The Journal of Sociology & Social Welfare

Volume 21
Issue 4 *December*

Article 3

December 1994

State Welfare Reforms: Typology and Analysis

Malinda B. Orlin
University of Maryland

State Welfare Reforms: Typology and Analysis

MALINDA B. ORLIN

University of Maryland
School of Social Work

Recent state initiatives to change the AFDC program are usually described as a unified welfare reform movement with the single goal of decreasing welfare usage. However, analysis of state waiver applications submitted to HHS finds no single purpose in the reforms. Additionally, the net effect of the state experiments would be to increase usage by expanding eligibility.

Welfare reform, or, more accurately welfare restructuring, is at the forefront of policy and political debate. Driven by the twin fiscal pressures of recession and rising human services costs, governors, state legislators and citizen commissions throughout the country are debating public assistance purpose and method. The result is a creative array of modifications to the federal/state public assistance program Aid to Families with Dependent Children (AFDC).

Wisconsin's Learnfare was an early experiment which received much media attention. Begun in 1988 Learnfare attempts to reduce truancy and drop-out rates by tying school attendance to the amount of the AFDC grant. From the beginning it was regarded as punitive, because its premise was to sanction families by reducing an already meager grant if their teenage children did not regularly attend school. When considered within the context of the unprecedented national reduction in the value of AFDC benefits and the politicization of welfare, it is not surprising that all state welfare reform activity became characterized as similarly punitive and anti-recipient. By early 1992 the collectivity of state welfare initiatives was described as a single movement of the "new paternalism" using "carrots and sticks" to change the behavior of recipients enforcing the "new social contract" with the goals of saving money and decreasing usage of welfare (U.S. Senate).

Since AFDC is a federal/state program, all states must operate their AFDC programs consistent with federal law and regulation. To receive permission to alter their AFDC programs at variance with federal standards, the state applies to the Secretary of Health and Human Services for a waiver to conduct an experiment, pilot, or demonstration project. Under section 1115(a) of the Social Security Act, the Secretary is authorized to waive federal AFDC requirements to run experiments when the projects are "likely to assist in promoting the objectives of" the AFDC program. In the past three years states have been active in requesting and receiving waivers. HHS reports approximately 30 waiver-based demonstration projects in effect in 19 states in 1991. In 1992 HHS received applications for 35 new 1115 Projects from 20 different states (Center, 1993b).

A typological analysis of these applications shows sufficient variability in state welfare reform activities to conclude that it is inappropriate to describe them as a movement with a single focus. The projects requesting a 1115 waiver include a wide variety of program elements, which are not uniformly punitive, paternalistic, or thrifty. On the contrary, the net effect of the state initiatives would be to increase the costs of and participation in the AFDC program.

Federal AFDC Eligibility Requirements

The majority of the 1115 Projects seek exemption from a federal status, financial or eligibility requirement.

Status Eligibility Requirements

To be eligible for AFDC under federal law an individual must be a U.S. citizen or a legal alien and not receiving SSI. Further, to qualify for the status as a dependent child, the child must be: (a) below age 18, (b) living with a caretaker relative who is within a fixed degree of kinship, and (c) deprived of parental support or care by the death, continued absence or incapacity of either or both parents, or by the unemployment of the principal earner parent. For a family to be eligible under the unemployed parent provision, the principal earner must meet three criteria of unemployment. The principal earner must be working less than 100 hours a month, have a recent work history, and have been unemployed for at least 30 days prior to application.

Financial Eligibility Requirements

After meeting the status requirements, since AFDC is a means-tested program, a family must meet resource and income limits. Federal law sets a resource limit of $1,000. States set their own need standard and the family cannot qualify for aid unless its income is below the state standard. Federal law then restricts eligibility to AFDC units whose gross income is less than 185% of that need standard. The federal and state income and resources limits are applied to the family's countable income and resources, meaning income and resources after exemptions and disregards. Federal law determines what is to be included as countable income, for example the $50 monthly limit on child support which may be passed directly to the custodial parent and the amount of earned income that can disregarded and the duration of that disregard (Center, 1993a). In addition, federal law states which people and their consequent income and resources must, must not, or may be considered as part of the AFDC unit. Even if not part of the AFDC unit, the income and/or resources of certain designated individuals must be considered, because their income is "deemed" available to recipient, for example, stepparents' income.

Conduct Eligibility Requirements

Federal law currently requires three behaviors of recipients: furnishing social security numbers; participation in the federal work program Job Opportunity and Basic Skills (JOBS); and cooperation with child support collection activities. Categories of persons federally exempt from the JOBS requirements are persons under 19 if they are in school, caretakers with children under three years of age, and individuals too ill or incapacitated to participate, over age 59, needed in the home to care for an incapacitated or ill household member, too remote from the work program site, more than three months pregnant, or already working more than 30 hours a week.

