

Welfare reform in the states: The Bush legacy

by Michael Wiseman

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Promoting waivers for welfare innovation

In his January 1992 State of the Union Address, President Bush encouraged states to continue a movement to “replace the assumptions of the welfare state and help reform the welfare system.” “We are going to help this movement,” he said. “Often, state reform requires waiving certain federal regulations. I will act to make that process easier and quicker for every state that asks for our help.”¹

The president’s message served as catalyst in a number of states for initiation or accelerated development of proposals for substantial alteration in operation of the Aid to Families with Dependent Children (AFDC) program. By the end of his administration in January 1993, waivers had been approved or extended for new demonstrations in eleven states. The result is a major change in the landscape of welfare reform.

These waivers and the demonstrations they permit are interesting from historical, political, and policy perspectives. Historically, state initiatives have provided major impetus for AFDC program alterations eventually implemented nationwide.² For the new administration, the waivers present a serious political challenge. President Clinton campaigned for office upon his record in welfare innovation in Arkansas, a record founded in part upon waiver-based demonstrations.³ But waiver-based demonstrations generally involve multi-year projects, and there is no reason to believe that the programs proposed by states with the encouragement of the Bush administration in 1992 will necessarily be consistent with reform strategies adopted by the Clinton administration. The waivers, in other words, prevent an early cleaning of the slate, and any welfare reforms proposed by the new administration will seem to compete with the ongoing reforms set in motion by the old. The new round of initiatives should therefore be given careful attention as portents of things possibly to come, or at least as models to which alternative reform proposals are likely to be compared.

Beyond history and politics, the new waivers raise two types of policy issues. One concerns the potential of the individual state initiatives as sources of information useful for national policy-making. A second and transcendent issue concerns waiver policy itself: How can the institution of waivers be improved? These policy issues are the topic of this article. I question the likely contribution of the current round of innovation to improving the nation’s system of assistance for the poor. I argue that the standards applied in 1992 in evaluating waiver applications were incomplete, that the 1992 proposals are in many instances and aspects seriously flawed, and that the evaluation plans offer little prospect of adding to our understanding of the social and fiscal consequences of altering the welfare system. I suggest that without national leadership, a sort of Gresham’s law of demonstrations will operate in which the political imperative of replacing “the assumptions of the welfare state” will diminish the prospects for productive research on welfare-related issues. While the particular strategy pursued by the Bush administration to the end of its term was clearly influenced by political considerations, the issue of what waiver policy should be will again arise regardless of who is in the White House.⁴

I begin with a short review of the procedures whereby states gain federal approval to undertake initiatives (the process to which President Bush referred) and an examination of the merits and shortcomings of waiver policy. I then turn to the initiatives proposed in 1992, with emphasis on the programs in Wisconsin, New Jersey, and California. Finally, I summarize the lessons to be drawn from these initiatives.

The role of the waiver in welfare reform

States pay almost half of the total transfer and administrative costs of AFDC, and in return the Social Security Act grants them some latitude in program operation. Most notably, states determine the level of cash benefits paid, and they also have some leeway in the selection of general standards of eligibility and the range of services provided in welfare-related “in-kind” programs such as Medicaid. This latitude has long been criticized by those concerned about interstate equity in treatment of the poor and about the consequences for migration of substantial state-to-state variation in benefits.⁵ Although interstate variation in benefits is still substantial, over the past twenty years most other features of program operation have converged. A major step in this direction was accomplished in 1988, when the Family Support Act mandated that all states provide AFDC assistance for poor two-parent families with children when the “principal earner” is unemployed (AFDC-UP).

In addition to the latitude in structuring the state's AFDC plan that is granted directly by statute, the Social Security Act includes provision for "waiver" of elements of the law for "any experimental, pilot, or demonstration project which, in the judgment of the Secretary [of the U.S. Department of Health and Human Services], is likely to assist in promoting the objectives of" the AFDC program. The standards for determining just what promotes the objectives of the AFDC program are left up to the Secretary and thus reflect, among other things, administration policy regarding the direction of welfare reform. It is the process of obtaining these "waivers" to which President Bush referred in his address.

The Department of Health and Human Services (DHHS) can encourage or initiate demonstrations itself, and experimental projects are often undertaken under congressional mandate. But it was the policy of both the Reagan and Bush administrations to place responsibility for innovation with the states and to give them broad latitude in doing the job.⁶ The administrative manifestation of this encouragement has been the development of interagency procedures and well-defined standards to facilitate quick response to state waiver requests. Coordinated interagency effort is important, because AFDC program structure and operation affect not only AFDC costs but public access to and the costs of a number of other programs such as Medicaid and Food Stamps. Demonstration proposals typically involve the Administration for Children and Families in DHHS (AFDC oversight), the Office of the Assistant Secretary for Planning and Evaluation in DHHS (evaluation), the Food and Nutrition Service of the Department of Agriculture (food stamps), the Health Care Financing Administration in DHHS (Medicaid), and on occasion the Department of Housing and Urban Development (public housing). Despite the complications created by this interaction, the administration attempted in 1992 to act upon waiver requests within *four weeks* of receipt.

Principles pursued in evaluating waivers—and their consequences

In evaluating the waiver applications, the Bush administration pursued two principles, both of which were specified in the President's budget.⁷ These are:

- The principle of cost neutrality: demonstrations should not increase federal costs.
- The principle of rigorous evaluation: demonstration proposals must include adequate provision for assessment of impact.

In both cases the particular interpretation applied by the Bush administration is important for the consequences of the policy.

Costs are defined to include combined federal costs for the program or programs immediately involved and related open-ended entitlements such as Medicaid.⁸ Cost neutrality

is achieved when increases in federal outlays in some programs that are influenced by a demonstration are at least offset by savings in others. Such a standard raises an immediate administrative problem of just how costs and savings are to be assessed. But however costs are balanced against savings (and procedures for doing so in the current demonstrations are discussed later), waiver terms generally call for charging states for the full amount of overruns. Costs incurred for evaluation of demonstrations are not included in the neutrality computations and are shared at the 50 percent rate applied to all AFDC administrative expenditures.

"Rigorous evaluation" has come in general to mean an evaluation of effects based upon an implementation plan that assigns some randomly selected subset of recipients affected by the innovation to a control group treated with the preexperiment system. Outcomes such as welfare receipt, employment, and childbearing for the "treatment" group participating in the new program are then compared with outcomes for families treated contemporaneously with the prereform program. The random assignment experimental design assures that, aside from differences attributable to chance, the units in the two groups will be on average the same with respect to demographic characteristics and external circumstances other than those varied for purposes of the experiment. As a result, differences in outcomes between the experimental and control groups are reasonably treated as products of the innovation.

Of course, all waiver projects do not require random assignment, since in some cases the issue being studied is inappropriate for it (in evaluation of the administrative feasibility of certain management innovations, for example) and in other circumstances it may be impossible. But since the late 1980s DHHS has attempted to establish random assignment as the norm for waiver evaluations,⁹ and the record clearly indicates that attempts were made in 1992 to require random assignment as a condition for approval in virtually every case.

Under the conventions that evolved in DHHS in the second Reagan administration and the Bush administration, the cost-neutrality and rigorous-evaluation principles interacted in an important way. Not only was random assignment treated as an essential element in impact evaluation, it was also used as the basis for evaluating cost neutrality. According to this standard, cost neutrality is established if, when measured over some prespecified time period, total federal cost for all transfer programs per family for the control group is greater than or equal to costs per family in the "treatment" group. When applied in this way, the cost-neutrality principle creates a number of bureaucratic incentives. One is that states are encouraged to be very careful in proposing demonstrations, since at least in theory the full amount of any overrun, as evaluated by control/experimental group comparison, will be charged to the innovating state. The principle also appears to discourage innovations

that funnel money into long-term investments in education and training, because such activities frequently require early outlays for payoffs achieved, if ever, only after some time. In the interim, the project may not meet cost-neutrality standards if the horizon for such calculations is shorter than that over which effects are realized.¹⁰ The principle also encourages combining innovations in operations features with cuts in benefits, since one way to assure that federal costs will not increase (and that state costs will be reduced as well) is to reduce benefits concurrently.

Finally, the interaction of the cost-neutrality and rigorous-evaluation principles focuses evaluation on the impact of the total program on the total caseload, since this best reveals cost effects, rather than allowing for concentration of evaluation efforts on particular subprograms or particular subgroups of participants that are the object of special national policy interest. This would not be a problem if the programs for which waivers are sought were simple and well defined. Unfortunately the political dynamic of welfare initiatives seems to push states in the direction of widely targeted “comprehensive” reforms with many facets.

The limitations of waivers in welfare reform

There was no reference in the Bush State of the Union message or the budget to the congruence of proposed demonstrations with either some set of general national objectives for welfare reform or with a research agenda that has emerged from the sizable number of state demonstrations completed within the last decade or scheduled to end in the near future.¹¹ Absent any specific articulated goals, most observers agree to at least the following four statements:

- There is continuing active public sentiment for welfare reform; the current system has little political support.
- Any reform must emphasize efforts at self-support as the obligation of recipients.
- For able-bodied adults, welfare should be transitional, and welfare services should be oriented toward shortening the duration of receipt.
- Many of the solutions to welfare problems lie outside the system.

These precepts effectively illuminate the limits of what can be learned from state welfare innovations. To provide useful information, state demonstrations must be narrowly focused, which means they cannot address the broad problem of welfare reform; it will take a long time for the effects of state initiatives to be realized, thus, they can offer no instant fixes for the system; and, by definition, they operate within the welfare system, and therefore cannot offer solutions outside of welfare. Furthermore, because they operate within AFDC, efforts at enhancing self-support for recipients of benefits

may stand in the way of shortening their duration on welfare. These points are discussed in some detail below.

