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Income Support and Social Services for Low-Income People in California

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The recession of the early 1990s hit California harder than the rest of the nation, causing revenue shortfalls and increased demand for services. Only in the past few years has the state's economic recovery substantially improved the budget picture, giving the state greater spending flexibility than it has had for some time. Important constitutional amendments and statutory provisions passed by the voters have also shaped both the state's and local governments' fiscal and policy choices. A strong governor and a strong legislature have clashed in recent years on a variety of policy issues, including welfare reform and the related issues of state-county devolution and funding of services for immigrants.

State Characteristics

California's population (at 31 million) is the largest in the nation, making up 12 percent of the U.S. population. It is a highly urban state with only 14 percent of its residents living in rural areas, half the national average (table 1). One-quarter of California's population consists of immigrants, accounting for one-third of America's foreign-born. Cali-

fornia is one of the most ethnically diverse states in the country, with a population that is more than 30 percent Hispanic and 10 percent Asian.

California's child well-being profile is mixed—the state has better indicators of child health combined with a substantially higher proportion of births to teens (71 per thousand versus 59 per thousand), lower basic reading and math levels, and higher juvenile arrest rates than the nation. Although its per capita income is slightly higher than the nation's (\$24,073 in 1995 compared with \$23,208), its child poverty rate is worse (25.6 percent in 1994 compared to 21.7 percent for the nation).

Between 1990 and 1993, California experienced its deepest recession since that of the 1930s. Due to the recession and federal defense spending cuts, the state lost over 700,000 jobs, and in 1993 its unemployment rate peaked at 9.2 percent.

Since that time, the state's economy has recovered steadily, though its unemployment rate remains higher than the national average.

Several voter initiatives and state fiscal actions have significantly altered how the state and counties can raise and spend money. In 1978, Proposition 13 constrained state and local governments' ability to raise revenue by

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Table 1
State Characteristics, 1995

	California	United States
Population Characteristics		
Population (1995) (in thousands)	31,617	260,202
Percent under 18 (1995)	28.7%	26.8%
Percent Hispanic (1995)	30.6%	10.7%
Percent Non-Hispanic Black (1995)	6.4%	12.5%
Percent Noncitizen Immigrant (1996) ^a	18.8%	6.4%
Percent Rural (1990)	14.4%	36.4%
Population Growth (1990–95)	6.2%	5.6%
Births:		
Percent to Unmarried Women (1994)	35.7%	32.6%
Percent to Women under 20 That Were Nonmarital (1994)	70%	76%
Per 1,000 Women Ages 15–19 (94)	71	59
State Economic Characteristics		
Per Capita Income (1995)	\$24,073	\$23,208
Percent Change in Per Capita Personal Income (1990–95)	13.1%	21.2%
Percent Poor (1994)	16.2%	14.3%
Unemployment Rate (1996)	7.2%	5.4%
Employment Rate (1996)	60.8%	63.2%
Percent Persons Receiving AFDC	8.5%	5.1%
Percent Persons Receiving Food Stamps	10.1%	10.1%
Family Profile		
Percent Two-Parent Families (1994)	38.4%	35.7%
Percent One-Parent Families (1994)	14.9%	13.8%
Percent Mothers with Child 12 or under		
Working Full Time (1994)	33.0%	38.1%
Working Part Time (1994)	14.7%	16.1%
Percent Children below Poverty (1994)	25.6%	21.7%
Median Income of Families with Children (1994)	\$36,349	\$37,109
Percent Children Uninsured (1995)	12.1%	10.0%

Source: Complete list of sources is available in *Income Support and Social Services for Low-Income People in California* (The Urban Institute, 1998).

a. These numbers have been corrected since the printing of the full state report, based on a three-year average of the Current Population Survey (March 1996–March 1998), edited by The Urban Institute to correct misreporting of citizenship.

limiting property tax rates and requiring either a two-thirds majority in the state legislature or a referendum to raise taxes. In 1988, Proposition 98 established a minimum state funding guarantee for K–12 schools and community colleges. Intended to create a floor for education funding, Proposition 98 has actually acted as a ceiling on all other spending. In 1991, the state increased the share of funding counties must provide for services in several key areas, including mental health, indigent health, and child welfare. In return, the counties were provided with an increased share of state

revenues. This exchange, considered revenue-neutral at the time, turned out to provide the counties with less revenue than anticipated. In addition, a series of property tax shifts further moved responsibility for funding public services to the counties.

