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# Income Support and Social Services for Low-Income People in Wisconsin

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**O**ver the past decade, Wisconsin has emerged as one of the nation's leaders in welfare reform. Since taking office in 1987, Governor Tommy Thompson has unveiled a

variety of reform initiatives, ranging from efforts to encourage school attendance among children on welfare to reforms designed to promote work. The many reforms instituted by the state prior to federal welfare reform in 1996 are grounded in a belief that individuals should be paid only for work and that families, not government, are primarily responsible for providing for their needs.

## State Overview

Wisconsin's 5.1 million citizens have benefited greatly from a consistently strong economy (table 1). Because the state's unemployment rates have been below the national average for a decade, its residents, including single and married women with children, are more likely to be employed than are their counterparts in other states. As might be expected, many of Wisconsin's children and families are better off than the

average American child or family—the state has an overall poverty rate of 9.9 percent; among children, the poverty rate is 14.4 percent. Nationally, these figures are 14.3 percent and 21.7 percent, respectively. However, there are excep-

tions to the generally strong economic picture. For example, poverty rates among Asian-American and African-

American children living in the state are quite high. The city of

Milwaukee, one of the 50 largest cities in the coun-

try, posted a 38 percent poverty rate

for children in 1989. Likewise,

Rusk County, our other study site, reported

a high poverty rate among children in that same year—nearly 21 percent.

In 1997, Wisconsin Governor Tommy Thompson was in his 11th year as

governor and was running for a fourth term.

His administration is widely known for its efforts to reform the state's welfare system. Additionally, expanding business development, building prisons, and lowering local school taxes are important priorities. The Republican governor's influence on the state's policy agenda has been bolstered by Wisconsin's steady revenue growth, the governor's broad line-item veto power, and legislative and public support for his ideas.

*W-2 completely  
recasts the contract  
between government and  
those seeking aid.*

**Table 1**  
**State Characteristics, 1995**

	Wisconsin	United States
<b>Population Characteristics</b>		
Population (1995) (in thousands)	5,146	260,202
Percent under 18 (1995)	27.9%	26.8%
Percent Hispanic (1995)	1.7%	10.7%
Percent Non-Hispanic Black (1995)	6.3%	12.5%
Percent Noncitizen Immigrant (1996)	2.1%	6.4%
Percent Rural (1990)	49.6%	36.4%
Population Growth (1990–1995)	4.7%	5.6%
<b>Births:</b>		
Per 1,000 Women Ages 15–19 (1994)	39	59
Per 1,000 Women Ages 15–44 (1994)	59.9	66.7
Percent to Unmarried Women (1994)	27.2%	32.6%
Percent to Women under 20 That Were Nonmarital (1994)	84%	76%
<b>Economic Characteristics</b>		
Per Capita Income (1995)	\$22,261	\$23,208
Percent Change in Per Capita Personal Income (1990–1995)	25.6%	21.2%
Percent below Poverty (1994)	9.9%	14.3%
Unemployment Rate (1996)	3.5%	5.4%
Employment Rate (1996)	72.1%	63.2%
Percent Jobs in Manufacturing (1995)	22.3%	16.0%
Percent Jobs in Service Sector (1995)	21.1%	23.1%
Percent Jobs in Public Sector (1995)	13.2%	14.7%
<b>Family Profile</b>		
Percent Two-Parent Families (1994)	38.3%	35.7%
Percent One-Parent Families (1994)	13.9%	13.8%
Percent Mothers with Child 12 or Under		
Working Full-Time (1994)	45.0%	38.1%
Working Part-Time (1994)	22.4%	16.1%
In Two-Parent Families and Working (1994)	50.5%	40.3%
In One-Parent Families and Working (1994)	17.0%	13.9%
Percent Children below Poverty (1994)	14.4%	21.7%
Median Income of Families with Children (1994)	\$42,996	\$37,109
Percent Children Uninsured (1995)	4.9%	10.0%

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

## Setting the Social Policy Context

During the past decade, Wisconsin has introduced a number of pilot programs and demonstrations intended to reinforce the importance of family, responsibility, and work. In response to an increasing focus on work, the state reorganized programs for income support, vocational rehabilitation, unemployment, and employment and training into a single department—the Department of Workforce Development

(DWD). Additionally, the state integrated its employment and training system to provide for a more seamless service delivery system through local one-stop Job Centers.