The need for state demonstrations to be narrow

Rarely do either welfare “experts” or the person-calling-the-radio-talkshow seriously propose that the problems of public assistance policy can be addressed with a single fix. There are, instead, many layers to welfare policy problems, and most plans for general reform include different components for different elements.¹² But impact evaluations of general reform efforts are not the domain of state demonstrations, because “general” is too big. It may be possible to assign some recipients to an education-first, welfare-to-work track and others to a track which emphasizes early job placement (as is being done in JOBS experiments in Georgia, Michigan, and California) and then at some later point compare the results and draw inferences about the relative efficacy of the two strategies for JOBS program operation. However, experimenting with “comprehensive” schemes is much more problematic, because broad-focus changes in public assistance schemes are difficult to generate and assess in an experimental context, in part because such changes may well interact with the larger economic and social environment of the public assistance system.¹³

For a state demonstration to contribute to the national reform effort, it must do one of two things: (1) address a program feature that in the light of the general objectives of welfare reform might reasonably be implemented on a larger scale, or (2) offer the prospect of determining something about agency or recipient behavior that would materially improve the design and implementation of future programs.¹⁴ “Comprehensive” state demonstrations, while they undoubtedly have political advantages, multiply the dimensions of the demonstrations with the consequence that, even if the evaluation shows that the package as a whole has some desired effect, little of use will be learned.

Demonstration time vs. political time

If welfare problems are really as bad as it seems sometimes politic to claim, then general action is imperative and demonstrations simply take too long. A good example of the conflict between action and learning is provided by the evaluation of the impact of the JOBS component of the Family Support Act of 1988. This evaluation only began in 1991, and the first impact results are unlikely to be available before 1994. Even then, the results (for example the relative productivity of the two welfare-to-work tracks mentioned above) are certain to be more than a little jejune for welfare politics.

Reform from within vs. reform from without

By their very nature waiver-based demonstrations operate by changing the circumstances of persons in contact with the welfare system. But a key part of the consensus as stated

above is that more methods must be found to make increasing self-support—even complete loss of contact with welfare—a viable alternative for poor households. The strategies for making loss of contact viable operate either by raising the benefits associated with life on the outside compared to life on AFDC or by reducing the relative desirability of receiving welfare. Those strategies that work on the outside involve benefits—assured child support, the Earned Income Tax Credit, and so on—that do not require contact with AFDC.

Operating from within the AFDC system, the methods available for encouraging movement to self-support involve raising the costs of welfare reciprocity, raising skills, or raising returns to increasing self-support. Cost-oriented policies encourage movement from welfare by making continued welfare receipt more expensive relative to the costs of job-taking. All time-consuming welfare requirements, such as required work, do this. Skill-oriented policies raise the return to work effort by enhancing skills—in job search, on the job once it is acquired, or both. Raising the returns from efforts at self-support compared to total dependence on welfare requires manipulating the way in which benefits decline as earnings increase. But while such policies may encourage reduced dependence on welfare, it is difficult to engineer a politically acceptable incentive that will encourage leaving welfare.

Here's why. It is possible to raise the returns to work within the welfare system only by reducing the benefit received when not working or by raising the benefit that is retained once work is undertaken. The former strategy compromises what is presumably the fundamental purpose of welfare, the alleviation of need. But raising the benefit from combining work with welfare discourages, at least in the short run, leaving welfare altogether and therefore may conflict with the objective of shortening the duration of welfare receipt. This conflict in objectives has led both policy analysts and politicians to argue for reduced emphasis on incorporation of work incentives within benefit calculations in favor of moral suasion, work requirements, skills enhancement, and techniques for supplementing income during what is explicitly identified as a transitional period (of short duration) following employment. Such programs, operating within the welfare system, can be complemented by policies, like the Earned Income Credit, which positively affect income for families who are not receiving AFDC benefits. Title I of the Family Support Act of 1988, "Child Support and Establishment of Paternity," had this objective as well, since it was aimed at increasing the incidence and amount of child support payments by noncustodial parents. Child support, when paid, adds to the attractiveness of wage employment outside of welfare relative to the attractiveness of welfare receipt, because for those receiving AFDC, child support payments in excess of \$50 per month reduce welfare benefits dollar for dollar.

Because of the difficulties of providing incentives within welfare, projects offering long-term enhancements of the financial incentives for work within the welfare system pose a significant cost problem if expanded beyond a demonstration to an entire state caseload. Many of the new state initiatives attempt to circumvent this problem with questionable success. Before looking at the new demonstrations, however, I briefly review the old ones.

Initiatives already under way in 1992

The Bush administration did not begin 1992 with a clean slate; much was already going on. DHHS reports approximately thirty waiver-based research and demonstration projects in effect in eighteen states in 1991.¹⁵ These projects can be divided into six categories on the basis of general emphasis:

1. Demonstrations featuring the integration of AFDC, food stamps, and supportive services. Programs in Alabama (Avenues to Self-Sufficiency through Employment and Training Services, or ASSETS) and Washington state (Family Independence Program, or FIP) were of this type.
2. Demonstrations emphasizing the manipulation of the so-called hundred-hour rule in AFDC-UP, whereby a two-parent family is terminated from welfare if the principal earner works more than 100 hours in a month. Demonstrations in California, Wisconsin, and Utah experimented with eliminating this restriction.
3. Welfare-to-work demonstrations emphasizing job search and training assistance for recipients. Aside from California's GAIN program, all demonstrations in this category were part of the national JOBS evaluation and were conducted under direct authorization from DHHS.
4. Demonstrations supporting efforts to move recipients to self-support through private business. Five states were involved in a Self-Employment Investment Demonstration (SEID) of methods for assisting welfare recipients to begin self-employment.
5. Demonstrations emphasizing services and/or requirements for teenage recipients, for example, encouraging them to stay in school. These projects included Wisconsin's "Learnfare" initiative as well as mandatory education, training, and employment programs for teen parents in Illinois and New Jersey.
6. A general category covering a variety of special projects, including administrative changes such as an evaluation of an automated case management system in Los Angeles and New York's Child Assistance Program (CAP)—an experiment with the use of incentives to encourage AFDC custodial parents to obtain child support and become employed.

The collection of demonstrations in place in 1991 reached beyond what was learned in the work-welfare demonstra-

tions of the early 1980s to tackle issues of strategy (the JOBS evaluations), problems of special subgroups (the teenage parent programs, the AFDC-UP investigations), opportunity development (the self-employment demonstrations), and consequences of alternative general program structures (FIP, ASSETS). In many cases the general initiatives are roughly replicated in more than one site, with the potential for at least casual synthesis of results. Both because of their limited focus and because of the structural problems with welfare reform-from-within described above, these programs are hardly the answer for those seeking major welfare reform. If one takes out of the list the JOBS demonstrations (a product of congressional and DHHS initiative, not the states') and the small SEID efforts, not very much is left. At the same time, it is doubtful that the integrity of the welfare system, or the well-being of its dependents, was significantly diminished by what was under way, and at least the JOBS demonstrations are directly related to the national reform agenda established by Congress in 1988. The question to be asked concerns the extent to which the new waiver initiatives complement or build upon this inventory. It is to this issue that I now turn.

The new waiver proposals

By Inauguration Day, 1993, the Bush administration had approved new waiver-based demonstrations for eleven states and action was pending upon applications received from an additional six states. These are summarized in Table 1 (pp. 23–25).¹⁶ Only one proposal, an ambitious medical cost-containment package proposed by Oregon in 1991, was turned down in its entirety. These projects differ substantially in content, scope, and likelihood of success. Although in part the new demonstrations reflect continued attention to problems addressed by earlier waiver-based demonstrations (the 100-hour rule, for example), in general the proposals pay much greater attention to development of *financial* incentives for work, for education, and for avoiding child-bearing and migration. (As mentioned earlier, such incentives have serious drawbacks. The problems they raise will be discussed in examining the individual initiatives.) Proposals for similar projects were considered in many other states.¹⁷

Among the initiatives targeted at something other than health care, Wisconsin's "Parental and Family Responsibility Initiative," New Jersey's "Family Development Program," and California's "Welfare Reform Demonstration Project" had, by midsummer, attracted the most national attention. A more detailed look at these proposals reveals a number of problems with the waiver strategy pursued by the Bush administration, the inherent limitations of the waiver approach, and the need for a guiding vision of the contribution of state welfare demonstrations to national policy.

Wisconsin Parental and Family Responsibility Initiative

The Wisconsin Parental and Family Responsibility Initiative (PFRI)¹⁸ was announced April 10, 1992, by President Bush and described in greater detail at a press conference held the same day by Secretary of DHHS Louis Sullivan and Wisconsin Governor Tommy Thompson. According to the state's press release, the object of concern of the Wisconsin initiative is "children having babies"—teen pregnancy and associated accession to public assistance. The intention of the initiative is to "promote and preserve families by removing disincentives in the welfare system that serve as barriers to young couples from marrying and working."¹⁹

In its emphasis on more active intervention in the lives of teenage recipients and teenage parents, the Wisconsin initiative is similar both to several of the waiver-based projects already in effect in 1991 and to those proposed by other states. It is unique in the explicitness of its attempt to encourage marriage (or at least cohabitation), a feature that has attracted the sobriquet "bridefare." The bridefare issue tended in media coverage to overshadow other features of the program, especially its generosity. The PFRI provisions are a useful point of departure for comparison to other state initiatives and for understanding current procedures for evaluation of such applications.

Wisconsin proposes that beginning July 1, 1993, a randomly selected sample of new teenage applicants for public assistance in four counties (possibly five, depending upon the numbers required for adequate power for statistical evaluation of demonstration outcomes) will be enrolled in a new program. For those selected, the AFDC program will differ from Wisconsin's standard operation in several important ways.

- Work incentives will be increased for participants in both AFDC-Regular and AFDC-UP.
- Recipients will be discouraged from having more children while receiving assistance.
- The state will attempt to improve procedures for determining paternity and to raise child support contributions from noncustodial parents.

The proposed program is quite small, and however the evaluation is conducted, it will be some time before results are known. In its waiver application, the Wisconsin Department of Health and Social Services predicted that 662 cases would be covered by the end of the first year following project implementation; the total was projected to rise to 3,357 at the end of the fifth year of the project. For reasons discussed below, actual sample sizes have yet to be determined, but before considering sampling issues it is useful to explain the PFRI components in more detail.

