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

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State Reports

Assessing the New Federalism
An Urban Institute Program to Assess Changing Social Policies

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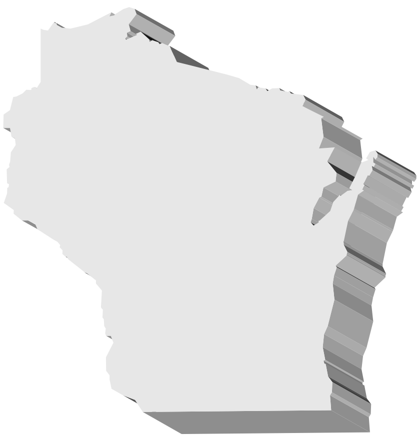

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This report is part of the Urban Institute's *Assessing the New Federalism* project, a multi-year effort to monitor and assess the devolution of social programs from the federal to the state and local levels. Alan Weil is the project director. The project analyzes changes in income support, social services, and health programs and their effects. In collaboration with Child Trends, Inc., the project studies child and family well-being.

The project has received funding from The Annie E. Casey Foundation, the W.K. Kellogg Foundation, The Robert Wood Johnson Foundation, The Henry J. Kaiser Family Foundation, The Ford Foundation, The John D. and Catherine T. MacArthur Foundation, the Charles Stewart Mott Foundation, The David and Lucile Packard Foundation, The Commonwealth Fund, the Stuart Foundation, the Weingart Foundation, The McKnight foundation, The Fund for New Jersey, and The Rockefeller Foundation. Additional funding is provided by the Joyce Foundation and The Lynde and Harry Bradley Foundation through a subcontract with the University of Wisconsin at Madison.

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Staff from the Urban Institute and University of Michigan also contributed to this report: Rob Geen (Urban Institute) contributed to the child welfare section; David Levy (University of Michigan) and Kathryn Schlichter (Urban Institute) provided able research assistance; and Alan Weil, Anna Kondratas, Freya Sonenstein, and Sheila Zedlewski (Urban Institute) made many substantive and editorial contributions. Rita Dettmar did a first-rate job of copyediting the entire report.

About the Series

Assessing the New Federalism is a multi-year Urban Institute project designed to analyze the devolution of responsibility from the federal government to the states for health care, income security, employment and training programs, and social services. Researchers monitor program changes and fiscal developments. In collaboration with Child Trends, Inc., the project studies changes in family well-being. The project aims to provide timely, nonpartisan information to inform public debate and to help state and local decisionmakers carry out their new responsibilities more effectively.

Key components of the project include a household survey, studies of policies in 13 states, and a database with information on all states and the District of Columbia, available at the Urban Institute's Web site. This paper is one in a series of reports on the case studies conducted in the 13 states, home to half of the nation's population. The 13 states are Alabama, California, Colorado, Florida, Massachusetts, Michigan, Minnesota, Mississippi, New Jersey, New York, Texas, Washington, and Wisconsin. Two case studies were conducted in each state, one focusing on income support and social services, including employment and training programs, and the other on health programs. These 26 reports describe the policies and programs in place in the base year of this project, 1996. A second set of case studies will be conducted to examine how states reshape programs and policies in response to increased freedom to design social welfare and health programs to fit the needs of their low-income populations.

The income support and social services studies look at three broad areas. Basic income support for low-income families, which includes cash and near-cash programs such as Aid to Families with Dependent Children and Food Stamps, is one. The second area includes programs designed to lessen the dependence of families on government-funded income support, such as education and training programs, child care, and child support enforcement. Finally, the reports describe what might be called the last resort safety net, which includes child welfare, homeless programs, and other emergency services.

The health reports describe the entire context of health care provision for the low-income population. They cover Medicaid and similar programs, state policies regarding insurance, and the role of public hospitals and public health programs.

In a study of the effects of shifting responsibilities from federal to state governments, one must start with an understanding of where states stand. States have made highly varied decisions about how to structure their programs. In addition, each state is working within its own context of private-sector choices and political attitudes toward the role of government. Future components of *Assessing the New Federalism* will include studies of the variation in policy choices made by different states.

Contents

Highlights of the Report

This report focuses on the baseline conditions of cash assistance and social services in the state of Wisconsin in 1996 and early 1997. Site visits were conducted in March and April of 1997, at which time Wisconsin's Temporary Assistance for Needy Families (TANF) plan, as authorized under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), was approved by the federal government, and the state was preparing to implement its welfare replacement program, Wisconsin Works (W-2).

State Overview

Wisconsin's 5.1 million citizens have benefited greatly from a consistently strong economy. 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 exceptions 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 country, 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 12th 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 support for his ideas.

Setting the Social Policy Context

During the past decade Wisconsin has emerged as a leader in welfare reform. A number of pilots and demonstrations were introduced with the intent of supporting 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; 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 last 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. 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 pilots 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. 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 Training (JOBS) 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 concerns that Wisconsin's reform efforts are too harsh and too quick to penalize clients. Supporters of these views 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's 1996 reorganization of various income support and employment and training programs 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. Partnership for Full Employment embodies Wisconsin's vision for a new employment and training system. This program seeks to integrate previously fragmented employment and training programs into a comprehensive and seamless service delivery system of one-stop employment and training facilities called Job Centers.

Job Centers are located in 17 Service Delivery Areas (SDAs) 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 services 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. 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 child care. The state received a windfall under TANF because it implemented the block grant early and because 1996 welfare case-loads were substantially lower than previous years. These two factors freed up more resources for child care. In fiscal year (FY) 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, 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, and offices of the corporation counsel or private attorneys. 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 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, 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 withholding additional federal revenue. State officials contend that they are not violating any federal regulations under the current funding structure.

Tensions between the state and Milwaukee County in particular are evident. In 1993, the American Civil Liberties Union filed suit against Wisconsin 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 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. W-2 disallows this practice; nonlegally responsible relative cases are now referred to the Kinship Care program. Not only does the Kinship Care program pay less in benefits, but cases are assessed to determine if children need protective services and to subject relatives to criminal background checks. This change in policy reflects the state's belief that these types of cases are inappropriate for W-2, given the program's emphasis on work.

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. 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. 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 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, 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. Support services are available, but a cash grant is not guaranteed. 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 services. 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 are subject to fines for failing to serve eligible families, but the process was seen by some as potentially arbitrary, since it must be initiated by the client. 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.

Introduction

Over the past decade, Wisconsin has emerged as one of the nation's leaders on 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 own needs.

This report attempts to capture the processes and philosophies that have shaped the design and implementation of Wisconsin's response to the needs of low-income families, as well as to consider the direction in which the state plans to move in the coming years. Of particular interest is the state's implementation of its welfare replacement program, Wisconsin Works, more commonly known as W-2. W-2 constitutes Wisconsin's Temporary Assistance for Needy Families (TANF) plan as required under the federal Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996. This report focuses on the findings of the Wisconsin case study, which seeks to provide a broad picture of the state's social safety net for low-income families with children. It examines the current goals, policies, practices, organizational structure, funding, and recent changes in a wide variety of programs serving children and their families. The review covers income support, employment and training, and child care programs targeted to low-income families. It also examines how other programs such as child welfare and emergency services work to assist families in crisis.

Researchers from the Urban Institute, the University of Michigan, and Child Trends, Inc., visited Wisconsin in March and April of 1997. At the state level, they conducted interviews with representatives from government, the legislature, and the advocacy community. To understand how programs impact providers and program recipients locally, they interviewed representatives from the local government and nonprofit community in the city of Milwaukee, the largest urban area in the state. Additionally, because Wisconsin is fairly rural, they visited Rusk County, which is located in a rural area of northwestern Wisconsin. There they interviewed county officials and nonprofit service providers.

At the time of the site visit, Wisconsin was gearing up for the implementation of W-2. While W-2 has received national attention in the media for its innovative approach to supporting low-income families through work, many of the central components of the reform were not in place in 1996 and early 1997. Also, the state was in the process of restructuring its workforce development system. As a result, services, programs, and policies detailed in this report are those that existed in early 1997.

This report begins with a discussion of the characteristics of the state in terms of its population, economic condition, and political environment. It describes the state's agenda for serving the needs of low-income families, including a discussion of spending in this area and an overview of the service delivery structure in the state. Three broad social program areas are discussed—support for basic income needs, policies for moving families toward financial independence, and programs that provide a safety net for families in crisis. The report ends with a discussion of the Wisconsin Works program and its implications for low-income families.

Wisconsin: A Brief Overview

This section presents a brief overview of Wisconsin's population, economy, and political environment as a context for understanding the social programs that are described in the rest of the report. It describes the state's political and budgetary landscape, indicating the climate of attitudes and resources within which state policy is shaped. The discussion highlights key factors such as the state's strong economy and low poverty rate, the executive strength of Wisconsin's three-term governor, and the importance of education-related tax relief. Table 1 synthesizes the information presented in this section.

Population

Wisconsin's population of 5.1 million people is less racially and ethnically diverse than that of the nation as a whole. Non-Hispanic blacks make up 6.3 percent of the state's population (compared to 12.5 percent for the nation); Hispanics constitute only 1.7 percent (compared to 10.7 percent for the entire United States); and noncitizen immigrants account for 2.1 percent of the population (6.4 percent nationally). The state is also considerably more rural than the rest of the nation; almost half of its population lives in rural areas, as opposed to 36.4 percent nationally. Population growth in the state during the 1990s has been slower (4.7 percent) than growth in the rest of the country (5.6 percent).

Milwaukee is the largest city in Wisconsin, with an estimated population of 617,000 in 1994.[1] (The city's population has been in decline since its 1980

Table 1 *Wisconsin State Characteristics, 1995*

	Wisconsin	United States
Population characteristics		
Population (1995)[a] (in thousands)	5,146	260,202
Percent under 18 (1995)[a]	27.9%	26.8%
Percent Hispanic (1995)[a]	1.7%	10.7%
Percent Non-Hispanic Black (1995)[a]	6.3%	12.5%
Percent Noncitizen Immigrant (1996)[b]	2.1%	6.4%
Percent Rural (1990)[c]	49.6%	36.4%
Population Growth (1990–1995)[d]	4.7%	5.6%
Births per 1,000 Women Ages 15–44 (1994)[e]	59.9	66.7
Percent to Unmarried Women (1994)[e]	27.2%	32.6%
Percent to Women under 20 That Were Nonmarital (1994)[e]	84%	76%
Per 1,000 Women Ages 15–19 (1994)[e]	39	59
State economic characteristics		
Per Capita Income (1995)[f]	$22,261	$23,208
Percent Change in Per Capita Income (1990–1995)[f, g]	25.6%	21.2%
Percent below Poverty (1994)[h]	9.9%	14.3%
Unemployment Rate (1996)[i]	3.5%	5.4%
Employment Rate (1996)[i, j]	72.1%	63.2%
Percent Jobs in Manufacturing (1995)[k]	22.3%	16.0%
Percent Jobs in Service Sector (1995)[k]	21.1%	23.1%
Percent Jobs in Public Sector (1995)[k]	13.2%	14.7%
Family profile		
Percent Two-Parent Families (1994)[h, l]	38.3%	35.7%
Percent One-Parent Families (1994)[h, m]	13.9%	13.8%
Percent Mothers with Child 12 or under		
Working Full-Time (1994)[h, n]	45.0%	38.1%
Working Part-Time (1994)[h, o]	22.4%	16.1%
In Two-Parent Families and Working (1994)[h, p]	50.5%	40.3%
In One-Parent Families and Working (1994)[h, p]	17.0%	13.9%
Percent Children below Poverty (1994)[h]	14.4%	21.7%
Median Income of Families with Children (1994)[h]	$42,996	$37,109
Percent Children Uninsured (1995)[a]	4.9%	10.0%
Political		
Governor's Affiliation (1996)[q]	R	
Party Control of Senate (1996)[q]	17D–16R	
Party Control of House (1996)[q]	47D–52R	

a. Two-year concatenated March Current Population Survey (CPS) files, 1995 and 1996. These files are edited using the Urban Institute's TRIM2 microsimulation model. Excludes those in families with active military members.

b. CPS three-year average (March 1996–March 1998, where 1996 is the center year), edited by the Urban Institute to correct misreporting of citizenship.

c. U.S. Bureau of the Census, *1990 Census of Population: General Population Characteristics*. Washington, D.C., 1992.

d. U.S. Bureau of the Census, *Statistical Abstract of the United States: 1996* (116th edition). Washington, D.C., 1996. 1995 population as of July 1. 1990 population as of April 1.

e. U.S. National Center for Health Statistics, *Monthly Vital Statistics Report*, Vol. 44, No. 3 & Vol. 44, No. 11.

f. *State Personal Income, 1969–1995*. CD-ROM. Washington, D.C.: Regional Economic Measurement Division (BE-55), Bureau of Economic Analysis, Economics and Statistics Administration, U.S. Department of Commerce, October 1996.

g. Computed using midyear population estimates of the Bureau of the Census.

h. CPS three-year average (March 1994–March 1996, where 1994 is the center year) edited using the Urban Institute's TRIM2 microsimulation model.

i. U.S. Department of Labor, *State and Regional Unemployment, 1996 Annual Averages*, USDL 97–88. Washington, D.C., March 18, 1997.

j. Employment rate is calculated using the civilian noninstitutionalized population 16 years of age and over.

k. Bureau of Labor Statistics, *1995 Geographic Profile of Employment and Unemployment*.

l. Percent of all families (two or more related persons living in the same household) that include one or more related children and in which the head of the family is not married and nonelderly.

m. Percent of all families (two or more related persons living in the same household) that include one or more related children and in which the head of the family is nonelderly and married, and the spouse is present.

n. Full-time work is defined as at least 1,750 hours per year (50 weeks × 35 hours per week).

o. Part-time work is defined as at least 910 hours per year (52 weeks × 17.5 hours per week) and less than 1,750 hours per year (50 weeks × 35 hours per week).

p. Working is defined as working at least 910 hours per year (52 weeks × 17.5 hours per week).

q. National Conference of State Legislatures, *1997 Partisan Composition, May 7 Update.* D indicates Democrat, R indicates Republican.

peak of 636,000.) Milwaukee County (which includes the city of Milwaukee and surrounding suburbs) remains the most populous county in the state by far. African-Americans made up 30 percent of the county's population in 1990 and more than three-quarters of them resided in the city of Milwaukee.[2]

Most of the state's residents live in southeastern Wisconsin, which includes Milwaukee County. The areas extending north along the Fox and Wisconsin Rivers, as well as Dane County, where the state capital, Madison, is located, are experiencing rapid growth. Rusk County, on the other hand, is more typical of the counties in the far northern part of the state, which is more rural and less populated. Rusk County's population in 1996 was estimated at 15,433.[3]

Overall, Wisconsin's children and families are better off than the average child or family in the nation. The teen birthrate in Wisconsin, 39 per 1,000 women ages 15 through 19, is lower than in most states and compares favorably with the national rate of 59 per 1,000. Births to unmarried women, at 27.2 percent in 1994, are again lower than the national average (32.6 percent). In 1994, the state's overall poverty rate was 9.9 percent (14.3 percent nationally), and 14.4 percent of the state's children lived in households with incomes below the poverty line (as compared with 21.7 percent nationally). However, Wisconsin's poverty rate for Asian-American children (48.1 percent) is the highest in the nation and its rate for African-American children (60 percent) is the second highest.[4]

The city of Milwaukee stands in stark contrast to the generally positive picture regarding poverty among children in Wisconsin. Of the 50 largest cities in the United States, Milwaukee had the seventh-highest child poverty rate (38 percent) in 1989.[5] Rusk County's child poverty rate for that same year (20.6 percent)[6] was higher than the state average. In general, family poverty rates are low in southeastern Wisconsin, with the exception of Milwaukee, and higher in the northwest counties where Rusk is located.[7]

The Economic Environment

Wisconsin's economy is quite strong and has been for a number of years. The monthly seasonally adjusted unemployment rate at the time of this study had been lower than the U.S. average for every month since February 1988, and the state's 1996 unemployment rate of 3.5 percent was the lowest recorded by the state since 1969.[8] The unemployment rate *did* tick upward during the recession in the early 1990s, but the state's monthly unemployment rate never exceeded 6.0 percent—a rate substantially below the national peak of 7.8 percent.

