

PERSPECTIVE

Welfare Reform

Welfare Reform in the Federal System

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The Family Support Act: Public Assistance for the 1990s

Jo Anne B. Barnhart

The States and Welfare Reform

Governor Bill Clinton

Governor Michael Castle

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Robert Moffitt



A View from the Commission



In his State of the Union address on January 29, 1991, President Bush announced a proposal to turn over at least \$15 billion in domestic programs to the states. The initial reaction from the states was very positive, and the Administration has consulted with the governors, state legislators, mayors, and county officials to prepare a list of programs to present to the Congress.

The President feels very strongly that the elected officials in the states can manage these programs better, and in a more fiscally sound manner, than Washington. As noted by the President, "The value of this turnover approach is straightforward. It allows the federal government to reduce overhead. It allows states to manage more flexibly and efficiently. It moves power and decisionmaking closer to the people. And it reinforces a theme of this Administration: appreciation and encouragement of the innovative powers of 'States as Laboratories'."

Some very basic principles guide the way the program would work.

- The list of federally funded programs must be mutually agreed upon by the Administration, the states, and the Congress.
- The Administration is committed to funding these programs at projected levels for

the next five years. This is not a gimmick to reduce the federal budget.

- The proposal is not revenue sharing. Once the final mix of programs is decided, the states would use the funds provided in the same areas as the original programs, although not necessarily in the same proportions and same ways.
- The proposal will have neither winners nor losers. We will calculate, on a state-by-state basis, what the funding level should be, based on the current distribution of funds in those selected programs.
- The list of "potential block grant programs" spelled out in the budget is exactly that—a potential list in order to start the discussion. This list represents 1,028 *Federal Register* pages of rules, and approximately 4.2 million manhours of paperwork each year.

In addition, the governors, in consultation with the state legislators, have agreed that the following guidelines should be operative when developing the proposal:

- The programs selected should have some broad degree of commonality.
- The programs should be either categorical grants to state governments or project/competitive grant programs in which states currently receive the majority of the funds awarded.
- Priority should be given to those grants that currently have unduly limiting mandates and overly detailed administrative regulations.

- Programs selected should generally be national in scope and not those that primarily benefit selected regions and states.

The President's proposal not only will allow the states to manage a pool of resources more flexibly and efficiently, but also will allow those in the best position to determine the needs of their citizens to be free to target and focus federal assistance in accordance with their unique circumstances.

The Administration has been greatly encouraged by the initial reactions from the state and local elected officials. We propose to continue consulting and meeting with governors, state legislators, mayors, and other local elected officials to agree on a list to present to the Congress. This turnover proposal is truly a step in the right direction toward a real federal-state partnership.

Debra Rae Anderson
Deputy Assistant to the President
and Director
of Intergovernmental Affairs
The White House

1991 Meeting Schedule

June 28, 1991 Washington, DC
September 12-13, 1991
New Orleans, Louisiana
December 6, 1991 Washington, DC

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Staff

John Kincaid

Executive Director

Joan A. Casey

Pamela L. Reynolds

Co-Editors

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On the ACIR Agenda

At its 104th meeting on March 22, 1991, in Washington, DC, the U.S. Advisory Commission on Intergovernmental Relations took the following actions:

Water Resource Coordination in the Federal System: A Policy Report

The Commission adopted and authorized publication of the policy report *Water Resource Coordination in the Federal System*. The recommendations follow three broad themes: (1) the governance of the total water resources of each region or area should be cooperatively structured and better coordinated; (2) barriers to such coordination should be lowered and (3) potential for coordination should be enhanced through research, information sharing, and training.

Advisory Group on Water Policy

Governor George A. Sinner and Mayor Robert M. Isaac will co-chair a group of eight to ten officials to review the Commission's findings and recommendations on water policy matters, as well as those of other organizations, and recommend practical means of improving the governance of water. The advisory group is expected to help the Commission bring together federal, state, and local officials in the water policy field and to develop a consensus needed for action.

Draft Legislation on Preemption Notes

The Commission reviewed draft federal legislation that would require that preemption notes be prepared and considered when the Congress and federal agencies take action affecting the powers of state and local governments. The act also would provide guidance to the courts for deciding preemption cases. At its next meeting, the Commission will consider options for altering the scope of the draft bill.

National Strategies on Infrastructure

Kyle E. Schilling, director of the U.S. Army Corps of Engineers' Institute for Water Resources, announced that funding had

been approved for ACIR to prepare and conduct a national public works conference of government officials and private sector representatives. The funding is part of a continuing effort called for by the Congress in which the Corps is working with other federal agencies, state and local governments, and the private sector to develop a federal infrastructure strategy for the 1990s.

Administration's Proposal on Federal-Aid Turnover

The Commission discussed potential intergovernmental impacts of President Bush's proposal to turn over at least \$15 billion in federal grant programs to the states. Governor John Ashcroft briefed the Commission on the response of the National Governors' Association and the National Conference of State Legislatures to the proposal. It was noted by several members that Community Development Block Grants will be omitted from any alternative proposal submitted to the Administration.

Administration's Proposals on Bank Reform

Sandra B. McCray, who served as principal investigator for two ACIR banking reports, appeared before the Commission to discuss the impacts of the Administration's bank reform proposals on international competitiveness, the "too-big-to-fail" policy, and legislative alternatives. Staff will consult with Treasury, independent banks, the Conference of State Bank Supervisors, security firms, and others in preparing a detailed analysis of the legislative proposals. Discussion will continue at the next Commission meeting.

Other Commission Actions:

The Commission authorized the following projects pending outside funding:

The development of a federalism curriculum for high schools.

A project to inventory federal and state standards for environmental protection.

An international conference on federalism and rights.

ACIR Staff Changes

Henry A. Coleman has joined the ACIR staff as director of Government Fi-

nance Research. He was previously executive director of the New Jersey State and Local Expenditure and Revenue Policy Commission. Dr. Coleman is a graduate of Morehouse College and Princeton University.

Sharon A. Lawrence, former director of federal affairs at the National Association of Towns and Townships, has joined the staff as a senior policy analyst. As a joint law and graduate student at the University of Texas, Ms. Lawrence worked with the Texas Advisory Commission on Intergovernmental Relations.

Phillip E. Riggins, who earned a master's degree from American University and interned at ACIR in 1990, has joined the staff as an analyst. He will continue to work on policy research and will be responsible for ACIR's annual public opinion poll on governments and taxes.

Carol E. Cohen resigned as senior analyst in Government Finance Research to take a management position at the U.S. General Accounting Office.

Clay Dursthoff, an analyst in Government Finance Research, has taken a position in the private sector.

Executive Director Receives SIAM Award

ACIR Executive Director John Kincaid, received the Donald Stone Distinguished Scholar Award from the Section on Intergovernmental Administration and Management of the American Society for Public Administration (ASPA) at the annual meeting of ASPA on March 26. The award was given for work "demonstrating the highest standards of excellence in research in the area of intergovernmental relations."

State Support for ACIR

The Commission would like to thank the following states for their recent financial support: Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Hawaii, Indiana, Kansas, Kentucky, Maryland, Missouri, New Hampshire, New Jersey, New Mexico, Oklahoma, South Carolina, Tennessee, Virginia, Washington, and Wisconsin.

Intergovernmental Focus

Spotlight on Colorado's Advisory Committee on Intergovernmental Relations

Corina Eckl

Origins of CACIR

The Colorado Advisory Committee on Intergovernmental Relations (CACIR), created in 1987, was the brainchild of State Senator Ted Strickland and Colorado Springs Mayor Robert M. Isaac, both members of the U.S. Advisory Commission on Intergovernmental Relations. They believed that an intergovernmental group could provide a valuable forum for discussing state-local issues.

In order to assess interest in convening such a group, Senator Strickland and State Representative Bev Bledsoe worked with the executive directors of the Colorado Municipal League, Colorado Counties Inc., the Special Districts Association, and the Colorado Association of School Boards. They sent letters to all municipal council members, mayors, county commissioners, school district board members, and special district board members to ascertain "if there is real interest in creating an ad hoc committee or commission." Sufficient interest was expressed to convene the first meeting of the committee on March 11, 1988.

Organization

CACIR is a 24-member voluntary organization. The members include representatives from the Colorado Municipal League (3), Colorado Counties Inc. (3), Special Districts Association (3), Association of School Boards (3), Senate (4, with 2 from each party), House of Representatives (4, with 2 from each party), and the Executive Branch (4).

During its first year of operation, CACIR spent little time on structure, concentrating instead on research. In its second year, however, CACIR devoted considerable attention to its structure and organization. For example, at CACIR's request, Robert B. Hawkins, chairman of ACIR, spoke to

the committee on the roles and functions of the Commission and other state ACIRs. Members also created a subcommittee to make recommendations on overall mission, structure, membership, leadership, budget, and meetings.

Overall Mission. The organizational subcommittee identified three major goals for CACIR:

- Provide a policy forum for long-range state-local problem solving;
- Perform research and develop solutions to problems in state-local relations; and
- Provide a forum for discussion of substantive state-local and local-local problems.

These goals are similar to those of other state ACIRs.

Structure. Unlike most state ACIRs, CACIR is not authorized by legislation or executive order. Legislation to create a formal Advisory Council on Intergovernmental Relations was introduced in the 1988 legislative session (H.B. 1295), but was not enacted. The subcommittee suggested that the group pursue authorizing legislation again after it had a record of accomplishment. CACIR created four ad hoc subcommittees to identify and study federal and state mandates for environment, education, social services and health, and corrections.

Membership. The subcommittee recommended that CACIR be composed of 24 members. The member organizations were selected to provide broad representation from local government as well as bipartisan representation from the legislative and executive branches of state government.

Leadership. The presiding chair of CACIR is selected by the membership to serve a one-year term. To date, Timothy

Schultz from the Department of Local Affairs and Mayor Isaac of Colorado Springs have served as chairs. Senator Strickland currently serves as vice chair.

Budget. Given that CACIR has not been formally authorized or received an appropriation, it operates without its own budget. As a result, CACIR relies on voluntary staff support provided by the Division of Local Government in the Department of Local Affairs, with additional support as needed from the local government associations.

Meetings. The subcommittee determined that regular meetings would encourage involvement in CACIR and recommended quarterly meetings (at a minimum), with the subcommittees meeting as needed. It recommended that full CACIR meetings be scheduled regularly for February, May, August, and October.

CACIR Projects

To date, CACIR has produced two formal studies, one on sales tax exemptions and another on federal and state mandates.

Report on Sales Tax Exemptions. CACIR chose sales tax exemptions as the first topic for examination because "the definition of the sales tax is an important matter for both state and local administration."¹ The report was released on December 23, 1988, and CACIR recommended that selected sales tax exemptions be eliminated to improve the system for state and local government. CACIR sought recommendations, but they were not adopted. Mayor Isaac contended, however, that the study "opened the eyes of many of our legislators."²

Report on Mandates. CACIR members are particularly interested in federal and state mandates. Four subcommittees were created to examine

major intergovernmental mandates for environment, education, social services and health, and corrections, which are considered to be the most onerous and costly mandates. A comprehensive report was released January 30, 1991. Highlights of the report include:

- The environment subcommittee explored the fiscal impact of mandates to local communities and recommended that any new mandates be fully funded by the state or federal government. It also recommended that the Congress be discouraged from imposing unfunded mandates.

- The education subcommittee determined that although some mandates certainly are needed and worthwhile, the fiscal impact on local school districts can be devastating. Its recommendations were designed to maintain high quality education without imposing mandates unless funding is available. The subcommittee also expressed concern that some mandated programs are funded by eliminating or reducing funding for other programs.

- The social services and health subcommittee identified serious problems in the funding of county contingency and foster-care reimbursement. Since it could not identify existing sources of funds to deal with the problem, the subcommittee recommended innovative solutions, including sharing with counties the federal foster-care funds now retained by the state.