Currently, in most states \$90 per month in earnings is disregarded to cover work expenses in the calculation of AFDC

Table 1
Waivers Approved or Pending, January 1, 1992-January 19, 1993

State	Demonstration	Status (month references are for 1992 unless otherwise noted)
Arkansas: Reduction in AFDC Birthrates Project	Eliminates AFDC benefit increase for additional children born to families already receiving AFDC; enhanced family planning counseling for recipients aged 13–17; mandatory participation of minor parents in special JOBS component.	Proposal received January 1993, pending.
California: Welfare Reform Demonstration Project (WRDP)	Reduces AFDC benefits 10 percent, additional 15 percent for a family with an able-bodied worker after 6 months on the rolls; eliminates time limit on \$30 and one-third earned-income deduction; eliminates 100-hour rule for two-parent (AFDC-UP) families; provides additional voluntary job search assistance for new cases; requires pregnant or parenting minors to live with parents; requires pregnant or parenting teens who have not completed high school to attend school or training. rewards regular attendance and penalizes excessive absences; pays benefits for new arrivals to state at the level of state of origin for one year; provides no additional benefits for children conceived while a parent is receiving assistance.	Proposal submitted May, approved July. Demonstration project included in referendum proposition that failed in November; modified proposal (see below) approved by legislature will be implemented.
California: Assistance Payments Demonstration Project	Backup for Welfare Reform Demonstration Project (see above): Reduces AFDC benefits to all households by 1.3 percent (on top of a 4.5 percent reduction effective October 1, 1992); eliminates time limit on \$30 and one-third earned-income deduction; eliminates 100-hour rule for two-parent (AFDC-UP) families; pays benefits for new arrivals to state at the level of state of origin for one year.	Proposal submitted September, approved October. \$30 and one-third limit removal requires additional state funds and is unlikely to be implemented.
Georgia: Preschool Immunization Project (PIP)	Authorizes financial sanctions for recipient families failing to meet immunization requirements for preschool children.	Application received November, approved November.
Illinois	Seven demonstration components covering: (1) a statewide change in budgeting rules intended to reduce barriers to short-term employment; (2) elimination of the AFDC-UP 100-hour rule, work history requirements, and restriction on refusal of bona fide offers of employment for young two-parent families; (3) a two-site demonstration of an expanded component of the JOBS program which includes academic and job-oriented activities as well as life skills and support services for young men and women; (4) a pilot (“One Step at a Time”) mandatory employment transition program for long-term recipient families with no employment history, young children, and limited education; (5) a pilot project providing transitional assistance and additional earned income allowances and emergency assistance payments for 600 homeless families; (6) reduced benefits for new state migrants for one year; and (7) a pilot project offering noncustodial fathers JOBS program services and supportive services.	Applications for components 1–6 received October; supplemental application for Parental Involvement Project received November. Approval deferred for relocation of “One Step” proposals; remainder approved January 1993. Waivers for Medicaid components pending.
Maryland: Primary Prevention Initiative Demonstration Project	Institutes financial sanctions (benefit reductions) for families in which children do not meet school attendance requirements, preschool children do not receive required immunizations and related health services, and/or adults and school-age children do not receive annual health check-ups. Institutes special-needs allowance for pregnant women and imposes financial penalty on those who do not receive regular prenatal care.	Proposal submitted May, approved June.

Table 1, Continued

State	Demonstration	Status (month references are for 1992 unless otherwise noted)
Massachusetts: Child Care CoPayment	Requires JOBS participants to contribute to the costs of day care for their children.	Proposal submitted January 1993, pending.
Michigan: "To Strengthen Michigan Families" Demonstration	Replaces current expense and work-incentive deductions with single disregard of \$200 plus 20 percent of the remainder with no time limit; eliminates the AFDC-UP 100-hour rule and work history requirements; increases flexibility in application of JOBS participation requirements; modifies AFDC, food stamp treatment of earnings, savings of dependent children; implements variety of Medicaid, child support enforcement policies.	Proposal submitted July, approved August.
Missouri: People Attaining Self-Sufficiency (PASS)	Expands JOBS program to mandate school attendance for recipients in grades 7-12 in selected school districts.	Proposal submitted August, approved October.
Missouri: 21st Century Communities Demonstration Project	Waiver request covers AFDC component of a comprehensive demonstration including economic and job development, education enhancements, and family support systems. The AFDC component involves the approval of waivers to allow the state to use AFDC funds to supplement wages for individuals who volunteer for employment under this component of the JOBS program for up to 48 months; pays child support directly to the AFDC family; allows individuals participating in the subsidized jobs to accumulate resources up to \$10,000, and provides AFDC benefits to AFDC-UP cases when the primary earner works more than 100 hours in subsidized employment.	Proposal submitted in January 1993 and approved in January 1993; acceptance includes exceptional number of conditions and reservation of the right of DHHS to withdraw by June 30, 1993.
New Jersey: Family Development Program (FDP)	Requires vocational assessment for cases otherwise exempt from JOBS with a child under 2; additional benefits eliminated in most instances for children born to mothers receiving assistance; earnings disregard calculation procedure altered to enhance work incentives for mothers who have additional children after AFDC accession; when an AFDC recipient parent marries an individual who is not the parent of the AFDC children, treatment of step-parent income in benefits calculation is liberalized; the 185 percent standard-of-need test is liberalized; transitional Medicaid extended to two years; other administrative changes.	Proposal submitted June, approved July.
Oklahoma: Learnfare	Requires school attendance for AFDC children through age 18 or to high school graduation with financial sanctions for noncompliant families.	Proposal received January 1993, pending.
Oregon: JOBS Waiver Project	Expands JOBS participation requirements, increases sanctions for noncompliance.	Proposal submitted March, approved July.
South Carolina: Private/For Profit Work Experience Project	One-county demonstration featuring modification of treatment of earnings in benefits computation for families involved in work experience activities; uses private, for-profit businesses in work experience program; eliminates AFDC benefits for entire family when sanctions applied to uncooperative clients.	Proposal submitted December, pending.
Utah: Single Parent Employment Demonstration (SPED)	Multifaceted demonstration including, inter alia: All applicants for AFDC are evaluated to determine feasibility of diversion from AFDC through interim cash and services support; increases benefits for families making transition from welfare to employment; eliminates all JOBS exemptions except for children under 16; replaces current expense and work-incentive deductions with single disregard of \$100 plus (for recipients) 45 percent of the remainder with no time limit; substantial modification of financial incentives for JOBS participation and cooperation in paternity and child support determination; changes assets test for AFDC eligibility; cashes out food stamps; numerous changes in AFDC, food stamps, and public housing system programs and administration.	Proposal submitted June, approved October.

Vermont: Family Independence Project	Substitutes permanent earned-income disregard of \$150 plus 25 percent of gross earnings for current disregard system; eliminates 100-hour, work history requirements for AFDC-UP eligibility; requires participation in subsidized employment using grant diversion if not employed in unsubsidized job after fixed duration of AFDC receipt; requires pregnant minors or minor parents to live in a "supervised setting"; extends Medicaid transitional assistance for an additional 24 months; child support payments will be disbursed directly to the AFDC family and counted as income in benefits computation; other administrative procedures.	Proposal submitted October; approval pending. (Package failed to gain legislative approval in 1992.)
Virginia: JOBS and Child Support Program	Gives priority in child support enforcement to JOBS participants; extends transitional Medicaid benefits and other supportive services to allow completion of JOBS components for those leaving AFDC due to enforcement of child support obligation of noncustodial parents.	Proposal submitted August 1991, approved July.
Virginia: Virginia Incentives to Advance Learning (VITAL)	Creates a system for requiring school-aged AFDC recipients to participate in educational activities in a multistep process involving development of attendance, achievement, and parental involvement goals enforced through counseling and financial and legal sanctions.	Proposal submitted June, approved September.
Wisconsin: The Parental and Family Responsibility Initiative (PFRI)	Pilot demonstration of initiative for new welfare applicants under age 20 and their spouses or the adjudicated fathers of their children which would (1) extend AFDC eligibility to young married couples subject to the initiatives who do not meet the work-history requirements of the AFDC-UP program and eliminate the 100-hour rule for them; (2) pay one-half the usual increase for a second child born to families subject to the initiatives and no additional increase for subsequent children; (3) replace the current earned-income disregards with a permanent \$200 plus one-half disregard; and (4) require unemployed, noncustodial fathers of children subject to the initiative to participate in the JOBS program. "New applicants" include teenagers who because of pregnancy or birth become eligible for opening their own cases while receiving benefits as part of another family.	Proposal submitted March, approved April.
Wisconsin: Two-Tier AFDC Benefit Demonstration	Pays benefits for new arrivals to state at the level of state of origin for six months.	Proposal submitted June, approved July.
Wisconsin: Special Resources Account and Vehicle Asset Limit Demonstration	Extends AFDC eligibility to families with combined equity value in their automobiles of \$2,500 or less; exempts up to \$10,000 in special resources accounts established specifically for either (1) the education or training of the parent or his/her child or (2) improving the employability of a family member.	Proposal submitted October, approved January 1993.
Wyoming: Limitation of Higher Education as an Eligibility Requirement for AFDC	Disallows AFDC benefits for households where "primary information" person is pursuing second bachelor's degree, in B.A. degree program of six or more years, or in Associate of Arts degree program of four years or more.	Proposal submitted September, pending.
Wyoming: Relocation Grant	Limits for twelve months the grant level of families moving to state to lesser of state grant or maximum aid payment in state of last residence.	Proposal submitted December, pending.

Source: Waiver proposals and approval documents furnished by U.S. Department of Health and Human Services, plus Jodie Levin-Epstein and Mark Greenberg, *The Rush to Reform: 1992 State AFDC Legislative and Waiver Actions* (Washington, D.C.: Center for Law and Social Policy, 1992).

benefits for families who work. Put another way, the first \$90 of earnings has no effect on benefits received. For the first four months following the beginning of a job, an additional \$30 plus one-third of gross earnings in excess of \$30 is also not counted in calculating benefits. The \$30 disregard (but not the additional one-third) continues for a year. With the elimination of this \$30 disregard after a year, earnings beyond allowed expenses (\$90) are essentially offset dollar-for-dollar by loss of AFDC benefits. This disregard is not applied in determining welfare eligibility for new applicants. As a result, it is possible for a family, once on welfare, to increase earnings to levels that would preclude welfare entry and yet to continue receiving benefits because of the disregard. However, the fixed duration of the disregard makes this status transitory.