Setting the Policy Context

As a result of the state's severe recession and the constitutional constraints on revenue raising and expenditures, recently California has focused more on cost savings than on

developing or expanding programs for disadvantaged families. Welfare benefits were particularly targeted for cuts, partly because other large programs were protected either politically or statutorily. In the last year, the state has had a budget surplus, which prevented a further reduction in welfare benefit levels.

Political power is split in California, with a Republican governor and Democratic control of the Assembly and the Senate. The power of the current legislature is limited, however, because California law requires a two-thirds majority, which

the Democrats lack, to pass a budget bill. The governor, in contrast, has broad discretion to veto any line item in budget bills passed by the legislature. Both sides are active in setting policies for low-income families, but they rarely agree on the direction, setting the stage for drawn-out legislative battles not only on welfare reform but also on taxes, services for immigrants, and indigent health care.

Most social welfare programs in California are state supervised and county administered. State agencies set overall policies, make rules, determine eligibility criteria, and set benefit levels. State agencies also monitor local practices and provide technical assistance to counties to ensure state policies are followed. Within these parameters, counties have varying amounts of administrative flexibility. County decisionmaking authority and fiscal responsibility have been and continue to be contentious issues. The state welfare reform legislation as finally passed provides counties with significantly more discretion in administering their welfare programs.

Basic Income Support

California has traditionally provided very generous income support for its low-income population. Its Aid for Families with Dependent Children (AFDC) (now California Work Opportunity and Responsibility to Kids, CalWORKs) benefit levels have been among the highest in the nation. And the state requires counties to provide General Relief (GR) to all indigent individuals who do not qualify for AFDC (table 2). Health and welfare's share of total state spending in California has remained relatively stable over the past five years, at slightly over 30 percent of the total general fund budget.

AFDC

California's AFDC program has changed substantially in recent years to encourage work and employment-focused activities. Along with these changes have come benefit cuts, though not enough to offset the costs of caseload growth. Through federal waivers and state legislation, nominal AFDC benefits declined by almost 11

Table 2
Social Welfare Spending in California, 1995–96

Program	Spending (in millions)
Income Security	
AFDC Benefits (1996)	\$5,568 (federal, state, county)
AFDC Admin. (1996)	\$232 (federal, state, county)
General Relief (1996)	\$465 (county)
Food Stamps (1995)	\$2,175 (federal)
SSI for Children (1995)	\$419 (federal)
Federal EITC (1994)	\$2,942 (federal)
Employment and Training	
JOBS (GAIN) (1996)	\$295 (federal, state, county)
JTPA (1995)	\$335 (federal)
Child Care	
AFDC Child Care (1995)	\$202 (federal, state, county)
At-Risk Child Care (1995)	\$39 (federal)
CCDBG (1995)	\$111 (federal)
State Child Care (1995)	\$372 (state)
State Preschool (1995)	\$99 (state)
Head Start (1995)	\$381 (federal)
Total (1995)	\$1,204

Source: See Income Support and Social Services for Low-Income People in California (the Urban Institute, 1998).

percent between 1992 and 1996, implying even larger cuts in real purchasing power. The state's benefit level is still more generous than that of the average state, however, with a family of three eligible for a maximum benefit of \$594 a month in 1996, and a joint AFDC–food stamp benefit of \$907 a month, 86 percent of the federal poverty level.

