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The Role of Permissive Federalism
in State Welfare Reform

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Ph.D. degree in Political Science

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THE ROLE OF PERMISSIVE FEDERALISM IN
STATE WELFARE REFORM

By

Michelle (Shelly) Arsneault

A DISSERTATION

Submitted to
Michigan State University
in partial fulfillment of the requirements
for the degree of

DOCTOR OF PHILOSOPHY

Department of Political Science

1997

ABSTRACT

THE ROLE OF PERMISSIVE FEDERALISM IN STATE WELFARE REFORM

By

Shelly Arsneault

American federalism can best be described as a system where goals, authority, and funding are shared between the national and state levels. Reagan (1972) contends that the final authority in this system rests with the national government, calling it "permissive federalism." I argue that permissive federalism is an apt explanation of state policy efforts in the American federal system because the ability for states to create new policy options, and for the national government to encourage and assist states in seeking innovative policy is one of the most significant aspects of federalism.

This dissertation examines a major instrument of intergovernmental policy, the federal waiver, which allows states the opportunity to experiment with programs like Aid to Families with Dependent Children (AFDC). Three questions are of central concern here: 1) What role does federal leadership play in welfare reform at the state level? 2) Why have states reacted differently to federal initiatives in AFDC reform? and, 3) How do state and federal politics influence AFDC waiver requests?

I address these questions using both quantitative and

qualitative research techniques. For the first question, content analysis and descriptive statistics are used to determine policy leadership and diffusion patterns for welfare reform in the intergovernmental system. For the second question, logistic and linear regression methods are used to identify the correlates of state welfare reform. For the final question a comparative case study of Michigan and Utah is used. Both states were actively engaged in welfare reform during the 1980s and 1990s.

The three key findings of this research are: 1) The federal government played an important role in welfare reform, through setting the policy agenda and aiding vertical and horizontal policy diffusion between the federal and state governments, 2) Political factors like powerful governors and professional legislatures were key factors in state welfare reform, and 3) Economic pressure was not an important motivating factor in state welfare reform efforts.

Overall, this research indicates that permissive federalism has produced a complex and intriguing relationship between state capitols and Washington DC. Most significantly, recent reforms have been propelled by politics and public perceptions, rather than fundamental changes in social and economic conditions.

To Tony, I am more because of you.

ACKNOWLEDGEMENTS

Although a dissertation is the work of an individual, completion requires the assistance of many. Among those who have assisted in the completion of this dissertation are my committee members, Jack Knott, Bob Lowry, Michael Mintrom and Carol Weissert. I would never have finished this project without the efforts of Dr. Weissert who was supportive of both my professional and personal ambitions.

Outside of MSU's Department of Political Science, I wish to recognize the generosity of Greg Shaw at Columbia University for sharing some of his hard-won data, and Stacy Hunter-Hecht at the University of Minnesota for assistance very early on in my data collection process. I also thank the MSU College of Social Science and the Graduate School for help in financing my research trip to Utah.

In addition I would like to thank some of my colleagues for their encouragement throughout my graduate career: Steve Hartlaub, Rich Jelier, Bob Orme, Sherry Bennett, Sara McLaughlin, Philip Alderfer, John Davis, Jeanette Hercik, Mark Hurwitz and Susan Silberman. Finally, Kathy Dowley was an invaluable source of support during many commutes to-and-from East Lansing, and I will always be grateful to her.

TABLE OF CONTENTS

LIST OF TABLES.....	ix
LIST OF FIGURES.....	x
CHAPTER ONE	
WELFARE REFORM IN THE FEDERAL SYSTEM.....	1
Theoretical Framework: Permissive Federalism.....	3
The Research Questions.....	6
State Welfare Reform and 1115 Waivers.....	8
The Structure of the Dissertation.....	10
Contribution to Political Science.....	13
Findings in Summary.....	14
CHAPTER TWO	
FEDERALISM, POLICY VARIATION, AND WELFARE REFORM.....	16
American Federalism.....	17
The Changing Nature of American Federalism.....	18
State Resurgence.....	18
Increased Federal Involvement and Permissive Federalism.....	19
The Tradition of Federalism in American Social Welfare.....	21
Federal Grants and Redistributive Policies.....	23
Permissive Federalism and 1115 Waivers.....	27
State Differences in Welfare Policy.....	28
Welfare as an Issue.....	32
Federal Waivers and the Recent History of AFDC.....	39
FSA in Practice: Job Opportunities and Basic Skills (JOBS).....	44
Welfare Reform Within the Context of Permissive Federalism.....	49
CHAPTER THREE	
FEDERAL INFLUENCE AND STATE WELFARE REFORM.....	50
State AFDC Waivers.....	50
Federal Influence on State Welfare Reform.....	57
Findings.....	60
State Waiver Activity.....	68
Determinants of State Waiver Strategies.....	68
States' Experience with JOBS Funding.....	77

Time-Dependent Determinants of State Waiver Activity.....	83
Determinants of Varying Levels of State Waiver Activity.....	91
Conclusions.....	94
Thumbprints and Politics: Toward a Theoretical Explanation for State Waiver Activity.....	97
CHAPTER FOUR	
TWO STATES AND THE POLITICS OF WAIVERS.....	101
Utah and Michigan: Comparison and Contrast.....	104
1. Waivers in Utah.....	105
2. Waivers in Michigan.....	109
Research Design.....	111
1. Leadership.....	113
2. Federal Role in 1115 Waivers.....	116
3. Opposition from Inside and Out.....	118
4. State Motives: Perceptions, Politics and the Church of the Latter-Day Saints.....	121
5. Sources of Waiver Ideas.....	124
6. The Contribution of 1115 Waivers.....	127
7. The Role of National Media Attention in Welfare Reform.....	129
The Politics of Welfare Reform on Government Agendas..	133
Conclusions.....	135
CHAPTER FIVE	
FROM EVOLUTION TO DEVOLUTION: THE PERSONAL RESPONSIBILITY AND WORK OPPORTUNITY RECONCILIATION ACT.....	140
The Rationale for Devolution.....	141
Block Granting AFDC.....	142
The Race to the Bottom.....	146
Technical Deficiencies.....	150
U.S. Experience with Block Grants.....	152
The Reality of TANF.....	154
Waivers After PRWORA.....	156
CHAPTER SIX	
CONCLUSION: PERMISSIVE FEDERALISM AND WELFARE REFORM.....	160
Research Summary.....	162
Findings.....	163
The Politics of Waivers.....	166
Future Research on Waiver Politics.....	169
Politics and the Future of Welfare Reform.....	171
APPENDIX A.....	173
APPENDIX B.....	174
APPENDIX C.....	177
APPENDIX D.....	179
APPENDIX E.....	180
APPENDIX F.....	182
APPENDIX G.....	183

APPENDIX H.....	204
BIBLIOGRAPHY.....	206

LIST OF TABLES

Table 3-1 - Waiver Requests from the Three Time Periods, by Category.....	183
Table 3-2 - Key Welfare Reform Provisions under each Federal Initiatives.....	184
Table 3-3 - 1115 Welfare Reform Strategies.....	186
Table 3-4 - Multinomial Logit Estimates for State Strategies.....	187
Table 3-5 - Multinomial Logit Probabilities.....	188
Table 3-6 - Multinomial Logit Probabilities, Varying Power of State Government.....	189
Table 3-7 - Multinomial Logit Probabilities, Varying State Ideology.....	190
Table 3-8 - Multinomial Logit Probabilities, Poverty Rate Growth Level.....	191
Table 3-9 - State Use of Available FSA JOBS Funding, 1991 and 1993.....	192
Table 3-10 - Average Use of Available FSA JOBS Funding, by Type of State Strategy.....	192
Table 3-11 - Categorized JOBS Funding Usage, by State Strategy, 1991.....	193
Table 3-12 - Categorized JOBS Funding Usage, by State Strategy, 1993.....	193
Table 3-13 - Waiver Requests Directly Following Federal Initiatives.....	194
Table 3-14 - OBRA Group Model.....	194
Table 3-15 - FSA Group Model.....	195
Table 3-16 - Logit Probabilities for FSA Group States....	196
Table 3-17 - SOU Group Model.....	197
Table 3-18 - Logit Probabilities for SOU Group States....	198
Table 3-19 - OLS Model: Number of Waivers Sought from 1982-May, 1995.....	199
Table 4-1 - State Characteristics.....	200
Table 4-2 - 1115 Waiver Projects, Utah and Michigan.....	201
Table 4-3 - State Waiver Leadership.....	201
Table 4-4 - State Motives for 1115 Waivers.....	202
Table 4-5 - Idea Sources for Waiver Provisions.....	202
Table 4-6 - Perceived Contributions of 1115 Waivers.....	203

LIST OF FIGURES

Figure 1 - Number of Substantive Waiver Requests.....	204
Figure 2 - Innovative Feedback Cycle.....	205

CHAPTER ONE

WELFARE REFORM IN THE FEDERAL SYSTEM

As the cornerstone of the American political system, federalism has been an enduring aspect of political science research. It is essential to an understanding of both politics and public policy issues. This dissertation will add to the understanding of federalism by examining the complex interactions between the federal and state governments in reforming the Aid to Families with Dependent Children (AFDC) program.

Our concept of federalism, like the system it describes, has evolved over time. The roles of the state and federal levels of government in the United States continue to adapt to the changing needs of our national interests and economy. The ultimate authority in this relationship is never definitive; rather, power alternates between the two levels. As Reagan explains, "New style federalism is a political and pragmatic concept, stressing the actual interdependence and sharing of functions between Washington and the states, and focusing on the mutual leverage that each level is able to exert on the other" (Reagan, 1972:3).

Most recently in this relationship, state governments have experienced a resurgence in prestige and policy

authority. Among the many reasons for this state resurgence are state constitutional and institutional reforms, increased party competition in states, and public distrust of the federal government (Bowman and Kearney, 1986; Osborne, 1989; Van Horn, 1996; Rivlin, 1992; Weissert and Schram, 1996). Especially in the realm of social welfare policy, states have been lauded for their abilities as new policy leaders (Mead, 1992; Miller, 1996). State governors have been identified as important policy players (Gross, 1991), and Republican governors especially, have been considered conduits to improved social welfare policies including more appropriate incentive structures and greater levels of recipient self-sufficiency (Mahtesian, 1995).

While most scholarship supports the idea of state innovation, it also brings to bear the importance of the federal role in providing incentives and sometimes offering penalties for state policy efforts (Ingram, 1977; Peterson, et al., 1986; Nice, 1987; Anton, 1989). Often, however, this scholarship has examined federal grants and to a lesser degree, federal mandates or regulations on states, none of which adequately addresses the issue of federal involvement in state welfare reform. More useful in examining this relationship is an investigation of the politics surrounding federal social service waivers, which states may seek in order to experiment with several of the federally mandated social welfare programs.

Aid to Families with Dependent Children, which has been

subject to waiver reform, is an excellent policy through which to examine elements of federalism because of the close federal-state relationship within the program. Until elimination of AFDC, each state offered the means-tested program to needy families, with most of the funding provided by federal matching grants. States were constrained by certain federal requirements, like provision of assistance to qualified two-parent families, and enforcement of work participation on 20 percent of eligible recipients. At the same time, states had a great deal of discretion over their AFDC programs: States determined such things as eligibility criteria for women and their children, economic level of need in the state, and benefit levels per recipient family.

Importantly, states have also had the ability to seek Social Security Act, Title IV, Section 1115 waivers to experiment with aspects of their AFDC programs. These experimental waiver projects gained huge popularity as instruments of welfare reform beginning in the late 1980s. This research provides an analysis of state AFDC waiver activity over an extended period of time--from 1982 through 1995. This work examines AFDC waiver reform to extend our understanding of federalism by illustrating important federal-state interactions in pursuit of policy innovations, while highlighting the national role of guidance and constraint.

Theoretical Framework: Permissive Federalism

The federal-state relationship of American federalism in the 1990s shares only a distant connection with the federalism

of 1789. While early federalism is most often described as a competitive "dual federalism," the complex policy relationship between governments today is more accurately described as "intergovernmental relations". Reagan explains the transformation:

We were...too diverse and socially pluralistic for a long time to permit the results even of pluralistic politics to result in national action. We have now achieved that degree of unity and can express a national consensus in at least some areas and to some degree, a consensus that does not represent the final victory of any one elite or any one interest, but the embodiment of difficult-to-arrive-at coalition agreements (Reagan, 1972:164).

It is this federalism of the post-1960s era, variously described as "new federalism," "permissive federalism," or "coercive federalism," that this dissertation addresses. By the late 1960s, the national level of government significantly influenced most policy issues. Although states have recaptured a great deal of policy authority in recent years, it is unlikely that the federal role will be significantly diminished in the near future (Grodzins, 1964; Reagan, 1972; Peterson, 1995; Derthick, 1996; Posner and Wrightson, 1996).

This dominance of the federal government is key to what Reagan (1972) calls 'permissive federalism'. He explains that permissive federalism is, "a sharing of power and authority between the national and state governments, but that the state's share rests upon the permission and permissiveness of the national government" (Reagan, 1972:163). Reagan argues that federalism has evolved to a point at which a level of national consensus can be reached, and at the same time,

regional and state differences can be accommodated through the process of policy implementation within the bounds of permissive federalism.

The system of permissive federalism is akin to a parental relationship with an adolescent child: Most of the child's decisions are independent but are made with the guidance, consent and often financial support of the parent. Similarly, the federal government offers guidance, consent and grant monies to the states. This relationship opens several avenues of research for political science. For example, it is important to examine the role of both federal and state governments in policy leadership and agenda setting within this framework. Since permissive federalism allows for "bottom-up" reforms, it may also be of interest to examine the nature of such reform. Because states will make varying usage of the opportunities to innovate afforded by the federal government, it is useful to explore the factors leading to state policy variation. Finally, permissive federalism implies that some level of national consensus has been reached in a policy area; finding the political, economic and social antecedents of that consensus is important to political inquiry.

This dissertation argues that permissive federalism is an apt description of the intergovernmental relationship in AFDC policy. While there are other models of federalism and intergovernmental relations, the permissive federalism model seems to be the most applicable to the latest moves by states

to "reform" their welfare systems. Many states appear to have been in the process of completely overhauling their AFDC systems and implementing important innovations, which has given state politicians a great deal of political influence with the public. However, what many states have actually done is far less in the realm of innovation, and far more in the realm of *incremental change* within the bounds of which the federal government offered encouragement and permission to explore. In welfare policy the federal government has had an important, yet under-appreciated, role to play in setting the policy agenda, encouraging state reform, and diffusing policy innovations at the state level.

The Research Questions

The premise that most states have borrowed policy ideas from the federal government or other states to refine their welfare programs while state politicians engage in political credit-taking, is examined in this study by three research questions. The first research question, asks, "What role does federal leadership play in welfare reform at the state level?" For this study, policy leadership has been defined as leading the trend toward a new policy idea. Walker (1969), Gray (1972), and Savage (1985) have indicated that such policy innovations tend to diffuse from state to state, while Eyestone (1977) and Thompson and Welch (1980) discuss the role that the federal government plays in policy diffusion. Therefore, the first research question examines at which level new welfare policy ideas were begun and at what point the

federal government encouraged states to implement these new policies or mandated them as part of federal legislation.

The second research question, "Why have states reacted differently to federal initiatives in AFDC reform?" relies on the well-established literature on social welfare policy variation begun with statistical analyses by Dawson and Robinson (1963), to examine state variation in welfare reform from 1982 through May of 1995. This analysis examines the effects of political, economic and state context factors on state welfare reform efforts. This is an important question to address because the political rhetoric surrounding welfare reform implies that the AFDC system is in a crisis state: spending levels are high and rising, assistance levels are high enough to preclude employment for many recipients, and the system prevents recipients from becoming self-sufficient. If the reality of the AFDC system does not coincide with the rhetoric, it will be easier to make the case that welfare reform is being used as a device for political gain.

The final research question, "How do state and federal politics influence AFDC waiver requests?" appropriately ties the first and second research questions together. While the first question clarifies the connections between the federal and state governments in welfare reform, the second question more closely examines state efforts. This final research question uses a comparative case study of two active welfare reform states, Michigan and Utah, to develop a clearer understanding of the influence that politics has within

states, between states, and between states and the federal government, in welfare reform.

State Welfare Reform and 1115 Waivers

To adequately address these research questions, it was necessary to use a 50-state analysis. Examining welfare reform efforts across the 50 states is a project in which few have engaged¹, largely because a common measure of "reform" is difficult to find. Each state has broad latitude over its own welfare system--so broad that the very nature of "welfare" differs from state to state. Some states, for example, offer General Assistance (GA) payments to childless adults, others have recently eliminated their GA payments, while still others have never offered such payments. Similarly, some states are more generous with both eligibility and provision of benefits to the poor than are other states.

Given the variety of welfare programs and policies across states, the standard program examined in cross-state analysis has been AFDC. States have had latitude in carrying out AFDC, but all states offered the program to needy families. Thus, AFDC is a useful program to examine because although a federal requirement, the program varies from state to state.

Welfare policy variation has most often been measured in terms of benefit levels with the notable exception of Hanson's (1983) work on the "content" of AFDC policy. While

¹ Studies of welfare reform tend to focus on national reforms (Mead, 1992), or single-state reform (Peterson and Rom, 1990). Occasionally, multi-state comparisons have been made (Norris and Thompson, 1995).

variations in benefit levels, and state freezes and cuts in AFDC during the early 1990s are interesting, benefit levels alone are not a good way to characterize "welfare reform." Reform connotes the notion of systemic change, including new requirements or restrictions, benefits or services for recipients; changes in benefit levels affect only the purchasing power of recipient families. While it may be argued that severe cuts in cash assistance will force recipients into the workforce, benefit cuts alone are not generally considered innovative policy reforms. Thus, a different measure for reform had to be found. The measure that this dissertation uses as an indicator of state intention to innovate is section 1115 waivers sought by states to experiment with their AFDC programs.²

In 1962, the federal government began allowing states to amend their AFDC programs through the use of 1115 waivers which allow states to carry out experimental or pilot projects in keeping with the objectives of the AFDC program. Beginning with the Reagan administration, waivers were made relatively easy for states to obtain, and since the late 1980s, waivers have become an important tool for states to "reform" their AFDC systems. Section 1115 waivers are an appropriate measure of welfare reform because they allow reform of the standard AFDC program and they have been equally available for use by

² Note that this dissertation does not speak to the magnitude of reforms, but instead uses waivers as an indication of state intent to reform welfare.

all states. Therefore, 1115 waivers have been used here and elsewhere as measures of reform.³

Section 1115 waivers have been highly touted as important means by which states may innovate and reform their AFDC programs (Savner and Greenberg, 1995; Lurie, 1996; Preston, 1996). However, states could have substantially "reformed" their welfare systems without the use of AFDC waivers. As Savner and Greenberg of the Center for Law and Social Policy explain, "In many respects, thoughtful implementation of the Family Support Act could result in much more fundamental redirection of the welfare system than many of the state waiver requests. Yet those states who are 'only' implementing the Family Support Act are rarely listed among welfare reform states" (Savner and Greenberg, 1995:3). Waivers have become so popular with governors that many have sought waivers to make AFDC reforms even when the reforms have not required waivers (Wiseman, 1995). In some cases, waivers have had more to do with politicians portraying a reform-minded image than actually recasting a state's welfare system.

The Structure of the Dissertation

This research will examine state policy innovations and their relationship to federal legislation in terms of

³ Current 50 state analyses of waivers have primarily been undertaken as dissertations by Stacey Hunter-Hecht at University of Minnesota, Greg Shaw at Columbia, and Deborah Meizlish at University of Michigan. In addition, Indiana University professors Patrick McGeever and Russell Hanson have also used statistical analyses of waiver reform in the 50 states. To my knowledge, none of the statistical work on waivers has been published.

permissive federalism. It will also examine variation in state reform efforts, emphasizing the political nature of welfare policy and its reform. The structure of the dissertation is outlined in the following.

Chapter Two examines the elements of political science literature that are important to the issues of federalism, state policy variation, and welfare as a policy issue. Chapter Two also reviews the recent history of AFDC, welfare waiver reform and the elimination of AFDC and its replacement by the Temporary Assistance to Needy Families (TANF) program.

Chapter Three examines federal and state influences on welfare reform. It includes analyses of the first two research questions, 1) What role does federal leadership play in welfare reform at the state level? and 2) Why have states reacted differently to federal initiatives in AFDC reform? For the first question, content analysis and descriptive statistics are used as the method to analyze state welfare reform provisions and federal legislation. For the second question, three separate models are analyzed: The first uses multinomial logistic regression to examine state welfare reform as a matter of state strategy with the federal government. The second analysis uses dichotomous logistic regression to consider state reforms after three different federal initiatives (the 1981 Omnibus Reconciliation Act, the 1988 Family Support Act, and President Bush's 1992 State of the Union Address). The third analysis uses linear regression to explain general patterns in state welfare reform efforts

from 1982 through the first half of 1995. This chapter offers evidence of the roles played by both the federal and state governments in state welfare reform between 1982 and 1995.

Chapter Four addresses the third research question, How do state and federal politics influence AFDC waiver requests? It offers a comparison between two states which have been engaged in significant welfare reform during the years of this study. One state, Utah, is considered an innovative policy leader in the first research question, while the other state, Michigan, is not. In addition, Michigan, has been well publicized as leading welfare reform efforts, while Utah has received little attention for its own considerable efforts. This chapter offers a more substantial understanding of the waiver process for state governments, including the process through which waivers have been negotiated with the federal government, the role that other states and national organizations have played in reform policies, and details about the state politics surrounding waiver reform in Michigan and Utah. A qualitative method of analysis is used here, which offers a richness to the dissertation that statistical analysis alone could not offer.

Chapter Five considers the role that waivers have played in leading to the current situation in welfare: the end of AFDC and the introduction of TANF. Welfare is the first real test of the Republican "devolution revolution," and the outcomes of this new system will shape social service provision for years to come. This chapter discusses both the

arguments for and against block grants and examines what social science would lead us to expect for the future of welfare under the block grant system.

Finally, **Chapter Six** reviews the dissertation findings, and discusses the status of 1115 waivers which, despite TANF, are not dead. This concluding chapter also offers ideas for avenues of future research on 1115 waivers, and considers the prospects for the future of welfare, and its reform, in the American states.

Contribution to Political Science

This research is distinct from other studies of welfare policy in the federal system for several reasons. First, this is a longitudinal analysis which offers a close look at the intergovernmental treatment of welfare reform through the early 1980s and into the 1990s. It begins long before the issue became politically salient in the 1990s, and before passage of the 1988 Family Support Act (FSA), so widely hailed as a dramatic step forward for the American welfare system.

Second, most political science research has focused on *either* national welfare policy (Patterson, 1986; Rochefort, 1986; Berkowitz, 1991; Skocpol, et al., 1993; Mead, 1992) or state welfare policy (Tweedie, 1994; Peterson and Rom, 1995; Norris and Thompson, 1995; Wiseman, 1996). This dissertation uses a permissive federalism approach to bring the two, so fundamentally related, together. The federal waiver, which is an important intergovernmental mechanism providing for both state experimentation and federal oversight, offers a valuable

new avenue for the study of federalism.

Third, most research examining welfare policy at the state level has used a single measure of state variation: welfare expenditures per family (Dawson and Robinson, 1963; Cnudde and McCrone, 1969; Albritton, 1989; Tweedie, 1994). This work broadens the analysis by examining state intention toward welfare innovation, rather than simply considering benefit levels. This 50-state analysis is also a useful departure from traditional research on welfare policy because it uses both quantitative and qualitative techniques to explain federal-state interactions in AFDC reform and offer generalizations about correlates of state welfare reform efforts.

Finally, the current opinion about AFDC reform is that the states have been leaders in experimental efforts to reform welfare. This dissertation, which examines the past decade and a half of AFDC reforms, puts this interpretation to the test.

Findings in Summary

Through examination of federal initiatives in welfare reform and subsequent state activity, the evidence from this research supports the idea that permissive federalism is an appropriate description of the federal-state relationship in welfare reform. Washington and the states operate through interdependence and cooperation in terms of both setting the political agenda and creating policy alternatives in this area. In addition, I find that the states themselves have

responded to the welfare issue often for political reasons. Reforming welfare is a popular agenda item for the public and offers politicians a certain amount of political capital. State politicians understand that the volatile politics surrounding the issue of welfare provide them an opportunity to look effective if only they *do something* about the problem, thus they have increasingly taken credit for efforts to reform AFDC. Finally, this research finds that welfare reform at the state level has been influenced by the federal government far more often than states are willing to admit, and that political gain at both the state and national level has led state politicians to engage in reform efforts more often than have crises with the AFDC system.

CHAPTER TWO

FEDERALISM, POLICY VARIATION, AND WELFARE REFORM

This study of welfare reform is intended to contribute to at least three avenues of political scholarship: federalism, state policy variation, and welfare politics. In this chapter, I review these three literatures, in each case noting how this this research can provide new information. First, the federalism literature provides a starting point to examine the question of the federal role in state welfare reform efforts. Permissive federalism is identified as the most useful description of the relationship between the federal and state governments in the area of welfare reform. The state policy variation literature will then be reviewed with emphasis on the perennial debate within the literature: Which is more important, economic or political factors in explaining variation in state policy? This dissertation will help to clarify the importance of political factors in state variation, especially in welfare reform. Finally, the literature which appraises social welfare as a policy issue is reviewed. This study will add to that literature by emphasizing the fact that welfare reform is an excellent mechanism for political credit-taking--regardless of reform policy outcomes. In addition reviewing these literatures, this chapter will provide background on the recent history of

welfare policy, emphasizing the role that 1115 waivers have played in reform.

American Federalism

The first research question of this dissertation addresses the federal role in state welfare policy, therefore it is important to place this research within the context of the existing literature on federalism and federal-state policy interactions. Because American federalism is an evolving system, the roles of the federal and state governments are constantly in flux. Currently, states are experiencing a resurgence in policy authority, however, state power will continue to be tempered by the national government through permissive federalism.

Federalism has been hailed as a system which provides considerable benefits to each level of government. These benefits include: providing program flexibility, preventing abuse of power, encouraging innovation, promoting competition which improves governmental responsiveness and efficiency, encouraging self-reliance, and fostering political participation. Among its costs, federalism has been accused of allowing: neglect of negative externalities which spillover to other jurisdictions, coordination problems, localistic biases, inequality, loss of accountability and evasion of responsibility (Nice, 1987). While the nature of these benefits and costs has not changed much since the *Federalist Papers* and the signing of the Constitution, the nature of American federalism has changed.

The Changing Nature of American Federalism

Because federalism is an evolutionary system, the roles of the state and federal levels of government have adapted to meet the changing needs of our national interests and economy. In the early decades after passage of the Constitution, states retained many responsibilities and powers, but neither level of government was involved in broad policy activities. That situation has changed dramatically during the twentieth century. Currently, the federal and state governments share a great deal of authority over the design, funding, and implementation of many policies, including social welfare.

State Resurgence

As the discussion of federalism's evolution would imply, the role of the states has changed over the decades. During the 1960s and 1970s, scholars discussed the marginalized role of state governments in the United States (Sanford, 1967; Sundquist and Davis, 1969; Reagan, 1972; Elazar, 1981; Walker, 1981). This began to change during the mid and late-1980s, when scholars highlighted a diminished federal role and an increased state role in policy efforts (Bowman and Kearney, 1986; Keller, 1988; Osborne, 1989; Rivlin, 1992; Weissert and Schram, 1996).

Bowman and Kearney discussed the key factors leading to the resurgence of state authority by the middle of the eighties: distrust and lack of confidence in the federal government; constitutional and institutional reforms in the states; intergovernmental lobbying efforts; reapportionment;

increased party competition in states; the dysfunctional federal grant system; local government incapacities which have led to increased state responsibility over local governments; the expanded scope of state operations; and interstate competition. They also highlighted the importance of the Reagan administration in the reascendancy of state government, writing:

the Reagan financial aid reductions to the subgovernments and failed New Federalism proposals have bolstered the resurgence of the states by encouraging (some would say forcing) them to do more with less. The signal from the Reagan White House has been clear: The national government will reduce its presence in and responsibility for social welfare and other programs, leaving the burden on the states and localities (251).

Increased Federal Involvement and Permissive Federalism

An important part of the evolution of American federalism has been this growth of federal influence on policy in the states, both for welfare and many other policy areas. In the early 1970s, Michael Reagan identified the trend toward increased federal influence over state decisions as an element of permissive federalism. Reagan explained, "when we speak of a nationally dominated governmental system, we do not mean that the national government makes all the decisions so much as that it now greatly affects many decisions it does not make" (1972:146). Further, he argued that:

Increasingly, ...we are coming to define certain basic services as 'rights' of national citizenship, and among these services are education, medical care, and public assistance for the poor... Equality before the law, as guaranteed by the Fourteenth Amendment, is confined in the terms of that Amendment to certain specific kinds of discrimination; but by analogy it is being extended broadly to equality of social services regardless of

geographic location within the country (156).

