” character of the current way in which the environment theory is implemented, but it is not a little intrusive and it is certainly expensive

⁷⁸Data on child poverty by state is often averaged over several years to obtain reasonably good estimates. See, for example, Neil G. Bennett and Jiali Li, *Early Childhood Poverty Research Brief 1: “Young Child Poverty in the States—Wide Variation and Significant Change,”* (New York: National Center for Children in Poverty, 1998), which uses five-year averages to get good estimates of child poverty at the state level. The U.S. Census Bureau estimates county level poverty rates for children or young people in its Small Area and Poverty Estimates program, but the latest data available in the fall of 1999 are for income in 1995, and the errors in the estimates are quite large