California has been at the forefront of state welfare reform experimentation, having been awarded four federal waivers to encourage movement of welfare recipients into the workforce long before federal welfare reform in 1996. In 1992–94, it incorporated these waivers into its Assistance Payments and Work Pays Demonstration, which increased the incentive to work by removing time limits on earned income disregards, increasing allowable savings and durable goods, and removing restrictions on the work of the second adult in AFDC's unemployed parent provision. In 1994 the state also received a waiver to improve the outcomes of teen mothers on AFDC. This program, Cal Learn, emphasized school attendance and parental responsibility.

California has also incorporated its new work focus into its welfare-related employment and training services program. Until recently, participation in the state's JOBS program (Greater Avenues for Independence [GAIN]) averaged only 20 percent of the welfare caseload, due to budget limitations, extensive exemptions, and a welfare office focus on benefit accuracy rather than moving recipients into work. Starting in 1995, the state required counties to emphasize a Work First strategy in their GAIN program, mandating job search as the first activity. This action followed the success of a GAIN experiment in Riverside, which focused on immediate job placements instead of education and training and was able, consequently, to serve many more clients. California has recently provided additional financial assistance to counties for their GAIN programs without a required county match. It has also tightened the exemptions and sanctioning processes. The result has been increased GAIN participation and employment rates, and new county efforts to break down the structural separation between AFDC and GAIN.

General Relief

General Relief has presented a major challenge to many counties in the 1990s, as those with the largest caseloads have also faced the most economic troubles. California is the only state in the nation that mandates GR benefits but leaves all costs to the counties. State statutes determine the minimum GR benefit, with counties determining actual benefit levels. In 1991, the state minimum was \$291 a month, 60 percent of the federal poverty level. In 1993, the state lowered the minimum to \$221 a month for counties in significant financial distress. In 1996, the state legislature permitted counties to restrict GR eligibility to 3 months out of any 12-month period for those deemed employable, reduce GR for the value of Medicare up to \$40 a month, reduce benefits by 25 percent for those who share housing, and make substance abuse treatment mandatory. Some counties have adopted all the allowed restrictions, others the shared housing and substance abuse provisions but not all of the benefit cuts. And many are ambivalent about time-limiting benefits to a group with major labor force barriers. Many in the advocacy community have actively opposed these new GR limits, constraining counties' efforts to make reforms.

Programs That Promote Financial Independence

To help promote self-sufficiency, cash assistance programs often need to be supplemented with employment and training, subsidized child care, child support collection efforts, and health insurance coverage.

Employment and Training

Following the national trend, the goal of California's employment and training system is to become an integrated, seamless delivery model that meets the needs of all low-income, disadvantaged job seekers. Achieving the goal has been difficult, however, because 13 different state agencies and 10

advisory councils administer 22 programs. In addition, the governor has focused on developing a highly skilled workforce through economic development rather than employment and training for the disadvantaged.

The state has placed high priority on developing a statewide One-Stop center system to serve all population groups seeking employment development services, provide employers and job seekers with choices about information sources, offer a seamless delivery system, and set performance-driven outcome measures. State and local agencies have all supported greater integration, but they do not necessarily agree on what structure and program

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components the One-Stop vision should have. The almost 100 One-Stops that already exist at the local level vary widely. While local variation is consistent with the state's vision, the agency is trying to promote a more uniform system across all the Job Training Partnership Act (JTPA) Service Delivery Areas by distributing federal and state grant money competitively on the basis of which counties best meet the state vision.

The state is also faced with a local system in which the degree of coordination between GAIN and JTPA varies greatly. The Department of Social Services (DSS) ensures that counties deliver GAIN services within given parameters. But the California Employment Development Department maintains less policy oversight for JTPA, not only because it is federally driven but also because California officials believe localities best understand the employment and training needs of their clientele. As a consequence, in some

areas GAIN and JTPA maintain conflicting program approaches, with some of JTPA's Private Industry Councils worrying that the One-Stop focus will force them to place disproportionate resources on the welfare population, that they will lose resources to welfare departments, and/or that they will be left out of the welfare reform process altogether.