- The corrections subcommittee offered recommendations to reduce the number of individuals incarcerated for less serious offenses while keeping more dangerous offenders in jail longer at lower cost. The subcommittee determined that the skyrocketing corrections budget must be reduced.

Generating Support

Because CACIR is a voluntary organization and does not have its own public resources, it has been pressed to generate strong support among its members. Limited in-kind resources from member organizations, particularly the Division of Local Government, have been provided. To address the broader range of topics effectively, however, CACIR will need its own source of funding. CACIR's success in developing external commitments not only may establish funding sources in the

near future but also may be critical for the organization's long-term viability.

A key to mobilizing support for CACIR is a recognition of the political environment in the state. Compared to many other states, Colorado has a decentralized system of government in which local governments have a relatively high degree of independence in fulfilling their public service responsibilities. This relationship between the state and local governments increases the complexity of state-local issues. In particular, the autonomy of local governments requires that the state develop a cooperative relationship with them. Recognition of this political reality was an important reason for organizing CACIR.

The Next Step

CACIR has adopted an overall mission that is sufficiently broad to generate a continuing commitment from its members. CACIR's ability to generate additional support outside its membership base, however, is crucial.

Statutory authorization and an accompanying appropriation are needed if CACIR is to gain sufficient personnel and resources to fulfill its objectives effectively. In addition to providing resources, statutory authorization would create a sense of permanence for the organization that may enable it to weather political change and controversy and to heighten its visibility. Although statutory authorization is insufficient to guarantee the viability of CACIR, it is a necessary condition for it to be fully effective.

Conclusion

Colorado's Advisory Committee on Intergovernmental Relations is in its infancy. Nevertheless, it has the potential to evolve into a more effective state-local organization. It has taken an important step by choosing to study mandates, an area of concern to all of the state's local governments.

Corina Eckl is a staff member of the National Conference of State Legislatures in Denver. The judgments made in the article are those of the author.

Notes

¹ Summary of Activities (Denver: Colorado Intergovernmental Relations Group, 1988), p. 1.

² Written communication from Mayor Robert M. Isaac, Colorado Springs, December 7, 1990.

Colorado ACIR Membership

County

Harry Bowes, Colorado Counties Inc.
Gordon Lacy,
Weld County Commissioner
Loren Whittemore,
El Paso County Commissioner

Municipal

Ken Bueche, Executive Director,
Colorado Municipal League
Robert Isaac, Mayor, Colorado Springs
Polly Page, Councilwoman, Aurora

State Legislative

Bonnie Allison, Senator
Don Ament, Senator
Steve Arveschoug, Representative
Lew Entz, Representative
Joan Johnson, Senator
Peggy Reeves, Representative
Paul Shauer, Representative
Ted Strickland, Senator

Other State

Karen Benker,
Office of State Planning and Budget
Larry Kallenberger, Executive Director,
Department of Local Affairs
Karen Reinertson, Director,
Office of Energy Conservation
John Tipton, Executive Director,
Department of Revenue

School District

Kirk Brady, Board Member,
Jefferson County School District,
Lakewood
Karen Kaplan, Board Member,
Littleton School District, Littleton
Randy Quinn,
Colorado Association
of School Boards, Denver

Special District

Ray Bullock, Director,
Greenwood South Metropolitan
District
Dodie Gale, Executive Director,
Special District Association
Phil Shanley, Board Member,
Evergreen Fire District

Other

Charlie Brown, Legislative Council
Terry Harris, Colorado Counties Inc.
Francis Shopp, Staff, Senate Democrats
Ronald Snell, National Conference
of State Legislatures

Welfare Reform in the Federal System

Phillip E. Riggins

Recent debate surrounding the Aid to Families with Dependent Children (AFDC) program has been shaped mainly by questions of effectiveness rather than legitimacy. A general consensus emerged in the 1980s that more needed to be done on behalf of—and by—the poor. This consensus, encompassing most of the political spectrum, is based on the conclusion that direct income support alone tends to perpetuate welfare dependency. Both critics and supporters of public assistance have called for new strategies to help recipients become self-sufficient.

A central tenet of this new consensus is a welfare social contract. As parties to the contract, the individual and society are seen as having rights and obligations. Qualified recipients are expected to engage in behavior, such as completion of high school or job training, that prepares them for a productive, self-sufficient life. Likewise, society is expected to provide educational, supplemental, and transitional support to help disadvantaged individuals overcome welfare dependence.

This emphasis on self-sufficiency is founded in part on a revised view of the role of women who head families and of the effect of the form of family income on behavior. Increasingly, poor people are members of single-parent families.¹ As more single women with children have come into the work force, experts have questioned the notion that public assistance should be structured primarily to ensure that women heading single-parent families can perform traditional roles as homemaker and child-rearer. Now, the dominant idea is that the family is better off psychologically and socially when it earns enough to pay its own way.

At the same time, there is a greater appreciation of the obstacles faced by single women who must raise children while holding a job and by two-parent families living below the poverty line. Two-parent families, with one or both parents working, are thought to be more likely to escape welfare dependency. Thus, encouraging family stability, or certainly not penalizing it, has become an important goal.

Communities provide the essential support that individuals and families need to prosper. For those who must rely on public assistance, the ordinary processes of community life have not worked. Thus, one of the objectives of welfare reform is to bring the recipient into a more productive relationship with the community and its institutions. Instead of simply delivering income support, public assistance seeks to focus the social resources of community life on the development of individual opportunity and self-reliance.

Considering the Options for Reform

Despite the broad consensus on objectives for reform (promoting income self-sufficiency and eliminating long-term dependence on public assistance), alternative methods of achieving the objectives were debated before the Congress adopted the *Family Support Act of 1988* (FSA). The principal options considered were in three categories: programmatic, administrative, and fiscal.

Programmatic Options

Among the programmatic options was better targeting of benefits to reach rapidly expanding groups of recipients, such as poor people living in female-headed households, who increased from 26.4 percent of all persons classified as poor in 1959 to 33.3 percent in 1965 to 49.5 percent in 1985.² This disproportionately at-risk group became a primary target of reform efforts.

The benefit level also concerned many policymakers. Proposals were made to establish a national minimum AFDC benefit, but this was not included in FSA. Such a system would mean that states falling below a national standard would have to step up their benefits or risk losing their federal program funds. States paying benefits above

the minimum would find those expenditures subsidized to a greater extent by the federal government.

Many advocates of reform thought that benefits should be structured to encourage two-parent families and discourage young, single, female-headed families. Families with two able-bodied parents were not eligible for AFDC benefits in states that declined to participate in the AFDC-Unemployed Parent Program (AFDC-UP). Some reformers contended that making AFDC-UP mandatory and increasing the Earned Income Credit (EIC) would provide incentives for maintaining two-parent families. In a similar vein, many reformers proposed requiring single mothers who were minors to complete high school and live with a parent, adult relative, or guardian in order to receive public assistance. This, they argued, would discourage young mothers from setting up independent households. Of these three proposals, only the EIC was not included in the law.

Eligibility for work also drew serious debate, usually hinging on the age of the children. At the time, a state could require healthy AFDC adults to participate in work programs if there were no children under the age of 6 or no incapacitated adult to care for. Many advocates of reform were calling for this age to be lowered to 3 years, 1 year, or 6 months. The final legislation places the age limit at 3 years, leaving the option of lowering it still further to state and local governments.

The scope and degree of services to children and families were also debated. Offering child care and Medicaid services to recipients enrolled in a job training or job search program, and continuing them for a transition period of up to 12 months, would entail substantial costs for federal, state, and local governments. Many thought such services were essential if any job training program was to attract and retain recipients. For example, losing AFDC benefits when earnings increased could eliminate the entire Medicaid benefit. Welfare recipients might be faced with choosing between increased wages and no (or expensive) health care, or lower income from benefits plus Medicaid. This trade-off was viewed as a reason why many welfare recipients would not seek employment. FSA expands child care and Medicaid benefits to alleviate recipients' concerns about such possible trade-offs.

The nature of the jobs for which recipients were to be trained was another point of discussion. Some states suggested placing welfare recipients in low-wage jobs, even though family net income might be less than under AFDC. Other states suggested qualifying recipients for jobs well above the poverty line in order to ensure that some misfortune would not return such persons to welfare and that family income would not be decreased in the process. The final legislation does not specify these details, but leaves them to the discretion of state and local governments.

Administrative Options

The administrative issues involved whether the state or federal governments should administer new programs, and how much flexibility and experimentation is desirable. The new consensus placed the states at center stage. The prospect of large federal programs changing social behavior en masse did not attract many adherents. The call for a

shift in emphasis away from the federal government was founded partly on a desire to vest greater discretion in state and local agencies "closer" to the people. Also, many reformers, including ACIR, favored increasing the involvement of voluntary and other private organizations in local communities. FSA gives state and local governments substantial flexibility to design and administer programs, and encourages the participation of private, community organizations.

Fiscal Options

The central fiscal question was who would pay for reform. Some reformers thought that federal funds should be used to eliminate fiscal disparities for the poorer states, but that primary funding responsibility should rest with the states. Others held that the states should make a significant financial contribution, but that income security programs should be the responsibility of the federal government. Still others called for full federal funding of public assistance. FSA divides funding responsibilities among federal, state, and local governments.

ACIR's Position on Welfare Reform

ACIR has been involved in the programmatic as well as intergovernmental dimensions of welfare for many years. The Commission played an important role in helping establish the legitimacy of antipoverty programs, particularly a federal role in the "war against poverty." Beginning in 1969, the Commission called for a shift of financial responsibility for the provision of certain types of public assistance to the federal government. The Commission reaffirmed this recommendation in 1980.

In June 1987, however, the Commission rescinded its recommendation for full federal funding of public assistance programs³ and urged more effective intergovernmental approaches to public assistance, premised on mutual obligations between the society and the individual. The Commission expressed concern about the changing makeup of the poverty population, the existence of welfare dependence, and the persistence of poverty. In light of these conditions, the Commission felt that full federal funding of a wide range of welfare programs, as part of a strategy of "sorting out" responsibilities in the federal system, would not achieve the underlying objective of making public assistance programs more effective in promoting self-sufficiency. In December 1987, the Commission adopted additional recommendations pertaining to funding arrangements, waivers of federal law, the development of community-based infrastructure, federal funding of welfare reform experiments, and other federal-state relations issues (see page 10).

The Family Support Act

During the 1980s, there were many experiments with various features of the reform proposals discussed above. Demonstration projects were authorized and funded partly by the *Omnibus Budget Reconciliation Act of 1981* (OBRA). OBRA provided states with substantial leeway through the use of waivers of federal law to develop new approaches to public assistance. Many of these state initiatives were made a part of federal legislative proposals and incorporated in the final bill passed by the Congress.

The *Family Support Act of 1988* (P.L. 100-485, 102 Stat. 2343) overhauled AFDC and replaced the Work Incentive Program (WIN) with the Job Opportunity and Basic Skills (JOBS) training program. JOBS encompasses education, training, and employment services to provide welfare recipients with the skills and community support needed to lead a self-sufficient life.

Primary responsibility for implementation, administration, and coordination of the programs lies with state (and in some cases local) welfare agencies. Federal funding for FY 1989 and FY 1990 was set at \$600 million and \$800 million, respectively. In fiscal years 1991 through 1993, federal spending on the program is capped at \$1 billion each year. Although the Congress has authorized \$4.4 billion for the program over the first five years, the Congressional Budget Office has estimated that delays in implementing some parts of FSA will reduce the actual total to \$3.3 billion.