States have applied for waivers from all three types of federal eligibility requirements—status, financial and conduct. The most significant status changes are requests to redefine absence and unemployment as conditions of deprivation. Important modifications of financial requirements include altering the formulas for disregards and exemptions to income, increasing the resource limit, and redefining which persons' incomes must be "deemed" available to the family. Proposals to add conduct requirements such as Learnfare which requires school attendance, have received the most notoriety and are largely responsible for the conceptualization of the state welfare reform activities as a unified movement to control recipient behavior. However, they are potentially the least significant of the state welfare experiments.

Typology of "Fares"

It has become commonplace to use the substitute for *wel*fare formulation, such as *learn*fare, *work*fare and *wed*fare to describe different welfare reform strategies. Presumably this rhetorical device highlights the difference between present public assistance programs which are viewed negatively and the new proposal, which will hopefully be received positively because, no matter what it is, it isn't welfare. Following is a typological analysis of the elements of state programs submitted in 1992 for federal waiver according to their purpose using the *wel*fare device.

Activityfare

The purpose of activityfare is to insure that all recipients, even if exempt from federal JOBS and educational requirements, participate in some activity that will improve their or their childrens' life chances. For example, HHS has authorized Utah under its Single Parent Employment Demonstration to require participation in activities such as family counseling, drug and alcohol programs, weight reduction, life skills classes, etc. which would prepare recipients for employment.

An important corollary developing with activityfare is the concept of an individualized plan for families, which ranges from a casework planning tool to a contract establishing the conditions for receiving assistance. A central element of the Iowa Family Investment Program is the mandatory Family Investment Agreement (FIA) which outlines what the family must do to achieve self-sufficiency and the time-line. Family participation via a FIA would be a condition of receiving assistance.

Assetfare

Assetfare programs establish resource limits over the federal $1000 to allow families to accumulate assets which would facilitate their eventual independence from AFDC, such as savings for education, security deposit on a good apartment, or a reliable vehicle for employment. Additionally, assetfare proposals which would effect applicants as well as recipients would could keep families from being forced to sell an important asset, such as a vehicle, in order to qualify for a needed short-term income support. The principles underlying assetfare are that public assistance recipients should not be penalized for saving and that eventual self-sufficiency requires the accumulation of assets. Missouri's 21st Century Communities Demonstration Project was approved with a $10,000 resource limit.

Babyfare

To eliminate subsequent births to individuals already receiving AFDC, two types of strategies are used—capping the size of the grant so that it does not reflect the increased need generated by the birth of a baby and encouraging the use of family planning. In the Wisconsin Parental and Family Responsibility Demonstration Project families would receive only one-half the payment increase for the birth of a baby and no increase for subsequent births. In the Arkansas Reduction in AFDC Birth Rates Project and the New Jersey Family Development Program, where this is known as denial of aid for afterborn children, there would be no increase in grant size for the newborn. Many state programs pay bonuses for voluntary attendance at family planning and effects of parenthood classes.

Benefare

To ease further the transition to unsubsidized employment some states are experimenting with extending the transition support services, such as health and/or child care benefits, beyond the 12 months required by the Family Support Act. The Illinois Homeless Families Stabilization Project, for example, allows extension of medical and child care benefits to families terminated from AFDC for employment reasons for up to 24 months.

Diversionfare

This strategy attempts to divert persons from AFDC by providing an emergency assistance grant if the one-time grant will prevent the need for on-going AFDC support. The Utah Single Parent Employment Demonstration provides job-ready applicants who appear AFDC eligible with a diversion payment in lieu of accepting their application.

Earnfare

One of the most significant categories of reforms are those state programs which would permit families to keep more money from sources other than AFDC without losing their eligibility or having their grants reduced so a disincentive for employment is created. The rationale for earnfare is to increase the financial payoff for employment. The primary mechanism is to expand the exclusions and disregards to countable income by experimenting with different formulas for earned income disregards. California is extending the $30 and one-third disregard indefinitely. Utah is instituting a permanent $100 plus 45% of gross earnings disregard, Michigan has been approved to replace the $30 and one-third with a continuous disregard of $200 plus 20% of the remainder of earnings. Iowa's Family Investment Program calls for a permanent disregard of 50% of earned income.

Another earnfare strategy is to exclude earnings. In To Strengthen Michigan's Families Demonstration Project, the earnings of dependent children are excluded from calculations of family income. In the South Carolina Private/For Profit Work Experience Project earnings from on-the-job-training stipends and other employment preparation activities are excluded.