Income support programs are administered at the county level, with policy direction and administrative oversight from the state. Within Wisconsin's 72 counties, county boards of supervisors are responsible for the structure of the service delivery system. Employment and training services, on the other hand, are not county based.

Rather, funding for them is channeled through 17 local Service Delivery Areas (SDAs); responsibility for local Job Centers falls to Local Collaborative Planning Teams, which consist of representatives from a variety of employment and training sectors.

Compared with other states, Wisconsin is relatively generous in funding its social welfare programs; reductions in expenditures over the past several years reflect a declining caseload. However, in the state's 1995–97 biennial budget, the mandatory General Relief

program, which provided cash and medical assistance to low-income single adults, was replaced with an optional county block grant program. The governor has also attempted to give counties greater flexibility in deciding how to use Community Aids allocations, which are a mix of state and federal funds from Title XX (Social Services Block Grant), Title IV (Foster Care), Title IV-B (Child Welfare), the Substance Abuse Prevention and Treatment Block Grant, and the Community Mental Health Block Grant. Prior to 1995, counties received 15 specific categorical allocations and a basic allocation. Legislative changes reduced the number of categorical allocations to four and shifted the balance into the basic allocation.

## Basic Income Support

In 1996 and early 1997, Wisconsin had four major income support programs (table 2). The largest of these in terms of caseload was the Food Stamp program, with 283,255 individuals participating and an average monthly benefit of \$58 per person. Just under 196,000 households, including welfare recipients who moved into employment and other low-income families, took advantage of the state's Earned Income Credit (EIC). Families who qualify for the federal Earned Income Tax Credit receive a state EIC of between 4 and 43 percent of the federal amount. Supplemental Security Income (SSI) was the third-largest program, with a caseload of 118,489 and an average monthly benefit of \$483. Finally, Wisconsin's Aid to Families with Dependent Children (AFDC) program served 48,451 families in 1996, with an average monthly payment of \$407. AFDC and Food Stamp caseloads have declined, the former dramatically, while EIC and SSI participation has grown.

Wisconsin's efforts to reform its AFDC program have garnered much national attention. Since taking office in 1987, Governor Thompson has initiated more than 10 welfare reform pilot programs and demonstrations emphasizing work, family, and increased responsibility for the individual and the community. Perhaps the best known of these innovations is the Work Not Welfare (WNW) pilot, implemented in 1995.

WNW was the nation's first time-limited welfare program that placed a cap on the number of months families could receive assistance and required parents to work. Also in 1995, Wisconsin received federal waiver approval for two statewide, work-oriented demonstration projects, Self-Sufficiency First and Pay for Performance. These initiatives, which were implemented the following year, required "job ready" AFDC applicants to look for work as a condition of eligibility and stepped up the requirements of the Job Opportunities and Basic Skills (JOBS) Training program. Pay for Performance attempted to increase participation in work activities and to mirror the world of work by reducing recipients' welfare payments by the minimum wage for each hour they did not participate in required JOBS activities.

Some observers, particularly those in the advocacy community, have voiced concern that Wisconsin's reform efforts are too harsh and too quick to penalize clients. Supporters of this view point to cases of inappropriate sanctions against clients, although the state believes that these problems have been resolved.

## Programs That Promote Financial Independence

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

### *Employment and Training*

As noted earlier, the governor reorganized various income support and employment and training programs and created the Department of Workforce Development to oversee employment and training programs related to welfare, vocational rehabilitation, the Job Training Partnership Act (JTPA), and unemployment compensation. The Partnership for Full Employment embodies Wisconsin's vision for a new employment and training system and seeks to integrate previously fragmented employment and training programs into

a comprehensive and seamless service delivery system through one-stop employment and training facilities called Job Centers.