Because of the state's sound economy, Wisconsin residents are more likely to be employed than are residents of other states. This general pattern holds for women with children—45 percent of Wisconsin's mothers with children under age 12 work full-time, and 22.4 percent work part-time. Both of these figures are higher than the national numbers. In addition, Wisconsin's mothers in both one-parent and two-parent families are more likely to be working than is the typical U.S. mother in similar families.

The state's economic strength is due in part to the diversity of the economy. Historically known as a farming state, or "America's Dairyland," Wisconsin also has a significant share of its labor force employed in manufacturing (23.2 percent in 1995).[9] This is almost 50 percent higher than the national figure. Agriculture, including dairy production, continues to be a top industry in the state, while the trade, finance, and service sectors have experienced the most growth.[10]

The Political Landscape

Wisconsin is known as the birthplace of Robert LaFollette's progressive movement, but it is also the state where the Republican party was given its name. For more than 10 years, Wisconsin has had a Republican governor and a primarily Democratic legislature, although in recent years the balance of power has shifted.

The governorship has substantial influence, such as fairly broad authority to use the line-item veto on appropriation bills, including the biennial budget. The governor may use the line-item veto to eliminate words and whole programs in the budget bill. In addition, the governor has the authority to "write down" budget lines by lowering the amount appropriated for particular activities. Wisconsin's current governor, Tommy Thompson, has used this veto power freely. Since taking office, Thompson had issued 1,700 vetoes, none of which has been overridden during his three terms.[11]

Governor Thompson was first elected in 1986. Prior to that, he served in the state assembly for 20 years and was twice elected minority leader. In his first gubernatorial bid he defeated a Democratic incumbent and won with 52.7 percent of the vote. He won subsequent elections in 1990 and 1994 by substantially wider margins. Wisconsin does not impose gubernatorial term limits, and at the time of this study, Governor Thompson was preparing to run for a fourth term.

Welfare reform has been a cornerstone of Governor Thompson's policy agenda. The governor's office has initiated several different welfare reform measures and has taken a hands-on approach to policy development and implementation. Governor Thompson has been a strong advocate of state block grants for income support and related programs, particularly in his role as chairman of the National Governors' Association.

Passage of federal welfare reform in 1996 prompted Wisconsin to move forward with its plan to replace the state's cash welfare system with a work-based model called Wisconsin Works. In general, Governor Thompson has spearheaded the development of W-2 and welfare policy, but the legislature has also played an active role and in fact, W-2 is an outgrowth of a legislative initiative.

In 1993, Democrats in the legislature introduced and were able to pass Wisconsin Act 99. This bill called for the end of welfare in Wisconsin by 1999. To the surprise of some, Governor Thompson signed the bill, vowing to end welfare by 1997 and to replace it with an entirely new program. Two years later Wisconsin Act 289 was passed, creating W-2.

W-2, however, reflects the governor's vision of welfare reform. While the Democrats had a majority in both houses of the legislature from 1975 until 1992, the balance of power has subsequently shifted back and forth between the two parties. In the 1992 election, the Republicans won a one-seat majority in the Senate. In 1994, Republicans won both houses for the first time in 25 years. The Democrats were able to win back the Senate majority in 1996, but only by one seat. By that time, W-2 had received legislative approval. It is important to note, however, that W-2 was supported by Democrats and Republicans alike and was passed by the legislature with virtually no amendments.

The role of nonprofit and nongovernmental groups in developing policy is less clearly defined. Prior to the development of W-2, several listening sessions were held around the state to gather opinions about various approaches to an AFDC replacement program. All those involved in the welfare system were asked to participate: AFDC recipients, advocacy groups, businesses, county providers, legislators, and academics. Some in this group, however, felt their input was not taken into consideration.

Nonprofit service providers, advocacy groups, and local officials have had some impact in shaping final W-2 regulations. Nevertheless, many in the non-government sector (as well as some Democratic legislators) have serious concerns about the direction the state is taking for serving low-income families. While supporters of the state's policies see W-2 and the policy changes preceding it as necessary steps toward moving families into work and self-sufficiency, others fear the changes may move more families into poverty and homelessness.

The Budgetary Landscape

Wisconsin's strong economy has produced steady revenue growth. From 1990–91 through 1995–96, general revenue growth averaged 5.25 percent.[12] Biennial revenue growth for 1997–99 was projected to be 5.5 percent in fiscal year (FY) 1997, 4.6 percent in FY 1998, and 4.8 percent in FY 1999.[13]

Despite this anticipated growth in revenues, most state agencies have been required to cut their budgets or to hold spending steady so that more funding could be directed to the public school system. In order to provide property tax relief—a longtime fiscal priority for the state—Wisconsin has sought to use state appropriations to fund two-thirds of school costs. As a result of this commitment, state funding for public schools has risen. There has not, however, been a similar increase in state funding for other services.

From the viewpoint of the governor's office, school costs and increases in prison funding along with the state's constitutional requirement for a balanced budget have depleted the state's financial resources, leaving few funds for expanding other programs. As a result, departments were asked to submit budgets with cuts of 5 to 10 percent for the biennium 1995–97 and cuts of 2 percent for the biennium 1997–99. Most departments were then funded at a reduced level or at the same level as earlier years.

The final budget for biennium 1997–99, which should have gone into effect by July 1, 1997, was more than three months late. However, government operations did not come to a halt because state statutes allow for the continuation of appropriations at the previous fiscal year's level. A number of contentious issues caused the budget stalemate, including controversial proposals to increase gasoline taxes[14] and a concern that the budget was being used to legislate local issues.[15] The governor signed the final budget on October 11, 1997, after vetoing 152 provisions, including several sections that would have altered W-2. The final budget held to Wisconsin's commitment to providing property tax relief by increasing state funding to public schools. Public school funding increased by $239 million for 1997–98 and $212 million for 1998–99 (above the $6.3 billion appropriated in biennium 1995–97).

Setting the Social Policy Context

This section describes Wisconsin's philosophical and policy orientation, specifically with regard to helping low-income families. Following a discussion of policy commitments, the section outlines the organizational structure of the departments that provide income support and social service programs and reviews state and local spending on these programs. This information provides important background for understanding the structure and approach of the major social welfare programs in place during 1996 and early 1997.

Wisconsin's Agenda for Serving the Needs of Low-Income Families

Wisconsin is known throughout the nation as a leader in welfare reform and is one of the most prolific in terms of the number of welfare experiments conducted. Beginning in the late 1980s, the state applied for and received many federal waivers to experiment with various aspects of its welfare program. Throughout the decade preceding Wisconsin Works, reform efforts emphasized family, personal responsibility, work, privatization of social services, and the importance of the community.

Officials note that their experience with each waiver demonstration and pilot program shaped the state's current vision for reform. Early reforms reflected the state's view of what was needed to strengthen families and keep them together.

Later reforms embodied the principles of work and self-sufficiency. These reforms culminated in W-2 (see *Welfare Reform Plans* in this report).

Along with reforming welfare, Wisconsin has been moving toward an integrated employment and training system. Through state and local planning efforts and the use of federal grants, Wisconsin has developed a series of Job Centers as one-stop employment and training operations that offer a range of services and programs to job seekers and employers alike. The centers have become models for other states to follow.

Job Centers will be the main service delivery point for W-2. But more broadly, they are the primary mechanism through which Wisconsin's vision for a new employment and training system—the Partnership for Full Employment (PFE)—will become operational. PFE seeks to integrate previously fragmented employment and training programs into a comprehensive and seamless delivery system (see *Programs That Promote Financial Independence* for a full description of PFE). Together, PFE and W-2 represent Wisconsin's effort to promote work and provide a variety of support services to low-income families, regardless of their welfare status.

Organization of Services and Administrative Structure

Changes to policy and service delivery for low-income families in Wisconsin have been accompanied by a reorganization of the departments that serve these clients. Before July 1, 1996, the Department of Health and Social Services (DHSS) oversaw income support programs, including Aid to Families with Dependent Children (AFDC), Food Stamps, and Medicaid; related services such as Job Opportunities and Basic Skills Training (JOBS) and child care; and child welfare programs. Most employment and training programs were administered through the Department of Industry, Labor, and Human Relations (DILHR). In an effort to bring all employment and training programs into one agency, Governor Thompson created the Department of Workforce Development (DWD).

Although DWD is a new department, most of its operating divisions were transferred from DILHR, which then ceased to exist as an agency. The Division of Economic Support, which oversees AFDC, Food Stamps, JOBS, child care, and child support, was transferred from DHSS into DWD (as was the Division of Vocational Rehabilitation). This reorganization coincided with a philosophical shift in program policy. Income support programs (as well as vocational rehabilitation programs) were becoming increasingly work oriented, so that organizationally it made sense to have one department oversee these related programs. DWD, which focuses predominantly on employment, was the natural choice. Child welfare and Medicaid remained part of DHSS, which subsequently changed its name to the Department of Health and Family Services (DHFS).

Wisconsin's service delivery system for income support and social service programs is administered at the county level, with major policy directives decided by the state. Prior to W-2, Wisconsin law required that the state contract annually with the counties for administration of income support programs (AFDC, Food Stamps, and Medicaid) and for most child welfare, mental health, and substance abuse programs. County boards of supervisors established the structure for delivering these programs. Most commonly, county human services or social services departments constituted the service delivery structure.

In Milwaukee County, a director of human services was responsible for overall program oversight and policy development, while separate divisions within the human services department oversaw financial assistance programs (including AFDC, Food Stamps, and Medicaid), adult services, mental health programs, and youth services—including child welfare. In early 1997, however, the state was in the midst of assuming responsibility for child welfare services in Milwaukee County (see *Last-Resort Safety Net Programs*).

Local administration of Wisconsin's employment and training services is not county based. Funds are channeled to the state's 17 Service Delivery Areas (SDAs), geographical entities established to administer Job Training Partnership Act (JTPA) programs. In most cases, SDAs cover multiple counties. Local Collaborative Planning Teams (LCPTs), which are composed of representatives from agencies that handle the major federally funded employment and training programs (e.g., JOBS, JTPA, Job Service, the technical colleges, and vocational rehabilitation, and, in some areas, local economic development organizations and community-based organizations), develop and implement Job Centers for their areas.

Localities are allowed a certain amount of flexibility in designing and operating their Job Centers. DWD's Division of Workforce Excellence, however, develops a set of functional and service standards, which the LCPTs must meet in order to have their one-stop operation certified as a Job Center. As of late 1997, 73 Job Centers were in various stages of planning or operation. Each SDA is expected to have at least two fully operational Job Centers by June 30, 1998. (See table 2 for an overview of programs and administrative arrangements.)

Social Welfare Spending and Coverage

In general, funding for social welfare programs has not kept pace with state spending in other program areas, particularly schools and prisons. The 1997–99 budget appropriates a total of $37.4 billion for the biennium, an increase of 9.5 percent from 1995–97. Within these funds, appropriations for public schools (through the school aids program and the school levy tax credit) increased by more than 188 percent.[16] Funding for the Department of Workforce Development increased by only 13 percent, and spending for the Department of Health and Family Services increased by a mere 4 percent.[17] Of the programs operated

Table 2 *Organizational Structure of Social Welfare Programs*

Program	State Agency Location	Local Administrative Arrangement
Income Security		
AFDC	DWD, DES	County DHS/DSS
Food Stamps	DWD, DES	County DHS/DSS
Education and Training		
JOBS	DWD, DES	County DHS/DSS
JTPA	DWD, Workforce Excellence	17 Local SDAs
Employment Services	DWD, Workforce Excellence	Local Job Service offices
Child Care/Child Development		
Child Care	DWD, DES	County DHS/DSS
Head Start	Public Instruction/DWD, DES*	Local grantees
Other Child Development	Public Instruction	Local grantees
Child Support Enforcement	DWD, DES	County DHS/DSS
Child Welfare		
Child Protection/FamPres	DHFS, Child and Family Services (DCFS)	County DHS/DSS
Foster Care	DHFS, DCFS	County DHS/DSS
Adoption Assistance	DHFS, DCFS	County DHS/DSS
Emergency Services		
State Emergency Assistance	DWD, DES	County DHS/DSS
Homeless Programs	Administration Housing	Local shelters
Refugees	DWD, DES	Community-based organization
Health		
Medicaid	DHFS, Health	County DHS/DSS
General Relief	DHFS, Health	County DHS/DSS, optional

*The Department of Public Instruction administers a small state Head Start supplement. The new Head Start Collaboration position will be placed within the Division of Economic Support in DWD.

by these departments, Medical Assistance received the greatest share of state funds; $943.8 million of General Purpose Revenue (GPR) funds were appropriated for FY 1999, compared with $281.7 million for Community Aids, the mechanism by which counties receive state and federal funds for human service programs. The state appropriated $169.2 million for W-2, which was slated for implementation beginning September 1997. This amount meets the federal requirement that states appropriate at least 80 percent (or 75 percent for states such as Wisconsin, which met federal work participation requirements) of what they spent for AFDC in FY 1994.

In the 1995–97 biennial budget bill, the state's mandatory General Relief program was replaced with an optional county block grant program. Prior to this budget initiative, counties were legally required to offer cash and medical assistance to eligible persons (as defined by state statute and individual counties)—typically, very low income single adults. The change in the law offers counties, at their option, a block grant from the state to provide primarily medical assistance to this population. To receive the block grant, counties must match state funds with local monies. Little more than half of the state's counties (including Milwaukee County), which represent approximately 80 percent of the state's population, participate in the new block grant program. Another eight counties operate county-financed relief programs, six of which provide both cash and medical assistance.