Thus, during the 1960s and 1970s concerns about equality led to greater centralization and uniformity of social policies across the states. Lurie explained that the reforms of the Great Society era established the principle of entitlement to public assistance for eligible families. "With more nationally uniform eligibility conditions came an erosion of state authority and greater centralization of welfare policy in the federal government" (1996b:212).

Derthick (1970) found that this trend toward federal influence over welfare policy had begun shortly after the initiation of the Aid to Dependent Children (ADC) program (later renamed Aid to Families with Dependent Children, AFDC). She concluded that federal actions influenced early changes toward liberalization, uniformity, and centralization in the Massachusetts system of public assistance. "[T]he changes were accelerated and in important ways shaped by federal action. Change took place faster than it would have in the absence of federal participation, and took specific forms and directions that it might not otherwise have taken" (194). Derthick's description of federal influence during the first thirty years of AFDC is similar to the history of the second thirty years of the program as the federal government has continued to influence the direction of social policy in the states, while allowing the states ultimate control over their systems of aid. In other words, American welfare policy has been undertaken within the system of permissive federalism.

The Tradition of Federalism in American Social Welfare

Joint federal and state involvement in social welfare goes back at least 60 years, to the signing of the 1935 Social Security Act, and its minor provision of Aid to Dependent Children (ADC). Although it was always a minor federal program, it was almost never without controversy. Political friction surrounding the program grew to the point that in August of 1996 President Clinton ended the sixty year entitlement with the signing of the Temporary Assistance to Needy Families (TANF) program, as part of the larger Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). It can be argued, however, that even at its death AFDC was a minor program; it constituted only 1 percent of the federal budget, and between 1/2 and 5 percent of state budgets (Statistical Abstracts, 1995).

The federal government had a varied role to play in the implementation of AFDC over the decades. For example, during the 1960s and 1970s, federal courts widened eligibility by striking down state practices like "man in the house" rules, and in 1988 the federal government mandated transitional child care and Medicaid for recipient families that had recently left the welfare rolls. By far the most important role played by the federal government has been in program financing. The funding arrangement involved federal matching-grants based on the per capita income of each state. In 1996, the federal share of AFDC ranged from 50 percent in the eleven highest income states, to 78 percent in the poorest state,

Mississippi. In the average state, the federal government was responsible for 60 cents of each dollar spent on AFDC, with the state providing the remaining 40 cents (House Ways and Means Committee, Green Book, 1993).

Although the state monetary contribution to AFDC has been relatively small, states have had the bulk of the responsibility for determining eligibility requirements and benefit levels. This has resulted in state variations on many fronts. For example, there are state differences in the initial eligibility of AFDC receipt, with South Dakota having no provision for eligibility of pregnant women, while California offers AFDC to women beginning in the third month of pregnancy; most states offer AFDC in the sixth month of pregnancy. State responsibility also resulted in state variation in benefits levels: In 1992, the average monthly payment for a family of three in Mississippi was \$120; that same family would have received \$750 had they lived in Alaska.

As AFDC evolved, the federal government stepped up its programmatic involvement. In 1967, for example, Congress mandated state implementation of "earnings disregards" which allowed welfare recipients to keep a portion of the money they earned through the optional Work Incentive Program (WIN); in 1971 able-bodied recipients were *required* to register with the WIN program; and in 1988 states were required to offer assistance to eligible two-parent families through AFDC-UP (Unemployed Parents). The history of the AFDC system has followed this pattern. The states have had a good deal of

discretion, but federal legislation over the years has resulted in greater homogeneity of the program across jurisdictions. Rom observed this pattern in the 1988 Family Support Act: "National policies and priorities have gradually come to dominate the welfare system, and the act continues this trend" (1989:58).

Federal Grants and Redistributive Policies

One of the federal government's most powerful tools to advance national goals is the federal grant; a strategy which has increased over the years. Derthick wrote that, "because of the division of authority among governments in the federal system, the federal government cannot order these governments to do anything. It gets them to carry out its purposes by offering incentives in the form of aid, which they may accept or not, and by attaching conditions to the aid" (1972:84). By 1995, the number of federal grants to states topped 600, and estimated federal spending on grant outlays was over \$230 billion for fiscal year 1995 (Walker, 1995). The federal government clearly plays an important role in the financing of welfare and other policies at the state and local levels.

One of the key purposes of federal grants has been to assure that basic services are provided nationwide. They are a mechanism to persuade states to offer services that the federal government considers to be priorities. Grants have been designed to manage a number of other goals as well. They can equalize the levels of resources to the level of community need; help to correct for negative externalities; be used to

encourage structural reform by recipient governments; stimulate policy innovations; allow for recipient flexibility; and help to maintain local government efforts in the recipient policy areas (Nice, 1987).

Many scholars have discussed this situation in terms of "fiscal federalism," pointing out that grants-in-aid have been an important tool by which the federal government can guide state policy (Ingram, 1977; Peterson, et al., 1986; Nice, 1987; Anton, 1989; Peterson and Rom, 1990; Peterson, 1995⁴). As Anton explained, the logic of fiscal federalism offers, "higher-level grants to resource-poor jurisdictions designed to ensure that an acceptable level of essential public goods is available in all jurisdictions" (22).

A key element of fiscal federalism is the classification of policies made by scholars. Policies have been classified as being either developmental, which "attempt to enhance the economic competitiveness of a political jurisdiction," (Rom, 1989:61), or redistributive, which offer assistance from the well-off in society, to the needy (Peterson et al., 1986; Rom, 1989; Peterson, 1995; McGuire, 1991; Nathan, 1993, 1996).

Many have advocated centralized administration for redistributive policy out of concerns over equity and because states tend to avoid redistributive policies (Ladd and Doolittle, 1982; Rom, 1989; Peterson and Rom, 1990; McGuire, 1991; Oates and Schwab, 1991; Nathan, 1993, 1996; Williams,

⁴ Peterson (1995) discusses fiscal federalism as part of a "functional theory" of federalism.

1994; Quigley and Rubinfeld, 1996). Because states compete with one another over limited tax dollars, they tend to focus their attentions on developmental policies like worker training, tax exemptions, deregulation, and other economic development projects which broaden both their residential and commercial tax bases (Tiebout, 1956; Bowman and Kearney, 1986; Peterson, Rabe and Wong, 1986; Shannon, 1989; Rivlin, 1992). States are less inclined to focus on redistributive policies since offering higher benefit levels to the needy will not improve their economic competitiveness with other states. For these reasons scholars have suggested that it is most appropriate for redistribution to be carried out through grants from the federal level.

In this tradition, McGuire (1991) made a distinction between the efficient competition and the destructive competition models, arguing that states are more prone to engage in destructive competition due to their taxing mechanisms, their service priorities and the diversity and mobility of their residents. Because destructive competition leads to inefficient levels of public goods and services, McGuire concludes that federal grants are appropriate means to assist states in providing more efficient levels of service. "If the tax prices faced by individuals of equal income in different jurisdictions differ because one is less wealthy than another and if, in particular, less-wealthy jurisdictions find it prohibitively expensive to achieve a given minimum standard, then grants from the federal government to

relatively poor jurisdictions can be justified" (McGuire: 160). Like Reagan, McGuire argued in favor of federal involvement for reasons of equity. "Fair treatment of individuals," rather than fairness between government entities, "is the appropriate concern" (McGuire:160).

It is important to note that although federal grant money usually comes with conditions on states, the national government has little ability to force the states to behave in a particular way. The federal government can threaten to withdraw funding; however, they rarely do. Thus, states have found the federal grant process to offer considerable discretion and bargaining power over the implementation of policy (Derthick, 1970; Ingram, 1977; Nice, 1987). In her study of federal grants and their influence on public assistance, Derthick explained, "State policy is a product of federal-state interaction, and that product, in view of the limits on the federal government's ability to define its own policy precisely and to impose that policy on other governments, is shaped by the nature of the institutions, processes, beliefs, values, and patterns that make up the state's own political system" (1970:51).

Similarly, in an examination of federal incentives and state policy choices, Albritton (1989) argued that federal policy influences state activity on AFDC benefit levels by causing states to act in an entrepreneurial fashion to get the best funding levels at lowest cost. Albritton explained that, "the intergovernmental welfare system works in such a way as

to encourage states to modify their policy choices as an entrepreneurial response to federal policy incentives..." (132).

Separate from federal influence via grant giving, the federal government has been found to play an important role in state policy diffusion (Eyestone, 1977; Welch and Thompson, 1980). Welch and Thompson found that when the federal government becomes involved in innovations in a state policy area, the innovation diffuses to other states at a far faster rate than diffusions which occur in policies that are the preserve of the states. This effect seems quite clear in welfare policy, as the federal interventions of the 1981 Omnibus Reconciliation Act (OBRA), the 1988 Family Support Act (FSA) and President Bush's 1992 State of the Union Address have given increased impetus to state level welfare reform and the diffusion of innovative policy provisions.

Permissive Federalism and 1115 Waivers

One of the primary benefits of federalism is that it allows program flexibility to its constituent parts. Competition between states in the American system is said to foster innovation in policy design, administration and delivery, leading to the "laboratories of democracy" designation (Osborne, 1988). Within the system of permissive federalism, the national government has given states 1115 waiver authority, allowing them to engage in "bottom-up" welfare reform policies. The lessons learned from these state reforms have been shared with other states and put into

federal legislation.

Reagan's definition of permissive federalism states that the federal and state governments share policy authority over issues which have reached national consensus, but that states must make their policies fit within the guidelines that the federal government permits. This does not mean that the federal government behaves in an overbearing manner, however. Instead, permissive federalism implies that states are given wide latitude to seek policies that accommodate state differences within the bounds of federal consent and guidance.

State Differences in Welfare Policy

The second research question addressed in this dissertation examines the issue of accommodating state variation through welfare reform policies. Statistical analysis of state policy variation began more than three decades ago. This body of research is concerned with understanding and predicting differences in state policy and has generally concluded that different types of policies are influenced by different state variables. The perennial debate in this literature is whether political or economic factors are more important to state policy variations. A key hypothesis tested in Chapter Three of this dissertation is that political factors more strongly motivate states to seek welfare reform measures than do economic factors.

Following observations made by Key (1949), Dawson and Robinson (1963) analyzed factors leading to state policy variation. They found that socio-economic factors were more

important in explaining state differences in social welfare generosity than were political factors. This research spawned a lengthy debate in which researchers tried to determine whether economics or politics played a greater role in the generosity of state redistributive benefits.

In 1977, Lewis-Beck confirmed the Dawson and Robinson conclusion, explaining that "socioeconomic variables are found to be considerably more important than political variables" in determination of state policy differences (566). In one of the more recent analyses of state AFDC benefit levels, Tweedie (1994) found that state AFDC spending is based upon the economic condition of the states. He explained that "States' AFDC programs can be likened to charitable donors who determine the amount of their charity according to their own income rather than to the extent of the beneficiaries' needs" (667).

Sharkansky and Hofferbert (1969) and Fry and Winters (1970), offered greater support for the importance of political factors in welfare benefits. Sharkansky and Hofferbert found that states with high levels of interparty competition, voter turnout and affluence were more likely to offer greater welfare benefits. Fry and Winters reported "Not only do the political variables have an independent impact on redistributive policies in the states; they also account for considerably more of the variance in redistribution than do socio-economic variables" (521).

Beginning with a 1983 piece by Hanson, the analysis of

state variation was taken one step further: Rather than simply examining benefit differences, Hanson considered state differences in the content of welfare policy. He found that, "once content measures of AFDC policy are employed it becomes evident that political factors do figure prominently in redistribution..." (783).

Plotnick and Winters (1985) brought together an economic and a political approach to this subject in a consideration of state income guarantees for the AFDC program. They found that, "Redistribution is not simply a function of economic or political factors, but is a result of legislative decisions shaped by voter preferences for transfers, interest group pressures for and against assistance, party competition, and the financial condition of the states" (471).

Long (1988) was among the first to consider welfare reform policies in this debate. He examined the effects of state budgets on the work-related welfare reforms initiated by the 1981 Omnibus Reconciliation Act, which allowed states to require AFDC parents to work in assigned jobs or search for private jobs as a requirement for receiving aid. He found that poor states do less because of budget constraints, therefore their programs have yielded fewer benefits for recipients; wealthy states can implement more complex programs which lead to greater recipient benefits.

Many of the most recent attempts to clarify state variations in welfare reform policy have used 1115 waivers as the dependent variable (Hecht, 1995, 1996; Shaw and Lieberman,

1996; McGeever, 1996; Meizlish, 1997; Hanson and Heaney, 1997). While results of these studies have conflicted, most have found the role of state politics to be important in the types of welfare reform measures sought by states.

Examination of another aspect of state policy variation was undertaken by Cnudde and McCrone (1969). They argued that *different policy areas* are differently affected by economics and politics. Pointing to the differences between the politics of 'the haves' and the 'have-nots,' Cnudde and McCrone explained that political variables are most likely to affect issues of redistribution, "as might have been predicted by Key, we tend to have different models with different policies" (865).

Jennings (1979) built on this premise when he argued, "The generosity of a state's social welfare policies depends upon the organization and mobilization of the lower classes in the electoral process" (416). He defined a class-based system as one in which political parties and factions organize the electorate along class lines, and found that states with these systems offer better welfare provisions. His findings suggest that, "(1) the class basis of electoral politics does influence state welfare policies and (2) parties and factions which differ in their constituency bases produce different types of policies when they are in control of government" (414).

This dissertation follows the tradition of seeking correlates of state welfare policy variation, building, in

particular, on the findings of Cnudde and McCrone (1969) and Jennings (1979) findings that redistributive policy issues are more highly influenced by political factors than are other issue areas. For reasons that will be illustrated in the following discussion, welfare policy is often subject to politically-motivated reform efforts. The reform of welfare, an extremely unpopular public policy, is highly influenced by politics and politicians.

Welfare as an Issue

This research adds to the study of social welfare policy by highlighting the increasingly salient issue of AFDC reform, and confirming the hypothesis that welfare waivers have been used as a means of credit-taking by state politicians. The unique qualities of welfare policy are important to this study because the third research question of the dissertation specifically addresses the politics of welfare reform.

There are many reasons that social welfare policy is particularly influenced by political factors, including the fact that it is a redistributive issue. AFDC is also affected by a strong anti-welfare public sentiment and near-constant sense that the system is in a state of crisis, both of which make welfare a politically salient issue (Cook, 1979; Groskind, 1991; Tropman, 1981; Plotnick and Winters, 1985). Its politicized nature and weak interest group support leads welfare to the political agenda most often via the executive branch. Finally, welfare policies are often subject to reform for budgetary and political reasons; reform policies generally

gain public support without reference to the consequences of those reforms.

Welfare policy is highly politicized because it is a redistributive policy. Lowi originally explained that the categories of redistributive impact are, "crudely speaking, haves and have-nots, bigness and smallness, bourgeoisie and proletariat. The aim involved is not use of property but property itself, not equal treatment but equal possession, not behavior but being" (1964:691). Contemporary definitions of redistributive policies point out that such policies impose costs on one group in order to confer benefits to another. Peterson, et al. explained, "One can roughly calculate whether a policy is redistributive by estimating whether those who pay for the service in local taxes are those who are receiving the services. If there is no overlap at all, such as in welfare assistance to those who pay no taxes, it is a case of pure redistribution" (1986:15).

Welfare recipients receive benefits through taxes collected from others, traditionally with nothing asked in return: In effect, they get something for nothing, making welfare programs poorly received by the public. Research indicates that the provision of social welfare is among the most unpopular programs offered by the government (Cook, 1979; Smith, 1987; Iyenger, 1990; Groskind, 1991). Thus, politicians who seek welfare reform often gain a great deal of public support for their efforts.

Welfare policy has always been subject to political

conflict and has therefore been a partisan issue. In her early work on innovation diffusion, Gray (1973) pointed out that political ideology was particularly important in the diffusion of the early Mother's Aid programs, the precursors to AFDC. Gray argued that the strength of the Progressive Movement in state politics was a useful measure of sympathy to social welfare policies in each state. She found that, "States which adopted mothers' aid legislation in 1913 averaged much greater Progressive strength than did states adopting later. Apparently, this is one case where politics played an important part in the timing of an innovation" (1973:1183).

Plotnick and Winters explained that, "Unlike Social Security, widely perceived by voters and recipients as an elaborate insurance program, or the present Supplemental Security Income program, AFDC tests the political limits of redistribution. There is substantial political conflict over the deservingness of its recipients..." (1985:459). Tropman concured, explaining that, "programs to aid the poor have always been in a state of crisis" (1981:7). He added that welfare programs will remain in a state of crisis and perplexity because welfare recipients offend the highly valued American work ethic.

The very nature of public assistance makes AFDC distasteful to the public. Berkowitz explained:

The perpetual presence of people on the rolls defined welfare programs as failures and, particularly in hard economic times or times in which government deficits were

sources of anxiety--that is to say, almost all the time--insured that the welfare system would be in a state of crisis... Adding to welfare's burden, the measure of success for welfare became job placements and a diminution in the rolls, rather than, in the case of Social Security, retirement and an expansion in the number of beneficiaries (1991:147).

This perennial crisis state of welfare policy implies that there will always be a desire to reform the system, and that politicians who choose to do so will likely gain the support of the tax-paying public.

Welfare has often been used by politicians for political advantage. As Lurie explained of the Family Support Act's Job Opportunities and Basic Skills (JOBS) program:

Rather than devoting political capital to increasing expenditures for the JOBS program, some state leaders obtained waivers to restrict welfare eligibility and benefits as a way of generating political capital... At low cost to the majority of voters, a hard-line stance on welfare policy offers state leaders an easy opportunity for political gain. (1996a:584).

Further evidence of the use of welfare reform for political advantage comes from the literature on "welfare magnet" states. This debate centers on whether or not high benefit states actually attract the poor from less generous neighboring states, and has been politically potent in Wisconsin (Peterson and Rom, 1990). In analyzing the welfare magnet phenomena, Schram and Krueger found that the issue may have more to do with politics than policy:

The major political consequence of stressing welfare migration may be its symbolic value in reinforcing prejudices against welfare recipients generally. Welfare-magnet reforms encourage greater suspicion of the poor and greater resistance to raising welfare benefits. In the end, such actions may do little more than undermine public support for more ambitious efforts to

assist the poor (Schram and Krueger, 1994:82).

The research on the existence of a welfare magnet effect is inconclusive; some scholars have found that a mild magnet effect exists (Peterson and Rom, 1990), while others have found that the poor move to other states for the same reasons that the nonpoor move (Hanson and Hartman, 1994; Walker, 1994; Schram and Krueger, 1994). Social science aside, the idea that high benefit levels attract the poor remains a powerful argument for state politicians who wish to gain political capital by addressing the welfare issue.

Because of the potential for political reward, welfare policy has typically gained (and regained) agenda status through efforts of governors and presidents. For example, in discussing state welfare policy in the states, Gray (1973) and Skocpol et al., (1993) explained that the early idea of Mother's Aid seems to have been diffused with help from President Theodore Roosevelt's 1909 "White House Conference on the Care of Dependent Children". Gray wrote that, "a history of Progressivism in Ohio gives credit for Ohio's mothers' pensions to James Cox, a Democratic governor with Progressive sympathies elected in 1912" (1973:1183). Since Roosevelt's initiation of ADC, Johnson's War on Poverty, California Governor Reagan's 1971 Community Work Experience Program, Bill Clinton's 1992 pledge to "end welfare as we know it", and Wisconsin Governor Thompson's determination to eliminate AFDC by 2000, welfare initiatives have come to the policy agenda via the executive branch.

Another factor leading executives to bring social welfare policies to government agendas is the fact that redistributive issues are not represented by business or elite interest groups. More often, social welfare is represented by recipient groups, like the American Association of Retired Persons (AARP). While AARP is a powerful force in the politics of redistribution for the elderly, policies more commonly considered redistributive, especially those benefiting the poor, have little interest group representation, at either the state or federal level. The National Welfare Rights Organization (NWRO), which made gains for welfare recipients in the late 1960s and early 1970s, has long since been disbanded. No other viable national interest has taken its place to assist the poor. Similarly, at the state level, such interest group representation is usually weak or nonexistent.

The changing roles of women along with the growing welfare population have only exacerbated this already troubled policy. At its inception in the 1930s, ADC was a program designed to help fatherless children and their widowed and abandoned mothers. In the 1960s, the AFDC case load increased as single mothers, armed with attorneys from the Johnson Administration's Legal Services and successful federal court rulings, were organized and moved onto the welfare rolls. At its end, the program, while still primarily serving single mothers with children, had changed dramatically in the public eye. Recipients are no longer seen as a category of women who

need help because their families have lost the male bread winner. Instead, women on assistance are held up to public scorn for lacking the personal initiative to "get a job". Since the majority of women with children work outside of the home, it is less and less well understood why recipient mothers should be exempted from the workplace (Reischauer, 1987; Sanger, 1990; Lynn, 1993; Schram, 1995).

Aside from political pressures, economic pressure has invariably affected public assistance. Federal and state budget deficits have led to cries for welfare reform, regardless of the fact that AFDC is provided at relatively low cost to governments (see page 21). At the state level changes have been made to welfare simply for the purpose of lowering government spending, including cuts and elimination of General Assistance benefits in a number of states, tightened restrictions on welfare benefits, and disallowing additional benefits to children born while a family is already on AFDC.

Social welfare is a highly politicized issue because the concept of providing assistance to the able-bodied is anathema in the United States. While state governments struggle to balance the demands of improving education, decreasing crime and cutting taxes, a program which provides benefits to those who offer nothing in return will not be popular. This situation results in a great deal of political credit-taking by state politicians engaged in welfare reform. In the 1990s, this issue became especially salient and 1115 waivers were often used to change the welfare system and advance the

political careers of politicians, especially governors.

Federal Waivers and the Recent History of AFDC

The state use of federal 1115 waivers is a good example of America's system of permissive federalism. Both the federal and state levels of government have been intricately involved in AFDC and its reform since the inception of the means-tested entitlement program in 1935. Section 1115 waivers have given states the opportunity to experiment with welfare within the bounds of federal permission. By the 1990s, welfare reform was the rallying cry for politically savvy state governors wanting to improve their political images through use of 1115 waivers.

Waivers began in 1962, when Title IV of the Social Security Act was amended to include Section 1115 which "authorizes the Secretary of the DHHS to waive specified requirements of the Social Security Act pertaining to the AFDC program in order to enable a State to carry out any experimental, pilot, or demonstration projects that the Secretary judges likely to help in promoting the objectives of the program" (U.S. House of Representatives, Committee on Ways and Means 1994 on CD-ROM).⁵ The waiver process is not a simple one. It involves state submission of detailed requests, which are reviewed by the federal offices which have

⁵ There are no page numbers on the CD-ROM version of the House Ways and Means Committee "Green Book." This quote can be found by using the search term: "AFDC", and viewing Section 10, Aid to Families with Dependent Children and Related Programs (Title IV-A).

jurisdiction over the various aspects of each state's proposal. Federal officials then offer a requesting state any terms or conditions under which its waiver will be approved, which may involve modification or elimination of a particular state provision. The Secretary of Health and Human Services makes the final decision in waiver approval. In addition to this process, state legislatures have often been required to approve proposed changes, usually before proposal submission. While states have often complained that the process is cumbersome, they were successful in obtaining AFDC waivers during the last 15 years. The Bush administration never denied a state's 1115 waiver requests, and the Clinton administration has accepted most.⁶

Until the 1980s, section 1115 waivers had been used only intermittently by states to conduct experimental projects, mostly involving administrative and service delivery innovations. Waivers were sought with more frequency beginning in the early 1980s during the Reagan presidency.⁷ As this dissertation will explain, much of the increased use of waivers has been the result of federal initiative.

⁶ During the Bush administration, 22 waivers were sought, 14 were approved and the other 8 were under review when the Clinton administration came to office; as of early 1996, the Clinton administration had denied only two state waiver requests.

⁷ It is illustrative to note that while *Characteristics of State Plans for Aid to Families with Dependent Children* has been published since 1974, information on Section 1115 waivers was not included until the 1983 edition, which offers information on waiver activity beginning with the 1982 fiscal year.

The Omnibus Budget Reconciliation Act (OBRA) passed in 1981, contained several provisions to reduce AFDC availability, and thereby governmental cost. Welfare reform was also addressed in the 1981 Budget Act which encouraged states to experiment with work-to-welfare provisions of the Community Work Experience (CWEP) variety.⁸ The Reagan administration encouraged states to use 1115 waivers to experiment with their welfare systems on the assumption that states are able to act as policy laboratories. "Altogether, the work-welfare provisions of the 1981 Budget Act constitute a pretty rich menu of options for new programs (for which federal aid was available) that the states could use as ways to move people off welfare. True to Reagan's basic philosophy, the initiative rested with the states...[and] many states picked up on this new authority to experiment with... 'new-style workfare'" (Nathan, 1993:24). As a result of the 1981 OBRA, many AFDC waivers before 1988 were aimed at helping AFDC recipients into the job market including community work, subsidized employment and intensive job search demonstration projects.

Williams (1994) chronicles the history of 1115 waivers, explaining that early waivers were designed to improve benefit service delivery to recipients, with only a slight change in

⁸ Reagan initially sought mandated state compliance in a national Community Work Experience Program (CWEP), however, Congress would only go so far as to provide authority for states to experiment with CWEP and other programs designed to get family heads into the workforce (Nathan, 1993).

the early 1970s when DHHS approved several short-term waivers which could have resulted in benefit reductions based on recipient non-compliance. By the mid-1980s, the Reagan administration had redesigned and simplified the process surrounding the granting of state waiver requests, as well as beginning a pattern of paternalistic reforms. "For the first time, a waiver was granted [Wisconsin's Learnfare] to allow a reduction in AFDC benefits solely to affect the 'deviant' behavior of welfare families outside of a labor market context" (Williams:18).

In his 1986 State of the Union address, President Reagan put welfare reform on the national agenda again, by requesting both an evaluation of the welfare system and a strategy for reform. Taking from state experiments during the first half of the decade several reports were compiled to address these issues and, as Reischauer explains, "the welfare reports revealed a surprising degree of consensus. Liberals, moderates, and conservatives generally agreed about what is wrong with the current welfare system and what general directions reform should take. This consensus created, for the first time in decades, a relatively hospitable environment in which to formulate welfare policy, which, in turn, has allowed Congress to move forward with reform legislation" (1987:4). The final legislation was the Family Support Act (FSA), signed into law by President Reagan in October of 1988.

FSA has been considered the culmination of two decades of welfare reform efforts (Mead 1992; Wiseman 1993a; Nathan,

1993; Heclo 1994). Its policies were an attempt to change the relationship between welfare recipients and the government.⁹ Rather than simply cashing checks, recipients were asked to take on a new sense of responsibility for their lives and their futures by participating in education and training programs, actively seeking jobs, and taking greater responsibility for child support. The new government commitment to recipients included reimbursements for child care and transportation, and transitional health and child care for 12 months after AFDC termination in order to encourage recipients to keep their jobs and remain independent. Most experts considered FSA to have been a giant leap forward for the welfare system. As Rom explains, "the Reagan administration, the [National Governors' Association,] NGA, and the parties in Congress all had one thing in common. All wanted to turn welfare from a redistributive to a developmental program, from a system that was seen as taking money from some citizens and giving it to others to one that would promote personal, state, and national economic prosperity" (1989:60).

The final version of the FSA was heavily influenced by the results of the section 1115 projects in the 1980s (Boeckelman, 1992; Mead, 1992), including institution of the

⁹ For a concise account of the major provisions of the FSA, see "Congress Approves Overhaul of Welfare System" by Julie Rovner in the *Congressional Quarterly Weekly Report*, October 8, 1988, pp. 2825-2831.

Job Opportunities and Basic Skills (JOBS) program. For JOBS, states were expected to have 20 percent of employable AFDC recipients in education programs or working, per month, by fiscal year 1995. But as Rom explains, "Even though the JOBS program specifies many policy details, it leaves much of the actual design and implementation of the program to the states" (1989:58). Thus, in keeping with the norms of AFDC, the states were given discretion over the way they carried out many important aspects of FSA.

FSA in Practice: Job Opportunities and Basic Skills (JOBS)

Interestingly, states did not take advantage of FSA in the ways expected. For example, the JOBS program initially offered \$800 million in 1990, which gradually rose to \$1.3 billion dollars in federal matching funds to facilitate training, education, and job placement programs at the state level, much of which has gone unused.