Between 1968 and 1981 the \$30 and one-third disregard continued indefinitely for recipients with earnings. The time limitation was introduced by the Reagan administration in 1981 in part because of the perceived inequity it created between families in similar current situations (some, because of the disregard, could continue receiving welfare, while others who had not previously achieved eligibility could not) and also because it was administration policy to shift to work requirements as an incentive for leaving welfare. The Reagan position reflects the common conclusion, already discussed, that sustained financial incentives incorporated within benefit calculations increase the caseload and have little effect on employment. Nonetheless, critics of AFDC continue to argue that welfare recipients cannot be drawn into the labor force without a more substantial financial payoff, and many states have proposed experiments with incentive enhancement (see the California, Michigan, New Jersey, and Utah projects in Table 1). The budget and caseload consequences of these initiatives are constrained in some combination of three ways. One is to expand the disregard to exempt more of the first dollars of earnings while retaining high benefit reduction rates beyond the base disregard amount. A second is to reduce the basic benefit, so that even if the addition of work incentives ends up increasing the caseload, the effect on total state costs will be modest. The third is to confine the enhanced incentive to a small group.

The Wisconsin initiative follows the third strategy and substantially boosts the financial incentives for work for the small group eligible for participation. The PFRI changes the earnings disregard from the current \$90 work expenses plus a time-limited \$30 and one-third to a continuous (over the five-year life of the project) \$200 plus one-half policy. Table 2 illustrates the consequences of the change for a single mother with one child who takes a low-wage, half-time job. By the seventh month of employment, the revised calculation procedure increases her gross income (welfare plus earnings) by 39 percent. Moreover, under PFRI procedures, should the woman work one *more* hour per week, that is, change from 20 to 21 hours, her gross income will increase

Current AFDC monthly benefit	\$440.00
Current procedure	
Gross earnings (assumes 4.3 weeks, 20 hours per week, salary \$5.50/hour)	473.00
Less \$30 disregard	\$ 30.00
Less \$90 work expense deduction	90.00
= Countable income	353.00
Adjusted AFDC benefit (maximum benefit minus countable income)	87.00
Gross income (adjusted benefit with earnings)	<u>560.00</u>
PFRI procedure	
Gross earnings (assumes 4.3 weeks, 20 hours per week, salary \$5.50/hour)	473.00
Less \$200 disregard	200.00
Less 1/2 of earnings > \$200	136.50
= Countable income (gross earnings less deductions)	136.50
Adjusted AFDC benefit (maximum benefit minus countable income)	303.50
Gross income (adjusted benefit with earnings)	<u>776.50</u>

Source: Based on program description in Wisconsin Department of Health and Social Services, "Application for Federal Assistance: The Parental and Family Responsibility Demonstration Project," Madison, Wis., March 13, 1992.

by \$2.25; under current welfare benefits, an additional hour of work would not change gross income at all.²⁰

The 100-hour rule has already been mentioned in connection with the 1991 AFDC-UP initiatives. AFDC-UP, however, requires as well that the principal earner have a work history. The demonstrations in progress in fiscal year 1991 did not interfere with this requirement. But it is clear that, especially for teen parents, a "work history" may be missing. As a result, payments in such cases, if the state allowed them to be opened, are not eligible for federal financial participation. Like the new Illinois and Michigan initiatives, PFRI includes a waiver of both the 100-hour rule and the work history requirement for couples who apply for welfare and who meet the age and other restrictions for participation. Given the emphasis of the Wisconsin initiative on teenagers, elimination of this restriction may be important to creating a wel-

fare incentive for marriage. Like Michigan's initiative (which expands eligibility to applicants aged 18–24), the Wisconsin proposal is also exceptional in that the 100-hour rule is apparently eliminated both for *initial* determination of eligibility and for ongoing evaluation of status. Most previous demonstrations and those proposed by other states call for elimination of the rule only as it applies to job-taking following case opening. A family with a principal earner working more than 100 hours per month was not eligible for AFDC-UP in the previous demonstrations, no matter how low its income might have been.

Of all the provisions of the Wisconsin initiative, perhaps the greatest attention has been given to the restriction of benefit increases for the families of mothers who bear additional children while receiving assistance. Under the proposal, AFDC benefits will be rescaled so that the current grant increment associated with a second child (which raises the benefit from \$440 to \$517 per month) will be reduced by one-half, to \$39. Subsequent children will produce *no* increase over this level.

The idea of discouraging fertility in this way has been around for a long time, encouraged in part by racist exaggerations about the size of welfare recipient families, but also considered a natural extension of efforts to discourage behaviors that can be shown empirically to reduce the likelihood of a family's attaining self-sufficiency.²¹ The costs of such births are not a trivial part of welfare outlays: Janet Peskin of the U.S. Congressional Budget Office estimates that almost one-third of all families receiving AFDC nationwide include children born to adults already receiving AFDC, and that the benefits paid for these children amount to about 8 percent of all AFDC outlays.²² But given the special population involved here and the fact that incremental benefits are halved and not eliminated, the impact of this restriction, applied over the lifetime of the project, is likely to be minor. The financial loss for the few families affected would be partially compensated for (about \$.30 per dollar of loss) by an increase in family food stamp allotments. The Wisconsin cap on benefits in this initiative related to family size is considerably less restrictive than that allowed for California or New Jersey.

Finally, the Wisconsin initiative promises increasing state efforts at establishing paternity and seeking child support. The innovative feature is to make JOBS participation mandatory for noncustodial, noncontributing parents who are unemployed. Such parents will be required to participate for 40 hours per week in a combination of training and work activities. The state also promises to increase incentives for counties to identify quickly the fathers of children born to teenage mothers by increasing the "bonus" paid counties for successes from \$100 to \$300 per paternity when established within one year of the child's birth.²³ This aspect of the project is an example of approaching welfare reform from the outside; it is also an example of application of financial

incentives for paternity establishment to units of government rather than directly to the mothers themselves. Such incentives do not require federal waivers. Wisconsin was not alone, however, in presenting its waiver request in the context of a package of reforms, some of which involved only local action. The extent to which DHHS approval of waiver proposals was influenced by program context is unclear.

The PFRI provides an opportunity to observe the administration's waiver-approval principles in action. In this case and others, DHHS met its one-month approval target by developing a two-stage approval process. In stage one, the department granted what amounted to approval of a demonstration plan in principle. But the "terms and conditions" delivered with the approval included requirements for delivery of an evaluation design that goes well beyond what was included in the state's application. In the Wisconsin case, the waiver conditions get down to statistical power, that is, assuring a sample size that will make possible the detection of small differences in critical outcomes between the treatment and control groups in the demonstration.²⁴ In others the required sample size is stated explicitly.

According to the schedule originally planned for the project, the Wisconsin sampling plan was due April 1, 1993. Many of the waivers granted in 1992 include similar second-stage requirements; this may give the new administration a window for negotiation with the states involved.

The DHHS "terms and conditions" include careful specification of the reconciliation process for payments to assure cost neutrality. The system includes both a general procedure for recovering excess costs and a backup restriction apparently intended to catch egregious overruns early. The backup restriction is tested at the end of the first year following initiation of the demonstration. At that time, Wisconsin is required to develop estimates of the cumulative costs of the demonstration based on a comparison of costs for control and treatment cases. If cumulative federal excess costs for the treatment group exceed \$50 million, the federal contribution for the treatment group will be reduced immediately to the same level required for the control. Enforcement of the backup restriction seems highly unlikely given that estimated total costs of the project are less than \$9 million over three years. Otherwise, only after the *thirtieth* month of the demonstration will the sum of excess costs, if any, be prorated and collected by reducing federal reimbursement for the costs of the experimental group below control levels. By the end of the project, all cost overruns are to have been recouped. Wisconsin, in other words, cannot end its demonstration in debt to the federal government. The cost recovery features of the terms and conditions of waiver awards granted to other states were worded similarly. Unlike other states, Wisconsin has leeway in avoiding payment of some federal cost overruns, because by agreement the state can still claim some federal matching funds on the basis of fed-

eral savings believed to have accrued when Wisconsin cut its welfare benefits beginning in fiscal year 1988.

For the most part, this Wisconsin demonstration is a significant liberalization of welfare, with a combined focus on teenagers and two-parent (or potentially two-parent) households. But as a research effort intended to promote the objectives of AFDC, the project has several deficiencies, which are mirrored in similar initiatives in other states. As mentioned earlier, for a state demonstration to contribute to the national welfare reform effort, it must address a program that can be implemented on a larger scale or offer the prospect of determining something useful about behavior. These two criteria, as they apply to the Wisconsin proposal, are addressed in turn.

Will any of the effects that the demonstration may or may not identify be relevant to full-scale program adoption? There is some reason to believe that effects identified by the demonstration might significantly *understate* the effects of a PFRI-type program if generally implemented. Some of the effects of a system such as that incorporated in the PFRI would probably operate through the community. That is, presumably some young parents would consider the marriage option simply because of the stimulus such a program might provide toward making marriage fashionable. Such community effects are unlikely to be generated by a small-scale operation.²⁵ It is possible that in general operation the PFRI system would lead young parents to marry, or at least cohabit, once pregnancy was established, because they would know support was available. In the experimental environment, however, this will not occur, because young parents will not know if they are eligible for the various cohabitation incentives incorporated in the PFRI until *after* the mother in the case applies for assistance. In Wisconsin one cannot receive welfare until the third trimester of pregnancy. Thus for young couples considering taking responsibility for the consequences of their sex lives, the experiment creates something of a lottery, with lottery outcomes determined too late for an abortion, if such a step would have been the alternative. There seems little reason to believe that whatever effects are observed from the lottery would transfer to full-scale operation.