The governor has also pushed for more flexibility in Community Aids spending. Currently included in Community Aids are federal funds from the Social Services Block Grant (Title XX), Title IV-E (Foster Care), Title IV-B (Child Welfare), the Substance Abuse Prevention and Treatment Block Grant, and the Community Mental Health Block Grant. State GPR funds are also allocated to Community Aids. Prior to 1995, Community Aids funding consisted of 15 categorical allocations and a basic allocation. With passage of Wisconsin Act 27, counties now receive four categorical allocations: (1) family support programs for families with disabled children; (2) substance abuse prevention and treatment; (3) community mental health programs; and (4) support for families and caregivers of individuals with Alzheimer's disease. Remaining funds (from Title XX, Title IV-E, and Title IV-B) were folded into the basic allocation pot.

With fewer categories, counties have more leeway to determine *how* to spend their Community Aids allocations. A number of Milwaukee officials, however, believe that Community Aids funds have not kept pace with need—especially in the area of child welfare. State officials recognize this shortfall and attribute low funding levels to cuts in federal spending.

From a national perspective, Wisconsin has been fairly generous in funding social welfare programs. For example, the state's spending per poor person in FY 1995 was higher than the U.S. average across a number of programs (i.e., AFDC, SSI, child nutrition, JOBS, child care, child support, child welfare, and Medicaid for children). Table 3 summarizes Wisconsin's social welfare spending for families with children. The federal government provides substantial support for these programs, with state and local funds accounting for only about 25 percent of the total cost. The federal Earned Income Tax Credit (EITC), JTPA programs, and IV-A Emergency Assistance are the only programs in Wisconsin for which combined state and federal expenditures are lower than the national average.

As shown in table 3, social welfare spending for families and their children increased from 1993 to 1995. Expenditures on benefits for income support programs, however, declined. From FY 1993 to 1995, for example, spending on AFDC benefits declined by almost 12 percent. In February 1996, total AFDC payments were just over $27 million. A year later payments were down by almost $10 million.[18] A similar although not so dramatic trend is seen in Food Stamp payments. These reductions in AFDC and Food Stamp expenditures reflect the continuing decline in Wisconsin's caseloads, at rates that far outpace national trends. The exact causes of the caseload declines are not known, but they are most likely the result of many factors including Wisconsin's strong economy and welfare policies.

Table 3 *Social Welfare Spending for Families with Children in Wisconsin, State Fiscal Year 1995 (unless otherwise noted)*

Program	Federal ($ in millions)	State/Local ($ in millions)	Total ($ in millions)	Percent Change 1993–95	Spending per Poor Family[a] Wisconsin	Spending per Poor Family[a] United States
Income Security						
AFDC Benefits[b]	$232.9	$156.5	$389.4	–11.7%	$1,107	$851
AFDC Administration[c]	43.0	42.6	85.6	84.8	243	136
SSI for Children[d]	—	—	118.9	24.6	338	184
EITC Federal[e]	322.1	—	322.1	76.4	916	1,010
EIC State[f]		49.8			142	
Food Security						
Food Stamps[g]	191.8	—	191.8	0.0	545	711
Child Nutrition[h]	125.5	—	125.5	–12.7	357	344
Education and Training						
JOBS[i]	29.7	18.2	47.9	41.1	136	59
JTPA[j]	22.8	—	22.8	–27.3	65	73
Child Care/Child Development						
AFDC[k]	18.7	12.6	31.3	77.4	89	61
At-Risk[l]	5.8	3.9	9.7	–0.9	27	20
CCDBG[m]	14.0	—	14.0	0.5	40	34
Head Start[m]	52.6	—	52.6	28.5	150	117
Child Support Enforcement[n]	50.8	19.4	70.2	50.8	200	115
Child Welfare						
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
IV-A Emergency Assistance[o]	1.7	1.7	3.4	6.0	10	124
Health						
Medicaid, children only[p]	271.5	182.5	454.0	31.3	1,291	984

a. Spending on each item divided by the number of poor persons in families with children. The number of poor was estimated using the average poverty rate for persons in families with children for 1993–1995 (derived from three years of the Current Population Survey).

b. ACF-231 Line by Line Report, Administration for Children and Families, U.S. Department of Health and Human Services.

c. ACF-231 Line by Line Report, Administration for Children and Families, U.S. Department of Health and Human Services. Figure includes administrative costs for child care (except At-Risk), work programs, automated data processing (ADP), FAMIS (a management information system), fraud control, Systemic Alien Verification for Entitlements (SAVE), and other state and local expenses.

d. Urban Institute estimates derived from data published in *Children Receiving SSI* (June 1993, December 1993, June 1995, December 1995), Office of Research, Evaluation, and Statistics, Social Security Administration. Spending is for the calendar year, estimated based on spending in June and December of each year. Includes federal spending and state supplements for states in which the state supplement is federally administered.

e. *Statistics of Income Bulletin* (Spring 1997 and Spring 1995), Internal Revenue Service.

f. Information collected by the Urban Institute from state budget documents.

g. Urban Institute tabulations based on Food Stamp Quality Control data and tabulations by Food and Consumer Service, U.S. Department of Agriculture. Includes benefit payments only, not administrative costs. Estimates are derived by multiplying actual benefit spending in each state by the estimated proportion of spending for households with children in each state.

h. *Budget Information for the States*, Budget of the United States Government, Fiscal Year 1997 and Fiscal Year 1995, Office of Management and Budget. Includes federal spending for WIC, school lunches, and school breakfasts, plus federal obligations for the Child and Adult Care Food Program and the Summer Food Service for Children.

i. Urban Institute tabulations based on data reported on forms FSA-331 and ACF-332, Administration for Children and Families, U.S. Department of Health and Human Services. Total spending (combined federal and state) is average monthly expenditures multiplied by 12. The federal and state shares for 1995 were estimated based on the match rates for various components of JOBS spending for federal obligations in the fiscal year.

j. *Budget Information for the States*, Budget of the United States Government, Fiscal Year 1997 and Fiscal Year 1995, Office of Management and Budget. Includes federal obligations to states for JTPA spending under Title II-A (disadvantaged adults),Title II-B (summer youth), and Title II-C (youth training). Federal obligations to states may differ from actual spending.

k. ACF-231 Line by Line Report, Administration for Children and Families, U.S. Department of Health and Human Services. Includes both regular AFDC and transitional child care. Administrative costs are included with AFDC administration.

l. ACF-231 Line by Line Report, Administration for Children and Families, U.S. Department of Health and Human Services.

m. *Budget Information for the States*, Budget of the United States Government, Fiscal Year 1997 and Fiscal Year 1995, Office of Management and Budget. Data are federal obligations, which may differ from actual spending.

n. Form OCSE-131, Office of Child Support Enforcement, U.S. Department of Health and Human Services.

o. ACF-231 Line by Line Report, Administration for Children and Families, U.S. Department of Health and Human Services.

p. Urban Institute calculations based on data reported on forms HCFA-64 and HCFA-2082, Health Care Financing Administration, U.S. Department of Health and Human Services. Expenditure data are for benefits only and do not include Disproportionate Share Hospital payments, administrative costs, accounting adjustments, or the U.S. Territories.

Basic Income Support

Over the last decade, Wisconsin has gradually shifted the focus of its income support programs from writing checks to requiring work participation in exchange for benefits. The reforms instituted by the state prior to the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 reflect these overarching principles: (1) everyone capable of work should work; and (2) families, with some assistance from government, should provide for their own needs. These principles are embodied in many of the state's early reforms and in its welfare replacement program, Wisconsin Works.

W-2 was implemented in September 1997, but elements of the program were part of Wisconsin's reform strategy long before. By early 1997, components of W-2, such as Pay for Performance and Self-Sufficiency First, were already in place. These programs emphasized work by (1) requiring that "job ready" AFDC applicants look for jobs as a condition of eligibility for aid; (2) stepping up participation in the JOBS program; and (3) reducing recipients' grants by the minimum wage for every hour that recipients failed to participate in required job activities. These mandates were preparing welfare recipients as well as the counties for W-2. Counties interested in running W-2 in their area had to earn the right to be a W-2 agency by increasing JOBS participation rates and reducing caseloads.

Elements of Wisconsin Works can be seen evolving through the state's 10 years of experimentation with welfare waiver programs. These pilots and demonstrations taught Wisconsin what reforms would and would not help families become more self-sufficient. They also enabled the state to build the infrastructure (e.g., computer systems, community capacity) necessary for broad-scale reform.

An Overview of Wisconsin's Income Support Programs

In 1996–97, the major income support programs in Wisconsin were AFDC and Food Stamps. The state also offered its own Earned Income Credit (EIC) to eligible working low-income families. Families who qualified for the federal EITC received a state EIC of between 4 and 43 percent of the federal amount, depending on the number of children in the household. Like many other states, Wisconsin also provided a supplement to recipients of the federal Supplemental Security Income (SSI) program for elderly and disabled individuals.

The Food Stamp program was the largest of the state's income support programs in terms of number of participants; in FY 1996, some 283,255 individuals (or 104,529 households) participated.[19] Average benefits per client were approximately $58 a month ($158 per household).[20] The state EIC was also widely used—195,980 tax filers received an average credit of $297 in 1996.[21] SSI was the next-largest program, with a caseload of 118,489 in 1995–96, the majority of whom were disabled adults. Federal payments combined with the state supplement provided SSI recipients with an average monthly benefit of $483.[22] In comparison to these programs, AFDC served far fewer families. In October 1996, some 48,451 families were on the rolls, receiving an average monthly payment of $407.[23]

Wisconsin also used state funds for two small income support programs that served targeted populations. The Student 18-Year-Old Assistance program gave financial aid to high school students who had lost eligibility for AFDC because they no longer qualified as dependents. To receive benefits under this program, students had to attend high school regularly, but benefits ended when they turned 19. A small number of underage parents who were not living in an adult-supervised setting received benefits through the Minor Parents Living Independently program. Since TANF regulations prohibit minors from receiving assistance as heads of their own household, the state opted to provide this assistance through the phaseout of AFDC. Once W-2 is fully implemented, teens in the Minor Parents program will be required to live in an adult-supervised setting and the program will end.

Caseload Size and Trends

Wisconsin has received national attention not only for its welfare reform efforts but also for the extent to which its AFDC caseload has declined. From January 1993 to September 1997, the caseload dropped from 81,291 families to 31,336, a decline of more than 61 percent.[24] Only Wyoming has experienced greater caseload declines. Sixty percent of the caseload resides in Milwaukee County, where the decline in AFDC cases over the last several years has generally been slower than that experienced by other counties in the state.

The state's Food Stamp caseload has also declined, but not in such a dramatic fashion. In FY 1994, some 121,809 households participated in the program. Midway through FY 1997, that number had dropped by just over a quarter, to approximately 89,000 households.[25]

State and local officials attribute the decline in caseloads to a variety of factors but primarily to a good economy and to changes in the message sent to clients: Welfare, they are told, is a temporary program designed to prepare them for work. Some attribute caseload reductions to misperceptions about the new welfare system that leave some prospective clients believing they are not eligible for assistance when, in fact, they are. In Milwaukee, program officials and staff believe that the Two-Tier Demonstration waiver has affected welfare rolls. In this demonstration, individuals who moved to Wisconsin and applied for AFDC during their first six months of living there received a cash grant comparable to that of their former state of residence, regardless of whether that state provided higher or lower benefit payments.

Wisconsin introduced this demonstration because of a concern that its generous benefit levels (a maximum monthly cash payment of $517 for a family of three) and generally favorable standard of living were attracting poor families from other states, especially Illinois (where AFDC benefits were $377 a month). Although evaluation data are not available, intake staff in Milwaukee reported seeing far fewer out-of-state applicants once the waiver went into effect in 1994.

Unlike AFDC and Food Stamps, EIC receipt and SSI participation have increased. Between 1993 and 1996, the number of households receiving the state EIC grew by approximately 13 percent, paralleling growth in federal EITC receipt.[26] During those same years, the SSI caseload grew by just over 10 percent, despite a decline in the number of elderly receiving assistance.[27] The overall increase in SSI caseload numbers can be attributed to an increase in the number of individuals—particularly children—who were receiving SSI because of a disability. As is true in many states, the number of children in Wisconsin receiving SSI grew dramatically in the wake of the 1990 U.S. Supreme Court case *Sullivan v. Zebley*, which effectively broadened eligibility categories for disabled children. But annual increases in the number of disabled children receiving SSI in Wisconsin have outpaced national caseload growth in all but one year since 1991.[28] Federal welfare reform is expected to curtail some of this growth by making SSI eligibility criteria more restrictive.

Early State Innovations and Waivers

Well before passage of PRWORA, Governor Thompson had made welfare reform a priority. Since taking office in 1987, the governor has emphasized personal responsibility, and the state began experimenting with its welfare system and applying for waivers from federal law. In fact, Wisconsin has been one of the most prolific states in terms of the number of welfare experiments conducted. Along with the Two-Tier Demonstration, the state operated two other early and well-publicized experiments—Learnfare and the Parental and Family Responsibility project (commonly referred to as "Bridefare"), which attempted to promote a set of behaviors (school attendance, marriage, and delayed childbearing), and two other waivers designed to improve recipients' financial situation by increasing the vehicle asset limit from $1,500 to $2,500 and by allowing recipients to save money for education and employment-related needs. Although only Learnfare operated statewide, these experiments set the course for future welfare reform.

More recently, the state's reforms have focused on increasing recipient work efforts. The Work Not Welfare (WNW) demonstration began in 1995 and reinforced the message of finding gainful employment rather than receiving public aid. Applicants for AFDC were encouraged to seek other financial sources of support (e.g., friends, family, other community-based services) or to find a job. According to management data, approximately 30 percent of potential applicants were diverted during the first 20 months of the program.[29] Those who did receive AFDC were required to work or to be in training for work within 30 days of receiving benefits. After 12 months on the rolls, recipients were expected to be working in either the private or public sector. Benefit receipt was limited to 24 months in a 48-month period.

Two other key elements of WNW, which were later integrated into W-2, were the Community Steering Committee and the Children's Services Network. Under WNW, the Community Steering Committee sought to forge a partnership between the welfare agency and the private sector. Members of the committee represented business, government, and education. They helped WNW clients identify job opportunities and provided mentorship and links to community agencies. The Children's Services Network linked WNW families to community services—housing, food pantries, and advocacy organizations—in an effort to protect children by helping their parents access needed services.

At about the same time that WNW was implemented, the Work First pilot program began in 18 counties. This state legislative effort, which required no waivers, was both a work-based and a diversionary program. Again, welfare staff attempted to divert potential AFDC applicants to other community resources and stressed job search and related activities to those already on assistance. The message of Work First was clear: AFDC is a temporary program.

Building on WNW and Work First, the state introduced Self-Sufficiency First (SSF) and Pay for Performance (PFP). Unlike WNW, which operated in two relatively small counties with low poverty and unemployment rates, SSF and PFP were statewide demonstrations. Both were implemented in March 1996. Under SSF, applicants for assistance had to meet with a financial planner to discuss alternatives to applying for AFDC. Additionally, applicants were required to perform 60 hours of up-front job search (some hours could be spent in the classroom on job search and related activities) before their case was opened.