In an early study of ten states' responses to the JOBS program, Lurie writes, "Its advocates intended JOBS to be a signal to state welfare systems throughout the nation that they should take on a mission that emphasizes services intended to reduce welfare dependency rather than just cash assistance" (1992:91). Lurie goes on to explain that her study found little evidence that states took on this new mission:

In none of the study states did JOBS spur state leaders to alter their public stance toward welfare or to make a strong personal commitment to reform their welfare programs in light of the new law. Nor has the theme of mutual obligation been prominent in the rhetoric of state

leaders or reflected in their policies. Instead, states have conformed to the Family Support Act by crafting programs that meet the new federal mandates but are in keeping with the character of their existing welfare programs (91).

Instead of using FSA as an opportunity to change the nature of their welfare programs and receive additional federal funding at the same time, many states have done the minimum with FSA while seeking further 1115 waivers. Four years later, after the latest surge of waiver activity, Lurie discussed FSA as "a program that was costly and produced little evidence of positive outcomes" (1996a:573). This is one reason, she argues, that states continued to seek waivers even while trying to implement FSA and the JOBS program.

With the passage of FSA, one might have expected that much of the welfare reform question had been answered, at least for the moment. Strategies for provision of support services to populations engaged in training and job search had become federal provisions; states should have spent their time working out the specific details of their own JOBS programs, and implementing FSA in the manner best suited to each. But reform of the welfare system was far from resolved.

Although it was the behavior of welfare recipients that lawmakers wanted to change, as Nathan explains, "we already had a law on the books to do so in 1988- The Family Support Act of 1988. Yet before the 1988 law was given a real chance, new efforts were being made to turn the welfare world upside down by enacting another set of bold and broad reforms catering more to the anger of taxpayers than anything else"

(1993:4). Hecht observes, "Given the broad nature of the [FSA] guidelines, states could, and have continued with welfare strategies of their own. But what is more striking is that while we might expect a decline in state waiver activity after the passage of federal legislation which presumably leaves sufficient room for state experimentation, the initiation of waivers under section 1115 increases" (1995:13). The question implied by both Nathan and Hecht is asked explicitly by Lurie in her report on lessons learned from the JOBS program: "Why, then, did [FSA and JOBS] fail to stem the tide of further welfare reform?" (1996a:580).

The question of continued state waiver experimentation is answered in part by presidential politics. In his 1992 State of the Union Address, President Bush called for state innovation of the welfare system, promising to speed the waiver process for the states. His proposal included the goal of a four week turn around rate for state waiver requests to DHHS. During the Bush administration, two conditions to the waiver process were made key: first, the "cost neutrality" condition, which holds that the state's innovation cannot increase federal costs; second, there is a "rigorous evaluation" condition placed on projects, requiring that state projects be designed in such a way that the successes or failures of projects can be measured. In 1993, the Clinton administration agreed to continue these policies toward state 1115 waiver requests.

Although the waiver option was originally "viewed as a

provision intended to authorize research and experimentation," Savner and Greenberg of the Center for Law and Social Policy indicate that, "Since January 1992, Section 1115 has become the means by which states have sought to initiate welfare reform efforts which may involve basic departures from requirements or principles of federal law" (1995:2). Thus, state welfare reform effort has often been measured in numbers of waivers sought by states.

The idea that the waiver option is a significant part of state welfare reform is not just an academic one. In January 1996, New Jersey Governor Christine Todd Whitman, in a speech proposing an overhaul of New Jersey's welfare system, said, "President Clinton has challenged the states to come up with ways to reform welfare...Mr. President, I accept that challenge... Give us block grants or give us waivers. But give New Jersey the green light to end welfare as we've known it - now" (Preston, 1996:A8). The ability to experiment with AFDC, available for thirty years in the form of 1115 waivers, offers evidence of permissive federalism at work in welfare reform. 1115 waivers became the battle cry in state capitals only after a decade of federal encouragement.

Years of federal and state modifications to the AFDC system have led to a paternalistic waiver content (Williams, 1994) and a waiver context of state authority (Boehnen and Corbett, 1996). While popular with politicians and the public, these waiver changes have not been made without criticism from welfare experts (Wiseman, 1993a,b, and 1996;

Bennett and Sullivan, 1993; Williams, 1994; Savner and Greenberg, 1995). It has been argued that 1115 waivers have not been subject to effective evaluation, that they have been granted indiscriminately, and that their effects on recipients (especially children) has been ignored. "Broad-based state experimentation without adequate evaluation processes and protections for those whose lives are being disrupted is little more than a simplistic political response to the electorate's hostility to welfare recipients" (Williams, 1994:37).

In addition, Bennett and Sullivan (1993) argue that many of the recent waivers have undercut provisions of the Social Security Act. The principles of statewide equal treatment, assisting children regardless of the status or behavior of their parents, and the basic protocols involved in experimentation with human subjects have often been abandoned in state zeal to reform AFDC. Bennett and Sullivan warn, "Unless procedures and standards for reviewing waiver applications are put in place soon, the President may find that his administration has ended welfare as we know it in a way he never intended and in the process damage the poor families he intended to assist" (784).

Regardless of criticism, 1115 waivers were the tool of choice for state welfare reform until the signing of the PRWORA. Even under the TANF block grants, states have the option of keeping some or all of their AFDC waivers. What states will do with waivers under TANF will be taken up in the

concluding chapter; the conditions under which states sought waivers of AFDC and their motivations will be the subject of the next two chapters.

Welfare Reform within the Context of Permissive Federalism

The American welfare system has always been influenced by both federal and state efforts. Most recently, reform of AFDC was undertaken by state initiative within the bounds of federal consent and encouragement, highlighting the importance of permissive federalism to welfare policy. Although both economic and political factors affect state behavior, social welfare is highly politicized and its reform is especially influenced by political variables. In recent years many state politicians have made political gains by taking advantage of the high levels of public support for welfare reform.

A national consensus has been built around welfare which points to economic crisis, moral decay of AFDC families and the need for increased recipient responsibility. The result of this consensus has been state and federal welfare reform policies pursued within the context of permissive federalism. The ability for states to create new policy options, and for the national government to encourage and assist states in seeking innovative policy is one of the most significant aspects of federalism, and the following chapters clarify this relationship for 1115 waiver reforms between 1982 and 1995.

CHAPTER THREE

FEDERAL AND STATE INFLUENCES ON WELFARE REFORM

This dissertation seeks answers to three research questions: 1) What role does federal leadership play in welfare reform at the state level? 2) Why have states reacted differently to federal initiatives in AFDC reform? and 3) How do state and federal politics influence AFDC waiver requests? This chapter will address the first two of these questions, using descriptive statistics and regression analysis to answer questions about state and federal influences on state welfare reform between 1982 and May 1995. The third research question will be examined in the following chapter.

State AFDC Waivers

Before examining the federal leadership role, it is important to first address the issue of reform and its definition. The dependent variable in this analysis, AFDC reform effort, is measured by Social Security Act Title IV, Section 1115 waiver requests in the periods following two pieces of federal legislation, the 1981 OBRA and the 1988 FSA. In addition, a third time period, post-1992, was included because the 1992 presidential campaign and the 1994 Contract with America's Personal Responsibility Act brought several key

issues of reform to the national agenda. Examining 1115 waivers of state AFDC systems provides information from the 50 states to help determine how states respond to federal initiatives in welfare policy reform.

Descriptions of 1115 waivers have been taken from a federal DHHS serial publication, *Characteristics of State Plans for Aid to Families with Dependent Children*. Unfortunately, due to federal budget problems, the 1990-91 edition is the last in publication. The Administration for Children and Families' Office of Family Assistance has continued to compile this information in reports entitled, "AFDC Research and Demonstration Projects," which, along with a Center for Law and Social Policy (CLASP) publication, *The CLASP Guide to Welfare Waivers: 1992-1995*, has been used to document waivers from 1991- May 1995. Since descriptions of waivers do not begin until the 1983 edition of *Characteristics of State Plans for AFDC* (documenting waivers in existence in 1982), an alternate source was consulted to determine which waiver programs had begun in 1982, after OBRA passage. Greg Shaw, a graduate student at Columbia University also working on welfare reform, gathered information on early waivers from files kept by the Administration for Children and Families Office of Family Assistance in Washington D.C. Shaw shared some of his information, and a list of waivers begun in 1982 was established by cross-referencing Shaw's information with the information provided in the *Characteristics of State Plans*.

I have classified the waivers sought by states into eight

categories, most of which are fairly obvious from the program descriptions¹⁰:

- 1) **Administrative**: includes administrative, evaluation and fraud waivers, most of which have very little effect on recipients and generally require action only on the part of state social service employees.
- 2) **Work/Job Search/Training Requirements**: include provisions requiring welfare recipients to engage in job search, community or private work experience, or education and training.
- 3) **Education/Employment Incentives**: offer incentives, like earned income disregards for recipients (as opposed to requirements) to encourage them to engage in work or education and training.
- 4) **Self/Subsidized Employment**: programs which either offer opportunities for AFDC recipients to engage in entrepreneurial activities, or offer AFDC grant diversion to employers who hire recipients and subsidize wages with the AFDC grants.
- 5) **Child Supportive**: these programs, while few in number, increased after passage of the Family Support Act. They include provisions like immunization assistance/requirements for children whose families receive AFDC.
- 6) **Transitional Services**: waivers in this category were requested exclusively after passage of FSA. These include state experiments to assist welfare recipients with child care and Medicaid for a period of time after they are no longer eligible for AFDC.
- 7) **Omnibus**: programs that include two or more of the above provisions, so that they do not neatly fall into one category or another.
- 8) **Budget Savings**: waivers in this category were requested exclusively after passage of FSA. They include waivers to reduce AFDC payments as well as Family Cap projects.

Waiver classification is important because it offers a sense of state waiver priorities during each of the different time periods. For example, waivers of the 1980s which were implemented before FSA were most likely to be of the Work/Job Search/Training Requirements variety (30 percent, see Table 3-1), closely followed by waivers in the Administrative category

¹⁰ The categories that I have created are very similar to those used by others; in fact the idea to name the more encompassing packages "Omnibus" came from Hecht (1995).

(29 percent). After passage of FSA, the nature of waiver requests changed dramatically, with 41 percent of state waivers sought in the Education/Employment Incentives (EEI) category. Administrative waivers had dropped to 14 percent, and Work/Job Search/Training Requirements constituted only 13 percent of state waiver activity. Waivers between 1993-May 1995 were overwhelmingly of the omnibus variety (51 percent), with EEI waivers dropping to 22 percent of those approved.

A large part of the explanation for these differences is the Family Support Act itself. Many of the Work/Job Search/Training Requirements (WJST) experimented with during the pre-FSA period became part of the FSA law. In addition, provisions of FSA increased the earned income disregard and offered encouragement for states to experiment with their 100-hour rules and asset limits, all of which became subject of post-FSA waivers. Most of these waivers are captured in the Education/Employment Incentives (EEI) category, because the waiving of work rules and increasing of income disregards were most often used to induce welfare recipients to work or gain education/training that would eventually lead to work. This change in state waiver priorities offers early evidence of the role played by the federal government: Different types of waivers were sought at different times because federal signing of the Family Support Act decreased the need for states to seek WJST waivers. At the same time, FSA encouraged states to seek EEI waivers, and the states responded strongly.

From the waiver classification, it seems logical to

attempt to discern state patterns in the categories of waiver adoption. For example, Arizona relied upon use of WJST waivers in three of their four waiver requests between 1982 and 1995. For the most part, however, no patterns can be found; states have either asked for too few waivers to qualify as a "pattern" or the waivers they have sought have come from a variety of different categories. In California, Florida and New Jersey, for example, waivers from at least four different categories have been implemented.

It also seems logical to distinguish between restrictive and permissive categories of waivers; however, this has proven to be difficult¹¹. Shaw and Lieberman use the terms "sticks and carrots" for essentially the same concepts to which I am referring. While they make some use of these distinctions, they note that, "most AFDC waivers include a combination of carrots and sticks, so it is not a simple matter to identify welfare provisions as one or the other" (Shaw and Lieberman, 1996:24). While some waiver requests, like family caps, are clearly restrictive and could never be considered a permissive waiver, most waivers are not so easily classified. For example, is a waiver that offers a monetary bonus for families who have their children immunized and a monetary reduction for those who fail to have their children immunized restrictive or

¹¹ The best way to accomplish this is to break down each package to its provisions and include a "neutral" category, which is what Hanson and Heaney (1997) have done. I am making no claims about the liberal or restrictive nature of waivers, and have thus not classified the packages as such.

permissive? What if the waiver offers no bonus and just a reduction; is it fair to call a state which seeks childhood immunizations 'restrictive'? The case of paternity establishment is similar: Is a state acting in a restrictive manner because paternity establishment may invade the privacy of welfare mothers, or is the state acting in a permissive manner by attempting to find "deadbeat dads"? Because the waivers are so diverse with differing and sometimes contradictory goals, any attempt to distinguish between carrots and sticks has been abandoned in this work.

It is also important to note that the waivers which were previously categorized as "administrative" will be dropped from the following statistical analysis. This decision was made because of the way that administrative waivers have been defined: administrative, evaluation and fraud waivers, most of which have very little effect on recipients and generally require action only on the part of state social service employees. Waivers in this category include error reduction projects, changes in quality control procedures, and program evaluations, none of which are efforts at reforming AFDC for recipients. The remaining waivers can truly be considered welfare reforms.

In classifying waiver requests by content, a commonly-held myth about state waiver activity is debunked: Peterson writes, "Although the law [FSA] seemed in principle to allow for experimentation in either a more liberal or more restrictive direction, the proposals for waiver of federal

requirements approved by the Department of Health and Human Services have almost always had a conservative cast" (Peterson, 1995:109). Clearly, this is not true. Incentives for employment and education, immunization and education services for children, and transitional assistance to help former AFDC families remain self-sufficient could hardly be considered restrictive, and waivers of these varieties constitute 53 percent of post-FSA waiver activity. As Savner and Greenberg report, "Contrary to common impressions, much of what states have sought has not involved reducing or eliminating assistance. Rather, it has involved shifting toward a system more strongly focused on work and work preparation and on requiring reciprocal obligations by families receiving aid" (Savner and Greenberg, 1995:1).

A first glance at the types of waivers sought in the three time periods (Table 3-1) suggests that the purposes for which section 1115 waivers have been used by state governments have dramatically changed over time. After the 1981 OBRA, waivers encouraged work and job search activity as well as administrative changes to the system; after FSA, waivers offered incentives for recipient education and employment; finally, waivers since 1993 have primarily been of the omnibus type. It is important to determine, however, whether or not most waiver reforms have been major innovative policy changes. It may be the case that many waiver reforms simply represent incremental moves toward a welfare system more unified by federal priorities within the bounds of permissive federalism.

The first part of this analysis seeks to address this issue.

Federal Influence on State Welfare Reform

What role does federal leadership play in welfare reform at the state level? This question has been addressed using content analysis and descriptive statistics of state waiver requests made in response to federal legislation and/or encouragement for state action. In at least three time periods the federal government has encouraged states to reform welfare, to which many states have responded. In some cases, states have truly been on the leading edge of innovation with waiver experimentation. More often, however, state waiver activity has followed the federal lead¹².

The concepts of 'federal leadership' and 'state leadership' are measured by the contents of federal legislation and section 1115 waivers. In determining "leadership" I have identified which level of government has been the trend-setter in a new waiver provision.¹³ In 1981 and 1988 legislative content is directly examined; if the

¹² Although limited to the 1992-1996 reforms, Hanson and Heaney (1997) offer some confirmation of this when they determine that Wisconsin and New Jersey are the national policy leaders in waiver experimentation by huge margins above other states. It has taken longer, and has often taken federal encouragement, for other states to enact some of the policy reforms that the "leaders" enact.

¹³ A state is a "leader" on a particular reform idea when it implements a waiver using that reform idea before the federal government is involved in the reform idea. When the federal government is the first to bring a particular reform idea to the attention of the states, it is the "leader." Similarly, when federal legislation encourages a particular reform and states follow that encouragement, the federal government is the "leader."

federal government mandates or encourages state activity that becomes the subject of subsequent waiver requests, the federal government is considered to have taken the lead. In the 1993-95 era, the content of *proposed* federal legislation is all that is available, but the general pattern still applies: when states picked-up ideas that had been "floated around" Washington, and made those reform ideas part of subsequent waiver requests, the federal government is the policy leader. Presumably, states infer that if an idea is in "good currency" in Washington, their waiver request has a higher probability of acceptance (Schon, 1971). The concept of 'state leadership' will be measured by the content of 1115 waivers. When waivers institute projects that have not been part of federal legislation or proposed legislation, the state has taken a leadership role.

In 1981, the Omnibus Reconciliation Act (OBRA) and the Reagan administration encouraged states to experiment with Community Work Experience Programs (see Table 3-2); subsequent state waivers are examined here to see when waivers have simply followed the federal lead, and when they have been original in nature. If the content of state waivers closely corresponds to the federal initiatives of 1981, then states cannot be considered to be very innovative. When the content of state waivers deviate from OBRA initiatives, the states can be considered to have taken a leadership role in reform experimentation. For example, the OBRA legislation allowed states to use AFDC money to subsidize on-the-job training

through what is called "grant diversion." Between 1982 and 1988, eight states sought waivers to implement programs whose main component was grant diversion; these states are following the federal lead on subsidized work for AFDC recipients and did not exercise state idea leadership.

In 1988, the Family Support Act (FSA) was passed, encompassing many of the provisions of state waivers after 1981: The federal government encouraged certain innovations many of which became subject for state experimentation, and in 1988 national legislation mandated many of the work rules which had been subject of previous waiver activity (Table 3-2). In addition, the federal government encouraged and in some cases mandated additional welfare changes like transitional child and health care, and higher levels of paternity establishment and child support. After 1988, states continued to seek waivers for state experiments, however, as in the post-OBRA case, many of the waivers simply expanded upon federal initiatives. For this time period, the content of state waivers must again be examined in reference to the provisions designated by the FSA. Again, when state waivers closely correspond to federal legislation, states cannot be considered leaders; when the content of state waivers deviate from FSA, states are considered to have taken the lead.

Finally, the 1992 presidential campaign, and the Contract with America's Personal Responsibility Act brought several key issues of reform to the national scene including time limited benefits, restrictions on teen mothers, and increased work

requirements (Table 3-2). When waiver requests in 1993-1995 reflect this new national sentiment, states are not considered leaders; when states seek waivers that deviate from these new national norms, they can be seen as engaging in true experimentation.

Findings

One of the key observations that can be made about the federal leadership role lies in its function as agenda-setter. Figure 3-1 shows that the number of states seeking substantive waiver requests peaks shortly after presidents have put welfare reform on the national agenda; states react to the encouragement of the federal government on this issue. For several years after the Reagan administration put welfare reform into the 1981 OBRA, state waiver requests surged; beginning again in 1986, when Reagan called for a commission report on the status of the welfare program, the second surge of waivers occurred; finally, upon encouragement from President Bush in his 1992 State of the Union Address (SOU), state waiver requests experienced their third surge.

Wiseman verifies the importance of the federal role in his account of Wisconsin's three episodes of waiver history, explaining that, "Each of the three waves is closely associated with presidential initiatives" (Wiseman, 1996:525). Rovner offers further evidence in her discussion of the formulation and passage of FSA in 1988, "The governors began their quest for a national welfare program...after Reagan issued his 1986 call for welfare reform" (Rovner, 1989:186).

As Gray (1973) and Skocpol et al. (1993) gave credit to President Roosevelt for the diffusion of mother's pension programs across the states, it is important to recognize that the federal executive branch has similarly influenced the welfare reforms of the 1980s and 1990s.

In addition to its role in agenda setting, the federal government has played a role in the types of innovations sought by states. Some 47 substantive state waiver requests were sought between 1982 and 1988 (the years after passage of OBRA, and prior to passage of FSA), see Table 3-1. Of this 47, 37 were programs that have been classified as following OBRA, and 10 were programs that were innovative or had innovative components. This means that 73 percent were simply programs that were extensions of OBRA policy, or followed OBRA guidelines; only 27 percent could be considered innovative. These 10 innovative waivers came from eight states: Illinois, Minnesota, Missouri, New Jersey, Utah, Washington, Wisconsin, and Wyoming. Of these, we would expect innovative policy leadership to come from more than half of them: Illinois, Minnesota, New Jersey, Wisconsin and Washington (Walker, 1969).

Following passage of FSA in 1988 until 1992, a total of 49 additional AFDC waivers were requested by states. Of these, 34, or 69 percent, directly followed FSA provisions or were part of federally sponsored demonstrations. Again, only 15 (31 percent) of the waiver requests can be considered to have been innovative or contain innovative provisions. The

ten state innovators during this time period were: Alabama, California, Georgia, Maryland, Missouri, New Jersey, Oregon, Utah, Virginia, and Wisconsin. At least four of these states (California, Oregon, New Jersey and Wisconsin) would generally be considered policy innovators, thus innovative tendencies continue to be important, although they seem to be less important for states in this group of waiver seekers.

Only two states, New Jersey and Utah, are in the "leaders" category following both OBRA and FSA. It is interesting to note that, of these two, only New Jersey would generally be included on lists of welfare reform innovators; in light of evidence after the State of the Union period, this is even more interesting.

Beginning with 1993, the post-State of the Union period, 34 states asked for a total of 46 substantive waivers. Of these, 19 (41 percent) were innovative, and 27 (59 percent) followed earlier patterns of waiver activity. During this last time period we see evidence of increased innovation, but it must be noted that most of these innovations, 15 of 19, came as just one piece of a broader omnibus type of waiver request. As noted in Table 3-1, by this time 51 percent of waiver requests could be considered omnibus. Most of the provisions of these broadly packaged waivers fall in line with the typical experiments, including grant diversions, transitional child care and medicaid and increased incentives for employment; the innovative provisions, like allowing savings accounts for education or business, are just one piece

of a more traditional package of waivers. The 19 innovative states during this time period were: California, Colorado, Delaware, Indiana, Maryland, Mississippi, Montana, Nebraska, New York, North Dakota, Ohio, Oklahoma, Pennsylvania, Utah, Vermont, Virginia, Washington, Wisconsin, and Wyoming.

Only Utah has been classified as an innovator in all three periods of time. As mentioned earlier, Utah is not considered to be an especially innovative state and it is not a state generally considered to be important in welfare reform efforts. Of the 19 states, only six (California, New York, Ohio, Pennsylvania, Washington and Wisconsin) would normally be considered policy innovators, indicating that this characteristic is probably less important for innovative waiver requests of the 1990s.

As permissive federalism would suggest, the relationship between the federal and state governments in welfare waiver reforms is complex, with idea leadership shared by both. On the one hand, the evidence that states have been the true innovation leaders in welfare reform is not convincing. Neither, however, is the federal government always in the leadership position. Evidence exists that welfare policies are subject to both horizontal diffusion, (from state to state) as well as vertical diffusion (from the federal level to the states and vice versa). What appears to occur is an innovation feedback cycle (Figure 3-2). Some states have, at times, acted as true laboratories of democracy, seeking state waivers that are new "inventions". From here, it is often the

case that the federal government takes the innovations, or at least the directions of innovation, and disseminates these ideas to the rest of the country, encouraging and promoting new areas of welfare experimentation through use of financial incentives, federal legislation, and the "bully pulpit."

An example of state innovations being disseminated by the federal government occurred in 1987, with an omnibus waiver project in New Jersey, entitled the Realizing Economic Achievement (REACH) program. REACH included a provision for support services for child care, transportation and training-related expenses, as well as an extension of transitional child care and Medicaid coverage to a period after receipt of AFDC has ended. One important piece of the 1988 Family Support Act was the requirement that states, "guarantee child care, transportation and other services needed to allow welfare recipients to participate" in the JOBS program (Rovner, 1988:2825). A second important change to national policy, similar to that of the REACH program, was in FSA's offer of transitional child care and Medicaid "for 12 months following the month a family becomes ineligible for assistance because of increased earnings, increased hours of employment or loss of disregards, if the care is necessary for the parent's employment" (Rovner, 1988:2830). The evidence indicates that the federal government, by requiring support and transitional services, encouraged policy makers across the country to seek additional waivers concerning these services.

Waivers of the 1980s and 1990s offer several examples of

the "laboratories of democracy" idea as well. For example, an interesting new policy innovation seems to have begun in 1993 in Wisconsin as part of that state's "Special Resource Account and Vehicle Asset Limit Demonstration Projects." One piece of this project involves the exemption of savings of up to \$10,000 for education and/or training, or savings for approved emergencies of up to \$200 per month. A similar innovation was adopted by the states of Pennsylvania, New York and Mississippi in 1994 and by Delaware in 1995. None of these four states adopted an identical waiver to the one adopted in Wisconsin, however each of the states allowed recipients to save varying amounts of money for education and training and/or entrepreneurial activities.

At other times, ideas have come directly to the federal government, and the diffusion of ideas has been directly down to the state level. There are several points in time at which social science research has influenced the nature of welfare reform ideas at the national level. An example of this is work done by Mary Jo Bane and David Ellwood (1983, 1986) on the length of time that recipients stay on the welfare rolls. Their research found that while most people receive aid for only a short time period (two years or less), a large portion of AFDC program resources goes to the smaller group of long time recipients. Based upon this and other research, Ellwood suggested that we, "Convert welfare into a transitional system designed to provide serious but short-term financial, educational, and social support for people who are trying to

cope with a temporary setback" (Ellwood, 1988:238). Ellwood and Bane were consulted during the 1992 Clinton presidential campaign and were subsequently brought into DHHS in Clinton's first administration.

The influence of Bane and Ellwood led directly to the policy prescriptions espoused in the presidential campaign, including "two years and you work". Much to the chagrin of Ellwood, this phrase became "two years and you're off" in the press and the idea of time limiting benefits became an important point in welfare reform and subsequent state waiver strategies¹⁴. Ellwood has said, "I am convinced the 'two years and you're off' gave real impetus to [state] plans with time limits followed by nothing" (1996:22). In 1994, Vermont was the first state to implement a time limited waiver demonstration. The idea of time limiting benefits was disseminated from the national level to the states when Clinton consulted with social scientists and brought their ideas before a national audience.

Federalism in the 1990s is about states' rights and devolution of responsibilities; the federal government has received little credit for being anything more than a check writing institution. This characterization of the federal role in welfare reform is unfair and unfounded. Collaborative

¹⁴ It should be noted that Ellwood has tried to distance himself from the "two years and you're off" concept of time limited benefits because, as he explains, "That is never what was intended and it was never what the President said" (1996:21).

efforts at reform with the federal role as disseminator of new ideas for state adoption on a broader basis have clearly facilitated welfare reform and innovation for the past decade and a half. Hecht (1996) makes a similar argument in her account of state welfare waiver innovation. Using *Federal Register* postings from 1978 to 1984, Hecht shows that states most often followed federal priorities in the waivers they implemented during this time. While there are cases in which states have led experimentation efforts, most often they engage in waiver reform as a reaction to federal encouragement and a national consensus surrounding policy priorities. American welfare reform since 1982 has been undertaken within the bounds of permissive federalism.

Although the notion of intergovernmental cooperation in welfare is currently out of fashion and the rhetoric from the nation's governors has highlighted the ability of the states to better handle welfare policy (Mahtesian, 1995; Weissert and Schram, 1996; Weaver, 1996), it is important to note that the concept of collaboration is not yet dead: In his discussion of the future of welfare policy, Wiseman (1996) recommends a "reinvention of the federal-state partnership." Derthick too has noted that, "Intergovernmental sharing is not going to go away... The question is how to practice it constructively" (1996:44). Wiseman adds that, "Those responsible for the national interest should 'articulate goals and define parameters,' and translate such articulation into renewed effort to make the federal-state partnership in welfare policy

work. Only with leadership is it likely that state demonstrations will genuinely provide the 'important clues for building a better system' we so urgently need" (Wiseman, 1996:544).

State Waiver Activity

The above evidence supports the idea that few states have led welfare innovation, and instead, the federal government is often the leader in disseminating ideas which are then picked up by the states. To give states their due credit, however, we must note that the federal government does not force any state to engage in waiver experimentation; in fact, six states¹⁵ had never received substantive waiver approval between 1981 and May of 1995. Thus, there are internal state variables which account for waiver requests, and the second task of this dissertation is to find explanations for these different patterns of state waiver activity.

Determinants of State Waiver Strategies

Why have states reacted differently to federal initiatives in AFDC reform? Looking at state welfare reform responses to the 1981 OBRA, the 1988 FSA, and the 1992 State of the Union Address (SOU) I consider the question of state strategy toward a federal initiative within an intergovernmental program. I examine state strategies of welfare reform in the post-OBRA, post-FSA and post-SOU

¹⁵ The six states which had no substantive waivers between 1982 and May 1995 are: Alaska, Idaho, Louisiana, Nevada, New Hampshire, Rhode Island

periods. After the 1981 OBRA, 23 states had engaged in substantive waiver experimentation; after the FSA was passed (through 1991), 12 states sought additional waivers, though they were still required to implement the mandates of the FSA; and after the 1992 State of the Union Address through May 1995, 39 states received waivers.