Job Centers are located in 17 Service Delivery Areas throughout the state; each SDA is expected to have a minimum of two centers. Job Centers serve a wide range of customers—both job seekers and employers—not just those attached to a particular state or federal program. The centers provide three levels of service designed to meet the needs of individual clients—self-service, light level of assistance, and specialized services.

Wisconsin has a long history of providing education and employment and training services to welfare recipients. Over the years, however, Wisconsin's JOBS program has focused on work rather than education. In 1991, two-fifths of JOBS participants were in high school completion or postsecondary education programs. By early 1997, long-term postsecondary education was no longer allowed as a JOBS activity for most participants. In addition, Wisconsin requires single, "able-bodied" Food Stamp participants to engage in work and training activities through the county Food Stamp Employment and Training program.

Wisconsin's employment and training system also focuses on youth. The state was one of the first to receive a grant under the 1994 federal School-to-Work Opportunities Act to provide students with academic and technical skills for the jobs of the next century. Wisconsin's Youth Apprenticeship program is a major component of its school-to-work effort. The program offers high school students work experience opportunities in major industries to supplement their academic studies.

### *Child Care*

Hand-in-hand with the state's increased focus on employment for welfare recipients are efforts to streamline and expand child care services. Wisconsin's ability to expand the supply of child care is facilitated by federal welfare reform. The federal move to establish a block grant for child care services will make it easier for the state to streamline various funding sources for both low-income and AFDC-related

**Table 2**  
**Social Welfare Spending for Families with Children in Wisconsin,**  
**State Fiscal Year 1995 (unless otherwise noted)**

Program	\$ in millions			Total Spending per Poor Family		
	Federal	State/Local	Total	Percent Change 1993-95	Wisconsin	United States
<b>Income Security</b>						
AFDC Benefits	\$232.9	\$156.5	\$389.4	-11.7%	\$1,107	\$851
AFDC Administration	43.0	42.6	85.6	84.8	243	136
SSI for Children	—	—	118.9	24.6	338	184
EITC Federal	322.1	—	322.1	76.4	916	1,010
EIC State		49.8			142	
<b>Food Security</b>						
Food Stamps	191.8	—	191.8	0.0	545	711
Child Nutrition	125.5	—	125.5	-12.7	357	344
<b>Education and Training</b>						
JOBS	29.7	18.2	47.9	41.1	136	59
JTPA	22.8	—	22.8	-27.3	65	73
<b>Child Care/Child Development</b>						
AFDC	18.7	12.6	31.3	77.4	89	61
At-Risk	5.8	3.9	9.7	-0.9	27	20
CCDBG	14.0	—	14.0	0.5	40	34
Head Start	52.6	—	52.6	28.5	150	117
<b>Child Support Enforcement</b>	50.8	19.4	70.2	50.8	200	115
<b>Child Welfare</b>						
Child Protection/FamPres	7.9	2.6	10.6	31.3	30	22
Foster Care	45.0	37.8	82.7	5.2	235	222
Adoption Assistance	9.1	6.1	15.2	48.6	43	29
Other	1.6	—	1.6	-2.5	4	3
<b>IV-A Emergency Assistance</b>	1.7	1.7	3.4	6.0	10	124
<b>Health</b>						
Medicaid, children only	271.5	182.5	454.0	31.3	1,291	984

Source: Complete list of sources is available in *Income Support and Social Services for Low-Income People in Wisconsin* (The Urban Institute, 1999)

child care. The state received a windfall under Temporary Assistance for Needy Families (TANF) because it implemented the block grant early and because 1996 welfare caseloads were substantially lower than previous years. These two factors freed up more resources for child care. In fiscal year 1997, Wisconsin allocated \$158 million to child care, tripling the previous year's allocation. These additional funds, coupled with changes to the mechanism by which counties receive them, have been crucial to the state's ability to eliminate the waiting list for child care assistance.