These requirements were designed to minimize AFDC usage by having clients "explore and utilize personal and community resources,"[30] including work.

Once on AFDC, PFP required recipients to work, to continue searching for work, or to participate in some approved JOBS activity. (JOBS was the work and training program for welfare recipients at the time.) The federal JOBS program mandated 20 hours a week of participation in a designated work or training activity, although certain clients (e.g., those with young children, those living in remote areas) were not required to participate. Wisconsin's PFP waivers, however, allowed that some clients could participate up to 40 hours a week, that a broader group of recipients (including women with very young children) could participate, and that the state could increase the penalties for noncompliance. Long-term postsecondary education was not an acceptable activity for meeting participation requirements.

These changes were designed, in part, to make the welfare system look more like the world of work. PFP clients were treated like any employee making an hourly wage—their monthly cash grant could be reduced by the federal minimum wage for each hour they failed to participate in assigned activities. If clients participated less than 25 percent of their scheduled hours, their families received no cash assistance and only $10 in Food Stamps. The sanction could be rescinded—or not applied—if clients had good cause for missing the hours, but it was their responsibility to document their reasons to staff.

While clients fulfilled a work or training requirement, their children ages six and older were also required to attend school under the Learnfare programs. This program required that children have no more than 5 full- or part-day unapproved absences in a consecutive 10-day period or 10 unapproved absences in a 60-day period. If a child was absent more frequently, the child's portion of the family's grant was not paid unless the family could show good cause for the absences.

Finally, Wisconsin's AFDC Benefit Cap Demonstration project eliminated the automatic grant increase for the birth of a child to a family already receiving government aid. Implemented in 1996 in pilot counties including Milwaukee, this waiver was designed to encourage families to think about becoming self-sufficient before having additional children. The benefit cap was also intended to mirror the world of work, where employees do not receive wage increases every time they have an additional child.

Local program officials, staff, and advocates reported mixed views regarding whether the state's many welfare reform efforts were achieving their desired ends of promoting work and other alternatives to public assistance. For example, staff in both Milwaukee and Rusk Counties reported that while the up-front job search requirement initially diverted some potential clients from applying for assistance, most saw it as another step in the application process. Staff noted that some applicants fulfilled the job search requirement in a week so that they could expedite their application. However, one metropolitan county reported that the job search requirement diverted a substantial number of potential applicants from seeking assistance.[31]

Many advocates and nonprofit leaders, especially those in Milwaukee, feared that the state's reforms were penalizing clients, rather than helping them move into work. These groups contended that many clients were inappropriately sanctioned and that penalties were too stringent. In fact, administrative errors were discovered, and some clients were inappropriately removed from AFDC rolls.[32] However, the state believes it resolved these problems, and it set up a client hotline to help individuals who had questions about their case.

Programs That Promote Financial Independence

The cash assistance programs described in the previous section cannot always, by themselves, promote self-sufficiency. In addition, there may be low-income families who do not meet welfare eligibility criteria but who still need government support. To move out of poverty, some low-income individuals, especially those with limited work histories and education, need employment and training and other support services—most notably, child care and health care. Finally, receiving the child support to which a family is legally entitled can often be the key steppingstone from welfare to self-sufficiency. Therefore, this section explores the nature of Wisconsin's programs for employment and training, child care, health care, and child support as adjuncts to individuals' efforts to work.

Employment and Training

Service Delivery Structure

As noted earlier, Wisconsin created a new Department of Workforce Development in July 1996 to integrate all of the state's employment and training programs. DWD encompasses the operating, job training, and unemployment insurance divisions of the Department of Industry, Labor, and Human Relations along with the Divisions of Economic Support and Vocational Rehabilitation of the Department of Health and Social Services (now the Department of Health and Family Services).

As part of the process of reengineering the new Department of Workforce Development, the state created the Division of Workforce Excellence to implement Wisconsin's vision for a new employment and training system—the Partnership for Full Employment. PFE is designed to

- promote the well-being of individuals and families through work;
- meet employer needs for quality workers;
- offer quality job opportunities for job seekers;
- integrate services for employers and job seekers;
- help those who need a job obtain a job; and
- provide local leadership and direction.[33]

PFE seeks to achieve these goals by integrating previously fragmented employment and training programs into a comprehensive and seamless service delivery system that functions through the state's Job Centers. Initially developed by a DILHR working group, Job Centers were later implemented with federal One-Stop, JTPA, JOBS, and Wagner-Peyser grants. The centers are designed to link job seekers to appropriate employment opportunities and to provide employers with a central location for advertising vacancies and recruiting qualified workers. Employers and job seekers can access a variety of services to meet their needs. The centers are also the primary delivery point for Wisconsin Works.

Job Centers are located throughout the state's 17 Service Delivery Areas, which are designated to receive federal job training funds. Within each SDA, a Local Collaborative Planning Team, consisting of administrators from the various programs offered through Job Centers, coordinates, plans, and oversees delivery of all workforce development initiatives operating through the centers. (At a minimum, local Job Center partners must include Job Service, local technical colleges, the JTPA Private Industry Council, and the JOBS program.) Since one goal of PFE is to provide a seamless service delivery system, most employment-related services are colocated in the Job Centers. Computerized links can provide access to services not on site.

Job Centers were in various stages of planning or operation at the time of the Wisconsin site visits, but all 17 SDAs were expected to have at least two operational centers by June 20, 1998. As of February 1997, all but one SDA had at least one functioning Job Center, and most had met the requirement for two.

In addition to partnering with various agencies, a Job Center candidate must offer specific services "on-site to a universal customer base."[34] These services include

- career, job, and labor market information;
- information on locally available employment and training programs;
- information on program eligibility;
- information on support services;
- testing and assessment;
- lists of job openings, hiring requirements, and job referrals;

- job search assistance; and
- assistance in securing Unemployment Insurance benefits.[35]

DWD uses federal One-Stop grants as the primary source of funding for Job Centers. These grants were part of a national effort to promote consolidated delivery of employment and training services; in 1994, Wisconsin received a $3.5 million grant. At the local level, a mix of staff representing various programs and agencies run the centers (e.g., a state Job Service person, a Private Industry Council director, county employees). Job Centers differ from more traditional Job Service agencies funded by the Wagner-Peyser Act in that Job Centers (1) have a multi-source funding base; (2) offer services beyond labor exchanges; and (3) provide integrated services rather than referrals to other agencies.

Most individuals use the Job Center as a self-service vehicle, for example, to seek employment on their own via JobNet, the state's computerized job listing system. Customers needing a little more help might use the Lite Level of Assistance—generally, a series of workshops on topics ranging from resume writing to workplace behavior. Customers needing more in-depth assistance can access the centers' specialized services.

Services for Families on Welfare

Even before the creation of the federal JOBS program in 1988 as the primary employment and training approach for welfare recipients, Wisconsin was operating its own effort—the Work Experience and Job Training program—and implemented JOBS in 1989, essentially by modifying its existing program. Federal funding regulations for JOBS required states to match a certain percentage of federal allocations to receive the full amount of available funds. Unlike many states, Wisconsin was able to claim its entire JOBS grant by providing the required matching funds.[36] The state's track record for moving welfare recipients into the JOBS program—just under 32 percent of the mandated number of participants in 1994—beat the national average of about 22 percent.[37]

During this same period, Wisconsin was also experimenting with its welfare program. In the early years of JOBS, relatively large numbers of participants were enrolled in some type of educational activity. In 1991, for example, almost two-fifths of enrolled participants were in high school completion or postsecondary education programs.[38] In more recent years, Wisconsin shifted its reform efforts away from educational activities and toward work. By 1994, the number of JOBS participants involved in educational activities had dropped to nearly one-third.[39] By early 1997, long-term postsecondary education was being phased out as an acceptable activity. Staff could only approve short-term training (less than six months) for individuals who had not been employed in the prior year. Otherwise, clients were expected to be working, looking for work, or participating in a community service job.

Single adults ages 18 to 50 who receive food stamps are another welfare population expected to be working or in training. Under federal welfare law, single able-bodied adults not working 20 hours a week or more may only receive food stamps for 3 months out of a 60-month period. This requirement may be waived when there is a labor surplus in a particular area of the state. Because of the overall health of Wisconsin's economy, Governor Thompson has yet to exercise this option. According to state officials, most counties were placing single adults into the county Food Stamp employment and training program, which helps recipients, including heads of households who receive Food Stamps but no cash assistance, find work.

Other Targeted Services

Although federal welfare reform, coupled with Wisconsin's own efforts, emphasizes employment for welfare recipients, PFE and Job Centers are designed to serve all job seekers and employers. Any job seeker may use these centers to facilitate a job search, and employers are offered the same three levels of services (self, light, and specialized). Employers may use Job Center services on their own (e.g., they can enter their job openings directly on the Internet or search for job matches on JobNet). Or center staff can provide employers with light services, for example, by running a workshop on strategies for coping with labor shortages, sponsoring a job fair, or hosting career days. Employers may also request specialized services, such as help with upgrading their current workforce or with planning for impending layoffs.

Youth are another focus of Wisconsin's employment and training system. Within DWD, the Division of Connecting Education and Work has administrative responsibility for the main youth program—School-to-Work (STW). Wisconsin received one of the first-round implementation grants under the 1994 federal School-to-Work Opportunities Act. According to the U.S. Department of Education, the state's STW program, called Skills for the Future, is considered one of the premier programs of its kind in the country. The goal of the program is to provide students with the academic and technical skills they need to compete for the jobs of the next century.

One of STW's major initiatives is the Youth Apprenticeship program, which was created prior to passage of the federal STW law. Through the Youth Apprenticeship program, eligible high school juniors and seniors combine school classes with work experience in a variety of industries, such as biotechnology, graphic arts, and manufacturing. Upon successful completion of the program, students earn a skill certificate along with their high school diploma, and they may receive credits toward an associate's degree at a state technical college.

Child Care

Priorities and Budget

Governor Thompson and his administration recognize that child care is crucial to transforming cash assistance into a work-based system. Working families must have affordable, convenient, and reliable child care. Wisconsin has set several goals for its child care system: (1) consolidate various federal funding sources into a single child care funding stream; (2) eliminate waiting lists for care; (3) provide child care to all eligible low-income families, not just those receiving cash assistance; and (4) expand capacity. Federal welfare reform has facilitated the state's ability to meet these goals. The federal government's decision to allocate child care funds via block grants to states made it easier for Wisconsin to create a single child care funding stream. Additionally, the windfall the state received because of its early implementation of federal welfare reform, coupled with caseload reductions, allowed Wisconsin to move more funds into child care and thus expand available resources to serve more families.

Along with streamlining child care funding, Wisconsin consolidated the administration of its various child care programs. Before state government restructuring in 1996, two divisions within the Department of Health and Social Services were responsible for administering child care programs. The Division of Community Services handled the Child Care Development Block Grant (CCDBG), At-Risk funds child care for low-income families, and state-funded child care programs. It also licensed facilities. The Division of Economic Support administered all other Title IV-A and JOBS child care for AFDC recipients. These divisions met monthly to coordinate child care activities and jointly promulgated child care administrative rules, policies, and training for local staff. When DWD was created in July 1996, all state child care responsibilities, with the exception of licensing, were transferred to its Division of Economic Support.

In order to deliver child care services, the state contracts with county agencies that administer subsidized child care. Counties are authorized to subcontract this function to other agencies. Seventeen Child Care Resource and Referral agencies also receive CCDBG funds to provide parents with information on child care resources and to support child care providers with assistance and training.

Funding for subsidized child care has increased dramatically in Wisconsin. In 1987, a total of $12.5 million was spent on subsidized care; by 1996, child care allocations were over $60 million. The state plans to move the maximum allowable TANF dollars into child care. Given the dramatic caseload decline in Wisconsin, the state has a substantial TANF windfall to devote to child care. The governor's 1997–98 budget proposed increasing child care funding from the $63 million spent in FY 1996 to $158 million in 1997 and $180 million in 1998.

At the time of the Wisconsin site visit, subsidized child care funding was in the process of consolidation. Before that, AFDC families were entitled to child care assistance through Title IV-A funding if they were working or participating in JOBS. As these families left AFDC because of increased earnings, they could continue to receive a Transitional Child Care subsidy. Families whose income did not exceed 75 percent of the state median income—approximately $28,000 for a family of three—were also eligible for At-Risk and CCDBG assistance.

Supply and Quality

Until July 1, 1996, counties received At-Risk and CCDBG monies directly, as part of their Community Aids funding. (Community Aids funds are allocated annually on the basis of estimated human services needs in a county.) Even though counties were required to provide a 9.89 percent match, the potential for shortfalls in child care funding existed if need was greater than anticipated. As a way of managing this problem, the state added categories beyond income eligibility for assistance, as follows:

- families with special needs children;
- families with income at or below 50 percent of the state median income;
- teen parents needing child care in order to complete high school or other approved educational activities;
- employed AFDC recipients if their child care expenses were greater than the dependent child care income disregard or if the child care income disregard was not yet available;[40]
- working families who left AFDC within the prior 12 months because of increased earnings; and
- other low-income working families.

Even with these new priorities, when funds fell short, poor clients who were working were put on a waiting list for child care. In 1996, the state's waiting list contained more than 9,600 children, more than 4,000 of them living in Milwaukee.

The state tackled the waiting list problem from the point of both funding and supply. It eliminated Community Aids as a funding mechanism for child care and moved CCDBG and the At-Risk funds into DWD's budget. Then in early 1997, it informed the counties that funds would be disbursed on the basis of *actual* need, rather than as a capped allocation based on *estimated* need. Clients would remain eligible for subsidized care for as long as they met income eligibility requirements and were working or in required work activities. This shift quickly reduced the child care waiting list. In addition, Wisconsin dedicated $5 million to building the state's child care infrastructure.

Until the recent changes in child care that accompanied W-2 (see *Welfare Reform Plans*), recipients of subsidized child care could choose from three types of eligible providers: licensed group centers, licensed family day care providers, and certified family day care providers. Providers must be licensed if they are caring for four or more children under the age of seven. Licensing is administered at the state level; certification is administered at the local level by a county department of social services. Whether a provider is licensed or certified affects the type and length of training required and the level of reimbursement the provider may receive.

The process of bringing these new providers into the subsidized child care system has been problematic. Milwaukee County staff reported frequent payment delays to new providers, who often submit incomplete or late paperwork. New providers must be certified with child care resource and referral agencies, a process that includes submission of an application package, participation in child care training sessions, and completion of a background check. Breakdowns were noted in this process. Some providers who may have incorrectly filled out a form were not told of their mistakes; their application was never processed and they were subsequently not paid. Additionally, the Planning Council for Health and Human Services, which sets reimbursement rates for the county and staffs the county's Child Care Advisory Committee, found that new centers open for business only to close down quickly.