Child Care

California has traditionally been highly supportive of subsidized child care and early childhood development programs for low-income families, especially those not on welfare. In 1992, California ranked sixth in the nation in per-child expenditures on child care and early childhood development, and in 1994 it ranked fifth in the percentage of state tax revenues spent on these services. It also promotes quality child care through some of the nation's toughest regulations.

Even so, different agencies with differing philosophies administer child care programs for welfare recipients and working poor families, causing significant coordination problems. DSS has been responsible for most federally funded AFDC-related child care programs, which are state supervised and county administered. The California Department of Education (CDE) is responsible for all state-funded child care and early childhood development programs and for the federal Child Care and Development Block Grant (CCDBG)—all programs that are state administered. The two agencies view their programs differently. In the simplest terms, DSS views child care as a support service to assist welfare families to become self-sufficient, while CDE views it as a form of education. Further complicating coordination, the director of DSS is appointed by the governor, while the director of CDE, the state Superintendent of Schools, is independently elected. The programs also vary in eligibility requirements, maximum payment amounts, eligible providers, priority groups for subsidies, and time limits. These inconsistencies make it difficult for families to maintain a stable child care arrangement when moving on and off welfare or from program to program.

Low-income families in California also face major barriers to accessing child care. Welfare recipients are often not sufficiently informed by their case workers of the options available to them, in part because the severe budget cuts in many welfare offices make it difficult for case workers to do more than determine families' eligibility for welfare. This situation may be changing, as many county welfare offices are increasing their commitment to providing child care in the new Work First environment. Nonwelfare working families—who pay a sliding scale fee that depends on the family's income—have difficulty accessing services because there is no centralized place to apply and, once they apply, they face long and uncoordinated waiting lists, since the supply of child care providers is inadequate. The state estimates that only 20 percent of eligible families receive subsidies to help pay for child care.

Child Support

Locally elected district attorneys in each county administer child support enforcement through cooperative arrangements with DSS. Since counties have had considerable discretion, local practices and performance cover a wide range. In 1995, for example, the share of cases (instances in which the state has authority to collect child support from an absentee parent) with a child support order was under 30 percent in Los Angeles and nearly 75 percent in Alameda. The corresponding percentages of cases with paternity established in the two counties were under 15 percent in Los Angeles and 56 percent in Alameda.

The governor and state legislature have passed numerous laws to improve performance and standardize collection activities, many of which are now mandated under federal welfare reform. These reforms have begun to affect local decisionmaking. But different caseload sizes and the policies and politics of child support at the county level work against uniformity. In addition, loosely defined quality controls and lack of data have made it difficult for state-level officials to identify and assist poorly performing counties.

The federally supported development of California's State Automated Child Support System (SACSS) has had numerous problems and is still far from complete. Many counties are refusing to use it, and Los Angeles has actually received federal approval to develop its own child support system separate from SACSS.

Medicaid and Other Health Insurance

Medi-Cal, California's Medicaid program, is the primary health insurance program for low-income families. In addition, counties use a variety of county, state, and federal funds to

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provide health care to low-income residents who are not eligible for Medi-Cal.

In general, health care assistance has enjoyed more political support in California than has cash assistance. Thus, Medi-Cal covers many optional groups and more optional services than all but one other state. Among the 15 largest states, California has the highest proportion of families on Medicaid—one in six. Its expenditures per user, however, are the lowest of the 15, primarily because Medi-Cal pays health care providers comparatively little for the services they provide.

Just as they are required to provide cash assistance, counties in California are required by law to provide health services to uninsured individuals who cannot pay for them. In 1993, they served 1.7 million indigent persons at an estimated cost of \$2 billion. Funding comes from the state tobacco tax and realignment revenue, federal Medicaid matching disproportionate share funds for hospitals serving high proportions of indigent inpatients, and county general revenue. Counties have been strug-

gling with these costs because all these funding sources have been under increasing pressure in recent years.