The utility of research is enhanced when results are replicated and reinforced by multiple investigations and when outcomes can be traced to well-defined interventions. Like many other demonstrations, the PFRI includes many components. It is unlikely that any future implementation, either in Wisconsin or elsewhere, will contain all the elements presented here. As a result it is not clear that any observed outcome will present convincing evidence for inclusion or exclusion of individual components in some future reform. Nevertheless, the question addressed by the PFRI is interesting: How responsive are young parents likely to be to financial incentives for cohabitation? Milwaukee has a reputation for exceptional rates of out-of-wedlock births to teen moth-

ers. If the fathers in such families are discouraged from living with their children because of inability to provide support, it is difficult to argue that it is inappropriate for society to attempt to assist such couples to live together, especially if in the long run cohabitation leads to a reduction in the duration of the mother's welfare dependence. But it will take a long time to find out if this plan works—perhaps as much as four years for data collection and analysis to be completed—and then at best the results will refer only to outcomes from a small and perhaps idiosyncratic collection of teen mothers principally drawn from a particular Midwestern city. If time is to be invested in such endeavors, it seems reasonable to choose the components carefully with an eye toward the feasibility of general implementation and to consider encouraging similar policies at multiple sites. Also, one should look carefully at the target group. In practice, would such a program be confined only to teenagers, or would the age range be expanded, say to 24? If so, would it not be better to include such groups immediately?

Wisconsin is currently operating or planning a wide range of waiver-based welfare reform initiatives. Like politicians elsewhere, Governor Thompson has responded to public concern about the welfare system by using the waiver process to pursue change. However, the problem with the political incentives created by the waiver option is that most of the political benefits appear to come from the announcement, not the implementation, or indeed the impact, of the reform. Implementation—whether or not the state really does what it says it will—is rarely an object of media interest. The actual effect of such innovations is likely to be identified, if at all, only some years in the future, when both the political and the policy landscape may have changed. Furthermore, while the political benefits of project announcement are concentrated locally, the benefits from project completion would be shared nationwide. As a result, such projects, in Wisconsin and elsewhere, are likely to be driven largely by front-end effects unless encouraged by specific federal initiative or other external factors. For a state, and especially for political leadership, the proof of a demonstration operated under the current system seems to lie not in the pudding of impact or the box of implementation but rather in the media play received by the program's initial advertisement.

The Wisconsin demonstration seems to fail the test of doing something that might conceivably be made national policy since the dramatically increased earnings incentives it creates would simply be too expensive to apply to all dependent households, especially when combined with a general expansion of eligibility for AFDC-UP. While costs may be controlled in the demonstration by restricting the program to mothers under 20, general implementation would require facing the substantial inequities that would exist were the PFRI incentives not extended to older women and AFDC-UP couples on public assistance as well. Nor will we learn anything about behavior from this demonstration, since the

behaviors engendered by the plan would be, if anything, responses to a lottery that would not exist in a nonexperimental setting. Were PFRI to be generally implemented as it is constituted in the demonstration, it would create a substantial incentive for young couples with low skills to marry as teenagers and to have a child right away in order to assure themselves of access to the generous treatment of earnings and qualifications incorporated in the initiative. Encouraging teenage pregnancy is rarely on the agenda of welfare reform. The bottom line is that all we will learn is whether or not a particular payoff will cause some young parents to decide to live together and to assume formal joint responsibility for their offspring. It may not be worth the effort, or the time.

New Jersey Family Development Program

The New Jersey Family Development Program (FDP)²⁶ differs from the Wisconsin initiative in breadth of coverage and in its source. Rather than originating in the governor's office, it is the product of a legislative reform effort led by Camden Assemblyman Wayne Bryant. Broadly put, the legislation attempts to encourage single mothers receiving welfare to marry (and for men to marry them), to take employment, and to avoid additional childbearing.

The feature of the FDP that has been most widely reported is the elimination of AFDC benefit increments as new children are born to adults already receiving AFDC. In size and coverage, this change is much more significant than what has been proposed for Wisconsin. Like the Wisconsin plan, however, the restriction imposed by elimination of benefit increments for larger families is partially compensated for by raising the return to labor force participation. The manner in which this is accomplished has important implications that appear not to have been recognized by the initiative's authors.

The New Jersey benefit calculation procedure is best explained by a sample benefits calculation, which is an extended version of an example presented in the state's waiver proposal.²⁷ Consider the single-parent, single-child example introduced for discussion of the Wisconsin initiative but now moved to New Jersey. Suppose again that the mother works half time at \$5.50 per hour, and has held the job for six months. The state's basic benefit (termed the "payment standard") for a family of two is \$322 per month. Under this circumstance, total payments will be \$322 minus "countable" income. Countable income is earnings minus the disregard, or \$473 minus \$90 (the standard work-expense deduction), minus \$30 (the remaining federal incentive). This amounts to \$353. The woman loses AFDC eligibility by working this much, since countable income exceeds the maximum aid payment. Her gross income is her earnings, \$473. This calculation is set out in column 1 of Table 3.

Now, suppose that the family has another child. Under pre-demonstration procedures, the payment standard would go up to \$424 and, since neither earnings nor the disregard

Table 3
Sample Benefits Computation,
New Jersey Family Development Program
(Single parent with one or two children, all income from AFDC or earnings, month 7 through 12 following job accession. In FDP rules case [col. 3], it is assumed that the second child was conceived while the mother was receiving assistance.)

	One Child	Two Children, Current Rules	Two Children, FDP Rules
Current AFDC monthly benefit (payment standard)	\$322	\$424	\$322
Gross earnings (assumes 4.3 weeks, 20 hours per week, salary \$5.50/hour)	473	473	473
Disregard, current procedure			
Less \$30 disregard	30	30	
Less \$90 work expense deduction	90	90	
= Countable income	353	353	
Disregard, FDP procedure			
Less \$30 disregard			30
Less \$90 work expense deduction			90
Less amount by which half of full payment standard (including newborn) exceeds federal work incentive and work expense deductions (\$120)			92
= Countable income			261
Adjusted AFDC benefit (maximum benefit minus countable income)	0	71	61
Gross income (adjusted benefit plus earnings)	473	544	534

Source: Based on a sample presented in New Jersey Department of Human Services, "Application for Federal Assistance: Family Development Plan," Trenton, N.J., June 6, 1992.

changes, the family is now eligible for an AFDC payment of \$424 - \$353, or \$71 (see column 2).²⁸

Under the Family Development Program, the addition of a child to the family does not increase the maximum aid payment, but now the disregard is the *greater* of two amounts: (1) the total federal disregard (\$120, in this case), or (2) one-half the payment standard for the family size *including* the newborn. The latter is \$212, so countable income is \$473 - \$212. This calculation is reported in column 3. The striking thing about this procedure is that, while it is true that the basic AFDC benefit for a family without earnings has not increased with the addition of a new child, the birth has

changed the return from working. Under the old regime, \$473 in earnings increased gross income for a two-person unit by \$151 over what would be received without working, and the birth of the second child lowered this return to \$120 (but allowed the family to continue on AFDC and receive other benefits such as Medicaid). Under the new regime, addition of the second child raises the return to taking the same job to \$212.

Setting aside the political issue of whether or not interventions of this type are appropriate, the FDP raises important issues of equity and impact. The equity issue is clear from Table 3. Consider two single-parent recipient families, each with two children, and let the only difference between the two families be that family *a*'s children were born prior to the father's desertion and the mother's subsequent application for welfare, while the last of family *b*'s children was conceived *after* the mother had become dependent upon the state. Assume also that in neither case does the noncustodial parent contribute to the child's support. If mother *b* takes a \$473 job, the payoff will be an extra \$212 per month. If mother *a* does, the gross payoff after six months will be just \$120, and this will fall to \$90 after a year, when the \$30 disregard is lost. Mother *b* will experience no such change. *After a year, mother b's gross income will exceed mother a's by \$20 per month.* It is doubtful that this differential, once grasped by the program's critics, will be politically defensible.

Now consider what the program really does for work incentives. It is common in analysis of labor supply to pay particular attention to the effect of incentives on the margin. The original \$30 and one-third disregard made work "pay" on the margin in the sense that an extra hour of work would increase income. But while the FDP assures that the rate at which benefits are reduced is zero for the first dollars of earnings, once earnings have reached an amount equal to half the payment standard, additional earnings produce nothing in gross income. Returning again to Table 3, the family of three with income as reported in the table's third column could allow earnings to fall by \$261—55 percent—without experiencing *any* change in circumstance. Under the pre-FDP system it was also true that the household would lose nothing from marginal reductions in work effort, but that's the point: while FDP raises the payoff to working over not working for families with new children, it does nothing for the marginal gain from effort. This example also reveals what is wrong with exhibits such as Table 3 as examples of outcomes: they disguise marginal incentives. These numbers indicate that while the FDP payments procedure may make a given amount of work pay more, it does not necessarily follow that the system reduces the incentives to work less. In contrast to the New Jersey program, the Wisconsin computation scheme both raises the return to a given amount of work and reduces the incentive to work less relative to procedures incorporated in existing regulations.

The New Jersey Department of Human Services initially attempted to avoid a random assignment evaluation design, since it was not incorporated in the enabling legislation. However, at the insistence of DHHS, the department was able to convince the bill's sponsors of the appropriateness of the requirement, and it was accepted. Given the horizontal inequity generated by the New Jersey proposal, it seems unlikely that its principal component will be replicated elsewhere or that it will ever become part of national policy. The complex combination of fertility disincentive and work disincentive it creates will make it difficult to draw inferences from the results that will be pertinent to the design of general reforms. Thus on the criteria I have proposed for evaluation, waivers should not have been granted for the New Jersey demonstration.

California Welfare Reform Demonstration Project

As befits the state's size and historical importance in welfare reform efforts, California arguably produced 1992's most wide-ranging state welfare initiative. Like Wisconsin's, this initiative was the product of the state's administration, with little input from the state's social services agency, in this case the California Health and Welfare Agency. Like the New Jersey proposal, this one covers innovations intended for general implementation, but unlike either the New Jersey or Wisconsin initiative, the California plan was clearly motivated by an attempt to reduce welfare costs. The program has been given no official name other than "Welfare Reform Demonstration Project";²⁹ in the form proposed for approval as a voter initiative, the plan was incorporated in the "Government Accountability and Taxpayer Protection Act of 1992." This plan was rejected by California's voters in November, but, from the perspective of this analysis, the important fact is that the waivers it required were approved.³⁰ As a result, the details remain of interest, and I postpone discussion of its stripped-down replacement to later (p. 33).