Earnfare is also an important rationale behind the Vermont proposal to send the entire child support payment directly to the family rather than indirectly through the AFDC grant. Vermont policy makers assume it would provide a work incentive for both parents. The child support obligated parent and the custodial parent could see the possibilities of receiving a combination of earned income and child support payments sufficient to make the family independent of AFDC.

The 100-hour rule presently required by the federal definition of unemployment creates a disincentive for full-time employment for several categories of workers possibly including workers with low earnings potential, low skill levels, minimum work experience, and large families. Michigan, Illinois, Wisconsin, Missouri, Vermont, and California have requested waivers from the 100-hour rule as earnfare so that a two-parent family would not be terminated from welfare if the principal earner works full-time or more than 100 hours/month.

A fifth category of earnfare proposal changes the federally required retrospective budgeting. The current retrospective budgeting system creates a deterrent to employment, because it may take up to three months for grant adjustment to fully reflect changes in earnings. Generally under retrospective budgeting a grant for a month is based on income received two months earlier. Thus when a recipient family begins employment the grant is not reduced to reflect the earnings until the second month. When earnings cease, the grant is not increased until the second month following the loss of earnings. The Illinois Income Budgeting Project changes AFDC retrospective budgeting rules to avoid the delay that retrospective budgeting causes in adjusting the grant when employment begins and ends (Center, 1993b).

Edfare

These popular programs are intended to increase the school attendance of children or child caretakers. Two sanction strategies for non-attendance are a reduction in the family's cash benefit by a fixed amount (in Maryland's Primary Prevention Initiative the amount is $25/month/child) and elimination of the noncomplying individual when determining eligibility and payment (Oklahoma Learnfare Program). Reward strategies are also employed. For example, Virginia's Incentives to Advance

Learning would reward families of middle school children who maintain satisfactory attendance by providing the family with benefits at 100% of need instead of 90% which is the current payment standard statewide. The child is also directly rewarded with small in-kind bonuses such as passes to movies and sports events. The Ohio Learning, Earning and Parenting program combines the sanction and reward approach by reducing the grant $62 if the required person fails to attend school and supplementing it $62 when they do. A small subset of edfare programs is concerned not only with attendance, but with the quality of learning as measured by academic performance. Proposals such as those which would give high school seniors $200 upon graduation, provide honor roll high school students a $10/month bonus, and exempt the income of students who are employed as tutors, may perhaps correctly be described as learnfare, not just edfare.

Fatherfare

The purpose of fatherfare is to involve non-custodial parents, primarily fathers, divorced and never married, in child-rearing and preparation for employment. Two types of projects have been proposed. Under the Illinois Paternal Involvement Project the training, education, and employment services of the JOBS program would be extended to non-recipient fathers aged 18–35 who are receiving Food Stamps and whose children receive AFDC. This would open the JOBS services to fathers.

Another approach to father involvement is the proposal to send the complete child support payment to the family directly, not through the grant. The Vermont Family Independence Project in its application for waiver from the $50/month child support pass through limit, notes that under the present system, the noncustodial parent does not see that their efforts make a difference in the family's well-being and the children do not recognize the contribution of their absent parent to their welfare. The change, not using the child support payment over $50 to offset the AFDC payment, should " . . . improve the relationship between noncustodial parents and their children." (Vermont, p. IV–22).

Magnetfare

In order to discourage in-migration, some states are proposing restricting the benefits of newcomers to the state by limiting payments to recent migrants to the benefit level paid in the state they came from, if that state's benefit is lower, for a period of time such as six months or one year. Wyoming, California, Wisconsin, Illinois and Iowa have requested to create these two-tiered payment levels on the theory that their relatively generous AFDC benefits act as magnets attracting welfare dependent migrants to them. The portion of the California Assistance Payments Demonstration Project proposal which would have restricted benefits of non-residents was ruled unconstitutional on Jan. 28, 1993 by a federal judge for a U.S. District Court on the grounds that it violates the constitutional right to freedom to travel. That decision is being appealed by California.

Parentfare

Most states actively experimenting with their AFDC programs are attempting to make caretaker parents perform certain parenting behaviors. Parentfare includes insuring that children attend school and receive appropriate health care and that parents otherwise contribute to the financial and emotional support of their children. Examples of approaches to parentfare are to exclude the needs of an non-immunized child from the grant for failure to provide primary health care, as in the Georgia Preschool Immunization Project; bonuses for providing primary health care to children; requiring co-payment for JOBS provided child care (the Massachusetts Child Care Co-Payment Project would require participants to pay $2/week/child); bonuses for attending parenting education classes; bonuses or grant reductions related to school attendance for children; and allowing families to exceed the $50 federally allowed child support limit.