Unlike programs of the late 1960s and early 1970s, federal funding of the JOBS program is not open-ended. The amount available to each state depends on the number of recipients it enrolls and the amount of matching funds it contributes, up to the level of federal funds allocated for each year. The federal matching rate for the JOBS program is 90 percent, up to the level of each state's 1987 federal WIN allotment. In addition, nonadministrative and full-time personnel costs are to be matched at from 60 to 80 percent. Administrative costs as well as supplemental services, like transportation costs, are to be matched at 50 percent.⁴

States were required to have a JOBS program in place by October 1, 1990 (all states met the deadline). Each state must have a JOBS program operating statewide by October 1, 1992. States must enroll 20 percent of their AFDC cases in a JOBS program by FY 1995 or face a reduction in federal funds. The federal matching rate can be reduced to 50 percent if a state does not spend a minimum of 55 percent of its JOBS funds on such target groups as custodial parents who are less than 24 years of age and have less than a high school or equivalent education, or families that have received public assistance for more than 36 of the preceding 60 months.⁵

States also must offer an individually tailored package of benefits (including day care, health care, transportation, and skills assessment) so that recipients may participate fully in JOBS. FSA directs states to supply educational activities that promote basic literacy and high school or equivalent education, in addition to a number of job-related activities that go beyond earlier workfare programs.

Where a JOBS program is in place, AFDC recipients must take part, unless they have children age 3 or younger, or are caring for an ill or incapacitated person. The state can require an individual to participate in any component of the JOBS program for a maximum of 20 hours per week. Qualified recipients who refuse to participate risk having their share of benefits reduced for periods of up to six months. The state may require that minor parents live with an adult parent, relative, or guardian before benefits are paid. Funds permitting, FSA also allows exempt AFDC applicants and recipients to participate in the program.

FSA strengthens procedures for establishing paternity and for collecting child support payments, including automatic wage withholding of court-ordered payments.⁶ The

law mandates that all 50 states operate an AFDC-UP program, providing benefits to two-parent families where the primary wage-earner is unemployed. When a two-parent family takes part in an AFDC-UP program, one parent must participate in a JOBS-related activity at least 16 hours each week.

States also must provide transitional child care and Medicaid benefits for JOBS participants for up to 12 months after the recipient loses benefits because of an increase in income. However, families may be required to contribute to the cost of these services for the last 6 months of the transition period.

FSA authorizes and provides funds for a number of new and continuing demonstration projects, including several that are community based. The demonstration project on "Long-Term Family Self-Sufficiency through Community-Based Services" authorizes states to test more effective methods of providing services through a partnership of state agencies and community-based organizations. FSA also enables the U.S. Secretary of Health and Human Services (HHS) to enter into agreements with up to 10 non-profit organizations (including community development corporations) to expand the number of job opportunities available to certain low-income individuals. Other demonstrations are authorized to counsel high-risk teenagers in self-esteem and expanded life options.

Relationship of Reforms to ACIR Recommendations

The *Family Support Act* and the final regulations issued by HHS are quite similar to many of ACIR's 1987 recommendations. The basic thrust of the legislation—mutual funding by the state and federal government, and mutual obligations between society and the individual—reflects the desire to involve all segments of society in a comprehensive attempt to reform the welfare system.

FSA facilitates the development of a community-based approach in several ways. The authorization allowing state and local governments to design demonstration projects that develop community-based organizations and ties, and enter into contracts with community organizations for certain services, is one example. Likewise, the financial support provided by the federal government for these demonstration projects indicates a federal commitment to a community-based approach and to the "laboratory of federalism" concept.

FSA did not alter the current arrangement for waiving federal law. The states still must apply to the Secretary of HHS for this authority. Little support has been shown for expanding the use of waivers. Although waivers can help stimulate innovation, their overuse can undermine the rule of law and transfer too much discretion to an administrative process. The limited use of waivers, and requirements for evaluating their effectiveness in the existing program, approximates the balance recommended by ACIR.

Although FSA does not require independent evaluation of every part of the program, it does provide for a variety of evaluative procedures, such as those called for by ACIR. Demonstration projects are to be evaluated by an independent organization, the state agency, or HHS. The

(continued on page 12)

ACIR Recommendations

September 1987

Recommendation 1 **Rescission of 1969 Recommendation**

The Commission rescinds its 1969 recommendation that the federal government assume full financial responsibility for Aid to Families with Dependent Children, Medicaid, and General Assistance. The Commission also rescinds its 1980 recommendation that the federal government move toward full financial responsibility for a broad array of other public assistance programs, while eliminating federal funding for certain domestic programs, especially those concerned with education and health, in order to pay for federal assumption of welfare.

Recommendation 2 **Designing More Effective Intergovernmental Approaches to Public Assistance**

The Commission finds that the persistence of poverty raises important questions about the effectiveness of the nation's public assistance programs. To the extent that the federal government and state and local governments have supported income transfers and in-kind benefits for the poor, these programs have been fairly successful in reducing the incidence of poverty in the United States. However, reductions in the incidence of poverty have required considerable and continual transfers of income to the poor.

Most public assistance programs were established with the understanding that they would provide temporary assistance to persons and families in need until they could become self-sufficient, and that public assistance expenditures would decline as more recipients became self-sufficient. To a great extent, these programs do help people in temporary need. However, a sizable number of persons and families have required long-term support from public assistance programs. Others have required repeated support at different times. Furthermore, the overall rate of poverty has been sensitive to the levels of income support available. Although the rate of poverty, as measured by the Census Bureau, is affected by many factors, the rate of poverty has tended to go down when the level of public assistance spending has gone up, and to go up when the level of public assistance spending has gone down. In principle, with public assistance programs operating to promote recipient self-sufficiency in a growing economy, the rate of poverty and the level of public assistance spending would decline simultaneously.

The Commission concludes, therefore, that, in the absence of new and more differentiated anti-poverty strategies, public assistance programs are likely to become a permanent feature of American life, that the rate of poverty will remain heavily contingent upon levels of income support spending, and that sizable numbers of the poor will be consigned to the status of long-term wards of the public. While some individuals, for reasons of age or physical or mental condition, cannot reasonably be expected to be self-sufficient, and while relatively few able-bodied recipients are actually dependent upon public assistance to the point where they prefer welfare over work, public assistance programs do not give sufficient attention to incentives and opportunities that might promote greater self-sufficiency among recipients who can reasonably be expected to become self-sufficient.

Effective strategies against poverty go well beyond the pub-

lic provision of income transfers and in-kind benefits. Given that the poor have diverse characteristics and live in diverse conditions, and given that most of the likely elements of successful antipoverty efforts—education, training, job placement, community self-help and development, public-private cooperation, and person-to-person caring—lie within traditional and potential state and local competencies, strong participation by state and local governments is essential if the nation is not only to eliminate poverty but also integrate into community life those individuals, such as the elderly, who will have to rely, at least in part, on public income support for a decent life. Strong state and local participation is also likely to be essential for maintaining and stimulating the involvement of private sector organizations, profit and nonprofit, in effective public assistance programs.

The Commission therefore recommends as follows:

That public assistance continue to be viewed and funded as a joint federal, state, and local responsibility and that all governments—federal, state, and local—become involved in welfare reform and take a hard look at their public assistance programs for the purpose of designing new strategies that may reduce poverty more effectively and efficiently by helping recipients to become self-sufficient. In doing so, it should be recognized that effective strategies to promote self-sufficiency include shared responsibilities between the recipients of public assistance and the public institutions that provide assistance. There is a mutual obligation to resolve problems that hinder self-sufficiency. By itself, therefore, nationalizing the financing of public assistance programs is not likely to solve the underlying problem of helping the poor to shift from income transfers to income earnings. Although a strong federal role in financing public assistance is likely to remain essential for the foreseeable future, a state and local sharing in financial responsibility is also essential for stimulating local initiatives, policy experiments, and community involvement in antipoverty efforts.

March 1988

Recommendation 1 **Developing a Community-Based Approach to Public Assistance**

The Commission finds that community organizations can make essential contributions to welfare reform by creating better life prospects for both current and potential recipients of public assistance. Increasing the number of effective community organizations in distressed communities ought to be a high priority of local, state, and federal government reforms of public assistance programs. Developing a community-based approach to public assistance depends upon combining local public and private initiatives with highly focused external support.

The Commission therefore recommends as follows:

A. Public assistance policy should foster the development of community-based organizations, both public and private, that promote individual economic self-sufficiency and income opportunities for needy Americans, by including community organizations as an integral part of the implementation of public assistance programs. Such organizations include neighborhood associations, community development organizations,

on Welfare Reform

community-based training and employment organizations, community and youth enterprises, and tenant-management associations in public housing units, as well as community-based programs of local government. External support should be focused upon those tangible components of public assistance programs that community organizations have a comparative advantage in performing. Generalized support for community organization that is not closely tied to program objectives should be avoided in favor of more highly focused support. Experimental efforts will be needed to learn more precisely where the comparative advantage of community organization lies in relation to specific program objectives. These efforts must be carefully coordinated among relevant local, state, and federal agencies.

B. A variety of fiscal mechanisms can appropriately be used to link community-based organizations with external funding. A contractual relationship between funding agencies and recipient organizations best serves the purposes of community autonomy and fiscal accountability. Public assistance agencies therefore ought to contract with community organizations, where feasible, to deliver selected social services, and provide community organizations with key professional support services. In order to enhance program responsiveness to individuals, public assistance agencies should also consider providing some services by means of vouchers that allow individuals to choose among community organizations offering somewhat different service packages. Project grants can also continue to make a contribution to the development of community-based public assistance, if used prudently, to support start-up costs and demonstration projects, with a clear focus on finding ways to fulfill specific program missions, such as affordable child care, lower rates of teen pregnancy, and job training. Demonstration projects should not be undertaken, however, without the clear prospect of longer term funding on a contractual basis, contingent upon performance.

Recommendation 2 Intergovernmental Funding Arrangements for Community-Based Organizations

State and local governments should assume a leadership role in developing a community-based approach to public assistance policy. The participation of local government in this process is especially important, considering the primary local responsibility for community planning and service coordination. Federal grant requirements and restrictions that inhibit state and local governments in developing a community-based approach should be identified and removed.

The federal government should support these state and local efforts financially. Such support may entail an increase in overall federal funding of public assistance. Direct relationships between federal agencies and local community organizations should as a matter of policy be avoided.

Recommendation 3 Limited Waivers of Federal Law

The Commission finds that waivers of federal law serve a useful purpose in enabling states to experiment with various designs in implementing public assistance programs. While some expansion of waivers may advance important goals, administra-

tive waivers of federal law cannot be the sum and substance of national welfare reform over the long run. Unfortunately, the federal government has not adequately used state experiences with waivers to change federal law and regulations so that the use of waivers is no longer required.

The Commission therefore recommends as follows:

A. The authority to waive federal law should be limited, and specific waivers should be limited to a predetermined time and accompanied by systemic efforts to monitor experience with any waiver granted, so as to make appropriate modifications of law and/or regulations. All waivers should be contingent upon acceptance by the applicant of independent evaluation.

B. Monitoring the use of program waivers for the purpose of proposing appropriate changes in federal law and regulations is a worthwhile goal.

Recommendation 4 The Laboratory of Federalism

The Commission finds that state experimentation and innovation has been an important ingredient in welfare reform. Much has been learned, but much also remains to be learned from state and local experimentation. Criteria for valid experimental design have seldom been included in welfare program experiments. Systematic efforts to monitor reform experience are crucial to receiving the full benefit of the laboratory of federalism.

The Commission therefore recommends as follows:

A. State governments should include criteria of valid experimental design in welfare reform programs. Federal agencies charged with approving waivers of federal law and regulations should encourage such experimental designs.

B. The federal government should help fund systematic studies of welfare-reform experiments to be undertaken by objective third parties and supervised by agencies not immediately involved in administering welfare programs or granting program waivers.

C. When program requirements are uniform for all states, reporting requirements should also be standardized as a matter of federal policy in order to facilitate state-by-state comparison in evaluating program results.

Recommendation 5 Federal-State-Local Relations

The continued progress of welfare reform depends upon adroit innovation. State and local incentives to innovate must not be dampened; at the same time, federal resources must be directed to areas of greatest need.