The major elements of the Welfare Reform Demonstration Project were:

- Two benefit reductions: First, an immediate reduction of benefits by 10 percent, across-the-board; second, a further reduction of 15 percent (from the level established by the 10 percent reduction) once receipt has continued for more than 6 months.³¹
- Enhancement of work incentives by elimination of the duration restrictions on the \$30 and one-third earned-income disregard and elimination of the 100-hour rule in AFDC-UP, once welfare eligibility is determined.
- Elimination of increments in benefits for additional children born to recipient families.
- Enhancement of incentives for teen parents to attend school or an equivalent vocational or technical training

program. Shift to financial sanctions and incentives for school attendance.

- Provision of a voluntary job club placement program for AFDC applicants and recipients not served by the state's welfare-to-employment program, Greater Avenues for Independence.
- Restriction of benefits for new arrivals to California to the lesser of benefits paid in their state of last residence or the level available in California.

As was the case for the Wisconsin and New Jersey proposals, California's plan was a complicated mélange of initiatives, but its core was a reduction in benefits that was offset, for families with earnings, by an enhanced disregard. This offset was to be handled differently, with different consequences, in California from the way it was designed in New Jersey.

Once again, the potential impact of the change is best illustrated by an example. Table 4 calculates benefits for a family of three with earnings of \$473 before and after the change, and also illustrates the consequences of the birth of an additional child "conceived while either the father or mother is receiving aid." California's AFDC system distinguishes between an eligibility or needs standard, the Minimum Basic Standard of Adequate Care (MBSAC), and a schedule of maximum aid payments (MAP, i.e., the payment standard). Both differ by family size; for all sizes, maximum aid is less than the MBSAC. With no earnings, the family's AFDC payment is \$663. Families with earnings are allowed to disregard not only \$90 for work expenses and whatever federal

incentive is applicable, but the difference between the MBSAC and maximum aid as well. Again assuming we are considering the seventh month following job-taking, column 1 shows that the AFDC payment for the hypothetical family amounts to \$341, which produces a gross income of \$814 when combined with earnings. The gross gain from working is \$151, and at this point a dollar reduction, or increase, in earnings does not change gross income at all. (As in the Wisconsin and New Jersey examples, these calculations do not include food stamps or other benefits.)

Under procedures in effect before the introduction of the new California initiative, an additional child would increase the MBSAC and MAP to \$824 and \$788 respectively and cause both AFDC payments and gross income to increase even without a change in earnings (column 3).

Now, consider the consequences of the state's proposed system for the family of three (Table 4, column 2). After six months, the family would have been subject to both the 10 and the additional 15 percent grant reduction, so the maximum aid payment would be \$507. However, the MBSAC does not change, and the disregard of one-third of earnings in excess of \$120 has been extended, so a considerable amount of earnings is now disregarded: \$238 for combined work expenses and the \$30 and one-third provisions [$\$120 + .333(\$473 - \$120)$] plus the \$187 difference between the MBSAC and MAP for a total disregard of \$425 out of earnings of \$473! The AFDC payment therefore falls by \$48 to \$459, and the family ends up with a larger gross income than was the case before. The fact that a family *with earnings* would have been better off under the new system than the old was emphasized by spokespersons for the Wilson administration, but opponents pointed to the substantial reductions faced by families dependent upon the MAP alone (see row 2).

As in the New Jersey case, we next consider the effect of an increase in family size. For families with no earnings, an additional child produces no change in AFDC payments. However, for a family with earnings, an additional child can produce increased gross income with constant earnings because, as in the New Jersey case, an additional child increases the amount of earned income disregarded. But the work incentives incorporated in California's plan apply to all households with earnings, not just those that have increased in size. This reintroduction of the perpetual \$30 and one-third disregard means that some families could remain indefinitely on public assistance despite receipt of earnings in excess of the maximum amount consistent with welfare eligibility. Here's what I mean: Under the new system, eligibility for a family of three can be achieved if monthly earnings are less than $\$694 + \$90 = \$784$, that is, if earnings net of the work-expense allowance fall below the standard of need (and the household has, as assumed, no other income). But once a family is receiving welfare, application of the \$30 and one-third disregard means that eligibility for payments

Table 4
Sample Benefits Computation, California Welfare Reform Demonstration Project

	Family of Three, before Initiative	Family of Three, after Initiative	Family of Four, before Initiative	Family of Four, after Initiative ^a
Need standard (MBSAC)	\$694	\$694	\$824	\$824
Payment standard (MAP)	663	507	788	507
Earnings	473	473	473	473
Disregard	151	425	156	555
AFDC payment	341	459	471	507
Gross income	814	932	944	980

Source: Based on program description in California Health and Welfare Agency, "Application for Federal Assistance: Welfare Reform Demonstration Project," Sacramento, 1992; and California Department of Social Services, *Manual of Policies and Procedures* (Sacramento: California Health and Welfare Agency, Department of Social Services, 1992), various sections.

^aAssumes the last child was conceived while the family was receiving assistance.

will be lost only when earnings reach \$1,161.³² Thus a family with earnings of \$800 would be turned down for assistance, but a family with earnings of \$1,000 that had achieved eligibility at lower earnings levels would be entitled to a payment of \$137 per month and Medicaid (Medi-Cal in California). As mentioned earlier, it is precisely this inequity that led another Republican governor, Ronald Reagan, to propose unsuccessfully restrictions upon the \$30 and one-third disregard in 1971 and, using the advantages of the presidency, to bring about a time limit on its application in 1981. In welfare, *plus ça change* . . .

The California proposal was for a statewide policy change. Therefore it was necessary that the reference group for the evaluation of the demonstration's impacts and costs be a "control" group of cases exempted from the new regulations. The evaluation plan initially accepted by DHHS called for a sample of approximately 2,500 cases to receive AFDC under terms in effect prior to the current initiative.³³ DHHS accepted a sample plan focused on two clusters of four counties each, one in the north and one (which includes Los Angeles) in the south. In each group, initial assignments to the "treatment" group were to be made only from the existing caseload in two counties, with additional treatment cases added from applications over time to maintain the sample size as cases close.

The draconian welfare cuts proposed in the California plan reflect the state's staggering budget deficit, estimated variously at between \$6 and \$10 billion for fiscal 1993. The state's waiver application forecast annual savings of approximately \$600 million to state and county governments from implementation of the proposal. The logic of the crisis called not only for the cuts themselves, but also for rapid implementation. The state's welfare administration originally planned for implementation by August of a proposal that was only transmitted to Washington in May. As in the other projects, the terms called for comparing costs for the treatment cases to costs for the control set of families. Evaluation of demonstration costs in this fashion was to begin after one year of project operation.

Here, as in the New Jersey case, it appears that little of general policy relevance would have been learned from the demonstration had California's voters not rejected it in 1992. As was true for the Wisconsin program, the treatment had so many components that for the most part it would have been impossible to identify the source of differences between the control and experimental groups that might have been observed. Whatever the effects, the changes would not have provided a reliable representation of long-term behavior of recipients under the new system. This is because the preponderance of cases in the sample would have been conditioned by experience with welfare as previously operated and because of the inevitable administrative turmoil a set of regulation changes as broad as was contemplated by the California Welfare Reform Demonstration was sure to produce.

Like New Jersey's Family Development Program, California's welfare demonstration plan has features that call for more careful analysis than could be done in the context of budget crisis or facilitated waiver approval. In the California case, the issue involves more than the potential for public relations problems. One example is the proposed elimination of the AFDC-UP 100-hour rule. Very little is known about families receiving AFDC-UP, but most available evidence points to substantial caseload turnover in this group and a sizable pool of families that might be expected to apply for assistance if eligibility standards are relaxed. It appears that the state paid little attention to this problem, in part because planners were misinterpreting the results of another welfare demonstration.

California has been involved for some time in a multicounty demonstration of the consequences of applying the 100-hour rule only in establishing initial eligibility. In an early, small-scale experiment of this type in Merced County, available data seem to indicate that benefit costs actually fell for treatment cases relieved of the 100-hour requirement, apparently because of greater work effort.³⁴ But this is an excellent example of how "rigorous" evaluations may lead policy far astray. The Merced experiment involved half the caseload. As a result, information about the availability of AFDC-UP under new terms was probably not widely promulgated, and even if it had been, the system presented a Wisconsin-like lottery to potential applicants, since not all applicants for AFDC-UP were granted immunity from application of the 100-hour rule. But AFDC-UP would be generally available under the terms of the Welfare Reform Demonstration Project to any low-income family which experiences a spell of unemployment during the year. Once on, such families can resume employment—if it can be found—and continue to benefit from Medi-Cal and AFDC even as earnings rise to levels that would preclude eligibility even were the 100-hour rule *not* applied on intake. The caseload and behavioral consequences simply cannot be assessed using the procedures dictated by the administration's approach to cost neutrality. But the change may well have dramatic effects, with uncertain political, economic, and social consequences. It should not be undertaken in the rush for short-run deficit reduction.³⁵

Like the Wisconsin and New Jersey initiatives, the California WRDP attempted to encourage work by increasing the amount a recipient family can earn without loss of welfare benefits. The usual approach to analysis of such changes is to consider the effect on the behavior of the recipient. But consideration must be given also to the administrative and labor market consequences. A growing body of evidence suggests that many AFDC families supplement what they receive from public assistance with earnings and income from other sources.³⁶ Eligibility workers in welfare systems know this, but since unreported income is difficult to discover and in no state does the sum of AFDC and food stamp payments reach even the official poverty level, the practice

is commonly ignored. An expansion of the official “disregard” to create a more generous treatment in benefits computation of the first dollars of earnings is sure to encourage an even greater administrative disregard, because it reinforces the idea that first dollars aren’t important. On first consideration, this might appear acceptable, indeed humane.³⁷ But the problem is that most of the jobs that provide supplemental income are irregular, with little or no connection to the kinds of employment that provide fringe benefits such as health insurance and access to career opportunities. Lower AFDC benefits will increase the urgency of finding this sort of work and substituting it for training or other activities with greater long-term payoff. Faced with a budget crisis of the magnitude of California’s, it is difficult to think of the long run. But the only long-run opportunity for getting people off of welfare and keeping them out of jail is legitimate employment. Encouraging anything else is surely counterproductive.