Examination of these patterns offered a picture of four distinct strategies that states could have used with their own AFDC programs (Table 3-3). The four state strategies identified are: *federal follower states*, which have never requested substantive waivers, and implement a status quo AFDC program; *experimental states*, which request waivers after the 1981 OBRA, but have not requested subsequent waivers; *bandwagon states*, which request waivers in the post-FSA and/or post-SOU periods, when welfare reform has become a politically ripe issue; and *waiver lead states*, which request substantive reform waivers after all three federal initiatives.

After categorizing the 50 states using the above criteria, my initial analysis tested several hypotheses about the different state waiver strategies in the areas of program need, political inputs and state context. Program need included such variables as poverty population and monthly family benefit level; political inputs included strength of the state's governor, and professionalization of state legislatures; and state political context included state liberalism or conservatism, and tendency toward policy innovation.

Hypotheses¹⁶. First, *federal follower states* are not states that tend to experiment, and are expected to be states with small AFDC programs, which do not see the need to engage in welfare experimentation because their poverty populations and AFDC spending levels are minimal. Economic factors in federal follower states are expected to be 1) small poverty populations 2) poverty levels that are not growing, and may in fact be in decline, and 3) average payments to AFDC recipients.

Political inputs to the federal followers include, 1) states with weak governors who do not have the power or influence to lead any major change in state welfare policy, and 2) states with less professionalized legislatures who do not involve themselves with policy innovations.

Finally, political context inputs include, 1) states with conservative histories surrounding social welfare issues, and 2) states that tend not to be policy innovators in general.

Second, *experimental states* are hypothesized to be states which followed federal encouragement to experiment after the 1981 OBRA, but which, after passage of FSA, stopped experimenting and spent their time working out their FSA provisions. The need inputs for experimental states are, 1)

¹⁶ The variables used to test each concept and the expected direction of each relationship are identified in Appendix A. Appendix B contains explanations and the data sources for the independent variables.

poverty populations are expected to be average, 2) no pressing increases in poverty population are expected, and 3) spending per family is expected to be above average, as these are states which have shown interest in their welfare systems and population, but do not face any pressing demands.

Political inputs for experimental states are expected to include, 1) states with less powerful governors, who would not be very interested in the political mileage that welfare reform may offer, and 2) states with less professionalized legislatures which are less politicized, leaving their members less interested in the politics of welfare reform.

Finally, political context inputs for experimental states would be that these states are expected, 1) to be politically 'liberal' states which would hold greater faith in the federal ability to prescribe adequate solutions to social problems, and 2) states which tend to be policy innovators.

Third, *bandwagon states* are expected to have one of two different motivations: they are expected to be either states which have recently experienced a "crisis" in their welfare systems and are feeling a sense of urgency about reform, or, they are states which have a governor or state leader seeking to "use" welfare reform as a political issue.

Need inputs for bandwagon states include, 1) states with growing poverty populations, thus indicating a need to address welfare reform, and 2) states with higher than average benefit levels, which, together with a growing population of the poor would indicate a sense of financial urgency around AFDC.

Political inputs for bandwagon states are hypothesized to be, 1) states with powerful governors who would be willing to address this issue and who may recognize that welfare reform is politically potent, and 2) states with professionalized legislatures which understand the political mileage that can be gained by reforming welfare.

Finally, the state context input expected for bandwagon states is that these states are not expected to be policy innovators, but are expected to have sought waivers for political reasons.

Fourth and finally, *waiver lead states* tend to be those which have a large AFDC program and have sought reform for a while. Need inputs include, 1) states which offer large AFDC benefit packages, and 2) states with large poverty populations. These indicate some economic pressure on states to seek reform.

The political input for waiver lead states are expected to include, 1) states with powerful governors who are interested in political credit-taking through reforming welfare.

Finally, state political context inputs for waiver lead states are expected to include, 1) states high on innovativeness in general; and 2) "conservative" states, not convinced that the center can best address state problems. Appendix A summarizes the expected relationships for each independent variable in each strategy category.

Method of Analysis. Because the Ordinary Least Squares

(OLS) regression method of estimation requires a continuous dependent variable for accurate testing, OLS should not be used with a limited dependent variable. Using OLS to estimate the state strategy models would lead to parameters outside of the 1-4 bounds of the dependent variable, leading to inaccurate hypothesis tests and confidence intervals. Multinomial logit is the appropriate statistical method to use when there are more than two unordered categories of the dependent variable (Aldrich and Nelson, 1984); for example, when a decision-maker, in this case a state, must choose from one of several unordered options which are both mutually exclusive and exhaustive. Thus, multinomial logit was the method employed to analyze the four state strategies.

Results. Results of the initial estimations are detailed in Table 3-4.¹⁷ Coefficients shown in Table 3-4 measure the effect of each independent variable on the (log of the) relative probability of following the Experimental, Bandwagon or Waiver Lead strategy *compared to* the relative probability of being a Federal Follower. Only five of the variables are found to be statistically significant at or below the conventional .10 level for any of these three models: Power of Governor, Legislative Professionalism, Ideology, Monthly Family Aid, and Rate of Poverty Growth.

¹⁷ The models estimated here have been made as parsimonious as possible, using only two measures of political influence, two measures of state context, and two measures of economic pressure. More extensive models were tested which offered less reliable coefficient estimates, and probabilities which were very difficult to interpret.

Interpretation of logit coefficients is not as straightforward as interpretation of OLS coefficients because the effect of the independent variables is not constant, and because logit measures relative, not absolute, probabilities. Instead, logit parameters are estimated by Maximum Likelihood Estimation (MLE), which means that logit estimates imply the probability that the value of the dependent variable will be "one". Because of this, it is useful to select different values for the significant variables and assess the impact that each has on the probability that the dependent variable will be present (Aldrich and Nelson, 1984). In the case of state strategies, the models are estimating the probability that a state will follow one of the strategies, given its independent variables. For the following coefficient interpretations, I have varied the values of the independent variables by plus or minus one standard deviation (generally determined by the direction of the relationship)¹⁸. This demonstrates the change in probability expected with a variation of the statistically significant independent variables.

As specified, with the mean values of all independent variables, the Federal Follower and Experimental models offer probabilities of 1 percent or less; thus the model predicts that an "average" state is not likely to follow either of these strategies. This may be explained, in part, by the

¹⁸ For the poverty growth rate variable, the value was increased by both 1 and 1.5 standard deviations (Table 3-8).

small numbers of states in each category: six Federal Followers and four Experimental States. Even after many manipulations of the independent variable values, the probability of being an Experimental state was never more than 1 percent (in reality, 8 percent of states followed this strategy). This outcome aside, manipulating the values of variables that were statistically significant in at least one equation resulted in some interesting conclusions about the other state strategies. Especially interesting were the findings when the values of Power of Governor, Legislative Professionalism, Ideology and Growth of Poverty Rate, were manipulated.

First, Table 3-6 shows the probabilities of following each state strategy, given a change in the strength of the state government, determined by the institutional power of the governor and the professionalism of the legislature. Most interesting is the finding that a weak government strongly increases the odds of being a Federal Follower (the probability increases from 1 to 22 percent), and strongly decreases the probability of being a Bandwagon state (from 86 to 62 percent). The hypothesis that Federal Followers would have weak governments is, therefore, upheld. Bandwagon states are less likely to have been led by weak governments, Table 3-6 also shows that the likelihood of being a Bandwagon state increases by 2 percent when led by a strong state government. Thus, the hypothesis that strong governments would likely follow the Bandwagon strategy was also upheld. The strength

of government had little effect on the other two categories.

In Table 3-7 the ideology variable was manipulated, indicating that, as expected, a conservative ideology increases the probability of using the Federal Follower strategy from 1 to 5 percent. The likelihood of choosing the Bandwagon strategy was not expected to be influenced by ideology, however, state liberalism was found to have an effect. The probability of jumping on the welfare reform bandwagon increased from 84 to 91 percent for liberal states, while the probability decreased to 69 percent for a conservative state. Finally, the hypothesis about Waiver Lead states, which were expected to be influenced by conservative state ideology was confirmed. The probability of being a Waiver Leader increased from 14 to 25 percent if the state was one standard deviation about the mean level of conservatism, indicating that conservative states were more likely to choose the Waiver Lead strategy.

Finally, manipulating the value of the poverty level growth rate offered the most interesting conclusions, because they were counter to any hypotheses (Table 3-8). The first thing to note about poverty level growth is that the coefficients are always negative, indicating that states were more likely to seek waivers when their poverty rates declined than when they increased. I had hypothesized that lower growth rates in the poverty population would lead to a greater likelihood of sticking with the AFDC status quo, i.e., choosing a federal follower strategy. This was not supported

by my test. At high rates of poverty growth, states were more likely to do nothing, moving from a probability of 1 to 6 percent. At even higher rates of poverty growth, (1.5 standard deviations above the average), the likelihood of a state following the federal lead increased to 11 percent. For Bandwagon states, again, poverty growth rate has an influence counter to that hypothesized: High rates of poverty growth dramatically reduced the likelihood that states would jump on the reform bandwagon from 84 to 51 percent. At the very high rate of poverty growth, there was only a 31 percent chance of choosing the Bandwagon strategy. Although no specific hypothesis was offered, Waiver Lead states were affected by high poverty growth rates; the likelihood of being a Waiver Leader increased from 14 to 42 percent under higher than average rates of poverty growth, and to 57 percent under the highest level of poverty growth rate.

It seems that states have acted as *if* poverty rates had grown fairly dramatically, when in fact, the average poverty rate *dropped* by .19 percent during the years of this study. Although counter to the original hypothesis, it is not difficult to explain the influence of poverty rate growth on Bandwagon states' decision-making: Rather than having been influenced to take action *because of* economic pressures from their welfare programs, Bandwagon states were politically influenced to seek welfare reform *in spite of* the fact that poverty rates were in decline.

States' Experience with JOBS Funding

To further clarify state strategy, it is also useful to consider what states have done with the FSA mandates. For example, it has been reported that states have not taken advantage of FSA in the ways expected. The JOBS program offered \$1 billion per year¹⁹ in federal matching funds to facilitate training, education, and job placement programs at the state level, much of which has gone unused (Table 3-9). State budget difficulties have meant that, "states were reluctant to spend more of their own funds to match federal funds for the Family Support Act" (Heclo 1994:413). Thus in 1991, only 60 percent of federal money available was used by states to operate the JOBS program (U.S. House of Representatives, Committee on Ways and Means 1992:620). Even in 1993, the House Ways and Means Committee reported that, "Due to tight State budgets, only about 70 percent of the eligible Federal funds were claimed by States in fiscal year 1993. Only 16 States claimed their full allocation of Federal JOBS funds" ((U.S. House of Representatives, Committee on Ways and Means, 1994 on CD-ROM).

I have examined the patterns of federal JOBS funding usage associated with the four waiver strategies. Each state is eligible to draw a specified amount of federal matching funds to implement their JOBS program, and as just described,

¹⁹ Federal matching grants for the JOBS program were limited to \$600 million in 1989, and \$800 million in 1990. In 1991-93, \$1 billion was available in matching funds, with \$1.1 billion in 1994, \$1.3 billion in 1995, and \$1 billion each year thereafter. The program was to be implemented in every state by October 1, 1990.

in 1993 16 states (32 percent) had claimed their full share of JOBS funds. In addition, many other states came close to drawing their full federal match funds in 1993. Other states, however, have not taken full advantage of the JOBS money to which they are entitled; even some relatively wealthy states which have engaged in AFDC experimentation, like Michigan, have not come close to drawing down their full JOBS funding. Since reasonable hypotheses can be made about differences in JOBS funding usage and the four types of waiver strategy, it made sense to test these hypotheses to further clarify state interaction with federal initiatives.

Hypotheses. Federal follower states were expected to make good use of their JOBS funding because they are states with a pattern of following the federal lead. Rather than attempt their own reforms, these states have implemented AFDC in a status quo manner. They are expected to take seriously the federal government's attempts at reforming the system through FSA's JOBS program.

Likewise, experimental states were expected to make good use of JOBS funding. They were expected to be states which experimented early and then took on FSA in a fairly serious manner. This is expected to be demonstrated by their having made good use of federal funds to help recipients get training and jobs.

Bandwagon states were expected to make average use of federal JOBS funding. They are not states with a long history of concern for welfare issues, but since (at least some) were

facing pressures from a growing program, they were expected to make at least minimal attempts with JOBS funding as a potential way out of their new AFDC "crisis".

The waiver lead states were, on average, expected to make the lowest use of JOBS funding (compared to the other three categories of state strategy). They were not expected to be states which had faith in the federal government, or its solutions, instead they sought waiver reforms on many occasions. Therefore, waiver leaders were not expected to make good use of available federal funds.

Results. Table 3-10 shows how well, on average, states in the four different strategy categories used their available JOBS funding in 1991 and 1993. Most interesting is that the Federal Follower states have made much better use of JOBS funding in both years than have states in other categories. In 1991, average JOBS usage was just 65.1 percent, while it was 88.1 percent for Federal Followers. In 1993, average usage rose to 77.2 percent, but for Federal Followers JOBS usage remained well above the mean at 85.3 percent. Again, these states seem to be more willing to follow the lead of the federal government than are their peers.

As hypothesized, Waiver Lead states have made less use of their available JOBS funding than other states, on average. In 1991, Waiver Leaders used only 63.7 percent, compared to the 65.1 percent average, and in 1993 they used only 72.2 percent, compared to the average of 77.2 percent.

Counter to my hypotheses, the lowest average use of

available JOBS funding was among the Experimental states. In 1991, these states used just 44 percent of their available JOBS funding--more than 20 percentage points less than the average JOBS usage in that year. In 1993, Experimental states moved within 13 percentage points of the average, using 64.8 percent of their available JOBS funds. Counter to my hypothesis, these states have not taken advantage of the responsibilities and opportunities afforded by the JOBS program. A simple explanation is that these four states, Maine, New Mexico, North Carolina and West Virginia are simply too poor to have put up their own money for the matching funds of the JOBS program.

Bandwagon states, as expected, were somewhere in the middle: in 1991 they had used their JOBS funding slightly less than average (63.9 percent), and in 1993 they used the funds slightly more than average (81.7 percent). As hypothesized, Bandwagon states have made some attempts at reform through the opportunities provided by JOBS.

State usage of available federal funding for the JOBS program has been subject to the same political turbulence to which welfare in general has been subject. Nathan explains:

Another factor slowing the JOBS bandwagon was that just as the paint was fresh the politics of welfare shifted. As the presidential season got under way in earnest in 1991, welfare issues took on a harsher cast... budget cuts, plus what has been called the 'new paternalism' of tightened behavioral requirements associated with welfare..., shifted the rhetoric of welfare to the right - from *services* to get people off the welfare rolls to a *general distaste* for the people on the rolls. (Nathan, 1993:110)

Thus JOBS spending has suffered because of both economics and politics. The financial strains of the 1991 national recession as well as pressures from increased spending on Medicaid and corrections during this time impeded state usage of JOBS funding. However, a political climate which discouraged increased spending on the poor also contributed to the underusage of available federal funds for the JOBS program.

Further examination of the relationships between JOBS spending and the state strategies shows some interesting patterns. Spending levels were broken down into four categories of available funds used: 1 (0-39%), 2 (40-59%), 3 (60-79%) and 4 (80%+), and the state strategies were examined more closely (Tables 3-11 and 3-10). The most interesting finding here concerns Bandwagon states' JOBS spending in 1991. While states in the other three strategy categories were making consistent use of JOBS funds, Bandwagon states are found at either extreme: 33 percent of these states were in the lowest category of spending, while 43 percent were in the highest category. In the first year of JOBS funding Bandwagon states were either making good use of their available funds or they were making very poor use of the money. This might be explained by referring back to the original hypotheses about Bandwagon state motivations in waiver reform (pages 72-73). States were expected to have been motivated by either a "crisis" in their welfare systems, or they were expected to have sought welfare reform for simple political gain: Those

states experiencing crisis may have been the Bandwagon states that initially used JOBS funding effectively, while those which only sought welfare reform for political gain may have been the states making very poor initial use of JOBS money. In any event, by 1993, all Bandwagon states began to use JOBS funding more effectively: 57 percent were in the highest category of JOBS usage, with none left in the lowest category.

Federal Followers were predominately in the highest category of JOBS usage in both 1991 and 1993. Both Experimental states and Waiver Lead states moved from majorities in the second category in 1991, to majorities in the third highest category of JOBS funding usage in 1993. These findings offer additional validity to the distinctions made between the four state strategies. The evidence offered here indicates that as the economy moved out of recession, and states had more time to implement the JOBS program, they did so with greater intensity.

Time-Dependent Determinants of State Waiver Activity

Because the empirical results of my original hypotheses were somewhat disappointing, additional hypotheses were generated. Since strong relationships could not be found for the four state strategies, perhaps state activity could better be explained by looking at state waivers in reference to the point in time at which waivers were sought subsequent to federal initiatives. For these hypotheses, states were assigned to three groups, as seen in Table 3-13: the OBRA Group (states which sought waivers in 1982-84), the FSA Group

(states which sought waivers in 1989-91), and the SOU Group (states which sought waivers in 1992-95).²⁰

The three original independent variable categories of Politics, Need and State Context, were again used, with the general expectations that political variables would increase in importance over time, that state tendencies toward innovation would be important for the OBRA Group, but less important for the later two groups, and that need variables would be the least important of the three groups. Examination of the states which sought waivers led to the inclusion of a region variable for this second round of data analysis; there was some indication that both southern and western states had sought waivers more often during the last time period as part of the SOU Group.

Hypotheses²¹. For the earliest group of waiver seekers, the OBRA Group, innovative tendencies are expected to be most important. Of the three time periods, this is the period when welfare policy was least politicized; while the Reagan administration cut social services, their original plan to turn over AFDC to the states met with overwhelming defeat.

²⁰ The time-effect for each federal initiative, OBRA, FSA and the SOU is three years for this analysis. While somewhat arbitrary, it seemed an exaggeration to expect that states had asked for waivers in 1986 or 1987 as a direct result of the 1981 OBRA; the 1982-1984 span seemed more realistic. Likewise it is more plausible that states asked for waivers in 1993 as a result of the January 1992 SOU, rather than the 1988 FSA.

²¹ The variables used to test each concept and the expected direction of each relationship are identified in Appendix C. Appendix B contains explanations and the data sources for the independent variables.

Thus for this group, political factors were hypothesized to be least important, although a conservative state ideology was expected to be a factor. In addition, Republican governors may have been responding to the politics of the Reagan administration, leading to a positive relationship; the power of governor was expected to be strong, and state legislatures were expected to be professionalized, all leading to the implementation of 1115 waivers. It was hypothesized that need variables like higher levels of spending, poverty and AFDC reciprocity might be important for this group. It was also hypothesized that higher per family spending might be a significant factor leading these states to seek waivers. Finally, the regional variable was hypothesized to be important, with eastern and midwestern states more likely to seek waivers as part of the OBRA Group.

For the FSA and SOU groups, political variables, especially political party of Governor, institutional power of Governors, and state legislative professionalism were hypothesized to be more important as the politics of the issue increased. This means that political variables were expected to be most important for the SOU Group.

Specifically, for the FSA Group positive relationships were hypothesized for legislative professionalism, power of governor, Republican governors, and gubernatorial appointment of agency heads, highlighting the greater politicization of the issue by the end of the 1980s. These states were expected to have a conservative ideology in general, leading to greater

waiver activity. Need variables were expected to be least important, however, again I hypothesize that greater need ought to lead to reform. Spending levels, poverty and reciprocity rates, and level of family aid are therefore expected to have positive relationships with state waiver activity during this time period. Finally, the region variable is expected to show that Southern and Western states are more likely to seek waivers during this time; the expectations that conservative, non-innovative states are more likely to seek waivers at this time play a factor in this hypothesis, as do general theories of policy diffusion across state boundaries (Walker, 1969; Gray, 1973).

As in the FSA case, hypotheses about the SOU Group waivers rely heavily on political factors. Republican governors, power of governor and governor's appointment of welfare agency heads are all expected to have positive relationships with waiver activity during this time. Legislative professionalism was also expected to be important for the SOU Group. The need variables have been adjusted slightly for this group; I have looked at the pattern of AFDC spending and poverty rate increases for this group from 1982-1994, and hypothesized a positive relationship between growth in these areas and waiver activity for SOU Group states. AFDC reciprocity rates were also expected to have a positive relationship with waiver activity during this time. These are not states which were expected to be innovative, nor were they expected to have any particular ideological tendency; these

states were expected to be responding to the politics of welfare reform. Finally, these were again expected to be states in the Western and Southern regions of the country.

Method and Results. For this analysis, I tested three separate models with each of the three groups as my dependent variable in a different model. The dependent variable in each model is a simple dichotomous variable, where a state was coded "1" when it was in the category of the model being tested, and a "0" when it was not in the category being tested. As noted in my discussion of the multinomial logit analysis, OLS offers parameter estimates which are outside of the 0-1 bounds of the dichotomous variable, leading to inaccurate hypothesis tests and confidence intervals; logistic regression, which "squeezes" the estimated probabilities within the 0-1 interval, is therefore the appropriate methodology to use when the dependent variable is dichotomous (Aldrich and Nelson, 1984; Kennedy, 1992). The results for these hypotheses are stronger than were my original results (Tables 3-14, 3-15 and 3-17).

For the OBRA Group, the only variable that was statistically significant at the .10 level was the innovation score. The relationship was in the expected direction, meaning that as hypothesized, states seeking waivers at this early stage were more likely to be states with innovative policy tendencies. None of the other variables offered statistically significant relationships at better than the .20 level indicating that neither political nor need variables

were important factors in the waiver activity of OBRA Group states. As above, to help interpret the importance of innovative tendencies I increased the mean of the innovation score by one standard deviation which increased the likelihood that a state sought an OBRA waiver by 25.6 percent (from 35.9 to 61.5 percent).

The strongest results came for the hypotheses associated with the FSA Group. As expected, political variables proved to be very important in state waiver activity for this group. Republican governors and legislative professionalism were both statistically significant at the .05 level, and both relationships were in the expected direction, indicating that states with Republican governors and professionalized legislatures were more likely to seek waivers at this time. In addition, the power of governor variable was significant at the .10 level, and in the expected direction: FSA Group states tended to have powerful governors. Two of the need variables, AFDC spending levels and monthly family aid, were statistically significant at the .05 level for this group. As hypothesized, these were states with higher levels of AFDC spending, however, counter to my hypothesis, monthly family aid for this group tended to be lower than for states which did not seek waivers during these years. Finally, region was statistically significant at the .10 level, and the relationship was in the expected direction: states in the southern and western regions tended to seek waivers more often than did eastern and midwestern states during this time.

Because so many of the coefficients are statistically significant for the FSA Group, Table 3-16 offers information about the four most important independent variables. Region and legislative professionalism had only moderate effects on the probability of a state seeking a waiver at this time. The most important variables for predicting FSA waiver activity are monthly family aid, AFDC spending, gubernatorial power and Republican governors. When the model is specified with each variable at its mean value, the probability of a state seeking an FSA waiver is only 3 percent. As Table 3-16 shows, the probability increases to 99 percent when AFDC spending is increased and a state has a powerful, Republican governor. In addition, the probability is also 99% when monthly family aid is decreased by one standard deviation and a powerful, Republican governor is in office. For states in the FSA Group, both political and economic factors have influenced the direction of welfare reform.

Results for the SOU Group states were not as supportive of my hypotheses as the FSA Group results, however they did support the general trends anticipated. Again, political variables proved to be important: power of governor was statistically significant at the .05 level, and the relationship was in the expected direction indicating that states with powerful governors were more likely to seek waivers during this final time period. Gubernatorial appointment of welfare agency heads was statistically significant at the .10 level, however the relationship was not

in the expected direction. The result indicates that states in which agency heads were not appointed by the governor were more likely to seek waivers at this time; a result which is counter-intuitive, especially given the fact that powerful governors are positively related to SOU Group waiver activity. Legislative professionalism was in the expected direction indicating that states with more professionalized legislatures were more likely to seek waivers at this time, however, the relationship was statistically significant at the .14 level, a level slightly above the generally accepted .10 level.

Spending growth was also statistically significant at slightly greater than the .10 level (.12), but its relationship was in the opposite direction of the hypothesis: SOU waiver states tended to have experienced lower rates of AFDC spending growth than did states which did not seek SOU waivers. As discussed earlier in relation to the results of the Bandwagon states model, this relationship can be explained by the political importance of welfare reform: these states were not responding to increases in program spending, but were more likely 'jumping on the reform bandwagon'. In light of this explanation, it is not surprising that no other need variables were statistically significant. Finally, for this group political party of the governor is no longer statistically significant meaning that Democrats were as likely to lead SOU Group states as were Republicans which also makes sense in light of the 'reform bandwagon' nature of these states.

Through manipulation of the statistically significant variables for the SOU Group, three variables stood out as being most important for waiver activity during this time: power of the governor, legislative professionalism and growth of AFDC spending. The impact of these variables on post-SOU waiver activity is presented in Table 3-18. The probability that a state sought waivers during this time period when all of the variables were set at their mean values was quite high, nearly 86 percent, but that improves to 98 percent if a state had a powerful governor, and a professionalized legislature. This probability increased to 99 percent when growth of AFDC spending was decreased by one standard deviation from its mean. When a state had a weak governor and non-professionalized legislature, there was only a 42 percent probability that the state would have sought waivers as part of the SOU Group. As expected, for this group political factors had the most impact on the likelihood of waiver adoption.

Determinants of Varying Levels of State Waiver Activity

Finally, in order to make some general conclusions about state waiver activity I ran an OLS regression against a simple measure: the number of years in which a state received an 1115 waiver between 1982 and May of 1995. Six states sought no waivers during this time period, while one state, California was given waivers in seven out of the fourteen years, thus, the dependent variable is simply a number from 0-7. The mean number of years in which waivers were sought by states during

this time period was 2.2. The independent variables are again in the three categories of politics, need and state context.

Hypotheses²². As in earlier tests, it is hypothesized that political variables will be the most important, while need variables are the least important of the explanatory variables. Specifically, Republican governors, powerful governors, gubernatorial appointment of welfare agency heads, professionalized legislatures, party unity between governors and legislatures, and low percentages of social service workers are all expected to have positive relationships with waiver activity. The hypothesized relationships for the state context variables are that innovative states, conservative states and states in the west and south are expected to be more likely to have sought waivers during these years. Finally, high numbers of recipients, persons in poverty, levels of AFDC spending and levels of monthly aid should be positively related to waiver activity because each is hypothesized to act as a pressure on the existing welfare system, leading states to seek reform.

Results. The results of this round of hypothesis testing (Table 3-19) indicated that political variables have had the most influence on waivers sought by states from 1982 through May of 1995. Three political variables, Republican governors, legislative professionalism and gubernatorial appointment of

²² The variables used to test each concept and the expected direction of each relationship are identified in Appendix D. Appendix B contains explanations and the data sources for the independent variables.

welfare agency heads were statistically significant with the dependent variable, number of waivers sought. The Republican governor variable was statistically significant at the .05 level and the relationship was in the hypothesized direction, meaning that states with Republican governors were more likely to seek 1115 waivers during this time period. Legislative professionalism, statistically significant at the .10 level, also had a positive relationship with waiver activity, indicating that as expected, states with professionalized legislatures had sought waivers with greater frequency. Finally, gubernatorial appointment of welfare agency heads was statistically significant at the .05 level, however the relationship was not in the expected direction. Instead, as we saw earlier, states in which governors *do not* appoint welfare agency heads have been more likely to seek waivers during this time period.

The state context variables that proved to be important in overall state waiver activity were tendency to innovate and region. The innovation score, statistically significant at the .10 level was in the hypothesized direction, indicating that states with a predisposition toward policy innovation were more likely to seek 1115 waivers. The region variable, significant at the .05 level was also in the hypothesized direction; states in the south and west were somewhat more likely to seek waivers than were states in the midwest and east during this period of time.

Finally, as expected, few of the need variables proved to

be significant factors in state waiver activity from 1982 through May of 1995. Only the monthly family aid variable was statistically significant within normally excepted levels (.01). The relationship was not in the hypothesized direction, indicating that states with lower levels of monthly aid were slightly more likely to seek 1115 waivers during this time. The level of state spending on AFDC was statistically significant at the .12 level, and its relationship was in the expected direction, meaning that states spending higher levels of their budgets on AFDC were slightly more likely to seek waivers than other states.

Overall, the explanatory value of this model was rewardingly high, with an R Square value of .512, and half of the independent variables having relationships with the dependent variable that were within the generally excepted range of statistical significance of .10 or below. In general a state was more likely to seek 1115 waivers between 1982 and May of 1995 if the state was: headed by a Republican governor who did not have final authority over the head of his welfare bureaucracy, but did work with a professionalized legislature; if the state was in the west and had general tendencies toward innovating policy; and if the state offered slightly less than average levels of monthly AFDC grants to recipient families.