The Commission therefore recommends as follows:

When federal performance mandates for the states and local governments are contemplated, the Congress should determine the costs of state and local compliance just as if federal budget outlays were required. The increased costs of federal mandates should be paid for by the federal government. In a similar fashion, the increased costs of state mandates on local government should be paid for by state government.

Welfare Reform in the Federal System
(continued from page 9)

JOBS component of FSA is to be evaluated by Manpower Development Research Corporation, a private organization that evaluated many of the demonstration projects conducted under the program enacted in 1981 (OBRA).

Remaining Issues

The *Family Support Act* may be a significant step toward welfare reform. However, several issues remain to be worked out. For example, the scarcity of qualified child care providers is troublesome, especially since child care is a mandated part of the program. In addition, the detailed nature of the final HHS regulations and the perceived lack of leeway afforded state and local governments have some officials worried that "micromanagement" may discourage innovation. There also is a fear that rigid participation rates and performance requirements will reduce the JOBS program to little more than a job search program. However, HHS has demonstrated flexibility, notably with its December 21, 1990, "action transmittal" loosening transfers of funds between state and local agencies.

Finally, the cost of all these efforts is a thorny issue for the states. Many state and local governments face budgetary problems. Mandates covering child care, Medicaid, and AFDC-UP make it difficult for some state and local governments to meet their share of the matching formula and to draw their full portion of available federal funds. Complicating reform still further is the weakened economy, with the attendant rise in AFDC caseloads.

Although obstacles to reform remain, FSA offers society and welfare recipients an opportunity to work together to achieve individual economic self-sufficiency. Overcoming these obstacles, and new ones that emerge, will require federal, state, and local cooperation in formulating creative solutions.

Evaluation of reform efforts would be premature now. The purpose of this issue of *Intergovernmental Perspective*, therefore, is to serve as a milestone, indicating how far reform has come and how far it may have to go. The articles that follow highlight the debate that surrounds many of the remaining issues, and provide an intergovernmental context with which to evaluate developments.

Phillip E. Riggins is an analyst on the Government Policy Research staff at ACIR.

Notes

¹ Velma W. Burke, "Welfare and Family Structure: What We Have Learned," *Congressional Research Service Review* 8 (July 1987): 14-15.

² U.S. Department of Commerce, Bureau of the Census, *Characteristics of Persons and Households Receiving Noncash Benefits* (Washington, DC, various editions).

³ See "Public Assistance in the Federal System," *Intergovernmental Perspective*, Spring 1988, for discussion of ACIR's decision to rescind its 1969 recommendation involving federal funding of public assistance.

⁴ Julie Rovner, "Congress Approves Overhaul of Welfare System," *Congressional Quarterly* 46 (October 8, 1988): 2829.

⁵ *Ibid.*, p. 2827.

⁶ *Ibid.*, p. 2815.



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The Family Support Act: Public Assistance for the 1990s

Jo Anne B. Barnhart

The *Family Support Act of 1988* reflects a fundamental rethinking of the welfare system. By refocusing the mission of welfare to include helping families work toward self-support in addition to simply providing cash assistance, the Act redefines the responsibility of the system and the families receiving benefits. An underlying theme is that both parents, whether or not they are living together, must be involved in supporting their children. Important improvements in the child support system will help ensure that absent parents contribute their fair share to the support of their children. At the same time, the Job Opportunities and Basic Skills Training (JOBS) program makes education and employment-related activities, as well as supportive services, available to those AFDC recipients who need them. These features make the *Family Support Act* one of the most potent prevention and remedial investments we can make.

The challenge for those in government—state, and federal—is to implement the Act to maximize the opportunities available to AFDC recipients and to instill in them the dignity that comes with self-sufficiency.

A fundamental element of the *Family Support Act* is the idea of mutual obligations. Welfare recipients are expected to take steps toward self-sufficiency by taking jobs and participating in educational or work-oriented activities, and government is expected to support their efforts by providing the incentives and services necessary for them to find and retain employment. If we are to be successful in implementing the *Family Support Act*, we must change AFDC institutionally, so that the expectation of AFDC applicants and recipients, the expectation of workers and managers, and the expectation of the public is that cash assistance is a temporary measure that supports families as they move toward economic independence. We will change the character of the welfare system only if we involve AFDC recipients in activities that reduce dependence, ranging from job search to intensive education, thereby making the need for cash assistance temporary.

Self-Sufficiency through Employment

The new JOBS program gives states wide latitude to design their own education, training, and work programs; remarkably and notably, it is not a “federal” program imposed from Washington. Rather, JOBS builds on the many successful state experiences in the 1980s. Beginning in 1981, the Reagan Administration and the Congress, in the *Omnibus Budget Reconciliation Act*, offered states an opportunity to begin operating programs that emphasized job search and work experience for AFDC recipients. Careful evaluations of many of those state efforts showed that they were successful in increasing the employment and earnings of participants, as well as reducing dependence. Over time, a consensus developed recognizing the need to tie the receipt of welfare benefits to participation in activities leading to employment. As a result, the basic principles in the JOBS program stemmed from the welfare-to-work experiences of the states in the 1980s, experiences that the federal government encouraged and nurtured. In passing the *Family Support Act*, the Congress turned what had been a fragile collection of options and waivers into a mandate for programs enhancing the work capabilities of welfare recipients.

The Congress placed this important new responsibility with the state welfare agency, ensuring a central point of accountability in the state and asserting in yet another way the significant change in welfare. For the first time, welfare agencies have primary responsibility for employment programs. Although the agencies are given considerable flexibility in designing their JOBS programs, the Act and the implementing regulations include incentives and mandates to move state programs in new directions. State AFDC agencies across the nation must do more than assure prompt and accurate provision of cash benefits, they must market the benefits of employment and child support enforcement, and the obligation to strive for self-sufficiency. They also must ensure that participation in the JOBS pro-

gram is significant. This can be accomplished only by reaching a large number of AFDC families. No matter how successful they may be individually, JOBS programs reaching only a small proportion of recipients cannot hope to change the welfare system. For this reason, participation standards are critical. We believe the minimum activity levels in the regulations are reasonable and achievable and will go far toward achieving the goals of the Act—moving eligible welfare recipients into the workplace and off welfare.

The law also contains strong incentives for states to focus their resources on those who are hardest to serve and are at greatest risk of long-term dependence. Those most likely to remain on welfare for long periods of time are never-married mothers who did not finish high school and who had their first child at a young age. If JOBS is to be successful in reducing welfare dependence, it is essential to emphasize services to this group.

Experience shows that for those who are long-term dependent, achieving self-sufficiency is a difficult task. To date, government programs designed to help this group have had limited success. The flexibility inherent in JOBS should be helpful here. Recognizing the diversity of the AFDC caseload, the JOBS program can include a wide variety of work, training, and education programs. Although there is little research on the efficacy of education programs, there is a considerable body of evidence indicating that job search and job search combined with work experience can be quite effective in helping welfare recipients become employed. Typically, these programs also have been cost-effective for the taxpayer, an important consideration in light of many states' financial difficulties.

Clearly, child support enforcement is important to the AFDC parents who will be participating in the JOBS program. In many cases, the combination of child support and employment will be necessary to enable a family to attain economic independence. Child support enforcement helps children by getting money in the hands of their custodial parents. Furthermore, establishing paternity for children born out of wedlock has a number of benefits beyond the mere collection of support. Once paternity has been established legally, a child may be able to become a dependent for purposes of health insurance, or a descendant for inheritance, or to receive survivor benefits through Social Security on the father's death. Dependent benefits resulting from workmen's compensation or service-connected disabilities also are available to children whose paternity is legally recognized. There are social benefits as well to establishing paternity, such as the ability to create a relationship with both parents.

In return for taking steps toward self-sufficiency, the federal government not only provides funding for education, training, and work activities but also makes a number of supportive services available to welfare recipients. The *Family Support Act* expands child care services to those participating in JOBS, as well as many other support services, including transportation, services for at-risk youth, counseling, and substance abuse remediation. In addition, an AFDC recipient who leaves the program as a result of employment is eligible

for transitional child care and Medicaid benefits for up to one year. These transitional benefits are intended to help those who leave welfare remain off and provide an added incentive for those on welfare to seek employment.

Two new child care programs also are being implemented by the Family Support Administration, which will provide additional resources to help states help low-income workers become and remain self-sufficient. The at-risk child care provisions authorize \$300 million a year in new funding (through 1995) for low-income families most at risk of welfare dependence. The child care and development block grant authorizes \$2.5 billion over three years in additional improved child care services for low-income families. Combined with the open-ended funding for JOBS and transitional child care, the federal fiscal commitment to child care is substantial.

In addition, this year, \$1 billion in federal funds will be available to states for JOBS funding. There also is the expectation that JOBS will be coordinated with other programs providing assistance to low-income individuals, including AFDC recipients. In the past, coordination efforts have met numerous barriers, including lack of knowledge about, and misconceptions of, other programs and systems; turf issues; and differences between the welfare, JTPA, and education systems with respect to goals, financing mechanisms, and performance measures.

Despite these past barriers, the benefits of increased cooperation for the administrators of all the programs, as well as JOBS participants, are obvious. There are several ways in which welfare programs can help JTPA, adult basic education, and other programs meet their goals. For example, with the establishment of the JOBS program, AFDC recipients become a more attractive target group for many training and education programs. This is because JOBS participants can receive support services, such as transportation and child care. This means that funding from these other programs does not have to be diverted from actual training and education activities to pay for support services. In addition, transitional benefits are provided, which may increase the likelihood of job retention, which can reflect favorably on programs with performance standards, such as JTPA.

Similarly, JTPA and the various education programs can help JOBS administrators meet their goals. Given the funding cap on JOBS, referrals to JTPA and related education programs allow states to raise participation levels without substantial administrative and fiscal burdens to the JOBS program. In addition, these other programs have expertise that is not necessarily available in the welfare office.

The success of the JOBS program depends on the coordination of a great many people in a great many organizations. JOBS can be thought of as a catalyst, creating new resources and combining old ones in new ways to serve the real needs of AFDC recipients.

Toward a "Culture of Character"

Welfare recipients are motivated by the same aspirations as the rest of the population, but they face greater ob-

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The States and Welfare Reform

Governor Bill Clinton
and Governor Michael Castle

Welfare reform became reality in October 1988 with passage of the *Family Support Act*. While it is still too early to assess the impact of this effort to transform an income maintenance program into one focused on self-sufficiency, services and systems are beginning to change. States are pursuing reform seriously.

The *Family Support Act* (FSA) is the result of consensus built over two years of often heated debate. Balancing the many interests was not easy. On one hand were those who believed that government should provide opportunities to help individuals meet their parental and societal obligations. On the other hand were those who felt that rising rates of long-term dependence demanded that more be expected from individuals receiving public benefits. In between were those who saw welfare reform as an opportunity to help poor children.

FSA encompasses all of these goals, making it easier for states to help recipients take care of the needs of their children. The legislation strengthens states' abilities to establish paternity and collect child support; combines new services to help welfare recipients obtain and keep jobs; requires that welfare recipients participate in these activities; and provides child care and Medicaid benefits for 12 months after a recipient takes a job.

All states met the October 1990 statutory deadline for establishing Job Opportunities and Basic Skills (JOBS) training programs, and the majority implemented JOBS prior to this date. Moreover, most of the states made JOBS available statewide immediately, instead of phasing the program in gradually, as allowed in the regulations. This good news is tempered by the fact that FSA is being implemented in a difficult fiscal environment. The national economic downturn makes it more difficult to place recipients in jobs, and rising unemployment and growing welfare caseloads may mask program successes. At the same time, the need to balance state budgets in the face of growing expenditures and slower revenue growth makes it more difficult to find the necessary matching funds.

Nature of the Reform

JOBS makes it possible for states to provide assessment, training, education, work experience, or job search assistance, depending on the recipient's needs. As the governors advocated, most JOBS programs use case management services to help match individuals with appropriate activities. More than half of the states are providing the full range of activities and services allowed by FSA. Many states have reevaluated subsidies for child care—one of the most expensive and most critical components of the program—and increased payments to providers. Additional funding should be forthcoming through the new child care legislation passed by the Congress in October 1990.