Wisconsin provides child care services to low-income families including welfare recipients through the Department of Workforce Development's Division of Economic Support (DES),

which contracts with counties to administer subsidized child care. Information about child care resources is provided to parents through 17 child care resource and referral agencies. However, officials note several problems at the local level, including delayed payments and late paperwork, that challenge the state's ability to meet its goal of expanding child care availability.

Head Start is the primary early childhood development program available to low-income families in Wisconsin. The state does not have an extensive prekindergarten program.

#### *Child Support*

At the state level, Wisconsin's Department of Workforce Development supervises Title IV-D of the Social

Security Act, which guides the establishment and enforcement of child support orders. Wisconsin's 72 counties operate the child support system with the assistance of sheriffs, clerks of the court, offices of corporation counsel or private attorneys, and other officials and agencies. Wisconsin continues to be a national leader in child support enforcement, both in terms of the number of paternities established and the amount of child support collected. In 1994, Wisconsin ranked third nationally for the efficiency with which it collected child support payments. Child support collection should be further facilitated by a new, automated data system that was implemented in late 1996.

Unlike many other states, Wisconsin serves noncustodial parents. The

Children First program provides work experience, job training, and case management services to noncustodial parents who are not paying child support. These parents enter the Children First program through the court system and may face imprisonment if they do not comply with the program's requirements. A 1993 study found that Children First was highly successful—substantially increasing both average child support payments and the number of parents paying support.

### ***Medicaid and Other Health Insurance***

Wisconsin has one of the most generous Medicaid programs in the country. The state's Medicaid coverage for low-income families and those associated with the welfare system goes beyond federal law in its coverage of categories of recipients and optional health services. Pregnant women and children under the age of six living on incomes up to 185 percent of the federal poverty level are covered. In addition, as required by federal law, children born after September 1983 who are living on incomes up to 100 percent of the federal poverty level are also extended insurance. Medicaid is available to families on AFDC, with coverage provided for up to 12 months after these families leave welfare for work. Given this generous program, it is not surprising that Medicaid is Wisconsin's third-largest budget item.

Some areas of the state also provide General Relief health services to poor, single adults through an optional county block grant program. In 1995, \$67.8 million in state and county funds were used for General Relief services, 80 percent of which went to medical assistance. Through the state's Health Insurance Risk-Sharing plan, Wisconsin offers coverage to the nonelderly who are denied coverage or whose coverage has suffered because of an increase in premiums or a decrease in benefits. Finally, the WisconCare program annually provides limited primary care services and inpatient maternity care to 1,500 low-income persons.

## **Last-Resort Safety Net Programs**

Child welfare, housing, and emergency services are three resources for families with serious and immediate needs that cannot be met by financial assistance alone.

### ***Child Welfare***

Counties in Wisconsin are responsible for all child welfare functions except adoption services. The state's primary role is to administer and oversee federal funding. This responsibility falls under the purview of the Department of Health and Family Services (DHFS), which distributes federal and state monies for child welfare through Community Aids. Counties are then required to put up a 9.89 percent match. During the 1980s and early 1990s, counties saw tremendous growth in the number of reports of abuse and neglect. This trend has reversed itself in many areas, but variation exists among counties. Milwaukee County continues to have the largest share of the child welfare caseload.

Historically, some tension has existed between the state and counties regarding how child welfare services are delivered and, in particular, how services are financed. Counties argue that Community Aids funds have not kept pace with growing demands on their systems and that the state is using federal funds to offset state costs, instead of passing them on to the counties. State officials point out that federal rules allow them to retain federal reimbursements and they are not required to spend them on child welfare.

Tensions between the state and Milwaukee County are particularly evident. In 1993, the American Civil Liberties Union filed suit against the state and Milwaukee County on the grounds that the two failed to protect children and families as required by state and federal law. As a result of this lawsuit, the state began running Milwaukee's child welfare system in 1998. The takeover entails a decentralization of Milwaukee's system. The county will be divided into five regions, with county staff overseeing two regions and private agencies responsible for the remainder.