Conclusions

From the foregoing analyses of state waiver activity between 1982 and May of 1995, several things are clear. First, state politics matter. States with powerful governors

have been more likely to seek 1115 waivers than have states with weak governors, especially since passage of the Family Support Act. Republican governors have also been more likely to seek substantive waivers than have their Democratic counterparts. Finally, states with more professionalized legislatures have sought waivers with greater frequency. All of these findings were hypothesized, and have a considerable level of face validity: Welfare policy has been a highly political issue especially during the 1990s. These findings indicate that the issue has been used by politicians who understand that attempts to reform the welfare system are attractive to the voting public. A final political factor that was found to be statistically significant in several analyses is that states in which welfare agency heads have not been appointed by the governor have been more likely to seek 1115 waivers than have states in which these posts are gubernatorially appointed. This relationship was not hypothesized, and has two possible explanations. First, governors who have appointed their own welfare agency heads may have been able to make their welfare reforms outside of the AFDC system; reforms that do not require federal waivers. A governor who does not appoint his own welfare agency head may need to seek waivers to reform welfare as part of a power struggle that exists between himself and the bureaucracy. Or, perhaps this finding indicates that bureaucracies which are more independent of the governor may have greater ability to influence policy, and in this case, seek waiver reform. If

nothing else, this highlights a question which will be pursued in the case studies: What influence has the bureaucracy had on state waiver activity?

While political variables have clearly been important in state use of 1115 waivers, the state context variables, ideology, innovative tendency, and region, have also proven to be important. The first analysis indicated that liberal states were more likely to follow a Bandwagon strategy, while conservative states were more likely to be Waiver Leaders. This finding leads me to conclude that the welfare issue is so politically volatile that politicians know they will be rewarded for addressing it in both conservative and liberal states. Several analyses have indicated that states which have sought welfare waivers have been states that have a tendency toward policy innovation, especially waivers sought just after the 1981 OBRA. States in the southern and western U.S. were also found to have sought waivers with greater frequency than have midwestern and eastern states. Both of these findings are consistent with my hypotheses, especially the finding that innovation was a more important factor in waiver activity during the early 1980s than in later years.

Finally, consistent with my hypotheses, need variables proved to be the least important of the three independent variable categories. Level of monthly family aid was found to be significant in several of the analyses, with the finding that states which offer lower than average monthly aid packages tended to seek waivers more often than those with

high monthly aid packages. However, need variables were also the least consistent of the three. For example the relationship between waiver activity and state spending on AFDC was found to be negative in some analyses, but positive in others. The only other need variable that was found to be significant in any of the statistical analyses was poverty growth rate. The findings, however, ran counter to hypotheses, indicating that states which sought no waivers (Federal Followers) were more likely to have *higher* rates of poverty growth, and that *lower* poverty growth rates were important in Bandwagon state waiver activity. This highlights one of the most interesting findings of this dissertation: while politicians and the public are fond of discussing the 'crisis' of the AFDC system and the 'need' to reform welfare, very little evidence can be found that states which have sought reform have done so because they have experienced a crisis in their welfare systems. The rhetoric of the welfare issue presumes that high levels of AFDC spending, poverty populations, reciprocity rates and monthly spending should lead states to seek welfare reforms. Instead, I have found no clear evidence that these factors have influenced waiver activity. My findings reinforce the conclusion that 1115 waivers have been sought less often because of the financial burdens of state AFDC programs, and more often because of the positive political impact that politicians associate with attempts to reform welfare.

Thumbprints and Politics:

Toward a Theoretical Explanation for State Waiver Activity

As long ago as 1971, Rivlin observed that, "despite a plethora of [federal] regulations, scope for innovation does exist. The decentralization of social services in the United States leaves considerable room for random innovation at the local level" (Rivlin, 1971:88). For example, state governments have always had some amount of discretion over their own AFDC systems. They have been able to determine such aspects of their programs as benefit levels, eligibility, needs standards, and until 1988, two-parent family coverage. States have certainly made use of this discretion: It is well known that some states are more generous than others in their welfare benefits, especially their levels of cash assistance. New York and Alaska, for example, have consistently offered benefit levels up to eight times that of Mississippi.

In addition, states have had the ability to seek program waivers for experimental and demonstration projects for 30 years. As Rivlin explains, "In the 1960s the federal government sought to foster...random innovation as its major strategy in the social action area. The premise was that there were people out there with good ideas who needed only money and encouragement to produce more effective services" (Rivlin, 1971:88). While an excellent example of states' ability to engage in "bottom-up" reforms, the waiver option has been used most often when it has been encouraged by the federal level: especially after the 1988 FSA, and President Bush's 1992 State of the Union Address. Perhaps because of

their widespread use recently, some scholars have erroneously implied that waivers are a relatively new state privilege, not the long-time option that states have held.²³ While it is true that waivers have been more easily granted in the past decade, in light of the cry for autonomy from many state capitols, it is interesting to note that waiver usage only came into vogue after federal encouragement.

In his discussion of obstacles to welfare reform before the passage of FSA, Reishauer foreshadowed the popularity that state waivers would eventually have: "Most of the impetus for reform has come from governors and state legislators who have discovered that work-oriented welfare programs both play well with the voters and are a way to gain exposure in the national media... If federal legislation precludes the possibility of designing identifiable state approaches to welfare, the attention of state leaders could shift to other program areas" (Reishauer 1987:8). Reishauer points out two crucial elements of state waiver activity: First, the political mileage that can be gained for state leaders through welfare reform, and second, the ability that waivers offer for a state to make simple alterations to their AFDC systems in an effort to put

²³ For example, Peterson writes, "Under the Family Support Act of 1988, states were given the opportunity to experiment with programs of assistance to families with dependent children" (Peterson, 1995:109), which is followed by a discussion of AFDC waivers. Also, Besharov of the American Enterprise Institute for Public Policy Research is quoted in a New York Times interview, "What California needed was not what Michigan needed. We need looser joints. And the waiver program is letting us do that" (Noble, 1996).

their own state's "thumbprints" on the program. Both of these factors have influenced the fact that even in the face of FSA, many states have kept welfare reform on their agendas through continued waiver requests. Lurie reports that, "When waivers became the fashion, governors and state welfare administrators jumped on the bandwagon to write their own version. As a DHHS official explained, 'Every waiver looks different because each governor wants to put his signature on it'" (1996a:584).

Policy advisors questioned in a survey commissioned by the Council of Governors' Policy Advisors (CGPA), also offer more credence to the "thumbprint" idea than to the more traditional "laboratories of democracy" explanation for waiver activity. The final report from the survey indicates that:

Some [advisors] noted that receiving information from...other states had been helpful, but the majority of respondents said that the examples, pilots, and models from other states were too new to have a proven record. Many are questioning whether other states' models should be emulated, a significant departure from the past. In recent years Governors have borrowed extensively from other states. While that may ultimately be the result, it does not appear to be the starting point for most states. (CGPA, 1996:19)

Indications of the political power of the welfare issue are clear from the CGPA report which also noted that, "On occasion some resentment was expressed that certain Governors are receiving attention for reform programs not thought to be unique" (20). Policy advisors to the governors recognize what this dissertation has argued: Much of the recent welfare reform has not been new and innovative, while much of it has been successfully used by politicians for political gain.

CHAPTER FOUR

TWO STATES AND THE POLITICS OF WAIVERS

The 50-state analysis of waiver activity offers some interesting conclusions, however, key questions remain about the politics of AFDC waivers. For example, how has the national spotlight been focused on reform states, and how has political credit-taking influenced state level reforms? To address these questions, I have employed the multiple-case study method to examine and contrast the AFDC waiver strategies in two states. These case studies allow me to examine the politics leading to welfare waivers, the competition between states engaged in reform, and the interplay between the federal and state governments in the waiver process. They offer a richness to this research that statistical analysis is simply unable to provide.

The key research question addressed in the case studies was: How do state and federal politics influence AFDC waiver requests? Several questions about the politics of waivers were addressed more specifically: First, who led the state initiatives (governors, legislatures, agencies)? Second, what factors led to waiver requests? Are the categories of need, politics and state context discussed in Chapter Three adequate, or were other factors also involved in these states? Third, where did states get their ideas for 1115 waiver

projects? Fourth, were any of the following factors considered when the state sought its waivers: political party of the federal administration, political party in Congress, welfare reform on the national agenda, or welfare reform on the state agenda? Fifth, was there opposition to the state's waiver request, either from groups within the state or at the federal level? Sixth, what contribution have 1115 waivers made on welfare reform efforts in these states? Finally, what role has the national media played on reform in the states?²⁴

The two case study states were chosen based upon their considerable welfare reform efforts. Both states were granted 1115 waivers in several different years between 1982 through May 1995. However, because I wanted to do a theoretical replication rather than a literal replication, it was important to examine states which could also be contrasted (Yin, 1994). For example, I wanted one state to have sought waivers that were often innovative, while the other state was granted 1115 waivers that followed federal priorities and had not been categorized as an innovator in the earlier analysis. Another area of contrast concerned national press attention to state reform efforts. I wanted one state whose welfare efforts had been undertaken with little national attention, while the other state received a great deal of press. The states chosen were Utah, which satisfies the conditions of the low-key, innovative state and Michigan, which fits the

²⁴ See Appendix E for a complete list of the questions asked in each state.

criteria of a high profile welfare reformer that had not requested innovative waivers. The choice of Utah and Michigan is verified by Hanson and Heaney (1997), who track welfare policy leadership during the Bush and Clinton administrations. They classify Utah as third in national leadership, while Michigan earns only a median score for its leadership efforts²⁵.

A final selection criterion was the result of anticipated problems in seeking information about the process of waiver requests from more than a decade ago: Quite simply, few people would still be around government, especially in the legislatures and governors' offices, and human memory tends to fade. Therefore, it seemed best to examine states that have recently been involved in waiver projects, and both Utah and Michigan met this qualification. While both states have received 1115 waivers at various points during the past 13 years, each began its "major" waiver programs at about the same time: September of 1992 for Michigan's To Strengthen

²⁵ The Hanson and Heaney score tracked only waiver requests between 1992 and 1996, thus undercutting the policy leadership of Utah during the entire time period of this study. The Hanson and Heaney study years leave the Michigan score unaffected, since Michigan implemented only federally sponsored waiver projects during the earlier time periods. In addition, the wide variance in National Policy Leadership scores must be noted: Wisconsin is first, with a score of 33, New Jersey is second, with a score of 21, Utah is third with a score of 9. Of states that earned any points in this classification, the median score was a 3. Wisconsin and New Jersey, while both much more innovative than Utah by this classification, were also both highly touted as welfare reformers, thus neither satisfied the criterion of a state which did not gain media attention for its innovative reform efforts.

Michigan Families (TSMF), and January of 1993 for the Single Parent Employment Demonstration Project (SPED) in Utah.

Utah and Michigan: Comparison and Contrast

As evidenced in Table 4-1, Michigan and Utah have little in common except the fact that both have powerful (usually Republican) governors and both have engaged in significant welfare waiver experimentation over the past 15 years. During the years covered by this study, average AFDC spending in Michigan was more than three times the level of state spending in Utah; while Michigan's poverty rate increased by .5 percent, Utah experienced a 2.9 percent decrease; and Michigan offered a monthly family aid package that was worth, on average, \$50 more than the package offered by the state of Utah. Importantly, Utah is a conservative state, with a Republican-dominated citizen legislature, while Michigan is less ideologically conservative and has one of the most professionalized legislatures in the country, which has been politically split since 1985²⁶.

The major welfare waiver packages of both states emphasized personal responsibility and increased employment. In Michigan, participants were required to sign a "social contract" with the state which required that all recipients spend 20 hours per week in employment, education, training or community service, under penalty of benefit reduction. In

²⁶ Republicans took control of the Michigan House in 1995, following the 1994 elections.

Utah, an individualized "self-sufficiency plan" was developed for participants. There are no exemptions from participation, but medical, child care, and transportation problems are taken into consideration in the development of the self-sufficiency plan. The required number of participation hours vary by recipient as do the activities in which each engages. Acceptable activities in Utah include full- or part-time work, education, mental health treatment or any combination of these.

The states' programs had similar goals. Michigan's TSMF identified four key principles, 1) Encouraging Employment, 2) Targeting Support, 3) Increasing Personal Responsibility, and 4) Involving Communities.²⁷ The SPED project in Utah identified two key purposes: 1) Transforming AFDC into an employment-focused program and 2) Increasing family income through employment and child support.²⁸

1. Waivers in Utah

As noted in the preceding chapter, Utah has a history of using AFDC waivers to experiment with its welfare program, and has at times created unique demonstration projects. One might assume that innovative projects in a conservative state like Utah would be of the "restrictive" variety, i.e, decreasing eligibility or increasing work requirements, however, that has

²⁷ Source: "To Strengthen Michigan Families 1992-1994-1996." Michigan Family Independence Agency, June 1996.

²⁸ Source: "Its About Work, Three Year Report." Office of Family Support, Utah Department of Human Services, May, 1996.

not always been the case. One innovative program in Utah was the Community Work Program for Two-Parent Families, in operation in 1984. This project (known in the state as the Emergency Work Program) was designed to demonstrate an alternative to the AFDC-UP (Unemployed Parent) program. It offered six months of assistance to intact, unemployed families that were ineligible to receive assistance through other Federal programs. In 1989 and 1990, Utah sought additional waivers for two projects, an extension of the Utah Community Work Program for Two Parent Families, and an Elimination of the 100-Hour Rule. Because these waiver projects occurred after the FSA, they have not been considered "innovative" in this analysis. However, an additional waiver project operating in 1992 did contain an innovative component: the Tenant Economic Empowerment Demonstration was unique in its focus on home-ownership. While this idea did not spread to other states, Utah addressed a new avenue to self-sufficiency by limiting exemptions to JOBS participation and testing the relationship between JOBS and homeownership.

In 1993, Utah began implementing its waivers for the omnibus Single Parent Employment Demonstration Project (SPED). SPED's philosophy includes mutual responsibility: Parents have the responsibility for supporting their children, and the government and private organizations have a responsibility to help families accomplish this goal. SPED sought to enlist the help of case managers in providing clients with the child care, transportation, or counseling assistance they may need.

One of its most important provisions is one of its most innovative: A "diversion payment" that gives families up to 3 months worth of aid in one lump sum. The one-time lump sum diversion, which amounts to an average of \$900 per family is designed to help families through emergency situations, like layoffs and possible evictions, without their having to seek AFDC. It generally applies to families with a working parent or one who is ready to enter the workforce.

In addition to the "diversion payments", the provisions of SPED include expanded transitional services for up to two years, with child care offered on a sliding-fee scale with no time limit, universal participation without exemptions, the provisions of which are outlined in the Self-Sufficiency Agreement, increased earned income disregards, and a \$100 per month sanction for families in which parents refuse to participate; the sanction is lifted as soon as participation begins or resumes.

Part of the reason that Utah's waivers have sought to further assist families and offered more flexibility for recipients is the philosophy of the program. As Utah governor, Micheal O. Leavitt (1995) explained, the program "focuses on employment, not entitlement, moving people off welfare while providing the supportive services they must have until they reach a salary level they can live on" (22). Leavitt added, "The project recognizes that not all individuals can be totally self-supporting, but they can perform at their highest level" (24).

The program has incurred serious up-front costs. In the first year, state administrators invested heavily in case management and child care services: Each case cost about \$500 more per year than cases receiving AFDC. Because all participants must work, child care costs increased by 50 percent. By the second year, SPED's investment paid off: Shorter stays on AFDC and increased earnings have decreased the amount that Utah spends on these cases (Center for Law and Social Policy, 1996:7).

Nixon (1995) reports that diversion payments have been fairly successful and independent evaluations of the SPED program done by the Social Research Institute of the University of Utah have concurred. The institute found that during the first three years of SPED operation, 757 families were diverted from AFDC (15 percent of eligible welfare applicants), with only 10 percent of diverted families returning to apply for aid (Utah Department of Human Services, 1996:6). It is estimated that 60-65 percent of SPED recipients have earned incomes, as opposed to 34 percent of AFDC recipients. Finally, evaluation shows that the SPED caseload declined 36 percent faster than the control group, and grant costs declined 51 percent more for SPED cases than for AFDC cases (Center for Law and Social Policy, 1996:8). Thus, Utah fits the criteria that I had set for the "first category" of case study states: it is a state which has engaged in frequent waiver activity, and has also initiated original policy "inventions."

2. Waivers in Michigan

Like Utah, Michigan has engaged in waiver reform efforts at several points in time between 1982 and 1995 (Table 4-2). The waivers that Michigan received during the early 1980s tended to be of the administrative variety, including error rate reduction and AFDC/Food Stamp coordination projects. In 1989, Michigan participated in a Self-Employment Investment Demonstration (SEID) project, which was a five-state demonstration initiated by the federal government before the passage of FSA²⁹. Michigan's SEID project was carried out in Detroit under the title of the Detroit Self-Employment Project (DSEP). DSEP waivers removed certain barriers to entrepreneurship for welfare recipients.

In 1992, Michigan implemented additional waivers under two federally initiated demonstrations: 1) the Comprehensive Services Delivery for JOBS Teen Parents project, which provided services to teenage parents and their children by establishing links with the local JOBS program and other appropriate service providers, and 2) the Parents' Fair Share demonstration which tested provision of employment, training, peer counseling and child support enforcement for unemployed noncustodial parents. Additionally, in late 1992 Michigan implemented the waivers for its omnibus program, To Strengthen Michigan Families (TSMF). The provisions of TSMF included waiving work history requirements and the 100-hour rule,

²⁹ The other four states involved in the SEID project were Iowa, Maryland, Minnesota and Mississippi.

liberalizing earnings disregards, initiating new child support collection efforts, and strengthening participant requirements to engage in employment, training or community service. In 1994, Michigan sought an additional waiver package for TSMF under the title of TSMF-Amendments. Its provisions included exempting the value of one automobile, eliminating most JOBS exemptions, sanctioning and eventually closing cases for noncompliance, and monthly sanctions for failure to immunize children.

As this description of 1115 waivers between 1982 through 1995 indicates, Michigan relied heavily upon federally encouraged demonstrations for their waiver reforms. When Michigan enacted its own waiver initiatives through the TSMF program, the state did not create new policy "inventions". Instead, it relied upon policy options that had been encouraged by the federal government like the Social Contract agreement, as well as demonstrations that other states had already undertaken, like sanctions for families which fail to obtain childhood immunizations. Michigan, therefore, is a very good example of the type of state I sought to examine in the " second category" i.e., it is a state which has asked for frequent waivers, although the waivers are never more than incremental changes that follow the federal lead or follow initiatives begun in other states; it is a welfare reformer,

but not an innovator³⁰.

TSMF has been heralded as cutting the AFDC roles. In 1995, Engler wrote that, "the number of Michigan AFDC recipients earning income is up to an all-time high of 29 per cent, compared to just 8 per cent nationally. A second goal has been to shrink the welfare rolls. Again, as a result of our enforced Social Contract, over 60,000 cases have been closed since 1992..." (38). These conclusions however, have been questioned due to the results of comprehensive evaluations of the TSMF program conducted by Abt Associates (Conniff, 1996; Whitman, 1995). Abt found that, "Although TSMF had consistent impacts on ongoing families over three years of experience, results for new cases were mixed" (Werner and Kornfield, 1996:98). The Abt report also found that positive effects had only occurred for one-parent families, and that although TSMF has reduced welfare payments to families, it has not done so by increasing family earnings, as it was intended to do (99-100).

Research Design

While generalizations are difficult to make from a comparative case study of only two states, a picture of the waiver process and the corresponding politics of the issue was clarified through these cases. The case studies involved

³⁰ It is ironic to find that Michigan has not really been innovative in its approach to welfare reform because of its wide reputation as an innovator. As this chapter will illustrate, Michigan's reputation has as much to do with gubernatorial and presidential politics, as it does with the state's efforts at welfare reform.

archival research through local newspaper accounts of the waiver efforts, as well as interviews with relevant policy players: social service agency leaders, executive staff, legislative committee members, and members of relevant interest groups.

Since resource constraints generally limit the number and length of interviews that can be conducted in a case study, I initially anticipated four to six interviews in each state, addressing the specific questions outlined in Appendix E. The end product fit with my expectations: I interviewed four individuals in Michigan and seven in Utah. The interviews involved 11 open-ended questions, with probes, and were generally a half-hour to an hour in length. Information gleaned from both interviews and local newspaper accounts of waiver reform efforts is compiled below.

In Utah, interviews were conducted with two senior members of the social service bureaucracy, two legislative research analysts who work for both the House and Senate social service committees, two staff members in the Governor's office, and a senior member of the social welfare advocacy community.

In Michigan, interviews were conducted with a senior member of the social service bureaucracy, a Democratic and a Republican House welfare policy researcher, and a senior member of the welfare advocacy community. An attempt was made to interview someone in the Governor's office and a committee staffer in the Michigan Senate. The Governor's office

referred me back to the Family Independence Agency, and the Senate staffer refused the interview.

Information was sought in the case studies that would advance the knowledge of the waiver process in several areas: First, what leadership role was played by the governor, the legislature and the social service agency in seeking welfare reform; second, what motivated leaders to seek welfare waivers; third, what was the source of state waiver ideas; the fourth question addressed state concerns over politics and opposition at the national and state levels; a fifth question addressed welfare's position on the state and national policy agendas; the sixth considered the perceived contribution that 1115 waivers had made to welfare reform; and the last question asked what influence did media attention have on welfare reform? Addressing these issues in interviews was expected to shed light on aspects of the state experience with welfare waiver reform that would be impossible to gain in any other manner.

1. Leadership

As Table 4-3 shows, Utah and Michigan came to welfare reform through different means. In Utah, respondents explained that reform had been led by the Department of Human Services (DHS). Several employees within the Office of Family Support (OFS) were mentioned as important, but all interviewees mentioned retired OFS Program Specialist, Bill Biggs as being the key to welfare reform in Utah. Although Biggs was never the head of DHS or even the OFS, the

descriptions that interviewees offered characterized his role as one of a policy entrepreneur³¹ who recognized windows of opportunity for reforming welfare at various times, and seized those opportunities. The bureaucratic informants described Biggs' role as helping the agency to "think outside the box." In addition, one of the governor's staffers indicated that, "Biggs was the driving force" behind so much of the reform efforts that it would be hard to imagine how far welfare reform in Utah would have gotten without him.

Welfare reform in Utah was a very open process. The first thing that OFS did before designing SPED was to solicit input from staff asking why the 1988 Family Support Act reforms did not work well, and how Utah could better implement its welfare program. After receiving a large stack of in-house ideas, a task force was appointed to create a proposal for reform. A list of guiding principles for reform came from this task force which led to many of the provisions of SPED like universal participation, addressing self-sufficiency up front and offering necessary supportive services³².

In Michigan, Governor Engler and former Department of Social Services (DSS) Director Gerald Miller were cited as

³¹ The role of policy entrepreneurs has been well documented in political science research. Kingdon defines policy entrepreneurs as those willing "to invest their resources--time, energy, reputation and sometimes money--in the hope of a future return" (1984:129). Mintrom has characterized "policy entrepreneurs as people who seek dynamic policy change" (1994:1).

³² See Appendix F for the Guiding Principles behind Utah's Welfare Reform.

reform leaders by all respondents. Several of the interviewees said that it is hard to separate what was done on behalf of the governor and what was done by the department; the consensus was that Miller, working on behalf of and closely with Engler, was most important in waiver reform efforts. But Engler, several sources noted, had final approval for all reforms that Michigan instituted.

In direct contrast to the reform efforts in Utah, the process of reform was very secretive in Michigan. According to the Family Independence Agency (FIA)³³ source, the administration kept even most members of the department in the dark about reform until a day or two before Engler publicly unveiled the TSMF Program. Newspaper accounts in Michigan verify the sense of secrecy, as no articles concerning reform appear until after Engler outlined his proposal on public television.

News reports of welfare reform in each state support the information provided through the interviews on state leadership efforts. While descriptions of Utah's reform efforts since 1983 focus on the actions of DHS and its different agencies, the Michigan press most often discussed reform as the having been the effort of Governor Engler. For example, a 1992 article in the *Salt Lake Tribune* described Bill Biggs as "a driving force behind the program" (Fenton), while a columnist for the *Detroit News* reported that,

³³ In 1996, the Michigan Department of Social Services was renamed the Family Independence Agency.

"Engler's bold move has made Michigan Exhibit A in the election-year debate about welfare reform" (Weeks, 1992).

2. Federal Role in 1115 Waivers

Most respondents in both states believed that the political party of the President was important in the waiver process. In Utah, the department respondents believed that it was probably helpful to have Ronald Reagan as president during their early waiver requests because of his focus on welfare-to-work programs and increased state responsibility. Michigan respondents all agreed that the states have to be mindful of the administration in the White House in the direction of their own reform requests.

In addition, the department informants and the welfare advocate in Utah thought that the experience of Biggs in Washington and his contacts there probably helped to get Utah's waivers accepted. Interestingly, the legislative analysts and the governor's office staff did not think that national politics had played much part in Utah's waiver requests. One of the governor's staffers said that if Utah had concerned itself with the politics in Washington, the state would never have sought waiver reforms.

Michigan's FIA informant indicated that the waiver request process involved a learning curve on the parts of both those in the Michigan DSS and in the federal DHHS. States learn what waivers will be granted and how best to frame waivers, while the federal government learns how to process the waivers efficiently. Respondents in Utah echoed this view

concerning mutual learning curves. The bureaucratic informants said that they found the early waiver process to be less rigid in some ways because the federal department did not have clear expectations of waivers. Both agreed that the process involves more paperwork now.

Respondents in both states reported that gaining waiver approval involves a great deal of negotiation between the state and the federal government. Utah's welfare advocate noted that waivers involved many negotiations but added that Utah was always aware of what other states were doing and why those waivers had been rejected and had to be reworked. Michigan's Republican legislative researcher said that the state always knew that it needed to go to DHHS with a strong proposal. The press accounts offered ample evidence that getting waiver approval involved a number of negotiations with the federal department. On the other hand, Michigan's welfare advocate indicated that the Clinton administration has been so lenient that the process of seeking waivers has not been a huge constraint on Michigan's reform efforts.

All four respondents in Michigan agreed that the national agenda and a national public mood set the tone for reform. The Republican legislative researcher asserted that there has been a fundamental shift in thinking about what welfare should do that helped to put welfare in the forefront of policy issues. The welfare advocate agreed with this shift in expectations, saying that the AFDC system was good at what it was meant to do: act as an economic safety net. When people

want the system to address criminality, drug addiction, illegitimacy or even self-sufficiency they fault the system; but, the advocate explained, that is because they have asked the system to address issues it was never designed to address.

Informants in both states believed that the welfare issue had been on their own state agendas *before* it had reached the national level. This characterization is only partially supported by the evidence in this and the preceding chapter because most respondents dismissed early 1992 as a time of federal influence on reform, while my analysis gives credit to Bush's 1992 State of the Union address and Clinton's subsequent pledge to "end welfare as we know it." Perhaps most insightful on this matter was a comment made by the welfare advocate in Utah, who said that although everyone is acutely aware of this last round of welfare reform, the issue seems to come around every two years; sometimes in larger guises than in other times. As the literature on welfare indicates, the perennial perception of crisis with the system causes the issue to revisit government agendas again and again (Berkowitz, 1991; Wiseman, 1993a; Heclo, 1994; Lurie, 1996a).

3. Opposition from Inside and Out

In Michigan, there was little organized opposition to TSMF policies, while in Utah, several of the SPED program provisions faced important opposition. This is due, in part, to several striking differences between the Michigan and Utah cases. First, as already mentioned, the two states sought different strategies in planning their reform efforts.

Michigan's efforts were kept quiet until a proposal was ready, and both the welfare advocate and the Democratic legislative researcher believed that the secrecy of the process and the lack of public hearings required for waivers meant that advocacy groups were simply unable to affect the content of Michigan's waiver program. The FIA informant offered another interesting explanation for the lack of opposition and outcry after the announcement of the first TSMF waiver package: The advocacy community had vigorously fought the Engler administration to keep the General Assistance program intact, to no avail. TSMF was announced shortly thereafter, and the informant believed that the advocates had little momentum left to fight the waiver program when it was announced.

In addition, both of the Michigan legislative staffers noted that the lack of high-powered, well-paid advocates for the poor hinder their ability to wage successful battles against reform. On the other hand, the Republican legislative researcher noted that one pressure group did have an impact on the outcome of Michigan's waiver programs: the strength of Michigan Right-to-Life was credited with keeping family caps and strict time limits out of Michigan's reform packages.