The 25 states that did not provide welfare benefits for two-parent families were required to do so beginning in October 1990. Most of these states have chosen to operate full-year programs, even though the statute allows states to limit cash payments to 6 out of every 12 months. Several states have expressed interest in conducting demonstration programs for unemployed absent parents who cannot pay child support. These projects will focus on strengthening the relationship between the absent parent and the child and on providing employment-related services so that absent parents can fulfill their financial obligations.

In keeping with the move toward more accountability in public programs, almost all states have expressed interest in the national evaluation of JOBS. Site selection for the first round of evaluation should be completed by early 1991. The

Manpower Demonstration Research Corporation will conduct the evaluation, which is funded through the Department of Health and Human Services (HHS). Several states are participating in separate implementation studies, while still others have initiated their own program evaluations.

There is little detailed state-specific information about FSA programs or obstacles that have hindered effective implementation, but a general picture can be drawn from anecdotal information from various sources.

1. Like most earlier welfare-to-work initiatives, there is diversity in the content and design of programs across and within states.

There is little hard data about what types of services and activities best help welfare recipients enter the labor market. Recipients are not a homogeneous group. Their needs are as diverse as the communities in which they live and the resources available to help them. Early discussions on welfare reform recognized this diversity, and state and local flexibility is included in FSA and in the final JOBS regulations.

JOBS programs in individual sites may differ not only in the scope of the services they provide but also in how services are delivered. Many states and localities are using existing resources to meet the education and training needs of their JOBS participants. Other areas have chosen to provide these services through the welfare agency.

2. States appear to be moving away from earlier programs designed to place people in any available job (such as job search and workfare) in favor of programs designed to help people develop real skills (such as intensive education and training programs).

State goals for JOBS and FSA vary widely. Many states allow JOBS recipients to pursue post-secondary education and provide child care and transportation services. While some states view the legislation as an opportunity to reduce welfare caseloads in the short term by requiring recipients to accept any available job, others are developing more extensive programs that focus on building the skills needed for more permanent placement and higher earnings. Increasingly, states are confronting the magnitude of the barriers that recipients face in entering the labor market and are emphasizing education and training.

3. States are moving toward forming collaborative partnerships with human services, child support, education, child care, the employment and training community, and private employers.

FSA gives governors and states an unprecedented opportunity to evaluate existing resources, to assess the needs of individuals and employers, and to forge more comprehensive strategies for human and economic development. It is a catalyst for institutional change across many systems. The program encourages cooperation between state and federal education, labor, and human services agencies. This early in the program, however, there are few examples of effective coordination efforts.

A January 1991, House Committee on Ways and Means report, *Child Support Enforcement Report Card*, highlights the need for better program collaboration. Although significant improvements in enforcement programs have been made

since 1987, none of the states received a grade above "C." Child support provisions in FSA should show results soon. One method for improving these grades is to form better linkages between the income maintenance program, JOBS, and child support enforcement efforts. This seems to be a logical starting point for collaboration because these programs are usually housed within the same agency.

4. States must avoid "promising too much and delivering too little."

High hopes accompanied passage of FSA, and welfare reform will have a number of important benefits. After being on the political agenda for more than a decade, however, there is a danger that the public may expect too much too soon. It is important that budget requests and program promotions present a balanced picture of what can be accomplished.

Welfare reform supporters have warned that the legislation was not a cure-all for eliminating poverty and that significant results take time. Refocusing the welfare system is a complex activity. Improvements will be incremental, particularly during a recession.

Several states that implemented JOBS early have seen projected reductions in welfare caseloads and accompanying savings from lower expenditures for benefits turn instead to increasing caseloads and higher costs. This does not mean, however, that the program has failed. Without the JOBS program, the demands on public safety-net programs would likely be even greater. Equally important, the continued investment in education and training during a depressed economy when jobs are limited will make it possible for recipients to enter the job market quickly when economic conditions improve.

Problems States Confront

The fiscal consequences of the economic downturn may pose the greatest challenge to welfare reform. With at least 30 states taking budget action to avoid deficits in fiscal 1991 and all states facing increasing fiscal pressure from spiraling health care costs, finding the money to pay for welfare reform programs won't be easy. Because state discretionary funds are diminished, 24 of the 33 states that implemented JOBS prior to October 1990 were unable to claim their full federal allocation because they could not provide state matching funds. Similar predictions are being made for the new child care program, which also requires state matching funds.

The short-term fiscal impact is increased by the fact that states also must provide child care and Medicaid coverage for one year to welfare recipients who go to work. This is expected to cost states an extra \$205 million in fiscal 1991. Extending the AFDC program to two-parent families is expected to cost the 25 states that did not previously have the program \$220 million in fiscal 1991.

There are predictions that the recession will be brief, and, despite concerns about the availability of state matching funds, having the program in place is considered important to the long-term success of moving welfare clients from dependency to self-sufficiency. At the same time, legislation approved by the 101st Congress has the potential for strengthening a number of human service programs that complement JOBS. Such legislation includes increased funding for Head Start, two new child care programs (Title IV-A, and child care and development block

grant), reauthorization of the *Carl Perkins Act*, community services initiatives, and increased funding for Chapter 1 compensatory education programs.

Conclusion

States must rethink approaches to services to get the most from limited resources. Budget constraints demand that agencies avoid duplicating services and use existing resources more effectively. In essence, states must continue to do more with less, taking risks and experimenting with new ways of doing business. FSA provides an exciting opportunity for states to continue their role as "laboratories."

As the previous welfare-to-work and child support enforcement programs have shown, there is no easy way to help parents become more responsible or support their children. FSA does, however, provide a framework for restructuring policies and strategies to eliminate barriers that prevent an individual from entering the economic mainstream. The changing political and economic environment makes the task of implementing new programs of this size and scope difficult, but not impossible. As a nation, we cannot afford to let the opportunities to strengthen families slip away. Governors must ensure that each of our citizens has the resources and support necessary to become a more productive member of society. It is incumbent on us to continue our leadership so that the opportunities presented by FSA become reality.

Governor Bill Clinton of Arkansas and Governor Michael Castle of Delaware were the National Governors' Association's lead governors for welfare reform when the Family Support Act was developed and passed by the Congress.

The Family Support Act (continued from page 14)

stacles to fulfilling those desires. Nothing removes barriers and restores hope and confidence better than employment and the independence it brings.

The *Family Support Act* addresses this need directly by recognizing the importance of state and local solutions to social welfare problems and by nurturing attitudes of self-reliance among welfare recipients.

We recognize that it is not an easy task. An economic downturn, coupled with increases in AFDC caseloads, has left the states facing some short-term financial quandaries. But the long-term issues the *Family Support Act* was designed to address still require unwavering attention. We cannot afford to wait for better days before beginning the task of working on solutions to the problem of long-term welfare dependence.

If implemented effectively, the Act can build self-esteem as it increases self-sufficiency. Perhaps even more important, by reinforcing the work ethic and parental responsibility, children in families on welfare will grow up in homes with working parents as role models, an important step in breaking the cycle of dependence.

Jo Anne B. Barnhart is Assistant Secretary, Family Support Administration, U.S. Department of Health and Human Services.



State Regulation of Banks in an Era of Deregulation

This policy report examines the key intergovernmental regulatory issues arising from the changing economic and institutional structure of the banking and financial services industry. It reviews the history of bank regulation and analyzes current issues, focusing on the purpose and scope of regulation and the effects of deregulation on the operation of the American system of dual federal-state banking regulation. The report also evaluates and makes recommendations on regulatory proposals.

A-110 1988 36 pages \$10

State Taxation of Banks: Issues and Options

This is the second report in a two-part study of state regulation and taxation of banking. The study focuses on taxation of banks, including review of constitutional and legal issues, tax policy, defining a taxable entity, net income tax base, administration, and current practice.

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State and Federal Regulation of Banking: A Roundtable Discussion

At the June 1988 Commission meeting, this roundtable discussion was held to offer differing points of view on current legislative proposals concerning bank regulation. The participants were James Chessen, American Bankers Association; David T. Halvorson, New York State Banking Department; Sandra B. McCray, ACIR; Kathleen O'Day, Federal Reserve Board; and Keith Scarborough, Independent Bankers Association of America.

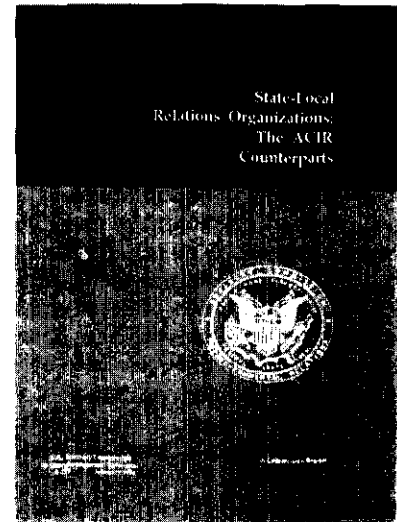
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State-Local Relations Organizations: The ACIR Counterparts

This policy report presents the results of ACIR's latest survey of the 26 operating state-local relations organizations. The Commission renews its call for each state to create and sustain an ACIR, and recommends that the national associations representing state and local governments encourage their constituents to support the ACIR concept. The report contains suggested state legislation that can be used as the basis for establishing an ACIR, and a directory including the organization, functions, staff, budgets, and work programs of the state ACIRs, as well as information about the Advisory Commission on Intergovernmental Relations and the federal departmental intergovernmental affairs offices.

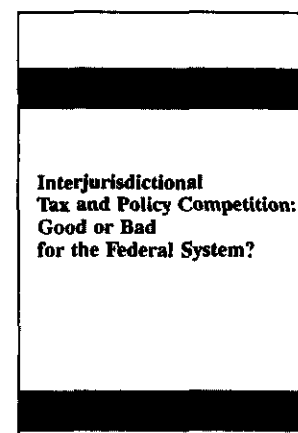
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Interjurisdictional Tax and Policy Competition: Good or Bad for the Federal System?

What are the benefits and costs of interjurisdictional competition? Does competition improve efficiency or lead to a less equitable system of state and local finance? Is competition a zero-sum game or does it expand public benefits for all parties? This report focuses on interstate and inter-local competition to synthesize the research that has been done during the last decade, examining various measures of competition, the federal role in setting the framework, types of tax and service competition, regulatory competition and competition for economic development, and how the negative view of competition has changed since 1981.

M-177 1991 72 pages \$10



(see page 38 for order form)

The Structure of State Aid to Elementary and Secondary Education

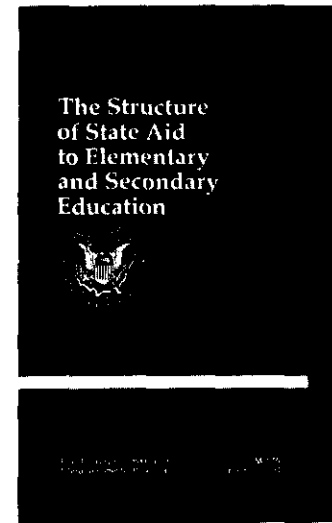
Elementary and secondary public education is the largest single expenditure for state and local governments. During the last two decades, the issue of equity in school finance has been hotly debated in the courts and legislatures of many states. Now, there is an even greater public focus on education quality.

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The report:

- Provides information about the trends in school finance.
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- Develops an analysis that should prove useful for evaluating and implementing proposed initiatives for education reform.

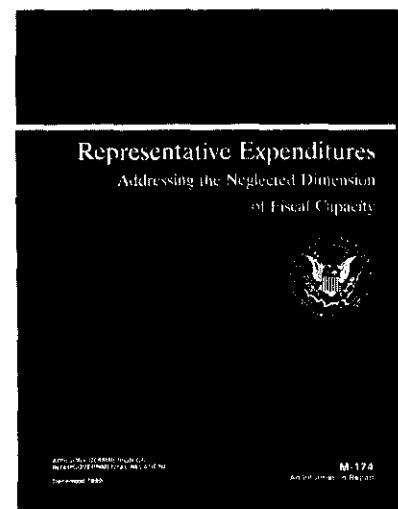
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Welfare Reform: How Well is It Working?