Timefare

The purpose of timefare proposals, also known as time-limited welfare, is to establish a limit to the length of time a recipient can receive AFDC, regardless of other factors of eligibility. This is analogous to President Clinton's proposal for a two-year limit to welfare. An example is the Vermont Family

Independence Project which would limit single parent AFDC households to 30 months of benefits and AFDC-UP households to 15 months of benefits. At the end of the specified period families would receive benefits only in exchange for unsubsidized employment or community service.

A variation on the use of time or duration of receipt to influence welfare receipt is to establish a two-tier benefit system where lower payments come into effect after a period of time, regardless of whether there is a change in the family's need. It is difficult to tell if this is timefare or merely a mechanism for benefit reduction for everyone. It was proposed in the California Welfare Reform Demonstration Project referendum which was defeated by Californians in November 1992.

Wedfare

Programs whose purpose is to encourage marriage or at least not discourage it are wedfare programs. The most significant wedfare approaches eliminate disincentives to marriage for persons receiving AFDC and removes the incentive for two parent families not receiving AFDC to separate so they can qualify. Examples of wedfare strategies to eliminate disincentives to remarriage are programs which exclude from the calculation of family income the income of a stepparent thus allowing a family to retain eligibility for AFDC. In the New Jersey Family Development Program, if an AFDC parent marries a person who is not the children's parent, the children will remain eligible for AFDC if total annual household income does not exceed 150% of the poverty level. The stepparent's earnings will not be counted in determining the children's benefit amount. Technically this eliminates the federal stepparent income deeming policy. The Iowa Family Investment Program includes a wedfare element giving stepparents the same expanded work deductions proposed for parents.

Waiving the work history rule in the Unemployed Parent program are wedfare proposals which eliminate the pressure to separate in families where the parents are married to each other, residing in the same home, but where the principal earner does not have sufficient work experience to qualify as unemployed.

Conclusion

Even though the rhetoric of state welfare reform is of satisfying taxpayers who are fed-up with welfare by changing recipients forcing them to act responsibly in exchange for their benefits, analysis of the state experiment applications shows that their main effect would be to expand AFDC usage. When barriers to self-sufficiency are removed, they also remove barriers to eligibility. The number of eligible persons would be significantly increased by assetfare, wedfare and earnfare experiments which eliminate the deeming of stepparent income, eliminate the 100 hour and previous work history rules establish higher disregards of earned income, and permit the accumulation of assets without losing eligibility.

Expenditures for services such as Medicaid, JOBS training and employment, the creation of new counseling services and transitional health, child care and transportation benefits would be increased by activityfare, benefare, and fatherfare because more people would be required to participate in or be given access to the services, new services are created and duration of services would be extended.

Even those proposed elements that look as though they would reduce costs and eligibility—timefare, babyfare, and magnetfare—have limited cost reduction possibilities. Most timefare proposals, for example, specify that after the time limit has expires, the family receives the benefit in exchange for workfare or community service, not that they cease receiving all financial support. Wisconsin is an exception. In Wisconsin the durational limit is absolute. Magnetfare and babyfare, if they are successful in preventing in-migration and afterbirths, will not reduce costs. At most they would reduce the growth in expenditures.

Review of the diverse program elements ranging from activityfare to wedfare for which the states requested federal waivers, suggests there is no uniform state welfare reform movement. The goals, strategies, and effects of the diverse 1115 programs show that even though the rhetoric of welfare reform is consistently harsh and exclusive, program purposes and consequences differ considerably.

References

Center on Social Welfare Policy and Law. (1993a). *AFDC program rules for advocates: An overview* (Publication No. 160). New York, NY: Author.

Center on Social Welfare Policy and Law. (1993b). *Report on AFDC 1115 applications submitted to HHS from January 1992–January 1993* (Publication No. 169). New York, NY: Author.

Iowa Department of Human Services. (1993). *Iowa Family Investment Program: Application for waiver.*

Taylor, P. (1992, February 4). Carrots and Sticks of Welfare Reform. *The Washington Post*, p. A13.

U.S. Senate. (1992). *Changes in state welfare reform programs.* Senate Hearings 102–678. Washington, DC: Government Printing Office.

Vermont Department of Social Welfare. (1992). *Family Independence Project: waiver request.*

Wiseman, M. (1993). Welfare reform in the states: The Bush legacy. *Focus, 15*(2), 18–36.