In November, California’s voters rejected the Wilson initiative and the WRDP. As Table 1 indicates, the state legislature had authorized a more modest waiver package, which was approved by DHHS in October. The Assistance Payments Demonstration Project also lowers benefits, but the revised program eliminates the two-step process incorporated in the WRDP. (Normally, reduction of benefits does not require a waiver at all. However, when combined with reductions already enacted, the California changes push benefits below the level in place in 1988, and this triggers a reduction in federal financial assistance for Medicaid. The state sought a waiver of the Medicaid restriction.) The 100-hour rule waiver and differential welfare benefits for new entrants are retained. The waiver includes provision for elimination of the time limit on the \$30 and one-third disregard, but given the more obvious hazard of cost overruns with this provision, it appears that it will not be implemented.³⁸ Again, the treatment is applied statewide and is to be evaluated by exempting from the reductions certain cases located in four counties and comparing their subsequent experience to that of cases to which revised regulations are applied. Like the WRDP, the new waiver appears principally to be a vehicle for reducing benefits.

The new proposals in perspective

My conclusion from review of the Wisconsin, New Jersey, and California waiver proposals is simple and obvious: Regardless of motivation, these proposals are not well thought out, and they offer little promise of any substantive contribution to welfare policy. However, it is important to note that my “sample” was selected on the basis of media attention, not policy interest. This biases impressions about the collection of proposals made in 1992, for Table 1 includes some important ideas that for various reasons have not received the attention accorded the California, New Jersey, and Wisconsin proposals.

Here are three examples of ideas worthy of attention (there are many in the proposal collection): the Illinois proposal to eliminate the work history requirements for AFDC-UP eligibility for young (age 18–24) two-parent families; (2) the Utah plan to create a system of one-time payments to divert certain applicants from welfare through employment and child support; and (3) the Vermont plan to experiment with a “time-limited” strategy in which initial eligibility standards and payments computation standards are liberalized, but cases remaining on the rolls after a certain period of time (the criterion differs for one- and two-parent families) shift to a system requiring employment. The Illinois strategy appears to be an appropriately conservative approach to expanding support to two-parent households that is similar in some respects to the Wisconsin PFRI; the Utah plan offers an opportunity to examine alternative strategies for dealing with families beset by severe but transitory financial problems; and the Vermont initiative is a specific (and possibly opportunistic) attempt to evaluate the administrative feasibility of a version of the time-limited welfare reform proposed some years ago by David Ellwood³⁹ and espoused during his campaign by President Clinton. The point is that despite shortcomings, the states have addressed important issues. The challenge is to find ways to better discipline the waiver process without stifling such creativity.

Where we stand today

The last days

In July 1992 President Bush announced additional elements of the administration’s strategy for welfare reform.⁴⁰ He affirmed his administration’s encouragement of state waiver requests and proposed expanding waiver authority in a range of programs to allow development of “coordinated incentives” in AFDC, housing, and food assistance programs. A Community Opportunity Pilot Project Act (COPP) was proposed to enable a set of states to initiate “broad reform programs that cut across multiple program lines.” Very broad flexibility would be granted states in designing and operating these programs. The president suggested that latitude granted states in applying work requirements for recipients should be increased.

COPP died even before the election, but waivers were granted right up to the week of the Clinton inauguration.⁴¹ These demonstrations, like the deficit, will live on to influence policy-making throughout at least the first term of the new administration. My summary judgment is that this longevity is unfortunate, because the complexity of the major proposals, the special circumstances of their introduction, the occasional egregious flaws in their construction, and in some cases their peculiarity make it unlikely that the analysis of their effects, required as a condition of receiving waivers, will provide information useful to national policy.

Four lessons

Beyond this pessimistic overview, what are the lessons to be learned, or at least relearned, from the welfare policy experience of 1992? I count at least four.

- Welfare reform continues to be an important political issue.

The approved waivers constitute only a part of welfare-related action in the states. There is no reason to believe that new proposals for waiver-based demonstrations will not arise in 1993. While it may be appropriate to focus reform efforts outside the system—for example on health care—it will not be possible to ignore the direction of state welfare policy and its experimental component. A new administration must develop a new waiver policy.

- States cannot be expected to coordinate efforts at experimentation.

The apparent harmony of the influential welfare-to-work demonstrations of the early 1980s is attributable to the limited range of discretion permitted by the Omnibus Budget Reconciliation Act of 1981 and the underwriting of evaluation efforts by the Ford Foundation. Without leadership, effort and time will be dissipated in demonstrations too disparate for synthesis and too idiosyncratic for credibility as a basis for national policy-making. Ways must be found to focus future state efforts without losing innovation, perhaps through a subsidy that exceeds the normal administrative cost share.

- “Rigorous evaluation” isn’t enough.

There are three facets to every good policy-relevant demonstration. One is the conceptualization of the intervention to be tested. The second is its implementation. The third is appropriate evaluation. Somehow in the mid-1980s it became common to believe that “rigorous evaluation” was the key to assuring relevance and replicability. Surely the collection of demonstrations that the combination of *laissez-faire* with random assignment produced in 1992 has laid this notion to rest. The lesson is that leadership is needed, and technical assistance as well.

- Welfare is complex.

Perhaps the most significant accomplishment of Reagan-Bush waiver policy has been the interagency coordination achieved in establishing the cost-neutrality principle and recognizing the linkages among the many income transfer policies in which the federal government participates. The Community Opportunity Pilot Project Act attempted to push this coordination further. While not necessarily endorsing COPP objectives, I believe it is important that the precedent for coordination not be lost. I have argued that the collection of state waiver demonstrations authorized in 1992 is incoherent and flawed. The same can be said for the collection of trans-

fer programs already in operation. If states are to be asked to coordinate welfare experimentation, the federal government must continue and expand coordination from its side.

Afterword

On February 2, 1993, George Bush’s successor, President Bill Clinton, provided a first glimpse of what the new administration’s waiver policy might be, in an address to a meeting of the National Governors’ Association.⁴² In his remarks the president lauded the Family Support Act as “the most significant piece of social reform in this [welfare] area in the last generation,” but argued that it had never been fully implemented because of underfunding, the recession, and an explosion of welfare rolls and welfare costs attributable to both the recession and health care cost inflation. He called for full funding of the Family Support Act, time limitation on training-program participation, an expansion of the Earned Income Tax Credit, tougher child support enforcement, and more waivers:

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

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

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

With respect to waivers, the only difference between the policy announced by President Clinton and that pursued by President Bush is that Clinton failed to mention cost neutrality. It appears that forceful leadership in directing waiver policy is once more being withheld to obtain political support for initiatives and problems of more immediate interest to the president and his advisers. It is not clear that a strategy of endorsing whatever states propose is really necessary; the experience of the last year suggests that little good will come of it. While the president lauded state efforts in his speech, his policy denigrates them. If waiver-based state demonstra-

tions really have a role to play on the stage of welfare reform, some attention should be given to the script. ■

¹*New York Times*, January 29, 1992, p. A17.

²For example, the system alterations implemented by the Reagan administration in the early 1980s reflected provisions of the California Welfare Reform Act of a decade earlier; state welfare-to-work initiatives encouraged by the Reagan reforms had significant consequences for the character of the Family Support Act of 1988. See Michael Wiseman, "Research and Policy: A Symposium on the Family Support Act of 1988." *Journal of Policy Analysis and Management*, 10 (1991), 588-666.

³See Daniel Friedlander, Gregory Hoerz, Janet Quint, and James Riccio, *Arkansas: Final Report on the WORK Program in Two Counties* (New York: Manpower Demonstration Research Corp., 1985).

⁴In the news conference following announcement of the nomination of the Chancellor of the University of Wisconsin-Madison, Dr. Donna E. Shalala, to be Secretary of the U.S. Department of Health and Human Services, one of the first questions posed involved the administration's waivers policy.

⁵See Paul E. Peterson and Mark Rom, *Welfare Magnets* (Washington, D.C.: Brookings Institution, 1990).

⁶This strategy was first fully articulated by the Domestic Policy Council in response to a mandate made by President Reagan in his 1986 State of the Union Address. Among other things, the council recommended that the country "initiate a new federal-state-community partnership that fosters a climate of creative experimentation through state-sponsored, community-based demonstration projects." See Low Income Opportunity Working Group, White House Domestic Policy Council, *Up from Dependency: A New National Public Assistance Strategy* (Washington, D.C.: U.S. GPO, 1986), p. 57. For an authoritative review by insiders of waiver policy following President Reagan's message, see Michael Fishman and Daniel Weinberg, "The Role of Evaluation in State Welfare Reform Waiver Demonstrations," in *Evaluating Welfare and Training Programs*, ed. Charles F. Manski and Irwin Garfinkel (Cambridge: Harvard University Press, 1992).

⁷Executive Office of the President, *Budget of the United States Government, Fiscal Year 1993, Part 1* (Washington, D.C.: U.S. GPO, 1992).

⁸An "open-ended entitlement" is a program in which the federal commitment is to match according to the appropriate formula whatever costs the state incurs in operation of the program, as long as the rules are followed. Examples of expenditures not included in the calculation are those related to the Job Opportunities and Basic Skills Training Program (JOBS) and provision for child care assistance for children judged to be at risk of becoming welfare dependent.

⁹Fishman and Weinberg, "The Role of Evaluation in State Welfare Reform Waiver Demonstrations."

¹⁰Federal standards have become somewhat more generous in this respect over time. Under the terms and conditions applied to the round of waivers granted in 1987-88, cost neutrality was calculated on an annual basis, from the beginning of the project. More recent agreements have delayed initiation of the calculations and permitted some carryover of excess costs within the time period allotted for the project as a whole.