In contrast, Utah has a strong advocacy community which respondents and press accounts noted as highly involved in the negotiations surrounding the waiver projects. One of the informants in the governor's office commented that Utah has tried to work through advocacy group concerns before going to the federal government with its waiver requests. A Center for

Law and Social Policy (CLASP) publication highlighting Utah's reforms concurs, "Getting the public involved in the reform discussion was their first priority. As a result, public hearings were called involving the general public, as well as advocates, state agency officials and welfare recipients" (1996:4). The most important advocacy group for social service issues has been Utah Issues Information Program, Inc., which was very involved in the negotiations surrounding the SPED program. Not coincidentally, most respondents mentioned that policy entrepreneur, Bill Biggs had been a founding member of Utah Issues before moving into the bureaucracy to better influence policy.

Two of the original SPED provisions were questioned by advocacy groups: first, a reduction of one-half of the family's benefit was to be imposed if the parent did not participate in the program; second, no conciliation procedures were outlined for families that had been sanctioned. Pressure from advocates resulted in a \$100 monthly sanction (less than half of that originally proposed), and the institution of a conciliation process. After winning these battles over program policy, an advocate at Utah Issues told the *Salt Lake Tribune* that the program was, "'primarily good. We'll be supportive of it as it goes to Washington'" (Hobbs, 1992). Although Utah's advocacy input was important, the advocate whom I interviewed pointed out that some program provisions had been included in waiver packages even after advocates had opposed them or before they knew the provisions were even

being considered.

4. State Motives: Perceptions, Politics, and the Latter-Day Saints

Confirming the conclusions of chapter 3, in neither state was a quantifiable "crisis" identified as a motive for seeking waivers or welfare reform (Table 4-5). Two of the respondents in Michigan and one in Utah mentioned that "crisis" numbers for spending and reciprocity are occurring for the Medicaid program, but have not been a problem for AFDC. In Michigan, the idea that the system was *perceived* to be in crisis was mentioned by three of the four respondents. In addition, all four noted that Engler seized the opportunity to engage in reform because of this perception of crisis.

In neither Michigan nor Utah were the state context issues of ideology or innovative tendencies given much credit as motivating reform. Although Utah is a conservative state, the legislative analysts explained that few conservative legislators or groups are very interested in social service issues. The concerned parties on these issues in Utah are a handful of moderate Republican legislators, the department and the advocacy community. In Michigan, the FIA source noted that it was the conservative nature of the governor, rather than of the state that motivated welfare reform.

Politics was not believed to be a motivating factor in waiver reform in Utah. One of the governor's staff members mentioned the fact that there is always political rhetoric surrounding welfare, however the legislative analysts noted

that the subject of welfare reform has never been very high on the political radar of the legislature, the governor or the public in Utah. In the opinion of the welfare advocate, politics may have indirectly motivated reform by prompting the bureaucracy to make a pre-emptive strike against conservative measures that the legislature might have advanced. While indirectly political, this is not the type of influence generally considered a political motive.

Politics was widely considered a motivation for reform in Michigan. The FIA informant mentioned that the issue had provided Governor Engler with national attention. The House Democratic researcher thought that the whole effort was started for political reasons: Michigan had a new Republican governor who came to office wanting to paint himself as dedicated to the conservative cause, and welfare reform was one way to do that. The Republican House researcher pointed to similar motives, explaining that as a conservative, Engler's interests lay in downsizing government, cutting generous welfare benefits, and offering meaningful tax cuts. This informant believed that the Engler administration wanted to show its innovative tendencies and to show its leadership role on the issue of welfare reform.

On the other hand, the welfare advocate did not think that Michigan's 1992 welfare reforms were necessarily politically motivated; instead reform was simply part of the agenda that Engler wanted to pursue. By 1995/96, this individual believed that national presidential and vice

presidential politics had entered Michigan's push for reform. Michigan's welfare advocate also noted that while Engler had received a lot of national attention as a reformer, the state had in fact not done anything particularly innovative in welfare reform.

In Michigan, both of the legislative informants mentioned state politics as being somewhat important in waiver requests. The Democratic staffer indicated that the party holding the governor's office can be important because they head the agency that writes the waiver requests: It is possible that a Democratic legislature could ask for a certain waiver request that the Republican administration does not agree with, and the department could simply write the waiver request in such a way that staff know will be rejected. On the other side of the political aisle, the Republican staffer noted that the department can play its own political game by telling legislators that certain changes to the system would violate the federal legislation, without mentioning that a waiver could be sought.

For Utah, there was one unique state context issue that was mentioned by the department informants, the legislative analysts and the welfare advocate: the Church of Jesus Christ of the Latter-Day Saints (LDS). Since the 1930s, LDS has run its own "welfare" program which requires a work component in return for assistance; therefore, the "pay for performance" idea of the early reform efforts may owe some credit to the church. The welfare advocate explained that the concept of

entitlement is foreign to LDS members and that the work ethic in Utah has been strong.

Since crisis and politics played little role in Utah, and state context only influenced the focus on "pay for performance," to what did respondents attribute Utah's motivation behind welfare reform? Most of those interviewed echoed the sentiments of one of the department informants who said that reform was "really done to ensure a better way of life for our recipients." The OFS believed that the system, especially after the 1988 FSA, did not work well; they wanted to focus on increasing the incomes of recipient families through training and employment. This strong focus on self-sufficiency was mentioned by all of the Utah respondents.

5. Sources of Waiver Ideas

All respondents in Michigan agreed that at least some of the ideas for waiver provisions came from other states (Table 4-6). Several mentioned that waiver reform had become a matter of competition between Michigan and Wisconsin. The House Democratic researcher reported that one standing joke is that Tommy Thompson and John Engler are really the same person--they are never seen in the same place. The advocate indicated that members of the hierarchy at FIA are well connected to groups that know what other states are doing, like the National Governors' Association (NGA) and the American Public Welfare Association (APWA). Michigan was described as having a closer relationship with these groups than most states have, so that it has easy access to ideas

from around the country. The House Republican researcher believed that some ideas from legislators had been co-opted by the department. For example, this person reported that there had been a long-time push for stronger work requirements from House Republicans, and the department eventually followed that direction without giving credit to the legislature.

The federal government was not given much credit for assisting in waiver ideas in Michigan. However, the FIA source indicated that the federal DHHS had been in the habit of sending around lists of waivers granted to other states, so that Michigan looked to these lists for ideas. This is further evidence of the role that the federal government has played as a disseminator of information, as discussed in Chapter Three. Other than this, however, the federal government was given little credit for being a source of waiver ideas. Programs like the Detroit Self-Employment Project and the Comprehensive Services Delivery for JOBS Teen Parents project, which were each part of multiple state federal demonstrations were reported to be so limited in scope as to have little impact on the system; they tended to work only for certain client groups, not broadly. On the other hand, while interviewees were pressed to mention federal demonstrations, the media in Michigan did depict several of the federally sponsored demonstrations as important, including the "Parent's Fair Share" (Chargot, 1992) and the Detroit Self-Employment Project (Jones, 1993).

Utah respondents also failed to give the federal

government any credit for fostering possible waiver ideas. And in contrast to the Michigan case, no one in Utah thought that other states had been particularly useful in advancing policy ideas for the waivers sought between 1984 and 1993. No one in either state said that social science or their state's universities had been at all useful in advancing possible reform options.

In Utah, ideas were thought to have come primarily from inside the agency. Early ideas for the two-parent Emergency Work Program (EWP) came from Biggs, according to one of the governor's staffers. The welfare advocate echoed this sentiment, saying that many of the ideas that Utah pursued had come "from the head of Bill Biggs." Before seeking the SPED waivers, OFS pursued an open strategy to facilitate in-house ideas for reform, as discussed above. One of the OFS informants explained that due to the open process, some bizarre ideas were advanced, but most followed some common themes which led to their list of Guiding Principles (Appendix F). Specific program provisions were formulated from these principles, including universal participation, supportive services and the need for more case workers to work with recipients on an individualized basis.

Although he is retired, a short telephone interview was conducted with Mr. Biggs to clarify where he thought that waiver ideas had originated. He indicated that brainstorming around the idea that AFDC "wasn't going anyplace" with grant levels continuing to decline while people already lived below

the poverty level, led to a determination to increase income for welfare families. This motivated the agency to seek ideas that would change a welfare system that penalized work. Biggs reported that ideas came from department employees and from the advocacy community, and that the state worked within the existing system to seek waivers that the federal government would approve.

6. The Contribution of 1115 Waivers

Two key contributions to welfare reform made by the 1115 waiver projects were mentioned by respondents in both states (Table 4-7). First, waivers are believed to have had major impacts on reform in Utah and Michigan. The House Democratic researcher in Michigan explained that "the waiver process is a wonderful idea," because, "rules are meant to be bent." The welfare advocate indicated that, to the extent that any significant reforms had been made in Michigan, waivers were the reason. In Utah, the department informants echoed this sentiment, saying that waivers are the welfare reform program in the state.

The second common contribution that 1115 waivers have made to welfare reform is that they have allowed the states to address their own distinct characteristics in their reform efforts. One of the governor's staffers in Utah noted that this meant that waivers had worked the way they were intended to work: They allowed different states to try different things.

The FIA informant in Michigan indicated that the state

would be back where it started without its waivers. This informant believed that seeking reforms through waivers had readied the state to take on block grants. Those states which have not made 1115 waiver reforms, according to the FIA informant, are likely to have a hard time meeting the new standards imposed by TANF.

The Michigan House Republican staffer indicated that waivers were important because they whet the appetites of state administrators for further reform and greater flexibility. The idea here was that waivers showed states how dominated by the federal government they had been. The strings attached to the waiver process made states even more hungry for greater control over the system. On the other hand, in Utah, one of the legislative analysts believed that SPED program waivers had an adverse effect on innovation when TANF was passed. Rather than take a fresh look at what could be done, this informant believed that the state simply locked itself into the SPED program. The analyst offered the analogy of having been let out of prison, and looking around and saying, but I kind of liked prison--it was comfortable and predictable.

A third view on this same subject was voiced by the welfare advocate in Michigan. It was the opinion of this individual that states had the desired program flexibility through waivers. The new federal legislation was not critical right now, according to this informant, because the states were already doing what they wanted. Thus, TANF was more the

result of politics than practical need.

Finally, the Utah advocate noted that, for the most part, the contribution of 1115 waivers had been positive in ways that the block granted program would not be. First, waivers could play to conservative sympathies in the legislature when the agency presented a David and Goliath story of Utah's reform against the big federal bureaucracy. Second, the mandatory waiver evaluation process had the positive effect of allowing input from welfare workers and community advocates. Finally, because the entitlement status of aid remained part of welfare waivers, the advocacy community had legal recourse against waivers that seemed to be too restrictive. Advocacy groups could use the media and the courts to negotiate waivers on the grounds of their entitlement status; with TANF, entitlements are gone.

7. The Role of National Media Attention in Welfare Reform

All four informants credited Governor John Engler for Michigan's national reputation as a welfare reform leader.³⁴ Both of the legislative researchers indicated that Engler cultivated an image as a tough welfare reformer early in his first administration (1991) by eliminating Michigan's General Assistance (GA) program, which had provided subsistence level

³⁴ A discussion of the media attention that Michigan's Governor Engler has garnered would not be complete without reference to an April, 1996 *Newsweek* magazine article which declared John Engler, "The Sexiest Governor." It referred, of course, to his image as a tough-on-welfare, budget cutter who was being discussed as a possible vice-presidential running mate for Bob Dole.

grants to unemployed adults; the drastic nature of the GA cuts thrust Engler into the spotlight. As Thompson describes it:

Engler was able to parlay his image as an activist on welfare 'reform' into a position on the national stage. By 1993, with President Clinton pushing welfare reform as part of his agenda, Engler was tapped by Clinton as 1 of 10 members on a national advisory panel on the subject. Over and over again in the press, Engler was prominently displayed as playing a key national role in this arena (1995:100).

Both the department informant and the Democratic legislative staffer noted that welfare reform in Michigan had become something of a competition with Tommy Thompson of Wisconsin. The welfare reform literature reinforces this conclusion. As Lurie writes, "Welfare reform is also a competition. Michigan, vying with Wisconsin for first place as a welfare reformer, made a point of being the first state to enact legislation predicated on Congress' 1995 block grant bill. 'The media treated the legislation like a sporting event,' reported the Michigan field researcher" (1996a: 584).

The Republican House staffer noted that when Michigan began to seek welfare reform it was bound to be noteworthy because the state is big, highly unionized, and has tended to protect the poor. In addition, this informant indicated that the personalities of both Engler and Gerald Miller were important for the media attention that Michigan gained. The welfare advocate concurred, noting that the administration has not only been aggressive in seeking media attention, it has

also been well-positioned: "When your governor chairs NGA³⁵ [National Governors' Association] and your DSS head chairs APWA [American Public Welfare Association], you are in a great position," to get your message heard and to get attention. The advocate explained that not only did Michigan's executive branch do some "slick packaging," they also had the national platforms to gain notoriety.

Although Utah has done a lot in the area of welfare reform, it has not received much national media attention. The case interviews identified three explanations: 1) the small size of the state's population, 2) the national media tends to ignore Utah on all issues, and 3) Utah's governors have never advanced the issue. First of all, Utah is a small, western state and many of my respondents held the belief that what works in Utah will not necessarily work elsewhere. The department staffers noted that other states may also believe that, however, the department finds this argument to be an excuse for inaction on the part of states that don't want to seek meaningful reforms.

Second, several informants advanced the notion that Utah (and other mountain states) tend to get lost in the journalistic hype surrounding California and the East Coast. Several respondents mentioned that Utah is viewed by the major media as existing in relative geographic isolation, and as highly biased by the LDS religion. One of the legislative

³⁵ Note that Engler actually headed the Republican Governors' Association, not the NGA.

analysts explained that, whether its basketball or welfare reform, Utah gets ignored by the national media.

Finally, all of the Utah respondents echoed the sentiments of one of the legislative analysts who said, "I'm not sure if we really go out and spread the gospel" about our reform efforts. Other states have gotten attention because their governors have been very vocal about welfare reform, but Utah has not made any attempt to capitalize on its program. A member of the governor's staff noted that current governor, Michael Leavitt describes Utah as, "the state of quiet quality." In addition, one of the bureaucratic informants noted that Utah had not gotten a lot of press attention because it had not engaged in welfare reform to gain political points.

The welfare advocate agreed that Utah had not received much attention because it had not sought the attention. This individual viewed the hesitance to seek the spotlight as a result of conservative politics in the state. The SPED program offered more support services, increased eligibility for those services, and spent more on a per client basis than did the AFDC status quo. Those moderates who supported the reforms were not necessarily interested in highlighting some of these more 'liberal' components of reform to their conservative colleagues.

It is important to note that although the national media, and therefore the public, remain unaware of the considerable reform efforts in Utah, those involved in the social services

community are acutely aware. For example, federal approval of the SPED waivers in 1992 came with one of two awards for exemplary state commitment and performance to Utah's Department of Human Services, presented by the DHHS Administration for Children and Families (Collins, 1992). In addition, several of the respondents noted that when TANF was being negotiated, members of Utah's DHS were invited to Washington D.C. to assist in the negotiation process.

The Politics of Welfare Reform on Government Agendas

The case studies highlight the fact that because the welfare system is always perceived to be in crisis, welfare reform continues to cycle on and off of government agendas. The Utah and Michigan cases demonstrate that the question of a real "crisis" in the welfare system is moot. As Eyestone explains, "A crisis is usually described as a situation, caused by external forces, in which definite and prompt action is necessary. In practice this definition is often tautological, because a need for action can be identified only by observing shared feelings of crisis among decision makers and the public at large" (1978:153).

It is well documented that the *perception* of crisis is often enough to institute policy change (Downs 1972; Elder and Cobb 1984; Hilgartner and Bosk 1988; Bosso, 1989; Stone 1989; Baumgartner and Jones 1993), and this perception is one factor at work in welfare reform in Utah and especially, Michigan. Edelman's focus on symbolism is also illustrative. He writes, "The logic that explains official, public, and media attention

to political problems does not turn on their severity but rather upon their dramatic appeals" (1988:28). Welfare reform in the 1990s demonstrates the influence of both perception and symbolism: Welfare has been widely perceived as a policy in crisis and its reform has symbolized politician's efforts at positive policy change.

Unfortunately for the poor, the public is generally satisfied by the symbolism of welfare reform, regardless of the outcomes of those reforms. Heclo (1994) explains, "Politicians derive political rewards for proposing, not implementing, welfare reforms. The most attractive changes are those that promise to save taxpayers' money, offer prospects of dramatic change, and cater to the prevailing stereotypes" (417). In a 1996 lecture at Northwestern University, David Ellwood remarked that, "Tommy Thompson and John Engler made enormous political mileage from welfare reform as governors of two of the most 'liberal' states in the country--Wisconsin and Michigan--long before Bill Clinton ran for President" (1996:21).

Because the public is always willing to believe that the welfare system doesn't work and requires change, politicians can easily bring welfare reform measures to the agenda. But, since the entire web of poverty and AFDC reciprocity is so complex, the simple solutions touted by politicians often have little ability to reform either the system or welfare populations. Instead, politicians mobilize the public behind symbolic reform measures around which they are easily rallied,

welfare recipients remain voiceless in the process, and by the time policy evaluations determine which reforms have been successful and which have been fruitless, neither politician nor public is paying attention (Wiseman, 1993a; Heclo, 1994).

The end result of welfare politics has often been a reduction in benefits. Schram writes, "Historically, welfare as a policy has often been used to serve symbolic purposes at the expense of providing substantive benefits, in good part because a wide variety of groups have sought to address their symbolic concerns related to welfare and welfare recipients have remained politically powerless and unable to voice their concerns regarding the provision of adequate resources" (1995:141). The current symbolism of welfare has resulted in a much greater emphasis on employment and recipient responsibility, both evidenced in the Michigan and Utah cases. The effect that these policies will have on recipient families is yet to be seen.

Conclusions

The case studies show that political credit-taking in welfare reform makes headlines more often than true innovation. When reform motives are political, a circus-like atmosphere surrounds welfare reform; when motives are about changing the AFDC system, and there are no political credit-takers, the guidance of a policy entrepreneur may be required to make important policy changes, and reforms will quietly take hold.

As expected, the case studies have offered insight into

several aspects of welfare reform that statistical analysis cannot address. One of these is the role of governors and the national spotlight. In a rational world, policy would gain wide public attention when it is innovative and works to address the problems it is intended to address. National attention to policy, especially welfare policy, does not work in this rational way. Instead, politicians are very important in public perceptions of welfare reform efforts. Governors have been the key players in the latest round of welfare reform, and even when their states are not involved in very creative reforms, doing *anything loudly* has given governors political prestige. It is not simply that innovative welfare policy cannot stand alone in the national spotlight, but that even basic reforms gain media attention when vigorously marketed by savvy politicians.

A second insight gained from the case studies is the importance of public perception. First, the perception of crisis with the welfare system was deemed to be vital to reform efforts. Both the statistical analyses and the interviews confirmed that welfare reform had not been pursued to address quantifiable needs. Instead, the case studies offer evidence that the public perception of a welfare crisis, encouraged by opportunistic politicians, was a leading factor in state welfare reform.

The other important issue of perception involves the purpose of the AFDC system. Originally designed to serve widows and their children, societal changes have altered the

perception of what welfare programs should do. Although AFDC worked as it was designed, as a safety net, public attitudes changed to the point that people expected AFDC to serve as a *temporary work program*; to that end, AFDC has been replaced by the Temporary Assistance for Needy Families program. It was the combination of these two sets of perceptions-- that the welfare system is out of control and that it is not working toward its intended purposes-- that led to state welfare waiver reforms.

Third, the case studies offer important information about the interactions between the state and federal governments in the waiver process. Respondents and newspaper accounts in both states noted that serious negotiations were always part of the process in gaining federal waiver approval. In Michigan, there was a strong belief that the state had to be mindful of the political party in the White House before making waiver requests. In addition, bureaucratic informants in both states described a "learning curve" involved in 1115 waivers. States had to learn what the federal government wanted from waivers, and how best to frame their requests. It also took the federal department some time to determine what it wanted from 1115 waivers. Very early waiver requests were said to require less paperwork because the federal department did not have concrete guidelines; as the department processed more and more waiver requests, the rules became far more complete. It was also noted that 1115 waivers were integral to the process of welfare reform in both states, as well as

precursors to the block granted TANF program.

A second role for the federal government was highlighted through the case studies: its role in agenda-setting and policy diffusion. Both Utah and Michigan sought waivers, not coincidentally, during times at which welfare reform was on the federal agenda. Regarding the federal role in policy diffusion, in 1989 and twice in 1992, Michigan made waiver applications for demonstration projects that were federally sponsored. In addition, a formal process of policy diffusion through federal bulletins which shared state waiver requests was identified. This sort of federal coordination and cooperation has been neglected in most discussions of AFDC waiver efforts but has been an important part of 1115 waiver reform.

Finally, the role of state-to-state interactions was also highlighted through the case studies. For example, other states were identified as a source of waiver ideas in Michigan. Respondents in both states noted the important role of groups like the National Governors' Association and the American Public Welfare Association, at which state leaders meet and exchange ideas. In addition, state competition between Michigan and Wisconsin was identified as an important factor in the most recent welfare reforms leading up to PRWORA and TANF.

The case studies confirm that during the final years of AFDC, 1115 waivers became increasingly politicized. Even in Utah, where politics had played a smaller role in welfare

reform, state legislators began to jump on the bandwagon by the mid-1990s, often seeking reform measures that were not in line with the objectives of the SPED program. While the department succeeded in holding off some of the legislatures' advances, provisions like immunization requirements eventually became part of Utah's reform effort.

Information gathered through these case studies about the level of political involvement in welfare reform is vital to an understanding of welfare policies. As Norris and Thompson (1995) explain, "To say that welfare reform is political... is not to condemn it. Rather it is to understand its essential character. Yet, it is not unfair to say that when the politics of an issue is mainly about politics (and not the issue), then both the politics and the issue are done a grave disservice" (236).

CHAPTER FIVE

FROM EVOLUTION TO DEVOLUTION: THE PERSONAL RESPONSIBILITY AND WORK OPPORTUNITY RECONCILIATION ACT

This dissertation has argued that the character of welfare reform at the state level from 1982 to 1995, while touted as innovative and revolutionary, has more often been incremental in nature. In addition, the federal government has been shown to have been an active participant in agenda setting and disseminating ideas for reform efforts by the states. From these rather evolutionary changes in the American welfare state, 1995-1996 brought something else: the successful push for devolution of welfare.

The 1115 waivers sought by states from the 1980s through the mid-1990s set the stage for the successful devolution of the AFDC program. Many have identified the importance of waivers in helping to shape new federal legislation (Reishauer, 1987; Mead, 1992; Boekelman, 1992). Others have credited 1115 waivers for highlighting the fact that with the increased flexibility of block grants, states will be even better able to transform the welfare system (Engler, 1995; Preston, 1996). It is against the background of "waiver success" that Republican governors like Tommy Thompson of Wisconsin and John Engler of Michigan were able to persuade

Congress and the President that block granting AFDC was the best way to further the cause of welfare reform. Given that this dissertation has found a strong intergovernmental role in American welfare policy, it is fitting that the most recent round of welfare reform came about through cooperation between the state and federal governments.

The Rationale for Devolution

Arguments in favor of devolving responsibilities from the federal government back to the states generally follow two similar paths. The first is that with less federal intrusion and greater flexibility for state governments, programs and policies will be more locally responsive and more efficient. The second and related argument is that when federal restrictions are lifted, states are better able to act as "laboratories of democracy" in which competition drives each to seek better policy alternatives than the next. As the primary beneficiaries of the flexibility afforded by devolution, several governors used these arguments as the *theoretical* driving forces behind devolution in 1995.

However, the devolution fire was also fanned by more *practical* concerns: government desires to balance the budget (Gold, 1996; Nathan, 1996; Weaver, 1996; Weissert and Schram, 1996). Nathan explains that government devolution efforts are a reaction to the public frustration over sluggish wage levels and private sector downsizing: "The Devolution Revolution can be seen as a way to push all of America's governments to cut costs and achieve efficiencies" (1996:15). Gold reports that,

"the devolution revolution would reduce not only federal spending but also state spending. It is really a prescription for lower government spending" (1996:275).

In addition, Weaver explains that congressional Republicans saw devolution as more than just a tool of deficit reduction: It had "the potential to solve several problems, ranging from limiting expenditure growth to changing the basic character of the American welfare state, minimizing blame for imposition of program cuts, and building support among Republican governors" (1996:46). Regardless of motives, support for the devolution of the welfare system led to the end of the federal matching-grant for AFDC and the start of the block granted Temporary Assistance to Needy Families (TANF) program.

Block Granting AFDC

Included in the Republicans' 1994 "Contract With America," was a provision called the Personal Responsibility Act (PRA). One of the most influential proposals in the PRA was the idea of block granting the AFDC program and turning over to the states the major responsibility for welfare. Interestingly, this is not a new idea. In 1982, during Reagan's first administration, a similar plan known as "the big swap" was proposed. The Reagan proposal was a complex one, involving a federal takeover of all responsibilities for the Medicaid program, while states were to be given block grants for AFDC and Food Stamps; the proposal went down in

defeat³⁶. That, however, did not stop the 104th Congress from advancing the idea anew in 1994-5. With many state leaders behind the idea of block granting AFDC, the provision was signed into law in August of 1996 as part of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA).

The federal and state governments combined forces to pass PRWORA because each perceived that it would derive benefits from block granting AFDC. For the federal government, PRWORA was a way to secure benefits in two crucial arenas: economics and politics. First, PRWORA results in a \$54 billion reduction in federal expenditures over the next seven years, financed largely through the elimination of food stamps and Supplemental Security Income (SSI) to legal immigrants and most refugees. Other money saving aspects of the PRWORA include severe restrictions on food stamps for the "able-bodied" and tightened eligibility on SSI benefits to disabled children. It is interesting to note that little of the federal government's savings will come from block granting AFDC.

The political benefits of passing PRWORA and especially the block granted TANF program are obvious: In 1992, candidate Clinton promised to "end welfare as we know it," but the 1996 election year began without substantial welfare reform. In

³⁶ For a very thorough examination of Reagan's "Big Swap" proposals, see David Walker's *The Rebirth of Federalism* (1995).

December 1995 and again in January 1996, President Clinton was presented with welfare reform bills which he vetoed because each included Medicaid reform provisions. In order to make good on a promise that resonated so strongly with voters, however, Clinton had to sign a welfare reform bill before the November election. In late July, a House-Senate conference committee approved a third welfare reform bill without the Medicaid provisions which was much more acceptable to the Democratic leadership. It is no surprise that at this point, well into the re-election campaigns of most members of Congress, PRWORA easily passed in both houses, by a vote of 328-101 in the House and 78-21 in the Senate.

The most important benefit to states from the TANF block grant is a reduction in federal guidelines, and thus, even greater flexibility than was afforded by 1115 waivers. Former director of the Michigan Department of Social Services, Gerald Miller, explained that, "Freed of the burdensome federal requirements, [Michigan] would significantly shorten the current 30-page assistance application to about 5 pages, making it easier to understand and complete. We would also make eligibility requirements ...less complex and more standardized among the Family Independence Plan, the Food Stamp Program, and medical assistance whenever possible" (1996:12).

Advocates of block grants have lauded their potential accomplishments (Hayes, 1995; Stangler, 1995; Engler, 1996; Miller, 1996). As Hayes explains:

In the current context, they [block grants] present a positive opportunity for crafting a renewed expression of broad federal priorities and for using federal funding as the core, or seed money, for stimulating new state program approaches for welfare reform, education reform, community building, and economic development. Properly structured, block grants could encourage states and localities to launch local improvement projects, to experiment with new ways of providing a safety net for vulnerable children and families, and to develop new, more efficient management systems, rather than merely using federal block grant funds to supplement or supplant their existing budgets (1995:33).

Stangler agreed, urging that, "The opportunities of more flexibility should allow us to move more aggressively to integrate human services, move toward single points of intake, and streamline the procedures that often impede the provision of assistance to families and individuals" (1995:67). Stangler's optimism over block grants is only tempered by his fear that fiscal and political inertia will take hold before states are able to put real reform into effect. His argument is similar to that made by the legislative analyst in Utah who complained that the state had not taken advantage of the new opportunities afforded by block grants. Stangler warned that, "it is entirely possible, perhaps even likely, that the systems funded by block grants will look very much like the existing systems, with less money" (67-68).

Others are more skeptical about the benefits that block grants will offer. Quigley and Rubinfeld note that:

there are extravagant claims that the states are more creative and innovative in designing welfare programs, and they are better managers of these programs. Curiously, these claims are made more forcefully about transfer programs than about other government activity. There is little doubt that a shift to state administered block grants will involve less bureaucracy and will give

more flexibility to states. Beyond this, there is little or no systematic evidence about creativity or innovation. (1996:298)

Thus Quigley and Rubinfeld support one general argument of this dissertation: States have not necessarily been better leaders than the federal government in innovative welfare reforms.