The $5 million that Wisconsin dedicated to building child care infrastructure was also intended to enhance quality of care. Grants were issued to providers who had been licensed or certified for three years and who had no serious enforcement infractions during that period. Providers used the grants to improve program quality, become accredited, train staff, improve staff salaries, and reduce turnover. Despite these efforts, some advocates and service providers believe that the state is less interested in improving the quality of child care than it is in expanding its supply.

Early Childhood Development

The Department of Public Instruction oversees early childhood development programs, which along with child care programs are generally coordinated through a statewide coalition that includes Head Start providers, child care providers, and representatives from the Department of Public Instruction and the public schools' labor union. This group examines the status of early childhood development initiatives and proposes new approaches for serving young children. While progress has reportedly been made, the different ideologies among group members may slow the process of designing a single and cohesive early childhood development policy.

Currently, the state does not operate an extensive prekindergarten program. Head Start is the only major early childhood development program for low-income families. The Department of Public Instruction does administer $5 million in supplemental funding to Head Start, which is less than 10 percent of Head Start expenditures in Wisconsin (the state's federal allocation for Head Start in FY 1996 was just over $54 million). The supplement is used to provide all-day wraparound services in a select number of sites. Additionally, the state received a federal Head Start collaborative grant to facilitate coordination between Head Start and other early childhood development programs. Most of the grant is being contracted out to the state Head Start organization, but some of the grant will fund a collaborator position based in the Child Care Bureau within the Department of Workforce Development. The collaborator will oversee coordination efforts.

Head Start enrolled more than 12,000 children in FY 1996. Yet critics believe that these are mainly children of the very poor and not the working poor. Some are concerned about the impact that welfare reform will have on Head Start, especially with the implementation of W-2 and its increased emphasis on work, which may render half-day Head Start programs an impractical option for families. The state hopes families will not leave Head Start either because of the hours of care or because of income ineligibility. State policymakers believe that the federal Head Start program must adapt to the realities of a work-based welfare program—by perhaps increasing the number of full-day programs and adjusting current income restrictions, for example.

Child Support

The Title IV-D child support program is supervised on the state level by the Bureau of Child Support within the Division of Economic Support. Prior to Wisconsin's departmental reorganization in 1996, the bureau was located in the Department of Health and Social Services. It is now part of the DWD. This move reflects the state's view that child support is an essential component of self-sufficiency for those receiving public aid. While the state oversees child support efforts, its 72 counties operate the child support system through cooperative agreements with a number of interrelated entities: the clerks of the court, sheriffs, offices of corporation counsel or private attorneys, and other officials and agencies.

Wisconsin has been a national leader in efforts to establish paternity and collect child support. In 1995, it ranked first among the states in paternity establishment, establishing paternity in 80 percent of cases.[41] Wisconsin ranked second nationally in child support collections in 1994 (in cases in which a child support order existed within the publicly funded child support system),[42] with a collection rate twice that of the national average of 18.3 percent.[43] In 1994–95, Wisconsin collected more than $800 million in previously unpaid child support.[44]

Wisconsin's child support collection efforts have been enhanced by federal and state incentives. In FY 1994, Wisconsin earned $5.8 million, or 7 percent of the child support collected on behalf of AFDC and Foster Care recipients.[45] These payments are calculated using a collection-to-cost ratio, which measures how efficient the state was in collecting support. In 1994, Wisconsin ranked third in the country, collecting $7.74 for every dollar spent on enforcement.[46] (The national collection-to-cost rate was $3.86 for each dollar spent on collections.[47]) Federal incentive payments are passed on to counties according to the counties' collection-to-cost ratio. Wisconsin also provides its own incentives to counties. A minimum of $259,000 in General Purpose Revenue funds are dedicated each year to rewarding counties for increased paternity establishment, increased child support collections, and improved administrative efficiency.[48] The total child support enforcement cost to counties in FY 1995 was more than $44 million.[49]

In September 1996, Wisconsin implemented its Kids Information Data System (KIDS), a statewide automated child support system that replaced the state's previous automated system in response to the Family Support Act of 1988. KIDS facilitates the collection of child support in Wisconsin by

- giving child support workers access to all child support cases statewide;
- interacting with federal and state computer systems to locate noncustodial parents;
- producing billing coupons for parents who owe support;
- tracking unpaid child support for tax intercept purposes;
- providing employers with a list of employees subject to income withholding; and
- automating required court documents and legal notices.[50]

Wisconsin contracted out the development of KIDS to Integrated Systems Solution Corporation, but county support agencies and clerks of court were involved in the development process. In the 1995–97 biennial budget, more than $50 million was allocated for the development and operation of KIDS.

Wisconsin's child support system is probably best known for its Children First program, which exemplifies the state's philosophy that both parents, not just the custodial parent, must be responsible for the financial support of their children. Children First was created as a two-county pilot under Governor Thompson's Welfare Reform Act of 1987. Noncustodial parents are ordered into Children First through the court system when they are not paying child support, when they are not working full-time, and when they state that they have no means of paying their legal obligation of support. Noncustodial parents can fulfill the Children First requirements by meeting their support obligation for three consecutive months or by participating in job training for 16 weeks; case management services may also be provided. If parents fail to comply with the requirements of Children First, they may face jail.

Children First has been highly successful. A study conducted by the state showed that in 1993, the average child support payment increased by 158 percent and the number of parents paying child support increased by 66 percent.[51] By mid-1996, Children First had expanded beyond the initial two-county pilot to include 30 counties. Further expansion is expected under W-2.

Paternity establishment is also an important part of the child support system. As with most states, the nonmarital birthrate in Wisconsin has increased significantly in the last two decades. In 1980, approximately 14 percent of births in Wisconsin were to unmarried couples.[52] By 1994, this figure was 27.2 percent.

Medicaid and Other Health Insurance[53]

Wisconsin's Medicaid program, known as Medical Assistance (MA), is one of the more generous in the country, covering virtually every optional service to recipients. Eligibility requirements are also generous. In 1995–96, 76 percent of the state's low-income families (those with incomes less than 150 percent of the federal poverty level) were covered—472,718 individuals as of October 1995. Medical Assistance has two distinct components: (1) MA for welfare recipients and related groups; and (2) MA for groups not associated with the welfare program.

Under federal law, Wisconsin is required to provide MA to families eligible for AFDC or TANF as well as 12 months of transitional health care to families who leave welfare for work. Wisconsin instituted transitional health care for AFDC recipients in 1987, before the federal Family Support Act required it. MA coverage is also extended to families for four months if the family leaves welfare because of increased income from child support. In addition, Wisconsin covers two welfare-related groups that are optional under the federal program: families who are eligible for assistance but do not receive it and those who would be eligible if they paid their own child care expenses.

The Healthy Start component of MA covers pregnant women and children under the age of six in families whose income is less than 185 percent of the federal poverty level—a more generous standard than the 133 percent required by federal law. Wisconsin also covers children born after September 30, 1983, in families whose income is less than 100 percent of the federal poverty level. As of October 1995, some 47,055 persons were enrolled in Healthy Start.

In light of Wisconsin's generous MA program for welfare recipients and low-income families, it is not surprising that MA is the third-largest item in the state's budget. However, actual Medical Assistance costs have been lower than budgeted for because of cost-containment measures and the decline in AFDC caseloads. One way the state has kept health care costs down is by using a system of health maintenance organizations (HMOs) to provide MA services for AFDC-related groups. This system was started more than 15 years ago in Milwaukee. By the summer of 1997, the program had expanded to all areas of the state, with most counties mandating that AFDC recipients sign on with an HMO.

Wisconsin's efforts to reform welfare extend to health care as well. The W-2 program attempted to end entitlement to medical coverage by replacing it with a W-2 health plan. Although this plan would have increased coverage by extending benefits to families and groups who were not eligible under the MA system, it also required families to share in the cost of health care premiums according to their family size and income. In addition, it would have required families to purchase health insurance if their employer contributed at least 50 percent of the premium. The plan was consistent with the philosophy of W-2 as a whole: It did not give priority to welfare recipients over other low-income families, and it asked recipients to share in the cost of care as other working families do.

Wisconsin did not receive a federal waiver for its W-2 health care plan. At the time of the site visit, state officials were concerned that without this waiver many W-2 recipients would lose health care benefits if their earnings and assets surpassed MA eligibility standards. The state subsequently revised its waiver application, calling the proposed new program "BadgerCare," resubmitted it to the federal government, and was again turned down. The state continues to seek federal approval for its plan, but until then it will be required under PRWORA to keep MA as an entitlement and to provide MA services on the basis of policy rules in place as of July 1996.

In addition to operating the MA program, the state runs several health programs that are limited in scope. General Relief (GR) is the largest of these. In 1995, Governor Thompson replaced GR with an optional county block grant program. Counties wishing to offer GR receive a block grant from the state that may be used to provide nonmedical benefits, but only if the county provides health care services as well. In Milwaukee County, block grant funds may be used only to provide health care. The grants are drawn from state GPR funds, except in Milwaukee, where 60 percent of the funds come from the federal Medicaid program. To receive these funds, counties must provide their own matching funds. Forty-three of Wisconsin's 72 counties, including Milwaukee, offer a General Relief program. Eight counties fund GR on their own. In 1995, $67.8 million in state and county funds were used to provide General Relief services; 80 percent of these funds were used for medical care.[54]

Additionally, the state's Health Insurance Risk-Sharing Plan offers medical benefits for eligible nonelderly persons (1) who have been denied coverage; (2) whose premiums have risen by more than 50 percent; (3) who have experienced a substantial decrease in benefits; or (4) who have a qualifying medical condition (e.g., HIV). This program is funded by a combination of participant premiums, revenue from assessments on insurers, provider discounts, and state GPR funds. A unique feature of Wisconsin's high-risk pool program is that it provides subsidies to low-income individuals to help cover the cost of premiums and deductibles. However, the funding for this program is limited and not all eligible individuals may be served.

Finally, WisconCare, funded by revenue from assessments on hospitals, provides limited primary care services and inpatient maternity care to low-income persons in 17 counties with high unemployment rates. To be eligible, an individual's income must be less than 150 percent of the federal poverty level, and the person must be unemployed or working no more than 25 hours a week. This program serves about 1,500 recipients yearly.

Last-Resort Safety Net Programs

Some families have serious and immediate needs that financial assistance alone cannot address. This section focuses on three such resources: child welfare, emergency services, and housing.

The child welfare system protects children from abuse and neglect. As laudatory as the goals of welfare reform are, the new expectations of work and responsibility can impose added stress on families already living in crisis. Thus, a strong child welfare system can be integral to the success of the public assistance transformation. In Wisconsin, child welfare is a county-run program with minimal state control over day-to-day operations. Control of the child welfare system is changing in the state's largest county, Milwaukee, where the state has been preparing to take over operations of a child welfare system that has been by all accounts deeply troubled.

Wisconsin's emergency assistance strategy reflects the state's approach to welfare reform generally. The focus is on preventing homelessness and moving people out of shelters, rather than on building shelter capacity. This approach is not always successful, since the state does not appear to have adequate public housing to meet the needs of its citizens. Understanding how Wisconsin's child welfare, emergency service, and housing programs operate in the context of the welfare system of 1996 and early 1997 provides a basis for comparison with the program structure after two years of welfare reform.

Child Welfare

Child welfare agencies are responsible for, among other activities, protecting children from abuse and neglect. They may intervene when such behavior is suspected, may offer services or require that families accept services if the need is documented, and may remove children from their home and place them in state-supervised care if the children face imminent harm from their parents or caretakers. Historically, there has been some tension between state and county officials in Wisconsin, especially between the state and Milwaukee County, regarding the delivery and financing of child welfare services. Until recently, counties had primary responsibility for overseeing child welfare services. However, in settling a class action lawsuit filed by the American Civil Liberties Union (ACLU), the state has agreed to assume the responsibility for administering child welfare services in Milwaukee, where more than half of Wisconsin's foster care population resides. Also, the legislature recently amended child welfare statutes to clarify the mission and priorities of the state's child welfare system. Finally, as part of welfare reform, the state is requiring county child welfare agencies to assess, monitor, and provide financial assistance to children who are cared for by relatives not legally responsible for them.

Organization and Caseload Dynamics

Wisconsin is one of 12 states in which counties administer child welfare services. Counties are responsible for all child welfare functions except adoption and have wide latitude in designing programs to meet local needs and priorities. The state's primary responsibility is to develop policy, to administer federal funds, to oversee funding, to handle the adoption of all special needs children outside of Milwaukee County, and to supervise the provision of programs and services. Prior to July 1, 1996, these responsibilities were handled by the Bureau for Children, Youth and Families in the Department of Health and Social Services's Division of Community Services. After the state reorganization—at which time DHSS became the Department of Health and Family Services—child welfare programs and services fell under the purview of the Division of Child and Family Services (DCFS) within DHFS. DCFS created a separate bureau to administer child welfare services within Milwaukee County. Three other bureaus handle child welfare and related services for the state as a whole: (1) the Bureau of Regulation and Licensing; (2) the Bureau of Programs and Policies (responsible for adoption and child welfare services); and (3) the Bureau of Community and Family Development (responsible for Family Preservation and Support programs and community outreach).

However, decisionmaking for day-to-day program operations lies with the counties, and thus, the child welfare system differs somewhat from county to county. This report's description of child welfare in Wisconsin focuses primarily on the role of the state government and on the systems in place in Milwaukee and Rusk Counties.

As in most of the nation, the number of cases entering the child welfare system in Wisconsin soared in the 1980s. The number of children reported as abused and neglected in Wisconsin steadily increased, from 17,202 in 1984 to a peak of 49,152 in 1993. The state did not see a decline in the number of child abuse and neglect reports until 1994—the first drop in more than a decade. This trend continued in 1995. However, the decline varied from county to county. Reports of abuse in 1995 ranged from 4.4 per 1,000 children in Vernon County to 121.3 per 1,000 children in Menominee County; Milwaukee County had a rate of 47.3 reports per 1,000 children, and Rusk County had a rate of 21.3 reports per 1,000 children.[55] Substantiation rates (i.e., the proportion of reports in which the child is determined to be in need of protective intervention or protective services) also varied throughout the state. This rate ranged from 17 percent in Kewaunee County to 65 percent in Vernon County. Milwaukee and Rusk Counties had similar rates of 39 and 34 percent, respectively. The overall state substantiation rate in 1995 was 38 percent.[56]

If abuse or neglect is substantiated, one option is to place the child in out-of-home care. As reports of abuse and neglect rose, so too has the out-of-home care caseload—in 1987, it was 4,891 cases; by 1993, the caseload had grown to 7,662.[57] Most of this growth was due to large increases in Milwaukee County's out-of-home caseload, which rose from 1,721 in 1987 to 3,928 in 1993, while in the rest of the state the caseload rose from 3,170 in 1987 to 3,734 in 1993.[58] Rusk County had 17 out-of-home care cases open on December 31, 1993.[59]

Furthermore, the average length of stay for out-of-home care cases is longer in Milwaukee County than in other counties. A study conducted by the state indicated that after 12 months, 73 percent of out-of-home placement cases in Milwaukee County remained in care, while in the rest of the state, only 27 percent of children placed in care were still there a year later. After 36 months, nearly half (47 percent) of these cases in Milwaukee remained in their out-of-home placements, while only 6 percent remained out of their homes in the balance of the state. However, many children in out-of-home care in Milwaukee County are placed with relatives; estimates indicate that this arrangement accounts for 40 percent of the county's children in licensed out-of-home care. While comparable data do not exist for other counties, the state study suggests that the placement of children with relatives is far less common outside of Milwaukee.[60]

Child Welfare Financing

Counties also have considerable flexibility in determining how much funding to allocate for different services, except for some funding amounts that are distributed for specific services. Counties have complained, however, that the state has restricted their ability to increase federal revenue for child welfare. Milwaukee County officials have also claimed that the state has withheld some federal revenue to which they believe they are entitled.