Child welfare is also affected by

Wisconsin's welfare reform changes. Prior to the state's new welfare reform program, Wisconsin Works (W-2), a child living with a grandparent or other relative (called a nonlegally responsible relative) could receive a child-only grant under the AFDC program. As part of the shift to a work-based system of aid, W-2 disallows this practice. Nonlegally responsible relative cases are now referred to the Kinship Care program. Through the Kinship Care program, a determination is made as to whether a child is in need of protective services and whether placement with a relative is in the best interest of the child. All Kinship Care household members must undergo a criminal records check. Payment under the Kinship Care program is \$30 less per month than under AFDC.

### ***Emergency Services and Housing***

Wisconsin's housing policy is focused on preventing homelessness and moving people into self-sustaining employment, rather than on proliferating the number of homeless shelters. The state's Division of Housing within the Department of Administration is responsible for housing and homeless programs, but its role is primarily to administer funds. Most of the funding for housing in Wisconsin comes from the U.S. Department of Housing and Urban Development. Wisconsin does supplement federal funds and sponsors its own discrete programs.

State reports indicate that homelessness has increased annually, and at the time of the Wisconsin site visits, the city of Milwaukee was experiencing serious overcrowding problems in its homeless shelters. Some advocacy groups attributed this overcrowding to Wisconsin's welfare reform measures. State officials pointed out that welfare caseloads were dropping at a rate much greater than the increase in homelessness and that most shelter residents were not former welfare recipients. In the state's more rural areas, such as Rusk County, the dispersed nature of the population makes homeless shelters impractical. In addition to increased homelessness and the need for more and better public housing, Wisconsin also has an increasing demand for more traditional emergency services such as food pantries and meal programs.

## Welfare Reform Plans

Wisconsin was the first state to gain federal approval for its TANF plan because the state had already designed its welfare replacement program—Wisconsin Works, or W-2—prior to the 1996 Personal Responsibility and Work Opportunity Reconciliation Act (table 3). W-2 builds on the state’s 10 years of experience operating welfare reform demonstrations and pilots. As part of the planning process, the state developed eight overarching principles for W-2 and held listening sessions with community stakeholders; still, some community members believe that W-2 reflects only state policymakers’ priorities.

As a replacement program, W-2 completely recasts the contract between government and those seeking aid and thus alters just about every aspect of the old welfare system. With few exceptions, everyone is expected to participate at some level on day one, even those with limited work experience. The state designed an employment ladder intended to correspond to the various levels of job readiness that exist among the welfare population, ranging from unsubsidized employment, to communi-

ty service jobs, to substance abuse treatment. Receipt of cash is no longer an entitlement under W-2 and is dependent on participation in work or work-readiness activities. Support services are available to facilitate this. In an effort to expand the availability of child care to low-income families and welfare recipients alike, and to prepare recipients for the world of work, W-2 recipients are expected to share in the cost of child care: the state’s child care system imposes copayments that are based on income and family size. Child support is another important component of W-2. Wisconsin Works significantly changes the child support system for W-2 clients. Under the old AFDC system, the government kept all but the first \$50 of child support collected on behalf of AFDC recipients in order to offset the costs of the AFDC program; W-2 gives clients all of the money collected on their behalf.

One of the most notable aspects of the W-2 program is the state’s design for service delivery. Under the old AFDC system, counties were the de facto providers of welfare services. W-2 challenged this assumption by requiring counties to earn the right to deliver ser-

vices. A handful of counties did not meet the state’s criteria for the “right of first selection,” and others declined to run the program despite having earned the right to do so. In those counties, the delivery of services was contracted out via an open bidding process. As a result, Wisconsin has a number of private entities running the W-2 program—both for-profit and nonprofit organizations. All W-2 providers operate under similar contracts and are given a fixed amount to serve eligible clients in their service area. They may profit under these contracts by delivering services for less than the fixed amount.