In addition to the skepticism surrounding state creativity, critics have voiced two key arguments against the block granting of AFDC. The first involves the "race to the bottom" in which states try to discourage welfare recipients by offering ever lower levels of benefits and services. The second argues that states are not technically and/or bureaucratically ready to take on the sole responsibilities for administration of this major welfare program.

The Race to the Bottom

The "welfare magnet" argument, discussed in chapter 2, says that states lower benefit levels (or do not raise them) out of concerns that the poor are attracted to states which offer higher benefit levels than those offered in neighboring states. In their efforts to detract the poor, it is argued that states will enter a competition with one another over the lowest benefit levels in order to have the fewest welfare recipients. Critics fear that the possibility of this "race to the bottom" will be increased under the block grant system because assistance is no longer a federal entitlement.

States will not, however, be able to eliminate assistance under TANF because they are held to an 80 percent maintenance

of effort standard. If they meet federal work requirements, the maintenance of effort is reduced to 75 percent. On the other hand, states will be able to transfer up to 10 percent of the TANF block grant to their Social Services Block Grant, which is a grant for services more politically popular than welfare, "many of which go to the elderly and to families well above the poverty line" (Washington Social Legislation Bulletin, 1996:153). With the ability to transfer from TANF and the maintenance of effort standard, "the Center on Budget and Policy Priorities estimates that states will be able to withdraw about \$40 billion in state funds from income support and work programs over the next six years without losing any federal money" (Washington Social Legislation Bulletin, 153).

Before the passage of TANF, Schram wrote of the direction of recent welfare reform: "The new paternalism is about reducing the number of people receiving assistance, irrespective of whether they leave the rolls under improved circumstances. As such, it is an attempt to reduce the visibility of the poverty problem and to deny responsibility for having to address it" (1995:170). From the final legislation signed in 1996, it appears that Schram was right: States will continue to receive their block grants whether roll reductions are the result of work increases or eligibility decreases. Given the magnitude of potential savings and the political climate, it is hard to imagine that states will not lower their spending levels.

Reishauer and Weaver (1995) explain why states are

unlikely to increase welfare spending under TANF: In order to increase the combined support of cash assistance and Food Stamps, states have to spend more of their own money under block grants than they do under the former matching-grant system. "[B]ecause federal block grant payments do not vary with state effort and Food Stamp payments vary inversely with state effort, a block grant system reverses the incentive of state governments to increase state AFDC payments to get more federal dollars flowing into the state: a greater state effort for family support payments will decrease the inflow of federal dollars" (1995:20). They argue that states, especially those which offer high benefit levels, may be tempted to reduce their benefits due to the incentive structure of a block granted program.

Other block grant opponents have argued along similar lines. One critic at the Children's Defense Fund explained that, "If some states failed to meet the needs of their children when the federal government was willing to foot the entire bill, they are even more likely to skimp on meeting children's needs under a limited block grant that leaves them to pick up the slack" (Johnson, 1995:40). And Gold warns that, "The automatic growth of federal aid caused by the recession of the early 1990s suggests that the full implications of switching to block grants will really not be felt until the next recession occurs. Eliminating open-ended matching grants means that the state budget crunch will be much more severe during a recession than it has been during

the downturns of the past several decades" (1996:275-6).

Many argue that the evidence indicates a race to the bottom is not only eminent, but is in fact already the case: Since the early 1970s, states have not adjusted AFDC benefits to reflect inflation, and thus real benefit levels for a family of four with no other income declined by 47 percent over these years (Reischauer and Weaver, 1995). Benefit levels have declined for several reasons that are important in the context of current welfare reform: 1) States have set their own need and benefit levels (there were no federal minimums), 2) States have increasingly been strapped for funds as they have experienced increased pressures from Medicaid, education, and their criminal justice systems, and 3) Politically, it is expedient to cut from welfare, because generally, groups representing the poor are poorly financed and often disorganized and in fact politicians get credit for lowering welfare spending. For the current situation, none of these things has changed, which means that states have no greater incentives to offer greater benefit packages under TANF. Many fear that states will offer even less to the poor.

A study on unemployment compensation offers an example of the type of race to the bottom that states may experience with TANF. An 11-member Advisory Council was set up in 1991 to study what states have done with the Unemployment Insurance program, "a major program that the federal government delegated to them in 1935" (Stanfield, 2877:1995). The results show a definite race to the bottom effect. Within a

year after neighboring states reduced their unemployment taxes, most states also reduced theirs. States use low unemployment tax rates as a tool to encourage businesses to locate within their borders; and while in the 1950s, 50 percent of the nation's unemployed received benefits, by 1993 that figure was down to 30 percent. Results of this council's report support the idea that, left to their own devices, states feel little pressure to offer generous redistributive benefits.

As with most issues over which people are strongly divided, the truth probably lies somewhere in the middle. Recent research, for example, has indicated that interstate competition is not always "the determining force in welfare reform" (Hanson and Heaney, 1997:22). Preliminary work by Heaney (1997) finds that while it is true that states reduce AFDC benefits to correspond to the lower benefits of their neighbors, states also take cues from their neighbors in *increasing* benefits. Similarly, Hanson and Heaney find that during 1992-1996, states sought both restrictive and liberalizing waivers with almost equal fervor; during the final years of AFDC, states were not experimenting with aid solely in accordance with theories of destructive competition. Both of these works conclude that the race-to-the-bottom scenario for TANF has been exaggerated.

Technical Deficiencies

In addition to the fears of a race to the bottom, critics of TANF have also argued that states are not technically

and/or bureaucratically well equipped to deal with the added responsibility of block grants. An example of such technical deficiency comes from state attempts to computerize collection systems for delinquent child support, which have been aided by \$2 billion of federal money since 1980. As of 1995 only one state, Montana, had its system up and running. As the *Washington Post* reported, "The story of the federally mandated computerization effort, in which many states are suffering major cost overruns and many single parents are not getting payments due them, underscores the difficulties states face in adopting the technologies needed to run major social programs being shifted to them from Washington" (Babington, 1995).

Another example comes from the Supplemental Security Income for Disabled Children program. Stories of fraud in the program prompted investigations which found that, "it was faulty state administration of flawed federal regulations, much more than outright cheating, that had enabled thousands of low-income families to get a monthly check from the taxpayers that they weren't entitled to" (Shanahan, 1996:13).

Finally, is the example of child welfare programs for abused and neglected children in the states. In March 1996 the *New York Times* reported that many states were not meeting their half of responsibility in child protective services, while the federal government continues to provide them with \$4 billion a year. "In all, child welfare programs are now being carried out under court orders or consent decrees in Alabama, Arkansas, California, Connecticut, the District of Columbia,

Florida, Georgia, Illinois, Indiana, Kansas, Kentucky, Maryland, Massachusetts, Missouri, New Mexico, New York, Ohio, Pennsylvania, Rhode Island, Utah, Washington and West Virginia" (Pear, 1996a:A14). Nearly half of the states have been found to be so deficient in carrying out their duties to protect children that court intervention was deemed necessary.

The preceding examples of state trouble with child support collection, SSI for disabled children and child protective services are not encouraging for the AFDC block grants. Brodtkin explains:

Given the record to date, it takes an unwarranted leap of faith to assume that states have the capacity to serve more than double the current number of welfare recipients effectively and move them in unprecedented numbers into steady work--especially with federal aid frozen at 1994 levels. While the accomplishments of a few selected state agencies have been celebrated, less attention has been paid to the widely varied results achieved by welfare-to-work programs across the country. (1995:76).

While some states are prepared to handle the increased responsibility of block grants, others are not. Without federal entitlement status, it is difficult to believe that all states will continue to provide assistance to all needy families. Instead, the fear is that the neglect evidenced in child protective services may surface in the new TANF program.

U.S. Experience with Block Grants

It is important to note that the U.S. experience with block grants indicates that over time the TANF program will likely be subjected to many increases in federal restrictions. Walker discusses this phenomena in his discussion of block grants through the seventies and into the nineties: "[A]ll in

time experienced significant mutation, largely in the direction of more conditions and greater centralization because of the extreme political difficulties of maintaining a judicious balance between attaining certain national purposes (by conditions) and assuring significant recipient discretion (by stipulating few conditions)" (1995:235-6).

In addition to an increase in federal restrictions, Nathan (1996) and Posner and Wrightson (1996) tell us that the block granted programs of both the Nixon and Reagan administrations lost financial value over time in both nominal and real terms. "Not only did Congress fail to channel new spending within program areas to existing block grants, the nine block grants passed in the first term of the Reagan administration experienced real-dollar declines of nearly 15 percent" (Posner and Wrightson, 97).

Posner and Wrightson offer several reasons for the eventual federal retrenchment experienced by block granted programs. First, categorical grants allow for credit-taking by members of Congress much more easily than do block grants. In 1981 and again in 1995 Congress members gained political credit for favoring devolution and block grants. When devolution is no longer the watch-word, however, Congress members have a tendency to return to categorical grants in order to enhance their positions with the electorate. Second, interest groups have tended to focus their attentions nationally and will continue to do so for the future. When such pressure is applied at the national level rather than the

state level, national policy makers are more responsive, although a circular process, this leads interest groups to continue to focus their attentions at the national level. Third, the media, and thus the public, will likely continue to look to the federal government for attention to problems, no matter what level of government is best suited to provide a solution. Finally, Posner and Wrightson suggest that program evaluations provide symbolic reassurance to observers more often than they influence further program decisions. "Thus, when it appears that the states' implementation track record does not call for the federal recentralization, then recategorization might be best understood as symbolic behavior designed to reinforce the legitimacy of federal political institutions and decisions" (Posner and Wrightson, 1996:99).

The Reality of TANF

In practice the provisions of PRWORA will be, for many states, a double edged sword. While greater flexibility is afforded states through the block granted TANF program, the federal government has also included many restrictions and strict work requirements. Recipients are now under five year lifetime limits on assistance, meaning that states which assist families after the five year limit will be responsible for 100 percent of the costs. States will have to have 25 percent of recipients either in jobs or off the assistance roles in the first year. By fiscal year 2002, 50 percent of state recipients are expected to be employed (or off of the rolls). States are also under federal work hour requirements

for both single and two-parent families. The penalties for non-compliance in any of these areas are block grant reductions. The high cost of compliance has encouraged some to predict that many states will simply accept the penalties rather than implement all of the PRWORA requirements (Burtless, et al. 1997).

While many states initially balked at the strict work requirements under the new welfare law (Kilborn, 1996), thanks to the fortuitous base year of 1995 and a strong economy, most states are already well on their way to meeting those requirements. The choice of 1995 was advantageous to states because welfare caseloads in 1996 were down by an average of 9 percent from 1995, which means that it will be much easier for states to meet the federal requirements. For example, in Maryland, where the welfare rates are down by 26 percent from 1995, no further action is needed by the state to comply with PRWORA. Only three states, Alaska, Hawaii and Minnesota, have experienced any increases in their AFDC rates from 1995, and those by only 1 or 2 percentage points (Pear, 1996b). What will happen when the economy sours in some or all of the states remains to be seen.

Even while the economy is still fairly strong, "corrections" are being made to PRWORA. During the 1996 Democratic Convention President Clinton announced that he was determined to correct some of PRWORA's more harsh provisions during his second term in office. It appears that he is attempting to do just that through a recent budget proposal

which "calls for a total of \$17.9 billion in restorations between 1998-2002; [Medicaid: \$4.8 billion; Food Stamps: 3.335 billion; and SSI: 9.7 billion]" (CLASP, 1997:1). If Congress approves these proposals, the budget cuts made by PRWORA would be decreased by one-third.

Like the Clinton administration, many states seem to be concerned about the severity of the Food Stamps cuts. The *Wall Street Journal* reports that, "A growing number of states, overwhelmed with welfare changes, are putting the cuts on hold for hundreds of thousands of recipients" (Georges, 1997:A24). Interestingly, states are making these food stamp "corrections" through use of 1115 waivers. Because the Clinton administration is unhappy with the food stamp cuts, it has been very responsive to state requests for waivers.

Waivers After PRWORA

Although the AFDC system has been eliminated, 1115 waivers can remain an important piece of state welfare implementation. The PRWORA created a new Section 415 of the Social Security Act which concerns waivers granted both before and after the new legislation. In effect, states with waivers that are contrary to the provisions of PRWORA have the option to keep their waiver programs until their expiration dates. States are also allowed to file for additional waivers until July 1, 1997, and those waivers may contain provisions that run contrary to the provisions of PRWORA. These 'last minute' waivers are subject to two conditions: first, a state will be granted a waiver that is inconsistent with PRWORA only if it

can demonstrate that its waiver will not increase federal expenditures under Title IV of the Social Security Act; and second, no waiver which is approved after the date of enactment can affect the work participation rates required under the provisions of TANF.

The federal DHHS has not offered any interpretation of existing state waivers that it believes are inconsistent with the provisions of PRWORA. Instead, DHHS has suggested that when states file their state plans, as they are required to do, they should alert the department to areas in which the state's waiver(s) may be inconsistent with the new legislation. In November 1996, The Center for Law and Social Policy (CLASP) reported that 32 states had submitted their state plans to DHHS with 12 having identified one or more inconsistencies between PRWORA and their State Plans. The most common areas in which states identified inconsistencies between their waivers and PRWORA have been in work and participation requirements, and time limits. At least half of these states indicated their intention to continue implementing one or more of their current waivers.

It should also be noted that waivers may continue to be granted after the PRWORA start date of July 1, 1997. Current 1115 waivers allow states to waive provisions of Section 402 of the Social Security Act (the state plan provisions), however, many of the requirements of PRWORA from which a state may seek a waiver are no longer contained in Section 402. Instead, work requirements, time limits, restrictions on aid,

and penalties are now contained in the new Sections 407-409 of the Act. It appears, at least for the time being, that these provisions will not be subject to state waivers. While still available to states, the waiver option will be seriously restricted beginning in July of 1997.

Finally, it is important to note that 1115 waivers will continue to be available for experimentation and reform in both the Medicaid and Food Stamps programs. As discussed above, the new legislation has had an almost immediate effect on the numbers of states seeking Food Stamp waivers. Severe restrictions were placed on receipt of Food Stamps by the able-bodied under PRWORA, offering Food Stamp eligibility to recipients in just 3 of any 36 month time period. By March 1997, 40 states and the District of Columbia had applied for waivers to continue food stamps to the unemployed who lived in areas of concentrated unemployment (Georges, 1997).

As in the early stages of any major policy overhaul, there remain more questions than answers for state provision of welfare. How well states will comply with federal requirements, how many recipients will find work, and what states will do with their most troubled families when the five year lifetime limit on assistance runs out remain to be seen. With the help of continued good economies, a few states will likely rise to the occasion, put recipients to work, and get families off of public assistance. There will undoubtedly be many success stories. Other states, however, are unlikely to be able to meet the 50 percent work participation rates and

will likely need to draw on the federal PRWORA Contingency Fund³⁷. In the end, many states may find that TANF has put them in the proverbial "be careful what you wish for" situation. Whatever the results of the devolution of welfare responsibilities, it is unlikely that this will be the last word on welfare or its reform.

It is clear that AFDC waivers played an important role in PRWORA and the elimination of AFDC. The prospects for the future federal role, so important to the findings of this dissertation, are less clear. If history is any guide, we can expect the federal government to continue to influence block grant implementation and state welfare policy efforts. Despite the states' devolution bravado, they will continue to look toward Washington for guidance and aid in critical times.

³⁷ The Contingency Fund offers problems of its own for states: While a \$2 billion fund exists from which recessionary states may seek additional federal funding, a state will have to prove that its TANF expenditures have been 100 percent of their historic levels by the end of the year in which the state seeks contingency funding. This will require some states to increase welfare spending in the middle of an economic downturn, an unlikely prospect.

CHAPTER SIX

CONCLUSION: PERMISSIVE FEDERALISM AND WELFARE REFORM

The 60-year history of the AFDC system in the United States has been one of coordination and cooperation between the federal government and the states. Each level of government has contributed to demonstrations, innovations, and changes to the welfare system. Just as federal and state cooperation led to the Work Incentive Programs (WIN) of the 1970s, such involvement led to the Community Work Experience Programs (CWEP) of the 1980s. CWEP and other state experiments led to the 1988 federal JOBS program, which in turn has led to TANF and the elimination of AFDC.

Welfare reform during the final decade and a half of the AFDC program continues to offer evidence of the magnitude of intergovernmental connectedness that surrounds the provisions of welfare benefits. Reform agendas are generally set at the federal level, reform ideas are funneled down from the federal bureaucracy to the states, and federal money is offered to assist states in achieving the reform goal of work participation by welfare recipients. The states play an important role as well, with reform agendas set in some state capitols, reform ideas horizontally diffused from state to state, and other ideas vertically diffused upward to the federal government for institution in federal legislation or

broader dissemination back down to other states.

Permissive federalism will continue to characterize the federal/state relationship in social services for several reasons. First, the federal government plays an integral role in funding these programs. In 1990, \$560.7 billion were spent on redistributive programs by the federal government, while the states spent only \$136.9 billion on these same programs (Peterson, 1995). With so much federal money at stake, national leaders are unlikely to hand over large amounts of program authority to their counterparts in the states. Second, even though the federal government is reducing its financial commitment to some policies, including welfare, the media and the public will continue to look to the federal government for solutions to domestic policy problems. While some federalism scholars believe that policy responsibilities ought to be better "sorted out" between levels of government, (Rivlin, 1992; Peterson, 1995) it is unlikely to happen (Grodzins, 1964; Derthick, 1996). As Derthick writes, "Sorting out has not worked. Once assumed by the national government, responsibilities do not get turned back" (1996:44). Finally, as Reagan (1972) explained when he coined the term "permissive federalism," the United States has reached a point at which national consensus can be agreed upon in many policy areas. In such a climate, people expect policies to be similar, if not equal, across the nation. As we have seen, the federal role in guiding standard policy ideas and disseminating that information to the states under

the terms of national consensus, has been powerful. As Posner and Wrightson (1996) argue, the "nationalization" of policymaking will continue. "Years of exposure to these [federal] initiatives...may have succeeded in shifting state and local policy agendas as states came to internalize many federal program objectives as their own" (Posner and Wrightson, 96).

Research Summary

This research has attempted to piece together the puzzle of federal and state involvement in welfare reform during the 1980s and 1990s. Initially, it was guided by the mystery of the 1988 federal Family Support Act (FSA), which seemed somehow to lead states to seek further welfare reform through Section 1115 waivers. Since FSA was widely hailed as a major step forward in welfare reform many were surprised to find the states even more actively engaged in reform after its passage (Nathan 1993; Hecht 1995; Lurie 1996).

An examination of state welfare reforms since 1982 indicated that there was a strong federal influence on state policy activity during these years. This preliminary evidence led to three specific research questions: 1) What role does federal leadership play in welfare reform at the state level? 2) Why have states reacted differently to federal initiatives in AFDC reform? and 3) How do state and federal politics influence AFDC waiver requests? The first two of these questions were answered using 50-state analyses of welfare reform policies between 1982 and May 1995. The third question

was answered using a comparative multiple-case study of Utah and Michigan.

Findings

Both the quantitative and qualitative analyses of state waiver activity between 1982 and 1995 point to several clear conclusions. First, the innovative state role in welfare reform is overstated; the federal government has often guided reform efforts. State politicians know that reforming welfare offers big political rewards, and they have used it to their advantage even when ideas are not original and reforms make few impacts on the welfare system. Especially since the late 1980s, state leaders have taken credit for any and all changes to welfare, even when those changes have been initiated by the federal government. However, it is important to note that states do not blindly follow federal dictates. Instead, the federal lead has only been followed when states find it expedient to do so. States do not seem willing to follow the federal lead when they feel it is not in their best interests, for example in the recent requests for Food Stamp waivers. In addition, some states have acted as innovators for different policy proposals and other states have followed their leads.

While tales of state leadership abound in the lore of welfare reform, the truth is that national priorities and the federal government have always been instrumental in advancing welfare reform efforts and ideas. Research that ignores the federal role in 1115 waiver efforts is incomplete. There is a national consensus supporting mutual responsibility between

recipients and governments, and states have sought to conform their AFDC programs to this idea. They have, however, tended to do so under the advice and consent of the federal government. As has been noted, even under the opened door of block grants, states have not made major changes. Instead, they have sought to stay on the path of public assistance that they had mapped for themselves under the AFDC program.

The second conclusion is that state politics matter. States with powerful governors have been more likely to seek 1115 waivers than have states with weak governors, and Republican governors have been more likely to seek substantive waivers than have their Democratic counterparts. These findings are not surprising because welfare policy is a highly political issue which has often been used by politicians for political gain.

The Michigan and Utah cases illustrate the importance of powerful governors in the politics of welfare reform. The individuals interviewed were nearly unanimous in the opinion that when governors were vocal about state reform efforts, their states gained a place on the national stage; when governors did not actively pursue the spotlight, even innovative and effective programs were ignored. In Michigan, where the governor sponsored welfare reform and was aggressive in promoting it, interviewees, press accounts and scholars report that Engler gained a national reputation-- a reputation that exceeded the innovativeness of Michigan's reforms. In Utah, where the governors have not been involved in reform

efforts and have not done much to promote state innovations, there has been little political reward, even though their programs were innovative and comprehensive.

Third, the quantitative analysis also indicates that the state context variables of innovative tendencies and western region were important factors in Section 1115 waiver reform efforts. Especially during the early 1980s, states that tended to be policy innovators were more likely to seek 1115 waiver reforms. During the later years of waiver activity, states in the western and southern regions of the U.S. were more likely to use AFDC waivers than were states in the Midwest or East. The qualitative analysis pointed to a less tangible factor in welfare reform efforts: The effect of a "national mood". Several of those interviewed mentioned the changing perceptions and expectations surrounding public assistance programs. While originally meant to keep women at home with their children, these programs are now about temporary relief until work and self-sufficiency can be attained. These changed expectations were one of the key factors leading states to seek welfare reform during the period of this study.

Finally, consistent with my hypotheses in the statistical analysis, need variables proved to be the least important of the three independent variable categories. This was confirmed through the case studies: No identifiable "crisis" was being addressed in Utah or Michigan when they enacted their welfare reform projects. Neither state spending nor reciprocity rates

had increased dramatically, and no single incident brought the welfare issue to public attention. Instead, we are again pointed in the direction of the intangible and the symbolic: A national mood and perceptions that the welfare system had gotten "out of control" pushed politicians to seek welfare reform in order to assuage the fear and anger of the public.

My findings reinforce the conclusion that 1115 waivers have been sought less often because of the financial burdens of state AFDC programs, and more often because of the public desire to encourage self-sufficiency and the positive political impact that politicians associate with attempts to reform welfare. Even in Utah, where politics had not fueled reform efforts, the program now focuses on employment and personal responsibility. There has simply been a dramatic shift in what governments and the people they represent expect of welfare recipients and what they are willing to offer in return.

The Politics of Waivers

Several general conclusions can be made about the politics of waivers from this research. First, the federal government will likely continue to be fairly lenient in granting waivers to states, presuming two conditions remain: 1) devolution remains politically salient, and 2) states continue to ask for waivers that are not dramatically different from national program goals. As long as the devolution mentality continues in Washington and state capitals, states will continue to exhibit control over their

social service programs through seeking waiver options. Second, waivers have had, and will continue to have, more to do with "fine tuning" programs to fit particular state needs than with launching innovations. Finally, states will continue to implement 1115 waivers in Medicaid and Food Stamps to experiment with social service reforms. Early evidence with PRWORA waivers indicates that states will continue to use the 1115 waiver mechanism to meet state concerns.

The "waiver game" played in these major social service programs is the result of the system of permissive federalism. While states have been able to experiment with their AFDC systems for over 30 years, they seldom found reason to do so until the federal government began to subtly, and then more blatantly, encourage innovation. The national consensus regarding mutual obligations between recipients and governments has led federal and state policies to become increasingly work-oriented since the late 1960s. TANF is supposed to allow states more flexibility in creating their own reciprocal welfare-to-work systems, however, we should expect state efforts to continue to be shaped by federal guidelines.

The floodgates have been opened for Section 1115 waivers: They have proven to be important tools in the reform and eventual dismantling of the AFDC system, and their usefulness in reforming Medicaid and Food Stamps is currently being tested. As long as state leaders are able to both "thumbprint" their own state programs and gain political

prestige as reformers, waivers will continue to be an important option for both practical and political reasons. As the major player in these "waiver games," the federal government will continue to guide policy and assist states seeking reform.

As suggested in Chapter Five, it is likely that some states will find block grants to be suboptimal; they may long for the simpler days of federal matching funds and the 1115 waiver option. Although AFDC was abandoned, in part, because waivers did not offer adequate flexibility to the states, questions about the effectiveness of TANF had begun as soon as the legislation was signed (Kilborn, 1996). AFDC seems to be the baby thrown out with the bathwater; it was a program whose faults were known which has been replaced with an unknown. Leaders of states that are troubled by block grants would be wise to seek a refined waiver process for Medicaid, Food Stamps, and TANF, rather than eliminate these programs completely. As Reishauer and Weaver explain, "Encouraging innovation by using waivers is likely to be most successful when combined with challenge grants that compel the federal government to share in the risk of policy experiments by sharing the costs" (1995:17). The results of TANF, if negative, may help states to persuade the national government that they can engage in experimentation most effectively with greater incentives and assistance from the federal level. It is likely that the trend toward state autonomy will temper, and greater coordinated efforts at social service delivery

will again be sought.

Future Research on Waiver Politics

Because state waivers are available with Food Stamps and Medicaid, these would be useful programs to consider in future research. Especially interesting is the case of Medicaid because, as in the case of AFDC, waivers have been sought with great frequency in recent years. Would the permissive federalism explanation offered for AFDC hold for the Medicaid program? Is waiver experimentation with Medicaid also an example of states "thumbprinting" their own programs? There is some indication of overlap in the uses of 1115 waivers in both programs. As Schneider (1997) indicates, the federal government has guided the priorities of Medicaid waivers in ways similar to its guidance in AFDC waiver priorities. Schneider also identifies many provisions of state Medicaid waiver requests which are similar to provisions sought in other states. This mirrors what occurred with the AFDC waivers, which experienced substantial levels of "idea borrowing" from both the federal government and other states.

Another avenue that is open to waiver research involves what states will do with 1115 waivers in light of PRWORA. Which waivers have states kept, which new waivers have they sought, and why? Since 40 states have already sought waivers for Food Stamps as a result of the new law, it is apparent that PRWORA will offer states new reasons to seek waivers. The case of the recent Food Stamp waivers offers evidence that the states are not following the federal lead on the issue of

able-bodied welfare recipients, thus the permissive federalism explanation may not hold. On the other hand, the Clinton administration itself has expressed reservations about these provisions. In light of these seeming contradictions, a good question for investigation might ask about the politics surrounding the passage of PRWORA, with emphasis on the particular provisions within the Act and the coalitions which supported them; if this is bad policy that states cannot live with even before its July 1, 1997 start date, how did it become law?

Future research may also apply the "permissive federalism" explanation to other policy areas. Environmental policy, for example, is very much a joint federal-state venture. It would be interesting to examine the extent of federal influence on state air and water quality policies over the years. If it is true that national priorities and federal guidance have become essential to the process of state policy making (Reagan, 1972; Rom, 1989; Walker, 1995; Posner and Wrightson, 1996), then it would be useful to determine under what circumstances states follow the federal lead, and under what circumstances they seek their own policy alternatives.

The results of the case studies offer such different pictures of reform-oriented states that another area of future research may involve clarification of when policies will be initiated by politicians, and when they will be initiated by the bureaucracy. For example, one difference between Utah and Michigan involved welfare on each state's agenda. It may be

the case that when an issue is not high on the political radar in a state, policies are more likely advanced through bureaucratic channels (as in the Utah case), while issues on the state agenda may be more likely to be advanced by politicians who see the opportunity for credit-taking (as in the Michigan case).

Politics and the Future of Welfare Reform

It is appropriate, if not obvious, that consideration of the politics surrounding PRWORA will be an important point of investigation in further understanding welfare reform in America. Republicans on Capitol Hill, vocal state governors like Engler, Thompson and William Weld of Massachusetts, and the Clinton administration all had individual and collective goals for welfare reform in 1996. Knowing the motivations of and roles played by each participant in the most recent round of federal welfare reform will inform discussion of the new legislation and help to analyze policy outcomes in the future. As is always the case with welfare policy, political factors were critical for the elimination of the AFDC program and the passage of PRWORA.

During the years examined in this research, reform of the AFDC program has been inextricably tied to politics at the presidential and gubernatorial levels. Presidents and presidential campaigns did much to bring welfare reform to the national and state agendas during this time. In the states, reform during the early 1980s was less political, and thus less publicized than reform of the early 1990s. In the final

years of the AFDC program, it had become politically detrimental for governors not to have engaged in welfare reform (Wiseman, 1995). As Wiseman explained, "Waivers are so politically popular that some of the innovations proposed in waiver applications do not require waivers at all. Such changes are included in waiver packages because amending a state's AFDC plan does not provide the same political mileage as does announcement in Washington of approval of a welfare reform demonstration" (1995:13). The welfare issue continues to find itself on government agendas because the "problem" is never "solved" to the satisfaction of politicians or public.