Through Community Aids funding, the state distributes federal child welfare money (including Title IV-B Child Welfare services and Title IV-E Foster Care funds), other federal money (including Title XX, Social Services Block Grant; Substance Abuse Prevention and Treatment Block Grant; Community Mental Health Block Grant; and Child Care Development Block Grant funds), and state general revenue funds for human services. As noted earlier, counties are required to put up a 9.89 percent match for Community Aids funds. Between 1986 and 1995, total Community Aids revenue transferred to counties increased by $63 million, with state general revenue funds accounting for $12 million of this increase and federal funds accounting for the remaining $51 million. During the same period, counties increased their own spending on Community Aids activities by more than $110 million beyond the required match. County officials have argued that Community Aids funding has not kept pace with the growing demands placed on county human services agencies and that the state, in effect, has used Community Aids as a block grant to cap its financial liability for human services.

County officials have also complained that they are unable to increase the federal revenue they receive for child welfare services. Recent increases in county child welfare spending have provided the matching funds necessary for the state to claim additional federal Title IV-E reimbursement. Counties claim that instead of passing through the additional federal revenue, the state has used these funds to offset state general revenue funds included in Community Aids. On the other hand, Wisconsin officials note that there is no federal requirement to use these funds for child welfare (Title IV-E funds are federal reimbursement for funds already spent by the state, and the money can be used for any purpose). While some state officials are willing to concede that the state may have kept too much Title IV-E money, they also point out that federal regulations give them the ability to do so. Milwaukee County officials considered bringing a lawsuit against the state for withholding its fair share of funds, but they were advised that they had little recourse under existing federal regulations. Additionally, county officials perceive that the state has made it difficult for counties to claim Medicaid reimbursement for child welfare services. State child welfare officials, however, said that any "obstacles" to securing Medicaid reimbursement are there by design to ensure that federal regulations are not violated.

Service Delivery

The Department of Human Services within Milwaukee County has been responsible for delivering child welfare services through its Youth Services Division. Youth Services is divided into five bureaus, with the Child Welfare Bureau having the primary responsibility for most aspects of the child welfare system—investigating allegations of abuse and neglect, removing children judged to be abused or neglected, monitoring the homes of children not removed, and managing children placed in child care.

Intake to the child welfare system in Milwaukee County typically occurs via telephone. Workers report that few calls are "screened out," so that at least an initial investigation is conducted in most cases. After the case is investigated, it can be closed with no services, closed but with a referral to a community organization for services, kept open and referred for services, or kept open with a request to remove the child from the home. Although the percentage of cases in which abuse or neglect is substantiated (i.e., the case is not closed) has remained relatively stable at about 38 to 40 percent, staff vacancies have increased, so that caseworkers carry large caseloads—around 100 cases per worker on average.

The large caseloads are indicative of the problems faced by the county. In 1993, the ACLU filed suit against Wisconsin and Milwaukee County alleging that the county and state had failed to protect children and families as required by state and federal law. This lawsuit followed a long history of tension and distrust between the state and the county and prompted the Wisconsin legislature to approve a state takeover of Milwaukee's child welfare system. The takeover is expected to significantly change the way child welfare services are planned, delivered, and financed.

While the ACLU lawsuit highlighted deficiencies in Milwaukee's child welfare system, state and county officials had long recognized the problems, though they disagreed on the causes. State officials claimed that the county's system suffered from mismanagement, lack of accountability, and insufficient resources for prevention and early intervention. County officials argued that their difficulties stemmed from a lack of financial support from the state. Milwaukee child welfare officials have supported the state takeover, largely because they feel it will force the state to increase its funding for child welfare services. Moreover, county officials accept that a lack of resources made it impossible for them to adequately protect vulnerable children, and they acknowledge that the ACLU had legitimate grounds to sue. While county officials did not want to give up control of their system, they did not believe there was any other way to increase resources for child welfare services. Milwaukee County officials note that as a result of the takeover child welfare staffing will more than double, from 300 to 800, hopefully reducing worker caseloads to 15 families.

Rusk County has not experienced such turmoil. Child welfare is the responsibility of the Children and Families Division of the county Human Services Department. In the early 1990s, the county shifted to a family-based model whereby staff provide services aimed at keeping the family together. The Division of Children and Families is viewed by the community as an organization that helps families, rather than one that takes children from their homes. As a result, referrals for services have increased. If keeping the family together is not possible, Rusk County child welfare staff attempt to find relatives to care for the child, using foster care as a last resort. The Rusk County Human Services Department encourages caseworkers to be creative in providing assistance to families, even if it means seeing the family outside of normal working hours. At the time of the site visits, caseworkers had caseloads of about 35 families apiece.

Service delivery within all counties was affected by legislative changes in 1996 that revamped the Children's Code—the laws governing children in need of protection or services because of abuse, neglect, abandonment, or a child's behavioral problems. A key change was in legislative intent, made with the addition of the following language: "[i]n construing this chapter, *the best interests of the child* [emphasis added] shall always be of paramount consideration."[61] Prior to this addition, and several others stressing the child's best interest, there was far more emphasis on maintaining family relationships. New language was inserted stressing that family unity should be preserved "whenever appropriate." But such language was tempered by statements such as "[t]he courts should recognize that they have the authority, in appropriate cases, not to reunite a child with his or her family."[62] Additionally, the legislature amended the Children's Code to add conditions (e.g., cases in which parents commit a serious felony against one of their other children) under which child welfare agencies need not attempt reunification and instead can push for immediate termination of parental rights. It is unclear how these legislative language changes will affect policies and practice in a system that gives counties primary responsibility for administration and services.

Challenges Facing the Child Welfare System

The state's takeover of Milwaukee's child welfare system will significantly change the planning and delivery of child welfare services. The state is attempting to design a system that will provide a variety of support services to families who need assistance but who do not need to be served by the formal child welfare system. The new system will be more decentralized. State employees will be responsible for intake, investigations, and family assessments; lead agencies will provide all other services under state contract. For contracting purposes, the state divided the county into five geographic areas, each to be overseen by a lead agency. Milwaukee County will be the lead agency in two of the regions; private agencies will be responsible for the other three. In implementing this decentralized structure, the state has stressed the importance of developing a more neighborhood-based system that takes advantage of the strengths of existing community-based nonprofit organizations. In addition, the state is stressing the need to improve data collection and performance measurement systems.

Throughout the state, a subset of foster parents—grandparents or other relatives—will also see great changes in the way they are paid and monitored. W-2 changes the way in which children living with family other than their parents are financially supported and transfers responsibility for monitoring these cases to county child welfare agencies. Prior to W-2, if a child resided with a nonlegally responsible relative (e.g., grandparent, uncle or aunt, cousin), the relative could apply for a child-only AFDC grant ($248 a month for one child, $440 for two children) or, if the relative met income eligibility requirements, an AFDC grant for herself and the child or children. Unless there was a reported case of abuse or neglect, these nonlegally responsible relative cases were never scrutinized by the child welfare system. Nonlegally responsible relative cases, though, were not considered appropriate for the work-oriented W-2 program and as a result, they are now referred to the Kinship Care program administered by county child welfare agencies. Under Kinship Care, eligible caretakers receive $215 a month per child. Thus, relative caretakers of two or fewer children (approximately 87 percent of the caseload) receive somewhat less financial support under W-2 than they did under AFDC.

Relatives applying for aid under the Kinship Care program will now be assessed by staff from child welfare rather than from the public assistance office. The assessment process will be more detailed and will likely find some relatives ineligible for assistance. Before a relative can receive a Kinship Care payment, county child welfare staff must determine that the child is in need of protection or services, or that the child would likely need protection or services should the child remain in the parents' home. In addition, there must be a reason for the living arrangement, and the arrangement must be in the best interest of the child. Finally, all Kinship Care *household members*, not just the designated caretaker, must pass a criminal background check. Counties must review the placement of all children for whom a Kinship grant is paid at least every 12 months to determine whether continued placement with a relative is still necessary.

As of January 1, 1997, counties began transferring current nonlegally responsible relative cases and new applicants to Kinship Care. The Legislative Fiscal Bureau estimated that there were 5,600 nonlegally responsible relative cases involving 9,700 children at the time of W-2 implementation. The bureau estimated that 6,111 of these children would be placed in the new Kinship Care category; 1,309 would enter foster care; and 2,280 would be returned home. Kinship Care cases are especially important because the Fiscal Bureau estimates that the legislative change will result in 495 additional children entering the child welfare system for out-of-home placement each month. Of these children, the bureau expects that 406, or 82 percent, will enter Kinship Care, while the others will be placed in foster care.[63] TANF block grant funds support the Kinship Care program. The switch to Kinship Care creates a program of more than $26 million, even though the legislature did not authorize any new state-level staff to oversee it.

Emergency Services and Housing

Wisconsin's Division of Housing (DOH), located within the Department of Administration, is responsible for housing and homeless programs. Its role, however, is primarily one of administering funds, the bulk of which come from the U.S. Department of Housing and Urban Development (HUD). Wisconsin adds to HUD funding and funds its own separate state programs such as the Interest Bearing Real Estate Trust Account. Under this program, real estate agents and brokers are required to set up trust funds for money earned from real estate transactions. Interest accrued from these accounts is sent to the Wisconsin Department of Administration and is primarily used to fund homeless shelters and other programs. Additionally, the state funds transitional housing programs, which provide support services and education and training to help formerly homeless families make the transition to self-sufficiency.

Housing policy for both DOH and the Milwaukee Housing Authority (MHA) focuses on helping individuals and families remain in their homes and become self-sufficient; a shelter-based strategy for dealing with homelessness is not promoted. As a result, AFDC Emergency Assistance funds are used to help homeless persons return to the community; the funds can only be used for shelters when homelessness is the result of a natural disaster.

Service Delivery and Capacity

The state's commitment to preventing homelessness and helping families move out of shelters has not always had the desired effect of lowering the homeless population. At the time of the Wisconsin study visits, Milwaukee was trying to manage overcrowding problems in its shelters. For example, one shelter, designed to house 22 single adults, had 52 people in residence at one point. When a resident developed a drug-resistant strain of tuberculosis, the Red Cross declared Milwaukee a disaster area and worked with local churches to develop a temporary shelter system using church basements and Red Cross workers as staff.

According to a state report, the number of homeless in Wisconsin has been increasing annually.[64] Many shelters report they are at capacity and must turn people away or endure overcrowding. Finding shelter space for families with children is also a problem. In Milwaukee, many of the major shelters will not allow children or will only take children under the ages of 10 or 12. MHA administers public housing in Milwaukee and reports a waiting list of approximately 4,000 families. Demand for Section 8 housing vouchers far exceeds availability.

Some point to increases in homelessness in Milwaukee as a sign that the requirements of welfare reform are too harsh and that families are suffering as a result. However, state officials stressed that the welfare caseload was dropping at a much faster rate than the homeless population was increasing and that most shelter residents were not former welfare recipients.

In Rusk County, homelessness is more of a hidden problem. The county has no shelters, primarily because the dispersed nature of the population makes shelters logistically impractical. The county's major nonprofit agency used to pay for hotel rooms for homeless persons, but funds for this purpose are no longer available. Churches provide some assistance but not enough to fill the need. According to local service providers, some individuals in crisis live in their cars or are forced to remain in abusive homes. The county has a shortage of Section 8 housing, which provides housing subsidies for low-income individuals and families, and gives priority to the elderly for what public housing there is. The quality of public housing is poor; and although the Community Action Agency provides federal weatherization assistance, bringing even one unit up to standard is a formidable task.

According to calculations using HUD data, the share of households receiving housing assistance in Wisconsin is approximately 20 percent below the state's share of low-income families (relative to the rest of the nation). This percentage puts Wisconsin 40th among all states in the extent to which HUD-based assistance is aligned with the state's share of low-income families.[65] At the same time, however, approximately 29 percent of Wisconsin's welfare recipients receive HUD assistance, which is higher than the national average of 23 percent.[66]

MHA has attempted to bridge the housing and welfare systems by operating a HUD-funded demonstration project, Family Self-Sufficiency. The program provides education, training, and support services to public housing residents so that they can overcome long-term barriers to self-sufficiency. At the time of the study visit, MHA officials were concerned about the future of this program because its training activities could not be used to meet JOBS or W-2 participation requirements. MHA was seeking a waiver to have Family Self-Sufficiency training recognized as an eligible activity for clients on welfare.

Emergency service providers have begun offering employment and training activities in response to the new focus of welfare reform. Several operate or are developing job readiness workshops to prepare clients for full implementation of W-2, when clients will have to work in order to receive financial assistance.

Both Milwaukee and Rusk Counties also have reported increased demand for more traditional emergency services beyond housing. Food pantries and meal programs, for example, were serving more people and were not seeing the drop in demand that normally occurs after the holiday season.

Welfare Reform Plans

As noted earlier, Wisconsin was transitioning to its new income support replacement program, Wisconsin Works, during 1996 and early 1997. W-2 was the outgrowth of a Democratic political challenge to Governor Thompson in 1993 to end welfare in Wisconsin. The governor accepted this legislative challenge and through his Department of Health and Social Services crafted a new program that reconceptualizes public aid. W-2, as passed by the Wisconsin legislature in 1996, formed the basis of the state's TANF plan—the first such plan to gain federal approval.

In its design, Wisconsin Works is noteworthy not for any one program element but for the way in which it brings together a comprehensive and statewide approach to the following ideas: (1) work should be required in exchange for benefits from day one; (2) entitlement to welfare should end; (3) the public aid system should resemble the world of work; (4) contractors should be more accountable for service delivery outcomes; and (5) opportunities to access aid should be equal for all poor people, not just former AFDC recipients or single parents. This section provides a detailed description of the Wisconsin Works program, which was scheduled to be implemented in September 1997. Special attention is given at the end of the chapter to immigrants and welfare reform.