¹¹For discussions of the research agenda see David Greenberg and Michael Wiseman, "What Did the OBRA Demonstrations Do?" in *Evaluating Welfare and Training Programs*, and "What Did the Work-Welfare Demonstrations Do?" IRP Discussion Paper no. 969-92, University of Wisconsin-Madison, 1992. See also Judith M. Gueron and Edward Pauly, *From Welfare to Work* (New York: Russell Sage Foundation, 1991).

¹²See Thomas Corbett's article "Child Poverty and Welfare Reform: Progress or Paralysis?" in this issue of *Focus*.

¹³See Irwin Garfinkel, Charles F. Manski, and Charles Michalopoulos, "Micro Experiments and Macro Effects," in *Evaluating Welfare and Training Programs*.

¹⁴A third possibility with some utility is that a state demonstration might lead to putting a bad idea to rest. Unfortunately, the same factors that diminish the positive accomplishments of such demonstrations can prevent the achievement of useful negative ones.

¹⁵A more detailed discussion of these initiatives can be found in Michael Wiseman, "The New State Welfare Initiatives," IRP Discussion Paper no. 1002-93, University of Wisconsin-Madison, April 1993.

¹⁶The count is a matter of considerable discretion; the six Illinois projects are counted as a group, while, somewhat arbitrarily, Wisconsin's Parental and Family Responsibility Initiative and Two-Tier Welfare Proposal are counted separately. For a useful catalog and review that is one of the sources of Table 1, see Jodie Levin-Epstein and Mark Greenberg, *The Rush to Reform: 1992 State AFDC Legislative and Waiver Actions* (Washington, D.C.: Center for Law and Social Policy, 1992). DHHS receives many tentative proposals, often for technical assistance, but only formal submissions show up in Table 1.

¹⁷See Levin-Epstein and Greenberg, *The Rush to Reform*.

¹⁸Unless otherwise noted, the description of the Parental and Family Responsibility Demonstration Project is from Wisconsin Department of Health and Social Services, "Application for Federal Assistance: The Parental and Family Responsibility Demonstration Project," DHSS, Madison, 1992; or from U.S. DHHS, "Amendments to Wisconsin's Special Terms and Conditions for Its Welfare Reform Demonstration, Part III, Wisconsin Parental and Family Responsibility Demonstration Project," DHHS, Washington, D.C., 1992. For additional commentary on the initiative, see Mark Greenberg, *Wisconsin's Teen Welfare Waiver: An Analysis of the Parental and Family Responsibility Demonstration Project* (Washington, D.C.: Center for Law and Social Policy, 1992).

¹⁹Press release, "State of Wisconsin Parental and Family Responsibility Initiative," April 1992, p. 2.

²⁰This example ignores food stamps, public housing, child care, and deductions from earnings. While the presence of any of these benefits or costs would alter the details of the calculations, it would not alter the conclusion. The details of benefit calculations in the presence of the multiple programs to which AFDC recipients have access are mind-numbing, and I choose to avoid them wherever possible in this article. For further information, see U.S. House of Representatives, Committee on Ways and Means, *1992 Green Book* (Washington, D.C.: U.S. GPO, 1992), p. 626; and Michael Wiseman, "Welfare Work Incentives in Real Time," 1993, manuscript.

²¹See Michael Wiseman, "The Welfare System," in *California Policy Choices*, ed. John J. Kirlin and Donald R. Winkler (Los Angeles: University of Southern California Press, 1985).

²²Janet Peskin, Congressional Budget Office, Washington, D.C., memorandum, April 10, 1992.

²³Wisconsin DHSS, "Application for Federal Assistance," Appendix B, p. 3.

²⁴U.S. DHHS, "Amendments to Wisconsin's Special Terms and Conditions for Its Welfare Reform Demonstration, Part III, Wisconsin Parental and Family Responsibility Demonstration Project," section 3.8. The standard requires a sample large enough to detect a normalized effect size of 0.2 with a confidence level of 95 percent and a statistical power of 0.8. These seem to be appropriate to the issue at hand; for example, if marriage incidence within this population is typically on the order of .10 in the year following welfare application, the requirement calls for identification as statistically significant a difference of .02 between the treatment and control groups. The required sample size is approximately 400. (See Jacob Cohen, *Statistical Power Analysis for the Behavioral Sciences* [Hillsdale, N.J.: Lawrence Erlbaum Associates, Inc., 1988]). A larger sample size may permit identification of differential effects by subgroups.

²⁵The Wisconsin proposal argues that such community effects will be pre-

sent: "To the extent the PFR demonstration succeeds in assisting older teen parents to achieve self-sufficiency through case management, education and job training, these single parents . . . will encourage their younger siblings and friends to avoid becoming pregnant for the first time until after they complete high school" (Wisconsin DHSS, "Application for Federal Assistance," Appendix B, p. 8).

²⁶The program description presented in this section is taken from New Jersey Department of Human Services, "Application for Federal Assistance: Family Development Program," Trenton, N.J., June 6, 1992.

²⁷*Ibid.*, p. 33.

²⁸Note that the \$30 disregard would not be applied in determining the family's initial eligibility for assistance. In this case it doesn't matter.

²⁹The description of California's welfare proposal is taken from California Health and Welfare Agency, "Application for Federal Assistance: Welfare Reform Demonstration Project," Sacramento, 1992.

³⁰The plan is proposed again in Governor Pete Wilson's budget for fiscal year 1994. See California Department of Social Services, *Making Welfare Work in California* (Sacramento: CDSS, 1993).

³¹The additional reduction is eliminated for certain special cases including those with elderly adults and those involving teen parents in Cal-LEARN.

³²If earnings are \$1,161, the disregard is \$90 (work expenses) + \$30 (the basic disregard) + .333(1,161 - 120) (the one-third) + \$187 (the difference between the MBSAC and the MAP), or \$654. Thus income counted against the grant is \$1,161 - \$654 = \$507, the amount of the grant.

³³U.S. DHHS, Administration for Children and Families, "Waiver Terms and Conditions: California Welfare Reform Demonstration," Washington, D.C., June 29, 1992.

³⁴The evaluation of the "HAPEE" (Helping AFDC Parents Enter Employment) project (Data Management Systems/Associates, "First and Second Year Comparison/Summary HAPEE Evaluation Report," Fresno, 1992) is seriously flawed. While the "Project Summary Report" reports comparative data on control and experimental groups, it does not explain how assignment was conducted and appears to average earnings and payments data only over cases which stayed on welfare. If elimination of the 100-hour rule meant that some families were able to continue eligibility who otherwise would have lost it, it is quite possible that the procedure would show an increase in average earnings and reduction in welfare costs per family for the experimental group relative to the control group even though, in fact, the program raised costs and reduced turnover. A related study in Fresno County had similar results and similar flaws (Fresno County Department of Social Services, "Linking AFDC-UP Parents to Employment: Fresno County's Link-Up Project," final evaluation, photocopy, 1991).

³⁵Unpublished simulations conducted by the Urban Institute using the Trim-2 model suggest that the WRDP would have increased the California AFDC-UP caseload by 28 percent, but the cost increase associated with this change would have been sufficiently offset by benefit reductions in the AFDC program as a whole that the overall impact of the change would be a reduction of 16.5 percent in AFDC costs by the end of the first year and as much as 21 percent after five years had passed. These simulations assume "no behavioral effects" of the change. But applying the 100-hour rule only on entry makes a spell of unemployment "pay" for a low-income two-parent household, since once such a family has qualified for AFDC benefits, it will be able to resume employment and receive both AFDC and Medicaid benefits. It seems possible that such a reward could induce strategic behavior on the part of potential recipients.

³⁶For an example of reports of this type, see Christopher Jencks and Kathryn Edin, "The Real Welfare Problem," *American Prospect*, 1 (Spring 1990), 31-50; and Kathleen Mullan Harris, "Work and Welfare among Single Mothers in Poverty," paper presented at the Annual Research Conference of the Association for Public Policy and Management, Denver, October 29, 1992.

³⁷Expanding the disregard is an attractive option for reformers, for it can be accomplished under existing Social Security regulations by manipulating a

state's "need" standard and payments calculation procedures. For a discussion of the method, see Mark Greenberg, *How Can States Reduce Welfare's Work Penalties? The "Fill the Gap" Option* (Washington, D.C.: Center for Law and Social Policy, 1992).

³⁸California Department of Social Services, "All County Information Notice No. 1-49-92: Implementation of AFDC Program Changes Enacted in the Budget and Companion Legislation," Sacramento, September 21, 1992.

³⁹Ellwood, *Poor Support: Poverty in the American Family* (New York: Basic Books, 1988). Ellwood is now the Assistant Secretary for Planning and Evaluation at DHHS. See also Corbett, "Child Poverty and Welfare Reform," Table 2, in this issue of *Focus*.

⁴⁰The announcement, which was made in Riverside, California, was given little media coverage. The summary here is from a "Fact Sheet" and related materials on legislative proposals distributed by the president's press secretary on August 14, 1992.

⁴¹The last one under the wire appears to have been, perhaps appropriately, for Wisconsin.

⁴²All materials from the president's speech quoted or summarized in the following paragraphs are taken from a transcript provided by the National Governors' Association.

Call for Papers

Papers are solicited for a special issue of *Children and Youth Services Review*, an International Multidisciplinary Review of the Welfare of Young People. The special issue addresses the topic Child Poverty and Social Policies. Submitted papers may be original research or program and policy analyses from a variety of disciplines or perspectives.

Sample topics include, but are not limited to: antecedents and consequences of child poverty; determinants of trends in child poverty; effects of existing and proposed labor market, welfare, health, education, and community service programs and policies on the well-being of children and families; comparative or cross-national studies of child poverty and social policies; evaluation of demonstration projects and model programs for children and families.

The special issue will be edited by Professors Sandra K. Danziger and Sheldon Danziger, University of Michigan. All submissions will be peer reviewed. The deadline for submissions is September 15, 1993. Authors will be notified if their papers have been accepted by about mid-January 1994. Final revisions in response to referee comments will be due by March 31, 1994. The papers are expected to be published in Volume 15, Number 5, at the end of 1994.

Five copies of each submission should be sent to Sandra K. Danziger, School of Social Work, 1065 Frieze Bldg., University of Michigan, Ann Arbor, MI 48109-1285.