It is doubtful that TANF will be the final reform that "solves" the welfare "problem" either for states or the federal government. While TANF makes major reforms to the system by expanding the state administrative role and contracting the federal financial role, it is likely that TANF will eventually lead to another new program in welfare reform, which will eventually lead to another. Because of the contradictory goals of the welfare system which seeks to assist the needy while discouraging dependence, it is unlikely that politicians, the public, or recipients will ever be satisfied with the system. It is more likely that the future of welfare reform will have much in common with the past: Program goals that are difficult to attain, a public that is generally unsympathetic, and politicians who are willing to use welfare reform to advance their own political agendas with little regard for policy outcomes on poor families.

APPENDICES

APPENDIX A

Independent Variables Used and Predicted Effects on the Relative Probability of Choosing Each Strategy, versus the Federal Follower Strategy¹

	<u>Experimental</u> Follower	<u>Bandwagon</u> Follower	<u>Waiver Lead</u> Follower
Governor strength	0	+	+
Legislative Professionalism	0	+	(+)
Ideology	-	(-)	0
Innovativeness Score	+	0	+
Spending per family	(+)	(+)	(+)
Growth of Poverty Rate	(+)	+	(+)
Poverty Rate	(+)	(+)	+

0 indicates that expected direction of independent variable is same for both Federal Follower and Strategy x.
(-) indicates weak relationship; no effect expected on Federal Follower or Strategy x.

¹ These predicted directions of independent variable effect can be compared to the coefficient estimates in Table 3-4.

APPENDIX B

Independent Variable Descriptions and Sources

Socserv:	Percent of state employees that are public welfare workers. Bureau of the Census, <i>Government Employment</i> , various years.
Percap:	Per capita income. Bureau of the Census, <i>Government Finances</i> , various years.
Pop:	State population, in thousands. Bureau of the Census, <i>Government Finances</i> , various years, with <i>Statistical Abstracts</i> from 1989-93.
Spd:	AFDC spending as percent of each state's general expenditures. <i>Statistical Abstracts</i> , various years, with federal share removed as per House Ways and Means Committee's <i>Green Book</i> , 1988 and 1993.
Povrt:	Poverty rate. Bureau of the Census, various years.
Gov:	Party of Governor; 1 = Democrat, 2 = Republican, 3 = Other. <i>The Book of the States</i> , various years.
Recip:	AFDC recipients as percent of population. <i>Statistical Abstracts</i> , various years.
Famaid:	Average monthly AFDC grant per family of three. Congressional Information Services, <i>Overview of AFDC Program, FY94</i> (microfiche).
Unity:	Party unity between governor and legislature; 1 = Unity, 0 = Disunity. <i>The Book of the States</i> , various years.
Appt:	Direct gubernatorial appointment of welfare/social service agency heads. Gubernatorial appointment = 1, Other (civil service, agency head appointment, board appointment, etc.) = 0. <i>The Book of the States</i> , 1994-1995.
Sen:	Party control, state Senate. 1 = Democrat, 2 = Republican, 3 = Other (tie, nonpartisan). <i>The Book of the States</i> , various years.

- House: Party control, state House. 1 = Democrat, 2 = Republican, 3 = Other (tie, unicameral). *The Book of the States*, various years.
- Exp: State general expenditure total. *Statistical Abstract*, various years.
- StSp: State share of AFDC spending (minus federal share). *Statistical Abstracts* and US House of Representatives *Green Book*, both various years.
- Innov: Composite innovation score for all states, except Alaska and Hawaii. The scale is 0-1, closer to 1 = more innovative, with New York as most innovative at, .656. Walker, 1969. NOTE: This is a troubled index for several reasons, first it is nearly thirty years old and has not been updated, second innovation has been found to depend upon policy area. It remains, however, the best index available to use in a broad based study.
- Ideol: Weighted mean scores of state ideology, except Alaska and Hawaii. The higher the score, the more conservative the state ideology, with Idaho as most conservative with a score of .396, and Connecticut as most liberal with a score of .027. Wright, Erikson, McIver, 1985.
- Powgov: Summary of institutional power of governors, updated in 1990. The scores are on a scale from 15-29, which I simply converted to a 1-15 scale, with Maryland having the strongest governor (15), and Rhode Island having the weakest (1). Gray, Jacob, Albritton, *Politics in the American States*, 5th edition, 1990.
- Legprof: State legislative professionalization index. The score is between 0 and 1, with a higher score indicating a more professionalized legislature. New York, for example has the most professionalized legislature, with a score of .66, and New Hampshire has the least, with a score of .04. Peverill Squire, 1992.
- Region: The regional variable was collapsed from the nine Census regions into four. The Eastern region (1) contains the Census states of New England and Middle Atlantic states, the Midwest (2) is made up of the East North and West North Central Census states, the South (3) is the Southern Atlantic, and East and West South Central Census regions, and the West (4) contains the Mountain and Pacific Census states.

GovChng: The number of times that a state experienced a change in the political party of the governor between 1981 and 1994. The range for this variable was between 0 and 3. *The Book of the States*, various years.

APPENDIX C

Independent Variables Used to Test OBRA, FSA and SOU Group Models and Expected Direction of Relationship with Dependent Variable

OBRA Group Model

Program Need Variables:

- 1) Percent of AFDC Spending in State Budgets (+)
- 2) Poverty Population (+)
- 3) Percent of AFDC recipients (+)
- 4) Spending per Family (+)

Political Input Variables:

- 1) Governor party (+)
- 2) Governor Strength (+)
- 3) Professionalization of Legislature (+)

State Context Variables:

- 1) Ideology (+)
- 2) Innovativeness Score (+)
- 3) Region (-) (Eastern and Midwestern)

FSA Group Model

Program Need Variables:

- 1) Percent of AFDC Spending in State Budgets (+)
- 2) Poverty Population (+)
- 3) Percent of AFDC recipients (+)
- 4) Spending per Family (+)

Political Input Variables:

- 1) Governor party (+)
- 2) Governor Strength (+)
- 3) Professionalization of Legislature (+)
- 4) Welfare Agency Heads (+)

State Context Variables:

- 1) Ideology (+)
- 2) Region (+) (Southern and Western)

SOU Group Model

Program Need Variables:

- 1) Percent of AFDC Spending in State Budgets (+)
- 2) Poverty Population (+)
- 3) Percent of AFDC recipients (+)
- 4) Spending per Family (+)

Political Input Variables:

- 1) Governor party (+)
- 2) Governor Strength (+)
- 3) Professionalization of Legislature (+)
- 4) Welfare Agency Heads (+)

State Context Variables:

- 1) Region (+) (Southern and Western)

APPENDIX D

Independent Variables Used to Test Levels of State Waiver Activity and Expected Direction of Relationship with Dependent Variable

Program Need Variables:

- 1) Percent of AFDC Spending in State Budgets (+)
- 2) Poverty Population (+)
- 3) Percent of AFDC recipients (+)
- 4) Spending per Family (+)

Political Input Variables:

- 1) Governor party (+)
- 2) Governor Strength (+)
- 3) Professionalization of Legislature (+)
- 4) Welfare Agency Heads (+)
- 5) Party Unity between Governor and Legislatures (+)
- 6) Social Service Bureaucracy (+)

State Context Variables:

- 1) Ideology (+)
- 2) Innovativeness Score (+)
- 3) Region (+) (Southern and Western)

Utah--Case Study Interview Questions

What role do you think the
[governor's office]
[state legislature]
[Dept. of Social Services]
played in the various AFDC waivers obtained in Utah?

Which of these played the most important role?

Was there a feeling that your AFDC system had been in "crisis" (spending, recipient levels, etc.)? How important a factor was that in seeking waivers?

Do you think that the general [conservative/liberal and innovative/noninnovative] nature of the state influenced the seeking of waivers? If so, how?

Do you think that there were political motivations for seeking waivers? If so, on whose part and what were they?

Besides these motivating factors, were there others that motivated waiver requests for your state?

Where did you get your ideas for possible waivers? How important were [other states, federal incentives, universities/ social science, your agency/state government]?

When Utah sought its waivers, were any of the following factors considered: political party of the federal administration, political party in Congress, welfare reform on the national agenda, welfare reform on the state agenda? If so, in what way?

Was there opposition to the state's waiver requests, either from groups within the state or at the federal level?

What contribution to reform do you think waivers have made in Utah?

Utah hasn't gotten a lot of popular media attention for its welfare reform efforts, even though its done as much and has been more innovative than some other states that have gotten a great deal of attention. Why do you think that is?

APPENDIX F*

AFDC WELFARE REFORM - SINGLE PARENT EMPLOYMENT PROGRAM

GUIDING PRINCIPLES:

Poverty should never be accepted as the norm for anyone.

Not every individual can be totally self-supporting; however, they can perform on the highest level possible.

To assist individuals in reaching their fullest potential means assisting individuals in assuming their own responsibility. Clear choices for people shall be present. Case management does not mean being in charge.

Children are the ultimate victims and should be protected.

AFDC and JOBS must reflect the real world. A system which does not reflect how the rest of the community works only adds to the confusion and dependence of those who use it.

A child has two parents.

The community does understand hardship and wants to help. The community does not understand "Welfare" and resents it.

Clients want to get out of poverty. A job is the most promising way to get out of poverty.

There is one value that must be present for a person to be successful in becoming self supporting and that is the value of work. The labor market will remain competitive and, to get into it, one must be able to compete.

Single parents have special needs.

Finding things that work is a process; experiences help us learn. Failure is sometimes a necessary step.

Outcomes and services can be quantified. Workers providing a service should be able to see the results of their labors.

We have many creative staff, who, given the opportunity and the freedom to run an effective program, can make a difference.

* Retyped from information provided by the Utah Department of Human Services, Office of Family Support (now the Workforce Services Department).

APPENDIX G

Table 3-1
Waiver Requests from the Three Time Periods, by Category

	Pre-FSA Waivers	Post-FSA Waivers	1993-95 Waivers
Administrative	19 (29%)	8 (14%)	***** ²
Work/Job Search/Training Requirements	20 (30%)	7 (13%)	5 (10%)
Education/Employment Incentives	10 (15%)	23 (41%)	11 (22%)
Self/Subsidized Employment	11 (17%)	4 (7%)	0
Child Supportive	2 (3%)	5 (9%)	1 (2%)
Transitional	0	2 (4%)	1 (2%)
Omnibus	4 (6%)	6 (11%)	25 (51%)
Budget Savings	0	1 (2%)	3 (6%)
Total	66 (39%)	56 (33%)	46 (27%) ³

² Because the CLASP publication, *The CLASP Guide to Welfare Waivers: 1992-1995* did not include administrative type waivers, an accurate accounting could not be made for this time period.

³ Keep in mind that this number is somewhat misleading in comparison to the numbers for the other years because information about any administrative waivers during this time period has been excluded.

Table 3-2
Key Welfare Reform Provisions under each Federal Initiative

1981 OBRA*	1988 FSA**	1992 Campaign/1994 PRA
<ul style="list-style-type: none"> -Community Work Experience programs -Work Supplementations through grant diversion to employers -Work Incentive Demonstrations -Expand ability to provide vendor payments directly to landlords, utilities, etc. -Require greater quality control/error correction -Expand child support enforcement 	<ul style="list-style-type: none"> -Expand child support enforcement -JOBS program, including child care guarantee, transportation and work expenses reimbursement -Allows for client/agency contract -Allows case managers to assist families -Transitional child care -Transitional Medicaid -States can deny minor parents unless they live in adult supervised home -Increases earned income disregards -Encouraged demonstrations to test elimination of 100-hour rule -\$15 million in demo projects for teen parents, child care provision by recipients, and expanding job opportunities. 	<p>1992:</p> <ul style="list-style-type: none"> -Time limits on receipt of benefits -2 years training and education then work -Provide education, job placement and child care -Universal participation <p>1994:</p> <ul style="list-style-type: none"> -Cap welfare spending -Additional work requirements -Allow states to provide new residents with AFDC benefits of previous state -Allow states to penalize families for truancy of minor parents and/or children -Family caps -No aid for children of unwed teens

Table 3-2, Continued

*Source: Donnelly, Harrison. 1981 "Working Mothers' Benefits Cut in New AFDC Provisions in Reconciliation Measure." Congressional Quarterly Weekly Report August 15, 1981 pp 1493-1494.

**Source: Rovner, Julie. 1988. "Congress Approves Overhaul of Welfare System." Congressional Quarterly Weekly Report October 8, 1988 pp 2825-2831.

***Sources: Besharov, Douglas J. and Amy A. Fowler. 1993. "The End of Welfare as we Know It?" *The Public Interest* 111:95-108. Katz, Jeffrey L. 1994. "Broad Plan Alters Nature of Welfare Debate." *Congressional Quarterly Weekly Report* November 19, 1994: 3334-3336.

Table 3-3
1115 Waiver Request Strategies

State Strategy	Experimental	Bandwagon	Waiver Lead	Federal Follower
Waiver Strategy	Post-OBRA waivers only	Post-FSA and SOU waivers	Waivers at each time period	No waivers
Number	4	19	21	6
States	Maine New Mexico N. Carolina W. Virginia	Alabama Arkansas Connecticut Delaware Georgia Hawaii Indiana Iowa Kansas Kentucky Massachusetts Michigan Mississippi Montana N. Dakota S. Dakota Tennessee Virginia Washington	Arizona California Colorado Florida Illinois Maryland Minnesota Missouri Nebraska N. Jersey New York Ohio Oklahoma Oregon Pennsylvania S. Carolina Texas Utah Vermont Wisconsin Wyoming	Alaska Idaho Louisiana Nevada N. Hampshire Rhode Island

Table 3-4
Multinomial Logit Estimates for State Strategies

	Experiment States	Bandwagon States	Waiver Lead States
Power of Governor	.16	.55**	.41**
Legislative Professionalism	5.24	14.31	16.85**
Ideology	-26.89	-18.15**	-10.98
Innovation Score	6.88	3.53	5.90
Poverty Rate ¹	.22	.06	-.26
Growth of Poverty Rate	-.56	-.90**	-.29
Monthly Family Aid Package ¹	-.02	-.01	-.02**
Constant	1.94	.69	.2975

The dependent variable for each column is:

$\ln\{\text{Prob}(\text{strategy } x) / \text{Prob}(\text{federal follower})\}$, where strategy x is one of the state strategies other than federal follower. In other word, no coefficient estimates can be developed for the Federal Follower strategy (no waivers), because it was used as the baseline category.

¹ For each of these variables, the data are a mean for the years 1981-93.

** Statistically significant at .05 level

Table 3-5
Multinomial Logit Probabilities

State Strategies	Probabilities with Mean Values of Independent Variable	Probabilities with Mean Value +/- 1 standard deviation ¹	Actual Percent
Federal Follower States	1%	---	12%
Experimental States	>1	>1%	8
Bandwagon States	84	92	38
Waiver Lead States	14	7	42

¹ Only statistically significant variables were manipulated: Power of Governor, Legislative Professionalism, Ideology, Monthly Family Aid Package, and Growth of Poverty Rate.

Table 3-6
Multinomial Logit Probabilities, Varying Power of State Government

State Strategies	Probabilities with Strong State Government ¹	Probabilities with Weak State Government ²
Federal Follower States	>1%	22%
Experimental States	>1	4
Bandwagon States	86	62
Waiver Lead States	14	11

¹ Power of Governor and Legislative Professionalism set to their mean values, plus one standard deviation.

² Power of Governor and Legislative Professionalism set to their mean values, minus one standard deviation.

Table 3-7
Multinomial Logit Probabilities, Varying State Ideology

State Strategies	Probabilities with Conservative State Ideology ¹	Probabilities with Liberal State Ideology ²
Federal Follower States	5%	>1%
Experimental States	>1	1
Bandwagon States	69	91
Waiver Lead States	25	8

¹ Ideology set equal to the mean value, plus one standard deviation.

² Ideology set equal to the mean value, minus one standard deviation.

Table 3-8
Multinomial Logit Probabilities, Varying Poverty Rate Growth Levels

State Strategies	High Growth in Poverty Rate ¹	Very High Growth in Poverty Rate ²	Actual Percent
Federal Follower States	6%	11%	12%
Experimental States	1	1	8
Bandwagon States	51	31	38
Waiver Lead States	42	57	42

¹ Poverty Grow Rate set equal to the mean, plus 1 standard deviation.

² Poverty Grow Rate set equal to the mean, plus 1.5 standard deviations.

Table 3-9
State Use of Available FSA JOBS Funding, 1991 and 1993

	1991	1993
Number of States Using 10-39%	10	1
Number of States Using 40-59%	15	9
Number of States Using 60-69%	4	7
Number of States Using 70-79%	3	11
Number of States Using 80-89%	6	3
Number of States Using 90-100+%	11	19

Table 3-10
Average Use of Available FSA JOBS Funding,
by Type of State Strategy

	1991	1993	Average
Federal Followers	88.1%	85.3%	86.7%
Bandwagon States	63.9	81.7	72.8
Experimental States	44	64.8	54.4
Waiver Lead States	63.7	72.2	68

Table 3-11
Categorized JOBS Funding Usage, by State Strategy, 1991

State Strategy	1*	2*	3*	4*
Federal Followers	17%	--	--	83%
Experimental	25	50	25	--
Bandwagon States	33	14	10	43
Waiver Leaders	5	56	16	26

Table 3-12
Categorized JOBS Funding Usage, by State Strategy, 1993

State Strategy	1*	2*	3*	4*
Federal Followers	--	17%	17%	67%
Experimental	25	--	50	25
Bandwagon States	--	19	24	57
Waiver Leaders	5	16	53	26

- * The categories of JOBS spending are:
 1 = 0-39% of available federal funds used
 2 = 40-59% of available federal funds used
 3 = 60-79% of available federal funds used
 4 = 80+% of available federal funds used

Table 3-13
Waiver Requests Directly Following Federal Initiatives

Time Period Followed	OBRA Group (1982-4)	FSA Group (1989-91)	SOU Group (1992-94)
Number of States	18	13	35

Table 3-14
OBRA Group Model

Variable	Coefficient	Significance Level
AFDC Spending*	-1.6721	.33
Poverty Rate*	-.0780	.58
Recipients*	-4.5081	.90
Republican Governor*	-.4061	.56
Power of Governor	-.1721	.20
Ideology	-1.4279	.80
Innovation Score	8.7590	.09
Region	.3427	.39
Per Month Family Aid*	.0020	.66
Leg Professionalization	3.0384	.37

* For each of these variables, the data are a mean for the years 1981-83; because Republican governor is measured at the nominal level, the measure is the mode.

Table 3-15
FSA Group Model

Variable	Coefficient	Significance Level
AFDC Spending*	5.2556	.01
Poverty Rate*	-.2137	.36
Recipients*	-2.8821	.79
Republican Governor*	5.4817	.01
Power of Governor	.5961	.10
Ideology	1.5274	.88
Region	2.3100	.09
Gov Appointment Welfare Head	-1.6242	.25
Per Month Family Aid*	-.0401	.01
Leg Professionalization	15.9976	.04

* For each of these variables, the data are a mean for the years 1988-90; because Republican governor is measured at the nominal level, the measure is the mode.

Table 3-16
Logit Probabilities for FSA Group States

	Mean AFDC Spending	AFDC Spending (+ 1 SD*)	Mean Monthly Family Aid	Monthly Family Aid (+ 1 SD*)
Powerful** , Republican Governor	71%	99%	71%	99%
Weak**, Democratic Governor	0	2	0	14

* Standard Deviation

** "Powerful" is mean of gubernatorial power, plus one standard deviation, "Weak" is mean of gubernatorial power, minus one standard deviation.

Table 3-17
SOU Group Model

Variable	Coefficient	Significance Level
AFDC Spending Growth**	-2.0640	.12
Poverty Growth Rate**	-.1487	.41
Recipients*	-5.0066	.87
Republican Governor*	-.0151	.99
Power of Governor	.3611	.05
Region	-.3634	.42
Gov Appointment Welfare Head	-1.6931	.10
Per Month Family Aid*	-.0036	.20
Leg Professionalization	7.8137	.14

* For each of these variables, the data are a mean for the years 1991-93; because Republican governor is measured at the nominal level, the measure is the mode.

** For these variables, the data is the rate of change between 1981 (1983 for spending) and 1992.

Table 3-18
Logit Probabilities for SOU Group States

	Mean Spending Growth	Spending Growth (- 1 SD*)
Powerful Governor**, Professional Legislature	98%	99%
Weak Governor**, Non-professional Legislature	42	86

* Standard Deviation

** "Powerful" is mean of gubernatorial power, plus one standard deviation, "Weak" is mean of gubernatorial power, minus one standard deviation.

Table 3-19
OLS Model: Number of Waivers Sought from 1982-May, 1995

Variable	B	SE B	Signif. Level
Leg/Gov Party Unity**	-.51	.45	.27
Power of Governor	.08	.08	.29
Gov Appointment Welfare Head	-1.10	.45	.02
Republican Governor**	.94	.45	.05
State Social Service Wrkrs*	12.21	23.46	.61
Legislative Professionalism	3.93	2.01	.06
Region	.63	.26	.02
Ideology	-4.90	3.43	.16
Innovation Score	4.24	2.28	.07
Recipients*	-9.67	17.76	.59
AFDC Spending*	.76	.47	.12
Poverty Rate*	-.02	.08	.80
Per Month Family Aid*	-.01	.00	.01
(Constant)	.18	2.52	.94
R Square: .512 SE: 1.34			

* For each of these variables, the data are a mean for the years 1981-93

** Because each of these variables is measured at the nominal level, the measure is the modal tendency in each category between 1981-1994.

Table 4-1
State Characteristics⁴

	Utah	Michigan
Poverty Rate	11.15%	14.21%
AFDC Reciprocity	3.0%	7.0%
AFDC Spending	.47%	1.57%
AFDC Monthly Aid	\$382.71	\$432.71
Governor Strength (1-15 scale)	10	9
Republican Gvnors	1985-1995	1982, 1991-1995
Legislative Party	83-92 (R) 1994 (split)	1983 (D) 85-94 (split)
Non-administrative Waivers Granted	84, 89-90, 92-93	89, 92, 94

⁴ Definitions and sources of this information can be found in Appendix B.

Table 4-2
1115 Waiver Projects, Utah and Michigan

Utah	Michigan
<u>1984</u> Utah Community Work Program for Two-Parent Families <u>1989</u> Extension, Utah Community Work Program for Two-Parent Families <u>1990</u> Elimination 100-Hour Rule <u>1992</u> Tenant Economic Empowerment Demonstration <u>1993</u> Single Parent Employment Demonstration	<u>1982</u> (Several Administrative Waivers Implemented) <u>1989</u> Self-Employment Investment Demonstration <u>1992</u> 1) Comprehensive Services Delivery for JOBS Teen Parents 2) Parents' Fair Share 3) To Strengthen Michigan Families <u>1994</u> TSMF-Amendments

Table 4-3
State Waiver Leadership*

	Governor	Department	Legislature
Michigan	Yes	Gerald Miller	---
Utah	---	Yes	---

* This information refers to waivers received during the study period of 1982-May, 1995.

Table 4-4
State Motives for 1115 Waivers*

	Quantified Crisis	State Context	Politics	Other
MI	---	---	Yes	Perception of Crisis
UT	---	LDS work ethic	---	Desire to improve system

* This information refers to waivers received during the study period of 1982-May, 1995.

Table 4-5
Idea Sources for Waiver Provisions*

	Michigan	Utah
Department	---	Yes
Other States	Yes	---
Federal Initiatives	Only as disseminator	---
State Legislature	Department may co-opt some ideas	---
Universities/ Social Science	---	---
Other	National Groups	---

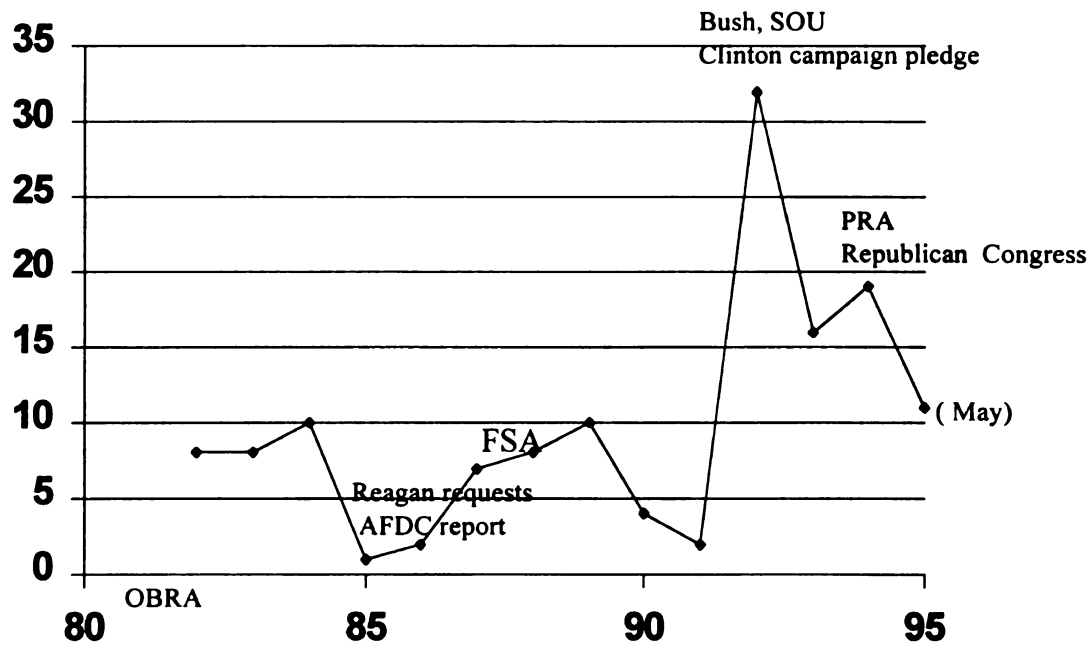
* This information refers to waivers received during the study period of 1982-May, 1995.

Table 4-6
Perceived Contributions of 1115 Waivers

Michigan	Utah
<ul style="list-style-type: none">-Major impact on reform-State idiosyncracies could be addressed-Readied Michigan for TANF-Whet state appetites for further flexibility	<ul style="list-style-type: none">-Major impact on reform-State idiosyncracies could be addressed-Locked state into SPED program, which was not reconsidered for TANF-Required evaluations which allowed for agency and advocate input-Retained AFDC entitlement status giving advocacy community legal recourse against some provisions

Appendix H

Figure 1: Number of Substantive Waiver Requests,
1982 through May, 1995



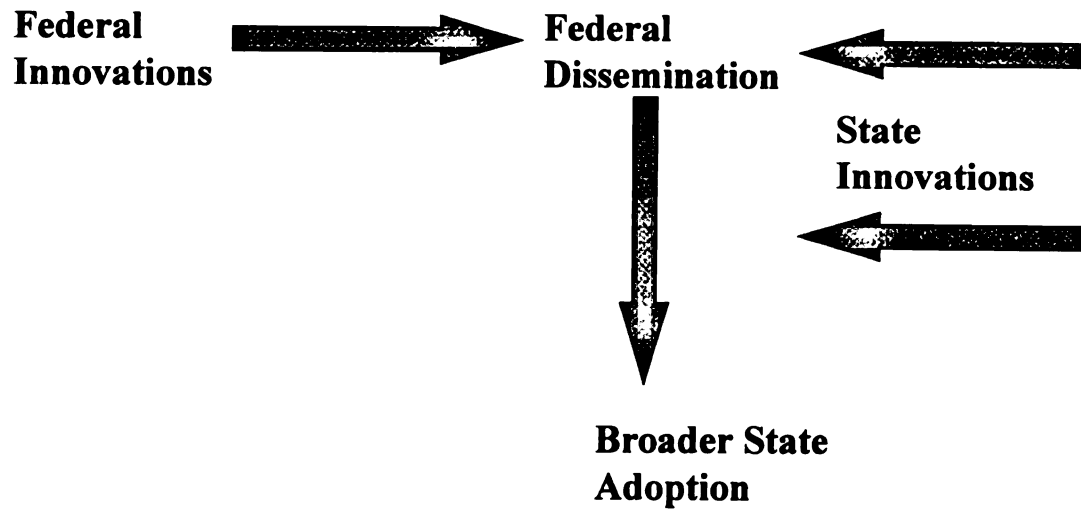
OBRA= Omnibus Reconciliation Act, 1981

FSA= Family Support Act, 1988

SOU= State of the Union Address, 1992

PRA= Personal Responsibility Act, 1994

Figure 2: Innovation Feedback Cycle



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