The Planning Process

The Wisconsin Department of Health and Social Services was charged with designing a new public aid program to replace welfare. As it undertook the task, the department sought input from a broad range of stakeholders, including welfare recipients, advocacy groups, the business community, local providers, county officials, and various state administrative departments affected by welfare programs, as well as from nationally recognized welfare experts. Additionally, the planning process was informed by the state's 10 years of welfare reform experience, which had resulted in the development of eight guiding principles:

1. For those able to work, only work should pay.
2. Everyone is assumed able to work; at the very least, everyone is capable of contributing to society according to his or her abilities.
3. All policies must be judged in terms of how well they strengthen parents' responsibility to care for their children because families are society's way of caring for and protecting children.
4. The new system's fairness should be judged by comparing clients' situations with those of low-income working families, not with those of clients receiving government benefits (AFDC or others).
5. A new system should reward work and self-sufficiency.
6. Individuals are part of communities, and a new system should focus on how communities affect families and how communities can support individuals as they move toward self-sufficiency.
7. An individual should be provided only with services that are needed, rather than any and all available services.
8. Private-sector alternatives (e.g., market and performance mechanisms) for providing services and managing programs should be explored.[67]

That the new system should emphasize work was a given in light of the movement in this direction through Wisconsin's several work-based demonstrations. But officials also sought answers to many of the fundamental policy questions surrounding welfare reform. They investigated barriers to employment such as domestic violence, alcohol and drug abuse, and mental illness. DHSS analyzed the dynamics of its welfare caseload, such as educational attainment, long-term dependency, work history, and geographic distribution. The state assessed the feasibility of a statewide work-based system of aid by examining its labor market and determining what types of jobs program recipients could secure. It looked at the adequacy of its child care, health care, transportation, and Earned Income Credit programs.

However, the advocacy community viewed this planning process as an in-house activity. Although clients, advocacy groups, local providers, and county officials were invited to one of several listening sessions, some believed that their perspectives (on the importance of education and training, for example) were ignored. They were also uncomfortable with the lack of available data supporting the work-based approach—although the state based much of W-2 on its experience operating demonstration programs. Evaluation results on the impact of these programs, with the exception of Learnfare, were not available.

The Department of Health and Social Services initially designed W-2, but because of the state reorganization, the Department of Workforce Development was charged with administering the program through its Division of Economic Support. DWD's budget for W-2 in 1997–99 was $169.2 million.

Eligibility

W-2 has two income eligibility requirements, depending on the type of service a client needs. For basic employment and cash assistance, the income eligibility is similar to the old AFDC system—115 percent of the federal poverty level. For support services such as child care, the eligibility cutoff is 165 percent of the federal poverty level for applicants and 200 percent for recipients. W-2 also significantly raised the vehicle asset limit—from $2,500 to $10,000.

Notably, though, W-2 eligibility does not mean entitlement to cash assistance because W-2 was not intended as a replacement program for AFDC. Likewise, the program changes the AFDC criteria for handling two-parent families and teen parents. Under AFDC, eligibility rules favored single-parent families over two-parent families, particularly by restricting to 100 the number of hours per month that a parent in a two-parent family could work. W-2 replaced the 100-hour rule with a single set of eligibility criteria for single-parent and two-parent families. Minor teen parents, regardless of their income level, can meet with W-2 Financial and Employment Planners (FEPs)—Wisconsin's new case managers—to discuss such issues as the teen's education, money management, child care during school hours, health care, food stamps, and access to community resources. Minor teen parents, however, are no longer eligible for cash assistance.

Employment

Work is the foundation of the W-2 program. *All* W-2 recipients—with the exception of single heads of households with children under three months—are required to participate in employment or work readiness activities. Some may be able to find a job right away. But for those who are unprepared to go to work immediately, the state designed an employment ladder that has four levels of participation—unsubsidized employment, Trial Jobs, Community Service Jobs, and W-2 Transitions—to match the varying levels of job readiness found in the welfare population.

Wisconsin's Job Centers are the primary delivery point for W-2 services. Applicants go through an intake process such as the following to determine their employment needs and abilities:

- A receptionist screens the applicant and determines the intensity of services required (self, light, or specialized). If more assistance is needed, an appointment with a resource specialist is scheduled.
- The resource specialist further assesses the client, including the client's need for W-2 services. The resource specialist explores all options other than

financial assistance, as was done in the Work First and Self-Sufficiency demonstrations.

- If the client is not diverted to other services or programs, the specialist begins the W-2 application process and schedules an appointment with an FEP.
- The FEP verifies eligibility, assesses the client, develops an employability plan, and refers the client for other services.[68]

The FEP's client assessment and subsequent employability plan identifies the best placement for the client on the W-2 employment ladder. The highest rung, unsubsidized employment, includes any work in the private or public sector for which the government does not provide a cash subsidy. Job-ready W-2 applicants are required to look for unsubsidized employment as a condition of eligibility, but the program still provides an array of supports for those who find work: food stamps, health care, child care, Job Access Loans (see *Work Supports* below), and state and federal Earned Income Credits. Participants in unsubsidized employment do not receive a cash grant but wages from their private-sector or public-sector employers. Employment, though, is not guaranteed—nor is a cash grant for those unable to find work.

Trial Jobs, the second rung on the W-2 employment ladder, provides private-sector employers with a wage subsidy up to $300 per month when they employ a W-2 participant. The Trial Jobs component is intended to help W-2 clients transition into the workforce. Employers must pay W-2 participants at least the federal or state minimum wage, and they must commit to making a good-faith effort to offer the participant permanent employment. Trial Jobs participation is limited to 24 months, during which time the participant is eligible for the same work supports available to those in unsubsidized jobs.

Next on the employment ladder are Community Service Jobs (CSJs), which are completely government-subsidized work positions for W-2 clients who have little or no work history. CSJs give participants the opportunity to practice skills, particularly the so-called "soft skills," necessary for unsubsidized employment. The agency that operates W-2 in a county is responsible for developing CSJs. These agencies must rely on local nonprofit community groups, religious organizations, schools, government agencies, and hospitals to provide the positions. W-2 clients in Community Service Jobs might perform maintenance or clerical work, or they might serve as aides in schools, health care offices, or child care programs. These jobs must add value to an organization or to the community. CSJ participants are paid $673 per month, provided they work up to 30 hours per week and spend up to 10 hours per week in education or training activities. They may also be eligible for food stamps, child care, health care, and Job Access Loans, but they are not eligible for the Earned Income Credit. Participants may work in Community Service Jobs for only 24 months.

The fourth component of the W-2 employment ladder, W-2 Transitions (W-2 T), is designed for those participants who face formidable barriers to employment such as alcohol or drug dependence, homelessness, domestic violence, or some other family crisis, or who are caring for a family member who is disabled or has significant health problems. W-2 T provides treatment, counseling, or other relevant activities to help participants address these problems. For some, these activities may consume W-2 T's weekly 28-hour requirement for work-related activities. Others may be able to seek treatment and work to some degree. Besides engaging in 28 hours of work-related activities each week, W-2 T clients must also participate weekly in up to 12 hours of education or training. They receive $628 per month for their participation, plus child care, food stamps, health care, and Job Access Loan benefits. They are not eligible for Earned Income Credits. As with CSJs and Trial Jobs, participants can engage in W-2 T activities for only 24 months. However, because W-2 T participants face such significant barriers to employment, they may receive extensions to the 24-month time limit on a case-by-case basis.

The W-2 employment ladder has built-in incentives for encouraging recipients to work at the highest level possible—the time restrictions (24 months in the lower three components and a five-year cumulative time limit) and the financial remuneration (which increases as participants move up the employment ladder). Those at the highest two levels—unsubsidized employment and Trial Jobs—can receive federal and state Earned Income Credits (the state EIC averaged $297 in 1996).[69] With income from a full-time minimum wage job, plus state and federal EICs and food stamps, a family of three may raise itself above the federal poverty level. Cash grants of those in the lower levels (CSJs and W-2 T) are not adjusted for any additional income brought in to the household. However, participants who do not fulfill program requirements get their grants reduced by the minimum wage for each hour they fail to comply.

Education and Training

The W-2 legislation drew criticism from advocacy groups and some Democratic legislators, who contended that the reform virtually eliminated participation in education and training for welfare recipients. W-2's education and training provisions are more restrictive than those of the AFDC and JOBS programs, but the state believes that employment positions give W-2 participants the best possible preparation for the world of work. Education and training opportunities are part of this experience and include short-term job skills training, job search activities, job skills development, motivational training, and life skills training. While W-2 participants are not prohibited from enrolling in postsecondary education, the program does not provide a cash grant for this purpose and child care assistance is limited. Rather, W-2 clients must find state or federal financial aid for education. W-2 does offer the Employment Skills Advancement Program (ESAP) for those working in unsubsidized employment for at least nine months. To be eligible for ESAP, participants may earn up to 165 percent of the federal poverty level. ESAP grants are for the direct costs of education and training and are limited to $500. The ESAP applicant must match these funds with personal resources and with matching funds from a third party (e.g., employer, private individuals).

Work Supports

Because W-2 is a work-based program, the state placed a premium on the services that support employment. In particular, Wisconsin focused on its child care and health care systems and reevaluated how child support payments could better serve W-2 participants. An overarching goal guiding the delivery of these supports is the creation of a system that is fair to the working poor. Therefore, medical plans introduce copayments, an end to health care entitlement, and a system that allows private providers such as HMOs to deliver services to recipients. As noted earlier, the state did not receive federal waiver approval for the health care portion of W-2, so the program's health care component resembles the state's Medical Assistance program, which operated prior to W-2 (see *Programs That Promote Financial Independence*). Wisconsin Works also introduced child care copayments. It does provide transportation assistance and financial aid through its Job Access Loan program.

Child Care

As noted earlier, Wisconsin's W-2 child care system consolidates low-income and AFDC-related child care into one program. Continuity of care was a serious problem under the old AFDC system, especially when welfare recipients started working. For example, a recipient who left AFDC for work could receive up to 12 months of Transitional Child Care under the Consolidated AFDC Child Care funding stream. After 12 months, the recipient had to switch to low-income child care, which sometimes created gaps in coverage, causing the worker to lose employment and return to the welfare rolls.

W-2 eliminates the various funding streams for low-income and AFDC child care and creates a new, more integrated program. An advantage of this approach is that the state can focus its child care resources on low-income families more generally, rather than just on welfare recipients. The state's new child care eligibility requirements reflect this change. Child care is available for children age 12 and under in low-income families with incomes up to 165 percent of the federal poverty level, regardless of previous welfare receipt. (Some families who were receiving Low Income or Transitional Child Care in May 1996 are grandfathered in at 200 percent of the federal poverty level.) Once participants are eligible for W-2 child care, they continue to be eligible for government-subsidized care until their income reaches 200 percent of the federal poverty level. Child care is available only for individuals who work or who participate in approved training activities. Teen parents can also access W-2 child care to attend school or obtain a GED; parents with disabled children over age 12 are *not* eligible for assistance.

Wisconsin not only consolidated its child care funding streams, it increased its financial commitment threefold—allocating some $150 million in the 1995–97 biennial budget to address child care supply issues. An additional $6 million was allocated for child care grants to agencies.

Another innovation of W-2 child care is the program's copayment system. Families generally did not contribute to child care expenses under the old AFDC system, although low-income child care did impose some copayments. But W-2 subjects everyone to a copayment calculated via a sliding-scale formula that takes into account income, family size, category of care, and number of children a parent has in subsidized care. One of the first child care copayment schedules the state devised resulted in implicit marginal tax rates that gave families at higher income levels less disposable income than those at lower levels. The schedule was revised to minimize this tax effect; it also caps copayments at 16 percent of a family's gross income.

Finally, Wisconsin addressed the issue of supply by introducing a new category of regulated child care—provisionally certified providers. These providers do not require the same level of training as do Wisconsin's other types of child care providers—licensed group centers, licensed family day care providers, and regularly certified family day care providers, who must meet training requirements, extensive health and safety standards, and staff qualification standards, and who must be monitored regularly for compliance. Provisionally certified providers must meet only minimal health and safety standards and undergo a site visit and criminal check. The state created this new level of provider so that W-2 participants could leave their children in less formal settings, such as with relatives and neighbors. However, child care advocates have voiced concern that this new category of provider might lower the quality of care that children of W-2 participants receive.

Transportation and Job Access Loans

Transportation assistance is another key support for welfare recipients who want to work. In Wisconsin's rural areas, welfare recipients often have to find their own transportation to and from work because there is limited, if any, public transportation. In urban areas such as Milwaukee, jobs are often located in outlying areas, beyond the public transportation system; or the work schedule is during off-peak times, when public transportation is not available. W-2 addresses these problems in a number of ways. First, the state raised the vehicle asset limit from $2,500 to $10,000, thus enabling W-2 participants to own more reliable cars. Second, Wisconsin places some responsibility on the agency running the W-2 program to identify and facilitate transportation for its clients. The state also allocated $3 million in the 1997–99 biennial budget for Employment Transportation Assistance, which might include such options as transit service expansion, reverse commute services, transportation support in rural areas, and employer initiatives.

W-2's Job Access Loan program can also be used to address transportation issues. These short-term, no-interest loans are available to W-2 participants who have an immediate financial need for which they do not have the resources to pay. Loans can only be used for purposes that support employment, such as for car repairs or down payments, moving costs, uniforms, rent, or security deposits. The loan amount can range from $25 to $1,600, and participants have

24 months for repayment. At least 25 percent of the loan must be repaid in cash. The balance can be repaid with in-kind services to the community.

Child Support

Receiving court-ordered child support can often make the difference in a person's ability to achieve self-sufficiency and remain off welfare. Wisconsin officials report that the consistent and timely payment of child support is a leading reason why welfare families leave public aid.

W-2 significantly changes the way in which child support is distributed to individuals who depend on government aid. Under the old AFDC system, the government retained all but the first $50 collected on behalf of an AFDC family to offset state and federal collection costs. Under W-2, all child support that is collected passes through to W-2 recipients who are in employment positions and counts toward their initial and ongoing income eligibility requirements of W-2. Officials estimate that this pass-through will cost the state and federal governments more than $15 million in FY 1998. This change in child support distribution is part of a demonstration waiver; individuals assigned to the control group will receive either 40 percent of the amount paid or $50, whichever is greater. As in the old AFDC system, W-2 participants must still cooperate with the local child support agency in establishing the paternity of their children. The Children First program for noncustodial parents is also continued under W-2. (See *Programs That Promote Financial Independence* for a full description of Children First.) Finally, W-2 offers job search assistance and case management services to interested noncustodial parents (noncustodial parents are placed into Children First via court order). These parents are eligible for such services only if the custodial parent is already participating in W-2 and if the noncustodial parent has a child support order in place or is cooperating in establishing one.