Teen Pregnancy Prevention

Prior to federal welfare reform, California already had in place an extensive system of teen pregnancy prevention services funded by the state Departments of Health Services and Education and a network of foundations and nonprofit organizations. Together these two departments have provided over \$109 million in 1996–97 for teen pregnancy prevention and intervention initiatives. However, no state agency is responsible for coordinating the management or delivery of teen pregnancy prevention services. Despite the governor's strong support for a comprehensive approach, state-sponsored programs remain largely uncoordinated across departments, and community-based organizations have had difficulty coordinating publicly and privately funded programs at the local level.

Last-Resort Safety Net Programs

Although one of the goals of devolution is to promote the well-being of children and families, it is important to consider what might happen to families for whom the new rules and programs do not work as designed. Child welfare, housing, and other emergency services have existed for a long time to "pick up the pieces" when families cannot cope.

Child Welfare

California is one of 12 states in which counties administer child welfare services. In all counties except Los Angeles, these offices are housed in the county social services agency. In response to high and increasing numbers of children in foster care, the state has increased the county share of foster care maintenance payments from 5 percent to 60 percent. In addition, the state has become more active in directing, advocating, and providing resources to implement prevention strategies to reduce out-of-home placements. The state has also expanded its training and technical assistance and its promotion of pre-

Table 3
California's TANF Program

Eligibility	Income eligibility is \$1,360/month for a recipient family of three with no unearned income or child care expenses; asset limit is \$2,000 for families with no members over age 60 and \$3,000 for families for a member over age 60.
Diversion	Applicants may receive a lump sum cash payment to assist them through a short-term crisis rather than going on aid. These families will still be eligible for Medi-Cal and child care. Counties can decide to provide clients with this diversionary grant, the amount of the grant, and the payment method (i.e., cash or noncash).
Time Limits	Exemptions apply to the elderly, disabled adults, adults caring for a disabled person, and adults facing general hardship. Upon reaching the federally mandated 60-month cumulative limit, families receive a child-only grant. (Counties decide whether to provide vouchers or cash.)
Income Disregards	Disregards \$225 and 50 percent of the remainder.
Work Requirements	Adults who are new applicants must participate in work activities at least within 18 months of benefit receipt; current recipients must participate within 24 months. Caretakers of a youngest child under 6 months are exempt. (Counties have the flexibility to lengthen the exemption age to 12 months or shorten it to 12 weeks.)
Work Sanctions	At first instance of noncompliance, removal of adult from benefit; at second instance of noncompliance, removal of adult from benefit for 3 months; at subsequent instances of noncompliance, removal of adult from benefit for 6 months. If a client has been sanctioned for over 3 months, then a county must issue vouchers or vendor payments for at least rent and utilities until the parent is no longer sanctioned.
Benefit Level	Families receive benefits based on a two-tier regional grant structure. In a high-cost county, a family of three with no other income receives \$565/month; in a low-cost county, \$538/month.
Family Cap	A cap is placed on family benefit levels so that benefits are not increased if a child is born to a family already on welfare.

Source: For eligibility, *One Year after Federal Welfare Reform: A Description of State Temporary Assistance for Needy Families (TANF) Decisions as of October 1997*, L. Jerome Gallagher, Megan Gallagher, Kevin Perese, Susan Schreiber, and Keith Watson. The Urban Institute, *Assessing the New Federalism* Occasional Paper Number 6, June 1998. Other information is from *Income Support and Social Services for Low-Income People in California*, Rob Geen, Wendy Zimmermann, Toby Douglas, Sheila Zedlewski, and Shelley Waters. The Urban Institute, *Assessing the New Federalism* State Report, June 1998.

vention, protection, and family preservation strategies. Even so, counties, in this as in other areas, retain significant discretion, and practices continue to vary greatly. One of the factors increasing the foster care load is California's mandate that relatives be given first consideration, since relatives have longer placements and are much less likely to adopt than unrelated caregivers. Recently, California received a federal waiver to use federal foster care funds to provide subsidized guardianships

for adolescents placed permanently with relatives.