Candace L. Romig

The federal government mandated that the states implement the *Family Support Act of 1988* without providing the federal financial commitment necessary for the programs' success. At the same time, many local governments, running short of money, are asking state governments for a helping hand. States are caught in the middle, with increased program demands, revenue shortfalls, dwindling tax bases, and increasing budget deficits. State legislatures, meanwhile, continue to balance the various needs on the legislative agenda, to appropriate money for those programs considered beneficial and cost effective, and to improve oversight with more exacting program evaluations.

Federal Mandate

The *Family Support Act* (FSA) requires states to implement the federal job training program (JOBS) by October 1990 for most adults receiving Aid to Families with Dependent Children (AFDC), under penalty of federal sanctions. It also requires states to provide child care for JOBS participants; furnish transitional child care and Medicaid for 12 months after a participant leaves AFDC to take a job; implement the AFDC-UP program; and strengthen child support enforcement programs. Although approximately half of the states do not yet have statewide JOBS programs (these must be operating by October 1992)¹ the program was implemented in more than 30 states.²

JOBS replaced the old Work Incentive program (WIN), which also focused on employment and job training to attain self-sufficiency and independence from the welfare system. JOBS is more elaborate. JOBS entitlements vary from state to state based on the 1987 WIN allocation and adult AFDC recipient counts in each fiscal year (i.e., FY 1990 for the 1991 entitlement).³ The 1989 maximum state JOBS entitlement was \$150 million; the total for 1990 was \$800 million; 1991, \$1 billion; and the 1992 request is \$1 billion.⁴

Fifteen states began the JOBS program in the last quarter of 1989, using \$69.1 million (46 percent) of the \$150 million available.⁵ JOBS allotments were prorated depending on the program startup date. Only the 15 states operating programs by October 1989 were eligible for the full allotment in 1990. Delaware, Maryland, New Jersey, Utah, West Virginia, and Wisconsin show substantial shortfalls for 1990. These states had planned high expenditures, but the final OMB use estimates reduced their entitlements below expected spending.

Some states may experience funding difficulties due to increased caseloads from the AFDC-UP program, which was to be implemented by October 1, 1990. This may result in more participants in the JOBS program than there is funding, with additional money not available until 1992. Also, funds will be redirected in 1992 to those western and southern states initiating AFDC-UP in 1991.

To further frustrate the states' ability to fund the new JOBS program, in September 1990, the Family Support Administration reduced the 1990 allocations of the program to those jurisdictions beginning the program before the October 1990 deadline, and reduced the federal matching as well. The reductions ranged from 2.5 percent in North Dakota to 0.5 percent in Florida and Missouri and affected 33 states, the District of Columbia, and the Virgin Islands.⁶

States will risk spending more on JOBS-related activities than will be matched by their capped entitlements. Given most states' difficult budget conditions, some activities will not be included in the JOBS program or other important state services will be cut.

Legislative Response

State legislatures have passed enabling legislation for the JOBS program in the last two years. Laws also have been passed to include optional components of the JOBS program and to extend Medicaid and child care services to AFDC recipients who lose their benefits on employment. Many state legislatures, however, continue to struggle with appropriations for this program.

The National Conference of State Legislatures (NCSL) surveyed directors of state legislative fiscal offices to determine state appropriations for the *Family Support Act* in 1990 and 1991. The survey requested specific dollar amounts for JOBS implementation, child care for participants, AFDC-UP, transitional child care and Medicaid, automated data collection and reporting systems, general administration, and coordination of agency activities.

Preliminary results from the 33 states that have responded indicate that each state tabulates figures differently, with some states breaking down JOBS appropriations into components and others reporting one figure. There were no questions regarding program costs and draw-downs of federal funds. Table 1 outlines the preliminary gross state JOBS appropriations for FY 1990 and FY 1991. New Mexico, Rhode Island, and Wisconsin report a decrease in JOBS funding for FY 1991.

Table 1
State Appropriation for JOBS Implementation
FY 1990 and FY 1991
Preliminary Results
 (dollars in thousands)

State	FY 1990	FY 1991	Change
Alabama	1,000	10,096	+ 9,096
Alaska	147	5,479	+ 5,332
Arizona	1,606	13,040	+ 11,434
Arkansas	6,801	8,659	+ 1,858
California	771,544	813,200	+ 41,656
Colorado	10,610	27,629	+ 17,019
Delaware	1,969	2,960	+ 991
Hawaii	0	4,066	+ 4,066
Idaho	1,534	9,923	+ 8,389
Iowa	1,157	11,153	+ 9,996
Indiana	2,413	12,018	+ 9,605
Kansas	14,534	28,769	+ 14,235
Kentucky	2,931	69,847	+ 66,916
Maine	9,118	11,548	+ 2,430
Michigan	67,511	81,413	+ 13,902
Montana	638	5,131	+ 4,493
Nebraska	2,124	4,851	+ 2,727
Nevada	957	1,409	+ 452
New Hampshire	2,931	4,606	+ 1,675
New Mexico	25,119	20,292	-4,827
New York	0	41,100	+ 41,100
North Carolina	851	12,958	+ 12,107
North Dakota	2,550	5,584	+ 3,034
Ohio	199,805	334,671	+ 134,866
Oklahoma	7,058	15,410	+ 8,352
Pennsylvania	15,330	37,043	+ 21,713
Rhode Island	6,163	5,589	-574
South Dakota	1,565	4,629	+ 3,064
Tennessee	3,500	9,854	+ 6,354
Texas	4,278	28,432	+ 24,154
Utah	8,168	16,998	+ 8,830
Virginia	400	31,217	+ 30,817
Wisconsin	31,997	18,571	-13,426
Wyoming	283	2,251	+ 1,968
TOTAL	1,206,592	1,709,802	503,804

Source: National Conference of State Legislatures, 1991

The survey results also indicate that 23 states have specific appropriations for AFDC-UP. Other survey results include:

- 30 states appropriated separate amounts for guaranteed support services in FY 1991 as compared to 19 states in FY 1990; Rhode Island and Wyoming appropriated this money only for child care.
- 26 states funded transitional child care directly in FY 1990 as compared to 23 in FY 1991.
- 23 states funded transitional Medicaid directly in FY 1990 as compared to 16 in FY 1991.
- California, Idaho, Maine, Ohio, and Utah had separate appropriations for coordinating services in FY 1990. These five states, along with Alaska, Hawaii, and Tennessee, appropriated separate funds in FY 1991; Colorado combined appropriations for coordination in adopting the optional JOBS case management system.
- Arkansas, Colorado, Delaware, Idaho, Maine, Michigan, New Mexico, North Dakota, Pennsylvania, Texas, and Wisconsin funded automated information system development directly in FY 1990 (Delaware and North Dakota did not fund this activity in FY 1991); Alabama, Alaska, Hawaii, Indiana, Kentucky, South Dakota, Utah and Wyoming began funding this activity directly in FY 1991.
- Arizona, Colorado, Maine, North Carolina, North Dakota, and Oklahoma had specific appropriations for paternity establishment procedures in FY 1990 and FY 1991; New Mexico funded this activity directly only in FY 1990; and Idaho, Pennsylvania, and Wyoming had specific paternity establishment appropriations in FY 1991.
- Montana and Nevada each reported one aggregate appropriation for JOBS.

This was the first survey of state appropriations for the JOBS program. As these results are compared in succeeding years to JOBS and to overall state budget expenditures, the data will become more meaningful. Unfortunately, the lack of a uniform method for data collection makes comparison of program results among states difficult.

State Fiscal Conditions

An old adage reads, "You can't get blood out of a turnip." This holds special meaning for state lawmakers in 1991 and for projected state budgets in the foreseeable future. According to a recent NCSL report, state budgets for FY 91 will have average appropriation increases well below FY 90 actuals.⁷ During the past legislative session, Medicaid, education, and corrections spending continued to grow faster than state general revenue, reflecting the increased demands and the impact of federal mandates on state resources, and leading many states to reduce reserves and increase taxes.

While appropriating funds to implement the new federal welfare legislation, state legislators are seeking ways

to save money by reviewing eligibility standards, reassessing public assistance grant awards, and cutting programs that are not mandated. In the 1989-90 biennium, Wisconsin Governor Tommy Thompson proposed to limit AFDC eligibility based on residence in the state. The legislature struck down the proposal, but many observers assume that the governor will reintroduce the measure. Other states attempting to streamline their public assistance programs have expressed interest in the proposal.

The Maine legislature is holding hearings to gather constituent feedback about Governor John McKernan's plan to cut AFDC and reduce state-subsidized day care. The governor would like to cut state spending by about \$40 million before July 1, 1991, to offset a \$146 million shortfall in the last six months. The proposed \$1.7 million reduction in AFDC funding will remove 1,500 families from AFDC and reduce benefits to another 2,500.⁸

The number of people seeking cash assistance, food stamps, and Medicaid is increasing across the country. Pennsylvania counties, for example, report that increases in cash assistance are occurring for the first time in a decade. Philadelphia suburban welfare agencies have been asked to cut operating budgets and may even be asked to cut assistance programs. The Pennsylvania Department of Public Welfare is considering cutting some medical assistance programs not mandated by law to compensate for new welfare cases expected to cost \$200 million.⁹

Sixteen states increased AFDC appropriations more than 10 percent in 1990—Arizona, Arkansas, California, Connecticut, Delaware, Florida, Georgia, Idaho, Kentucky, Mississippi, Nevada, New Hampshire, New Mexico, North Carolina, Vermont, and West Virginia.¹⁰ Seven of the 16 states that increased AFDC expenditures are in the Southeast; the others are in New England and the West.

Nine states reported decreases in AFDC appropriations—Iowa, Kansas, Louisiana, Minnesota, Missouri, North Dakota, Ohio, Pennsylvania, and Wisconsin.¹¹ AFDC has not been a budget priority for many states in the recent past. In real dollars, state welfare spending decreased almost 50 percent from the mid-1970s through the 1980s. The possibility of welfare spending in the states surpassing or even equaling that of the 1970s does not appear likely given the present fiscal situation.