Service Delivery

Besides changing specific elements of the old AFDC program, W-2 also alters the way in which services are delivered to public aid recipients. Prior to W-2, Wisconsin's 72 counties provided services to AFDC recipients under contract with the state Department of Health and Social Services. Under W-2, counties must earn the right to provide services by meeting state-mandated performance standards, such as reducing caseloads by 25 percent and increasing participation in work activities (numbers of participants and hours of participation). All but five of Wisconsin's counties met these standards; and another seven counties declined to run W-2 despite having met the performance criteria. As a result, Wisconsin issued requests for proposals to have private contractors run W-2 in these counties. In the end, a mix of entities will serve as W-2 agencies: counties, private for-profits, and private nonprofits.[70]

Milwaukee County presented a special case. It did not retain the right of first selection to operate W-2. Because of the scope of the Milwaukee service area and because more than half of Wisconsin's AFDC recipients live there, the state decided to divide Milwaukee into six service regions. Service delivery within these regions was then contracted out on a competitive basis. Five agencies will run W-2 in the six regions—Goodwill Industries (two regions), MAXIMUS, Opportunities Industrialization Center, United Migrant Opportunities Services, and the YWCA. Except for MAXIMUS, which is a for-profit firm based in Virginia, all of the Milwaukee W-2 agencies are locally based nonprofits that have operated JOBS or the Food Stamp Employment and Training programs.

In Milwaukee, the Private Industry Council (PIC), which oversees local JTPA program administration, will play a unique role in the implementation of W-2. It will oversee the various organizations that operate the program and evaluate the contracting process, performance monitoring, and coordination among the five agencies across the county. The PIC is in a good position to do this since it is at once a county-based organization and a nonprofit entity separate from county government. The PIC will also provide technical assistance to W-2 providers and feedback on operations to the state.

At the time of the Wisconsin site visit, the PIC was in the process of negotiating a contract with the state to perform these various oversight functions and was holding regular meetings with prospective W-2 providers. Because there will be five separate W-2 agencies operating W-2 in Milwaukee, there was some concern that service quality might vary and that inequitable treatment might result. In response to this concern, the PIC and W-2 contractors were attempting to negotiate basic standards of operation.

All of the W-2 agencies in Wisconsin have entered into similar contracts with DWD to run W-2. These contracts give the agencies a great deal of flexibility in *how* they deliver services to clients. Unlike the old AFDC system that paid for each unit of service they provided, W-2 contractors will be paid a fixed amount to provide all W-2 services. The fixed contract amounts are based on W-2 budget assumptions and include such expenditures as cash benefits, child care expenditures, projected caseloads, and administrative costs. W-2 agencies can profit under these contracts by providing services at a lower cost than is allocated to them, up to 7 percent of their contract. If an agency realizes a profit beyond 7 percent, it may retain 10 percent of the additional amount for unrestricted use, it must reinvest 45 percent of the additional amount in the community, and it must return the remaining 45 percent to the state. Finally, W-2 agencies can incur financial penalties for failing to provide services to eligible clients. The penalty is $5,000 for each instance of such failure.

The performance-based nature and profitmaking potential of W-2 contracts troubled some in the advocacy and nonprofit sectors. Both provisions, these groups believe, might deter agencies from serving certain clients, especially those with barriers to employment. W-2 agencies, they hypothesized, may not want to spend extra money (especially since contract amounts are fixed) to serve clients who may have poor outcomes. Even though W-2 agencies can be fined for failing to serve eligible families, clients must initiate the complaint process, but the right to a fair hearing (in place under the old AFDC system) is eliminated. Because W-2 does not entitle its recipients to benefits, Wisconsin is not legally required to give recipients the same due process as under AFDC. As a result, W-2 agencies can formulate their own dispute resolution process. Advocates were concerned that these processes might treat clients arbitrarily.

Implementation Challenges and Issues

Wisconsin policymakers are confident that local providers will have few difficulties implementing W-2, since most W-2 agencies have previously conducted welfare reform programs. Concerns at the state level tended to be logistical in nature, for example, adapting the state's computer system to handle the conversion to W-2 or ironing out specific language in W-2 policy manuals.

At the local level, though, service providers highlighted additional challenges that would have to be overcome to implement W-2 successfully. Officials in Rusk County noted that small communities such as theirs lacked the infrastructure on which to build the Community Service Jobs and Transitional Jobs components. These areas have few agencies and organizations at which to place clients. Furthermore, with a high unemployment rate, the area has few unsubsidized jobs available. How places like Rusk County, with little economic growth and high unemployment rates, will be able to develop jobs was unclear. Even in Milwaukee County, which has more options for Community Service Jobs, there was concern about having enough subsidized jobs to meet the need; some officials perceived their caseload as containing more "hard-to-serve" clients who would be unable to succeed immediately in unsubsidized employment. One program operator in Milwaukee estimated that his agency would need at least 1,600 CSJ positions to accommodate the potential participants. Another official cited a much higher number—10,000 slots for the county as a whole. At the time of the site visits, 500 to 600 subsidized positions had been developed. Milwaukee County staff were taking the lead in developing CSJ placements for all W-2 agencies to avoid inundating Milwaukee employers with requests from multiple sources.

Prior to the release of W-2 contract bids, many nonprofits were concerned that their agencies might not have a formal role in W-2, yet they might be overwhelmed by clients who were dropped from W-2 rolls. As a result, a number of these organizations in Milwaukee County joined forces to develop proposals to run W-2. Their proposals focused on the links they had with other nonprofits and the larger community. These nonprofits won contracts to run W-2, and their focus expanded from providing programs and activities that supplemented government services (e.g., advocacy, food pantries, neighborhood-based activities) to providing government programs as well.

The implications of W-2 for the nonprofit sector in general were unclear. Even before W-2 implementation, nonprofit leaders reported feeling "stretched from both sides"—caseloads are unwieldy, and their staff are already burned out. Although some in this community were cautiously supportive of W-2, believing in the program's philosophy of work, others were very troubled by the demise of entitlement. Nonprofit leaders and emergency service providers recognized that W-2 could help some people get jobs and move out of poverty, but they were concerned about those who might fall through the cracks.

Some officials in Milwaukee questioned whether the performance criteria set by the state during the right of first selection process were deliberately designed to preclude the county from running W-2. At the time of the site visits, it was unclear what role the county would play. Since the Medicaid and Food Stamp programs were not operating as block grants at the federal level, staff in private agencies running W-2 are unable to perform eligibility functions for these programs. Most likely, Milwaukee County staff will continue to determine eligibility for these programs and possibly for cash assistance under W-2.

Another issue of concern is the treatment of adults receiving Supplemental Security Income (SSI). Adult SSI recipients are exempt from W-2 participation, but their children receive a W-2 grant. The grant amount, $77 per child, is much lower than that awarded under AFDC ($248 per month for one child). In December 1996, approximately 10,700 children were living in families in which the household head received SSI. How these families will fare under W-2 is a concern for many advocates and service providers.

Advocacy groups and Democratic leaders have also criticized the W-2 legislation because it did not call for any formal program evaluation. In August 1996, Governor Thompson introduced the Wisconsin Works Management and Evaluation Project (W-2 MEP), intended to serve as an umbrella organization for both state-sponsored and outside studies of W-2. At the time of the Wisconsin site visit, an MEP steering committee was being formed that was expected to establish a research agenda for evaluating W-2.

Immigrants and Welfare Reform

Federal welfare reform significantly altered immigrant policy by restricting legal immigrants' access to federal assistance programs and by giving states greater discretion in determining immigrants' eligibility for public benefits. For the first time, receipt of public benefits became dependent on citizenship status, not legal presence. Federal welfare reform also made it harder for new immigrants (those arriving after the passage of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 on August 22, 1996) to access federal public benefit programs than it was for immigrants already residing in the United States.

Although Wisconsin's noncitizen population is below the national average—at 2.1 percent, compared with 6.4 percent nationally[71]—the large concentration of Hmong refugees in the state contributed to Wisconsin's relatively generous decisions regarding immigrant eligibility for benefits. While 7.4 percent of the U.S. foreign-born population are refugees, 10.9 percent of Wisconsin's foreign-born are refugees,[72] primarily Laotian Hmong—many of whom fought with the United States during the war in Vietnam. From 1983 to 1995, 16,366 refugees entered Wisconsin, 75 percent of whom were Laotian.[73] In 1995, Wisconsin had more Laotian refugees than any other state.

PRWORA and Subsequent Federal Reforms

Originally, PRWORA barred most legal immigrants from the Food Stamp and SSI programs. Wisconsin estimated that 7,200 immigrants would lose food stamps as a result of this policy. One year later, Congress restored benefits to immigrants who were receiving SSI as of August 22, 1996 (the date of PRWORA's passage) and to other current immigrants, who were not receiving SSI but who qualified for benefits because of a disability. Congress also authorized states to purchase food stamps to distribute to legal immigrants no longer eligible for the federal program. A year after that, Congress acted again, restoring federal Food Stamp eligibility for certain legal immigrants, including children (under 18 years old), elderly immigrants who were at least 65 years old on August 22, 1996, and disabled immigrants—all of whom must have been lawfully present in the United States on August 22, 1996.

State Food Stamp Program

Prior to the benefits restoration of federal food stamps, Wisconsin appropriated $4.6 million for FY 1999[74] to implement a state program for purchasing federal food stamps for immigrants who lost eligibility for the federal program as a result of PRWORA. A driving force behind the creation of this new program was public support for the provision of benefits to Wisconsin's Hmong immigrants on the same terms as these benefits are accorded to U.S. citizens. Wisconsin's Food Stamp program, unlike most of the dozen or so newly created state Food Stamp programs, fully restored benefits to immigrants who lost federal eligibility. It provides benefits to working-age adults and new immigrants—two groups not covered by most other state programs *or* the federal restorations. The program also provides benefits at the same level as the federal Food Stamp program.

TANF and Medicaid

PRWORA gave states the option to provide TANF and Medicaid (nonemergency services) to immigrants residing in the United States as of August 22, 1996. Wisconsin, like most states, has opted to continue providing TANF and Medicaid to these current immigrants. Federal welfare reform bars new immigrants—those arriving after August 22, 1996—from TANF and Medicaid for their first five years in the country. Wisconsin has chosen to use state funds to provide TANF, but not Medicaid, to these immigrants during this five-year ban.

Like all TANF applicants in Wisconsin, these new qualified immigrants will be ineligible for TANF for their first 60 days in the state (or the country). For immigrants receiving state-funded TANF, the state will impose "sponsor deeming" until these immigrants become citizens. Under sponsor deeming, the income of an immigrant's sponsor is deemed available to the immigrant, making most ineligible for benefits.[75] However, many immigrants on public assistance in Wisconsin are refugees, who are exempt from the five-year ban. In addition, if immigrants are subject to sponsor deeming but their sponsors are not supporting them financially, they may be exempted from deeming for one year by qualifying for a federal "indigence" exemption. After the five-year ban Wisconsin will make new immigrants eligible for both TANF and Medicaid but, again, sponsor deeming will be imposed, rendering most immigrants ineligible.

State Safety Net Programs

Wisconsin originally estimated that 4,600 immigrants would lose SSI benefits because of PRWORA. Before the federal restorations, the pending loss of SSI benefits was the chief concern of state officials and immigrant advocates alike; however, the state has not provided substitute services to immigrants slated to lose SSI benefits. After the federal restorations, immigrants no longer eligible for SSI (primarily new immigrants) may be left without a state safety net. The General Relief program, while potentially available to some new immigrants, is not a substitute for SSI and derivative Medicaid benefits because (1) not all counties offer the program; (2) new immigrants may not be eligible for services; and (3) services vary by county.

Naturalization Initiative

Although the state did not appropriate any funds for naturalization initiatives in response to the federal welfare law's immigrant restrictions, Dane County, which incorporates Madison and is Wisconsin's second-largest county, appropriated $10,000 in FY 1997 for naturalization assistance. These funds were allocated to a local community-based organization to conduct citizenship training for refugees at risk of losing public benefits.

Conclusion

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. The state's takeover of the child welfare system in Milwaukee County was imminent as well.

With few exceptions, Wisconsin has given its counties and other local governing bodies responsibility for delivering services in a broad range of areas: income support, employment and training, child support, child welfare, and child care. Additionally, Wisconsin has decategorized its Community Aids program, the mechanism for providing state and federal human service funds, in order to give counties greater flexibility in providing these services. Despite granting counties and local governing bodies responsibility for running income support and social service programs, most policy development and direction still comes from the state.

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[76] 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.

Notes

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70. Forest Service Corporation holds the contracts in Forest, Kewaunee, Oneida, and Vilas Counties; the Western Wisconsin Private Industry Council will run the program in Juneau County; the Shawno County Job Center, Inc., holds the W-2 contract in that county; and the Kaiser Group, Inc., will run W-2 in Walworth County. (One Native American tribe will continue to operate directly under federal law. Another tribe will receive W-2 service from existing income maintenance and JOBS providers. Three other tribes won and exercised their right of first selection.)

71. Three-year average based on Urban Institute tabulations of the March 1995, 1996, and 1997 Current Population Survey (CPS) files.

72. The percentage of Wisconsin's foreign-born population who are refugees was calculated using a three-year average of CPS data for the foreign-born population in the state. The number of refugees was estimated using Office of Refugee Resettlement data for the number of refugees entering Wisconsin between FY 1983 and FY 1995. (These data were taken from *Refugee Resettlement Program: Report to the Congress, FY 1995*. U.S. Department of Health and Human Services, Administration for Children and Families, Office of Refugee Resettlement, pp. A-7–A-12.) The percentage of the U.S. foreign-born population who are refugees comes from Jeffrey S. Passel and Rebecca L. Clark, *Immigrants in New York: Their Status, Incomes, and Taxes*. Washington, D.C.: Urban Institute. April 1998, p. 82.

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APPENDIX
List of Interview Sources

State-Level Respondent Agencies/Organizations: Madison

Office of the Governor
Wisconsin State Senate
Wisconsin State Assembly
Legislative Fiscal Bureau
Department of Workforce Development
- Division of Economic Support
- Bureau of Child Care
- Bureau of Child Support
- Office of Refugee Resettlement
- Division of Workforce Excellence
- Management Operations
- Bureau of Welfare Initiatives

Department of Administration—Housing
Department of Public Instruction—Early Childhood Education
Wisconsin Association of Counties
Wisconsin Council on Children and Families

Local Respondent Agencies/Organizations: Milwaukee

Office of the Mayor
Office of the County Executive
Department of Administration
Milwaukee County Department of Human Services
- Executive Staff—Income Support and Child Welfare
- Local Office Managers and Line Staff—Income Support and Child Welfare

Milwaukee Private Industry Council
Milwaukee Job Center North
City Health Department
Department of City Development
Milwaukee Housing Authority
Milwaukee Department of Housing and Neighborhood Development
Planning Council for Health and Human Services
Archdiocese of Milwaukee
Catholic Charities
Community Advocates
Hope House
Interfaith Conference of Greater Milwaukee
New Concepts

Next Door Foundation
Opportunities Industrialization Centers
Rosalie Manor
Silver Spring Neighborhood Center

Local Respondent Agencies/Organizations: Rusk County

Rusk County Department of Social Services
- Executive Staff—Income Support and Child Welfare
- Local Office Managers and Line Staff—Income Support and Child Welfare

Indianhead Community Action Agency

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