Advocates have voiced concern about using profit-oriented contracts to serve needy families. In particular, they worry that W-2 providers may fail to assist hard-to-serve clients whose barriers to employment might cut into profit margins. W-2 agencies, however, are subject to fines by the state for failing to serve eligible families. Advocates have also taken issue with the manner by which W-2 recipients can challenge questions of eligibility and services. The process was seen by some as potentially arbitrary, since it must be initiated by the client and W-2 agencies can formulate

**Table 3**  
**Wisconsin’s TANF Program**

<b>Eligibility</b>	Income eligibility for a recipient family of three with no unearned income and no child care expenses is \$1,280/month; asset limit is \$2,500.
<b>Diversion Assistance</b>	Cash payment cannot exceed \$1,600 in 12-month period.
<b>Time Limits</b>	Five years, no exemptions.
<b>Earnings Disregards</b>	Disregards are not used; a family with earnings from an unsubsidized job receives only those earnings plus food stamps and the state and federal earned income tax credit.
<b>Work Requirements</b>	Adults must participate in work activities immediately; those with children under 12 weeks are exempt.
<b>Work Sanctions</b>	Recipients are paid only for the number of assigned hours that they work. If the recipient fails to work any of the assigned work hours, the benefits are terminated fully until recipient comes into compliance. For continued noncompliance or second instance of noncompliance, benefit is terminated permanently.
<b>Benefit Level</b>	\$628/month maximum for a single parent with two children and no income.

*Source: 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 Kevin Watson. The Urban Institute, *Assessing the New Federalism* Occasional Paper Number 6, June 1998, various tables.

their own dispute resolution process. Other concerns about implementing W-2 stem from the work-based focus of the program. Officials in Milwaukee and Rusk Counties were skeptical about their ability to develop enough community service placements for those who are not ready for unsubsidized employment. Furthermore, participants may face more difficulties finding work in areas of the state with high unemployment and little economic growth (as is the case in Rusk County). Finally, the treatment of children whose parents receive SSI has been noted as troublesome. Under W-2, these families receive significantly less income than they did while on AFDC.

### *Immigrants and Welfare Reform*

Wisconsin's noncitizen population is not substantial—at 2.1 percent, it is well below the national average of 6.4 percent. Even so, the state has taken steps to replace the benefits lost to immigrants as a result of federal welfare reform. For example, it appropriated \$4.6 million for FY 1999 to create a

benefits program for immigrants who lose federal Food Stamp eligibility. In addition to maintaining TANF and Medicaid eligibility for immigrants who resided in the United States at the time of PRWORA's passage (August 22, 1996), Wisconsin is using state funds to provide TANF to immigrants who entered after that date but are barred from receiving federal benefits for their first five years in the country.

## Implications of the New Federal Welfare Reform Legislation

Wisconsin's approach to income support and social services for low-income families represents a departure from traditional service delivery approaches. The state's consistently healthy economy, steady revenue growth, low unemployment rates, and low rates of child poverty, coupled with a politically strong governor, have provided an environment for experimenting with new policies and programs. The

combination of these factors culminated in a work-based system of welfare reform, W-2, that completely changed the focus of public aid.

In 1996 and early 1997, Wisconsin was in transition. The state had just reorganized and consolidated its administrative structure for income support and employment and training programs and was preparing to implement W-2. Wisconsin's current policies and programs, particularly in the area of income support, are built on a decade of experimentation with welfare. These early innovations, which emphasized the family, personal responsibility, and work, provided the opportunity for the state to build the infrastructure for broad-based reform. How well Wisconsin fares in implementing Wisconsin Works and what outcomes the program produces for participants are important questions that will likely have lessons and implications for other states and have significant ramifications for Wisconsin's low-income population.

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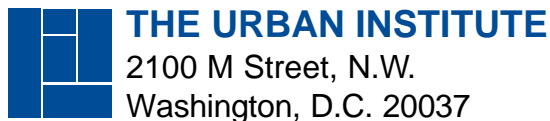
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