State Commitment to Community-Based Approaches

States increasingly are exploring partnerships with business and local governments for social services delivery. State legislatures promote family support centers, Head Start and early childhood education programs, community action agency programs, school-based programs and community education, social services sponsored by community development corporations, and reform of public sector service delivery.¹²

Family Support Centers. Maryland has established 11 family support centers that serve as drop-in centers for adolescents who are pregnant or are parents. Services include education and job counseling, parenting support, self-esteem building, health services, and referrals to other resources. Data appear to confirm the effectiveness of

these centers in reducing subsequent pregnancies, decreasing child abuse, improving child development, and increasing high school completion rates.¹³

Early Childhood Education. New York State has had a pre-kindergarten program for low-income four-year-olds for 24 years, based on the Head Start Performance Standards. A coalition of child care advocates in the state has developed a proposal for creating a new state pre-kindergarten funding resource for nonpublic schools and community-based organizations.¹⁴

Community Action Agency Programs. Washington State has two community action agencies (CAAs) and a county health department that screen infants and toddlers at 33 sites as an early intervention/prevention measure. Some 422 children were screened in 1987, and dozens were placed in treatment for developmental disabilities, chronic health problems, or malnutrition. Iowa has five CAAs that participate in a family development program addressing long-term welfare dependence. These pilot projects integrate welfare-to-work, family support, and child development efforts through a case management family advocacy program model funded by a state welfare reform initiative.¹⁵

School-Based Programs. The New Jersey Department of Social Services committed \$6 million in 1988 to establish school-based youth service programs in secondary schools to help address the many problems facing teenagers today. Mandated services include health, mental health, employment counseling, and family counseling. Local communities, however, control the programs. Grant applications require the support of local organizations, the school, the private industry council, and the parent-student-teacher association in the area. The community designates the lead agency to deliver the program.¹⁶

Community Development Corporation Social Services. The Arizona Chicanos por la Causa (CPLC) emphasizes social service delivery, including housing counseling, adult basic education, skills training, job search and placement assistance, child care and early childhood education, comprehensive services to pregnant and parenting youth, and health and mental health services.¹⁷

Public-Sector Reform. The Lincoln County Case Management Project in Oregon is an example of public sector service delivery reform. Many years of planning and collaboration between state agencies have resulted in a project to assist multiproblem families with children to become more self-sufficient. The project also improves service system efficiency and effectiveness by restructuring existing resources and policies to make a broad range of services accessible and available to the families.¹⁸

Conclusion

Recent analysis of the federal data reports on JOBS indicates that some states are committed to education and training, but the level of commitment varies widely. The Family Support Administration's state data reporting requirements, however, are limited. States need a reporting system that is more specific and comparable across the country.¹⁹

Important questions concerning the success of JOBS remain for federal and state agency representatives, policymakers, welfare experts, and advocates throughout the country. For example, no one seems to know the numbers of JOBS participants receiving support services. Further study also is needed to determine how social service budgets are being affected by the JOBS program, and if the financing of JOBS is shared correctly by local, state, and federal governments. As these questions are answered, state legislatures will continue to investigate state JOBS programs, determine which JOBS components are most effective, fund mandated programs, seek ways to streamline social service activities, and work with local communities and the private sector to improve the delivery of social services to needy Americans.

Candace L. Romig is Group Director, Health and Human Services, National Conference of State Legislatures, Denver, Colorado.

Notes

- ¹ "Rural JOBS Implementation," *Family Matters* 2 (October 1990): 1.
- ² Mark Greenberg, "What's Happening in JOBS: A Review of Initial State Data" (Washington, DC: Center for Law and Social Policy, September 1990): 1.
- ³ "New 1990 Welfare Reform and WIN Allocations Projections for 1991 and 1992," *Federal Funds Information for States, Issue Brief* (March 23, 1990): 1.
- ⁴ *Ibid.*
- ⁵ *Ibid.*
- ⁶ "Unexpected 1990 Sequester for AFDC JOBS," *Federal Funds Information for States, Issue Brief* (September 21, 1990): 1.
- ⁷ Corina L. Eckl, Anthony M. Hutchison, and Ronald K. Snell, *State Budget and Tax Actions 1990* (Denver: National Conference of State Legislatures, 1990), p. ix.
- ⁸ "Public Assistance and Welfare Trends," *State Capitals* 45 (January 28, 1991): 2.
- ⁹ "Public Assistance and Welfare Trends," *State Capitals* 44 (December 31, 1990): 2.
- ¹⁰ Eckl et al., *State Budget and Tax Actions 1990*, p. 34.
- ¹¹ *Ibid.*
- ¹² Scott Chazdon, *Responding to Human Needs: Community-Based Social Services* (Denver: National Conference of State Legislatures, 1991), p. 6.
- ¹³ *Ibid.*, p. 7.
- ¹⁴ *Ibid.*, p. 8.
- ¹⁵ *Ibid.*, p. 9.
- ¹⁶ *Ibid.*, p. 10.
- ¹⁷ *Ibid.*, p. 11.
- ¹⁸ *Ibid.*, p. 12.
- ¹⁹ "What's Happening in JOBS," p. 1.

1988 State Fiscal Capacity and Effort

ACIR developed the Representative Tax System (RTS) and the Representative Revenue System (RRS) to improve on available measures of state fiscal capacity and effort. **These measures show state and local government capacity to collect tax as well as nontax revenue.** With *1988 State Fiscal Capacity and Effort*, ACIR—in conjunction with Price Waterhouse—continues its tradition of providing information on the relative economic well-being and fiscal performance of the states.

Why use the RTS and RRS?

- They measure governments' *potential* abilities to raise revenues relative to a national average
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1988 State Fiscal Capacity and Effort—

- Contains tables and graphs on RTS and RRS bases, arranged both by revenue base and by state
- Discusses recent changes in states' fiscal capacities
- Compares RTS and RRS with other capacity measures
- Provides details on the methodology
- Includes historical data



(see page 38 for order form)

Implementing JOBS Deserves a Chance

Cesar A. Perales

It has been two and a half years since President Ronald Reagan signed the *Family Support Act of 1988* into law. For human service administrators, this legislation represented the culmination of more than three years of intense work involving policy development and analysis, negotiations with and among members of Congress, educational work with constituents, discussions with the Administration, and efforts to assure that the political impetus behind the bill was not lost.

The genesis for the debate on "welfare reform" for the American Public Welfare Association (APWA) began in earnest in 1985. Responding to the increase in poverty among children, a steering committee representing APWA's board of directors and its councils of state and local welfare administrators adopted a policy statement calling for a renewed commitment to poor children and their families. APWA released the policy recommendations in its 1986 report *One Child in Four*, which formed the basis for many of the provisions in the *Family Support Act*.

The goal of the APWA effort was straightforward—to reduce the number of children living in poverty by strengthening their families and promoting self-sufficiency. The final legislation, although not as comprehensive as APWA's recommendations, represented a positive first step in turning the current system of income maintenance into a more humane, more coherent welfare system. The JOBS program, transitional child care and medical assistance benefits, mandatory state coverage of AFDC benefits for two-parent families at least six months a year, and stronger child support enforcement were all essential elements to improve the lives of poor children and their families.

The *Family Support Act* can and will assist families in moving toward self-sufficiency. But we must be realistic about our expectations, particularly for the JOBS program. We must understand, for example, that although the Congress increased federal spending for education, training, and employment by 275 percent above prior levels, 1989 Congressional Budget Office estimates show that in five years only 50,000 families will have left the AFDC rolls.¹ Although this figure represents an improvement in the lives of these families, the CBO estimate did not factor in the recession or the increases in AFDC caseloads over the past two years. (In November 1990 alone, an estimated 36,000 new families were added to the nation's welfare rolls, according to state data.)

Just as we must be realistic about the impact of JOBS in reducing welfare caseloads, we must not underestimate the complexity of transforming new requirements into actual state and local services. The states have two years to implement the program on a statewide basis and gradually increase funding and participation levels.

Human service administrators are questioned about the growth in welfare caseloads and why there aren't more job placements given the considerable investment of resources in education and training programs. Virtually every state is developing automated management information systems to meet the complex reporting requirements, but some observers question why more information is not yet available.

The states are taking positive first steps to bring to fruition the intended vision of reform. Implementation requirements are being met, delivery systems are being transformed, and commitment to the program is being sustained despite the uncertain economic environment. What follows constitutes a "snapshot" of some JOBS success stories.

Implementing JOBS

Implementation of the JOBS program has proceeded at a remarkable pace:

October 1988—The *Family Support Act* was passed.

April 1989—Proposed regulations were issued by the Family Support Administration of the U.S. Department of Health and Human Services.

July 1989—15 states began implementation, all but three of them on a statewide basis.

October 1989—Final regulations were published by HHS, and 25 states had begun implementation.

April 1990—30 states, the District of Columbia, and the Virgin Islands had JOBS programs operating, and all states began implementing transitional health and child care.

July 1990—Three more states initiated programs.

October 1990 (the deadline for implementing JOBS)—17 states, Guam, and Puerto Rico started their programs.

March 1991—35 of the 54 jurisdictions operating JOBS programs are doing so on a statewide basis (which is required for all states by October 1992).²

Several factors contributed to the states' ability to implement JOBS within the required time. First, many states had experience in operating comprehensive welfare-work programs. While states may have had to modify the design of some program components, contractual agreements, and financing mechanisms, these factors were not barriers. Many states had sufficient legislative authority to meet the new requirements. State funding was available, even if it was not sufficient to match all of the federal funds available under the capped entitlement.

The law and regulations give states great flexibility to design and operate JOBS programs. Implementation may be phased in statewide between October 1990 and October 1992. A state may provide fewer services if a comprehensive statewide program is not feasible; there is no requirement to operate JOBS in the same manner in each political subdivision. Another factor influencing timely implementation is the fact that HHS moved quickly to draft regulations, met with and sought feedback from state officials, and provided interim policy guidance to states implementing JOBS before the final regulations were issued.

Seventeen jurisdictions opted to delay JOBS implementation until October 1, 1990, largely for three reasons: (1) the need for state legislative appropriations and/or authorizing legislation; (2) the need for time to plan and design programs; and (3) the desire for a more deliberate approach to planning and design regardless of funding constraints or previous welfare-work experience.

Delayed start-up of programs should not be interpreted to mean that they will be less effective or of lower quality. Even for states with more "mature" welfare-work programs, the statutory and regulatory requirements for JOBS are complex. Policies, regulations, and procedures had to be developed and written, interagency agreements and contracts with providers had to be developed and written, and internal financial controls had to be established.

Characteristics of State and Local JOBS Programs

Last year, APWA and other national organizations conducted surveys, on-site visits of local programs, and discussions with JOBS program administrators. A general picture of state and local programs can be drawn from these sources.

States are placing great emphasis on basic skills for target group members, particularly in urban areas. A primary goal is to ensure that, on completion of the JOBS program, these individuals will be able to compete in the job market and obtain jobs that pay more than the minimum wage. As programs got under way, states discovered that they had more participants than anticipated with multiple barriers to self-sufficiency, particularly lack of education. This has resulted in more frequent and longer intensive—and expensive—interventions, driving per-participant cost up and the number of participants down. This is beginning to cause concern because federal funding for JOBS is tied in part to the participation rate.

States also are allowing and paying for post-secondary education. Most states limit this to two years or less, but six states allow participation for up to four years. Many of those in post-secondary education programs reportedly initiated their own participation, and in these cases JOBS resources are used only for support services, such as child care.

The meshing of the welfare, education, and job training systems has been critical in ensuring access to JOBS services. Discussions with state and local JOBS administrators reveal a preference for using existing education and job training systems, such as adult and vocational education programs operated by community colleges, and skills training provided under the *Job Training Partnership Act*.

Equally important to JOBS administrators has been working with other state and local officials to develop creative financing strategies that ensure a match between JOBS participant needs and the programs designed to help them. A recent Family Support Administration ruling has improved chances for states' success in leveraging resources—state matching funds for JOBS programs may be used without having first to be appropriated or physically transferred to the state welfare agency. The previous appropriation/transfer requirement was an administrative burden and was impossible to implement in some states, which prohibit transfer of funds between agencies.

The Case Management Option

Case management, a cornerstone of APWA's welfare reform proposal, is an option in the *Family Support Act* that has been taken by all but three states. Time, training, money, administrative coordination, service integration, and a willingness to experiment are all necessary for an effective case management system. In most states, eligibility for JOBS case management is separate from AFDC eligibility determination.

Case management caseloads vary considerably, from one worker per 50 families to as high as one worker per 250 families. Approximately half of the states provide case management to all JOBS participants; the others target specific groups. Many states are contracting case management to outside entities, such as community action agencies. APWA has established the Institute for Family

Self-sufficiency to provide case management training and technical assistance.

Child Care and the *Family Support Act*

As they implement the child care and transitional child care (TCC) provisions of the *Family Support Act*, state and local administrators have been concerned about supply, affordability, and quality. There has been little research to assist states in estimating child care costs or utilization patterns. Prior to the FSA requirement for local market surveys, few state and local human service agencies had access to data to assist them in determining the cost and availability of care.

From its survey of 34 states, the Maryland Department of Human Resources reports that state and local child care programs are undergoing significant change. States are modifying and adapting programs and adding new mechanisms for paying subsidies, including payment for nonregulated care. Many states that had purchase of care or contract systems are using vouchers for JOBS participants or those receiving a TCC subsidy.