Emergency Services and Housing

California has no state-level plan for assisting its homeless people. The state provides one-time short-term assistance to its AFDC-eligible homeless families. Otherwise localities have direct responsibility for policy, funding, administration, and delivery of homeless services through federal McKinney funding and Community Development Block Grant dollars. Most have mirrored the federal

government in moving toward a continuum of care with strong emphasis on transitional and permanent housing.

Implications of the New Federal Reform Legislation

California was one of the last states to pass legislation (CalWORKs) implementing the reforms specified under TANF—eventual passage of which followed months of contentious

debate between the governor and Democratic leaders in the state legislature (who also disagreed among themselves). Federal welfare reform was a catalyst for local planning, however, which started long before the state finalized CalWORKs in late 1997.

CalWORKs alters many key aspects of California's AFDC/GAIN program (table 3) and its subsidized child care system. Consistent with federal regulations, it provides time-limited aid. However, aid can be extended up to 60 months if no job is available and the recipient performs community service. Benefits for children continue after a family reaches its time limit. CalWORKs also increases the earnings disregard and calculates the grant so that recipients are always better off working than not. Recipients must work or participate in a sequence of work activities that starts with four weeks of job search, followed by a skills assessment, and then work activity participation as specified in TANF. They must also cooperate fully with child support officials, document appropriate immunizations for all preschool children, and ensure regular school attendance for school-age children.

With respect to child care, CalWORKs replaces all subsidized child care programs with a three-stage system. Stage one, which is administered by the county welfare department, lasts for up to six months or until the recipient's situation is stable. Stages two and three, supervised by the Department of Education, serve families continuing on welfare, transitioning families, and former recipients. CalWORKs also establishes a single payment rate, which counties and other administering agencies will be required to pay directly to providers.

The role of the state and counties in providing welfare assistance has also changed. The state still determines benefit levels and eligibility requirements, but counties can change other program requirements and apply for waivers to test alternative ways to deliver CalWORKs services. They also receive a block grant to cover administrative costs (within a maintenance-of-effort requirement).

Finally, CalWORKs prohibits recipients who have been sanctioned or have reached their time limit from receiving county-funded General Relief until all children have reached age 18.

The federal restrictions on immigrant eligibility for benefits present one of the most contentious issues in the state's welfare reform debate. Despite the governor's historically tough stance, California's treatment of legal immigrants under the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) is relatively generous. The state has opted to keep TANF and Medicaid eligibility for legal immigrants, and the governor has approved provision of state-funded food stamps to some of those who lose eligibility for federal food stamps.

Undocumented immigrants are in a very different position. Governor Wilson has taken an aggressive approach toward barring them from state and local programs, including prenatal care, community health services, and unemployment insurance disability benefits. His efforts have been held up, however, by extensive court challenges. California is out in front on these restrictions, as most other states have not taken any such steps.

CalWORKs continues to carry the state down the path it was on prior to the federal welfare reform legislation, requiring welfare recipients to work and take responsibility for their families. Implementation of the program begins in 1998, as the state is enjoying its strongest economy in nearly a decade. The impact and effectiveness of CalWORKs, however, are likely to depend on the continued strength of California's economy. If the past is a good predictor, the strength of California's economy will also have a large role in shaping future state policies toward low-income children and families.



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There are two *Highlights* for each state. The *Highlights* that focus on health cover Medicaid, other public insurance programs, the health care marketplace, and the role of public providers. The income support and social services *Highlights* look at basic income support programs, employment and training programs, child care, child support enforcement, and the last-resort safety net. The *Highlights* capture policies in place and planned in 1996 and early 1997. To receive the full-length reports on which the *Highlights* are based, contact the Urban Institute.

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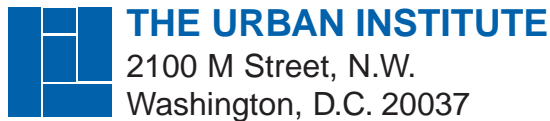
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