The transitional child care provision presented a major challenge. As states moved toward implementation of this new program on April 1, 1990, many reportedly underestimated the complexity of establishing policies and procedures for determining eligibility and mechanisms for verifying and reporting of eligibility, administering payments, and setting up sliding fee scales.³

Anecdotal information points to considerable underutilization of TCC by AFDC recipients leaving the system because of (1) heavy reliance on unsubsidized informal child care arrangements, (2) use of other state-funded child care programs for reimbursement, and (3) lack of client awareness about the availability of TCC.

Learning whether clients receive reimbursement from other publicly funded child care programs is a major challenge to states and points to the complexity of monitoring and tracking child care utilization and expenditures from a variety of sources. Fourteen federal sources were reported in a survey by the National Governors' Association: social services block grant; Title IV-B child welfare services; community development block grant; community services block grant; *Indian Child Welfare Act*; dependent care planning and development grants; AFDC; WIN; Title II A, B and Title III of the *Jobs Training Partnership Act*; area economic and resources development program; Chapter I *Education for the Handicapped Act*; and the child development associate scholarship fund.

Many states report problems improving coordination of child care programs and, more importantly, developing accounting and client tracking systems. The enactment last year of the child care and development block grant and new child care program for low-income non-AFDC families under Title IV of the *Social Security Act* is expected to help states improve the administration and delivery of quality child care services.

Financing JOBS

The Congress authorized \$4.8 billion for the JOBS program from FY 1989 through FY 1995 and \$1 billion for

each year thereafter. Funds were appropriated at the full amount for fiscal years 1989-1991.

Although states are not required to operate JOBS statewide until FY 1993, and many states have not yet operated their programs for a full funding cycle, the states' inability to match funds and to "draw" their full federal allotment poses a serious concern to human service administrators. HHS estimates states will spend \$427 million in FY 1990, significantly less than the \$800 million available. Of the 33 jurisdictions operating JOBS in FY 1990, 25 of which operated for the full fiscal year, it is estimated that only four (Connecticut, District of Columbia, Wisconsin, and Wyoming) were able to match and spend their full allocation.

In FY 1991, the Congress appropriated \$1 billion for JOBS, and HHS expects states to spend approximately \$725 million. For FY 1992, HHS is requesting \$1 billion, the full authorization level, and expects the states to spend \$825 million. In its analysis of the President's FY 91 budget, CBO estimated that states would be able to match 65 percent of the 1991 federal funds, increasing to only 80 percent in 1995.

Tensions between shrinking revenues and demands for additional state spending is forcing virtually all states to reexamine their policy and budget priorities. While it is too early to tell what kind of impact budget cuts and competing priorities will have on JOBS, administrators are concerned about future support for the program. Significant resources are being invested, but few successes can be demonstrated, so program expansion may be an unrealistic goal.

Program designs likely will be refined to try to do more with less. Phase-in time may be extended, or some geographic areas may go unserved. For many states, the dilemma will be whether they (1) can continue to provide a comprehensive array of services, understanding that a demonstrable return on the investment in education and training will come only in the long term, or (2) will be forced to move to a less comprehensive strategy emphasizing high rates of participation and placement in lower wage jobs.

The Effect of Rising AFDC Caseloads

Contributing to state fiscal problems is the increase in AFDC, food stamp, and Medicaid caseloads. According to preliminary state data, approximately 117,000 additional individuals began receiving AFDC benefits (including AFDC-UP) in the October/November reporting period. States estimate that 4.2 million families (11.9 million individuals) are receiving AFDC benefits. The previous participation record, set in 1981, was 3.8 million families.

Administrators cite the following reasons for the increases: slowdown of the economy and rising unemployment, expansion of Medicaid eligibility, administrative efficiency, single applications for entitlement programs, and improved access to service delivery through co-location of services.

The increases in AFDC, food stamp, and Medicaid caseloads are making it more difficult for states to deliver on the JOBS program and to project annual allocations of federal funds for JOBS accurately (the allocations are based in part on the average monthly number of adult recipients in the previous year).

(continued on page 30)

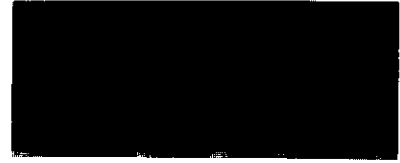
Intergovernmental Regulation of Telecommunications

This policy report examines, evaluates, and makes recommendations on the key intergovernmental regulatory issues that arise as a result of the changing institutional and economic structure of the telecommunications industry.

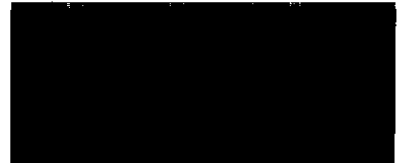
State regulators are experimenting with new regulatory schemes for the restructured industry, and some have moved ahead of FCC, introducing diversity and flexibility.

Technological advances also are changing the face of telecommunications (e.g., fiber optics and increasing use of digital switches). ACIR concludes that FCC has frequently preempted state law, and that continuation of such a policy may result in a loss of the lessons to be learned from state experimentation.

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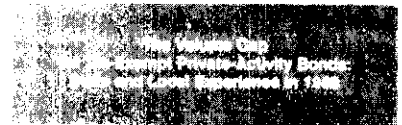
Intergovernmental Regulation
of Telecommunications



The Volume Cap on Tax-Exempt Private-Activity Bonds: State and Local Experience in 1989

The unified volume cap was adopted as part of the *Tax Reform Act of 1986* and set a limitation for each state equal to the greater of \$50 per capita or \$150 million, effective in 1988. Despite the significance of the legislation, little is known about the states' operations under the cap. The states were surveyed to determine the priorities they use to allocate private-activity bonds between state and local governments, the volume and composition of the bond allocations, and suggestions for reform of the volume cap rules.

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(see page 38 for order form)

The Importance of Local JOBS Programs

Tom Fashingbauer

Counties are very involved in implementing provisions of the *Family Support Act (FSA)*, especially the *Job Opportunities and Basic Skills Training Program (JOBS)*. The AFDC program is administered by counties in 15 states, and counties in other states also have developed innovative programs. Along with the success stories, however, there are still problems in implementing JOBS.

Lessons from Earlier Programs

Welfare reform has a long history, especially in states where counties administer the programs. California, Michigan, Minnesota, New Jersey, New York, and Ohio implemented welfare reform programs as early as 1981 under the WIN (Work Incentive program) waivers that allowed intensive training activities. Many of these programs developed strong linkages with community-based organizations.

The STRIDE program in Minnesota started in 1987, drawing on the ideas outlined in the early debate on JOBS. The program targeted groups that had a potential for long-term welfare dependence, used a case management system, and saw remedial and vocational education as the best way to develop long-term employment objectives. Counties were able to select from a variety of components, as with the current JOBS program. The experience with work-related training prepared the way for the success with the JOBS program. When JOBS started, counties were able to adjust priorities among the groups served and the types of services provided. Ramsey County evaluated STRIDE and found that classroom training is providing good results, but that other alternatives, such as on-the-job training, have been less successful.

Long-Term Planning

Some states had very little experience in operating a program similar to JOBS. For example, North Carolina and Louisiana decided not to start JOBS until October 1, 1990, using the extra time to do long-term planning.

North Carolina counties administer welfare, and the state used them as the focal point for JOBS planning. Guilford County brought together the various human service agencies to determine the program structure, and they agreed to institute a system in which a Primary Case Manager is authorized to develop and retain control of the self-sufficiency plan for each JOBS participant. Many agencies will provide the needed services, but one person in one agency will be the contact and guide to the final goal.

Louisiana is setting up local parish councils to provide the JOBS planning framework. The JOBS program is operating in only 10 of the 65 parishes, but planning and discussions have started in all of them.

Connections with a Variety of Agencies

One of the main messages of JOBS is the need for coordination among as many agencies as possible. Virginia developed a planning guide for human service agencies that included survey information about service costs, school services for older school dropouts, availability of child care, the hours per week for specific services, and prospects for service slots if needed.

Fairfax County, Virginia, has developed two linkages that help address problems with JOBS:

- 1) The county office for children takes part in client orientation for JOBS, identifying child care needs and outlining options. This makes it easier to ensure that child care will be available as the mother begins the program.

- 2) JOBS case managers met with Northern Virginia Community College counselors and initiated a structured study hall where JOBS participants can gain a better understanding of their class topics, while helping the county human service agency meet the federal requirement for 20 hours of participation per week.

Utilizing Other Service Structures

Local agencies have become very involved in JOBS services in some states where the program is not county administered. In Iowa, Maryland, and Pennsylvania, for example, the service delivery areas of the *Job Training Partnership Act (JTPA)* are taking an active role.

Iowa utilizes the state Department of Human Service for entry to the program, the Iowa Employment Service for participant assessment and job search and education and training have become major concerns, the service delivery areas are serving most of the people identified for the Promise JOBS program.

Maryland's Job Training Coordinating Council has been a human resource council almost since it started. It includes representatives from the departments of Human Services, Employment, and Education, and other human resource programs. The council saw the structure of JTPA as the most appropriate model for an effective and broad-based JOBS program. Adjustments to strengthen the role of the human service department have been made in response to federal concerns about this structure.

Pennsylvania has a Single Point of Contact (SPOC) program, begun in demonstration sites two years before JOBS, that links public welfare, employment service, JTPA, and education at one site. All of the agencies except education provide funding for the centers. The JTPA Service Delivery Areas, which range in size from one to six counties, are the contractors and site for the SPOC center. The program is considered to be successful, though cumbersome.

The different ways of meeting the needs of welfare recipients reflect the flexibility provided to states and localities in JOBS. This flexibility has been important in developing services for different populations.

Concerns

JOBS still has many problems, including funding, implementation rules, and start-up delays.

Funding

State Match. Funding for the local areas is affected by lack of state matching money and by state decisions. The state match was limited by a federal requirement that funds counted in the nonfederal match be physically transferred to the state or local human service agency. This requirement disqualified substantial nonfederal matching funds because education, housing, and other agencies willing to provide special programs for JOBS participants are not allowed, by their own accountability requirements, to transfer their funds. Even if they can transfer these funds, they must be sent back to support the services provided, minus the administrative costs of the offsetting transfers.

This issue was partially addressed by a December 21, 1990, JOBS Action Transmittal that allowed Memoranda

of Understanding (MOUs) for tracking the state match. The limitation is that this action covers only other state and local government agencies. Private funds still have to be physically transferred to the public welfare agency. Many local areas could set up in-depth programs with United Way or community-based organizations, but the physical transfer requirement has limited the full effect of these programs in serving participants while providing part of the nonfederal match.

As many states face fiscal limitations for all programs, it makes sense to establish MOUs for a wide range of service programs. In addition to increasing the nonfederal match, MOUs also open the door to better communication and sharing of objectives.

Funding Choices. In some states, the state legislature decides how JOBS funds are to be spent. These legislative mandates do not always match the needs of the population to be served, and they are hard to change.

Funding shortages also have limited the effectiveness of needed programs. The *Family Support Act*, like some other federal programs, mandates certain services without fully funding them. In these circumstances, state and local governments have to shift resources from other programs to meet these mandates. For example, Ramsey County, Minnesota, had to shift staff and local funds to JOBS from an employment and training program focused on refugees receiving public assistance, and had to terminate a volunteer program for AFDC recipients. With all state and county resources for employment and training programs directed to AFDC recipients, other populations needing services are left out. Thus, although JOBS was meant to add to, rather than to replace, existing programs, it does not always have that effect.

Implementation Rules

Several federal rules have made JOBS implementation more difficult. One of the most difficult rules to apply effectively allows only participants who are in JOBS activities at least 20 hours a week to be eligible for federal aid. In addition, participants must start activities at the beginning of the month to be eligible that month. However, the rules do allow pairing two individuals in some cases to create one full participant.

For the education component of JOBS, the rules limit open entry/open exit, do not provide for any breaks in the prescribed program, and create other problems for participants. Very few courses take 20 hours a week. While structured study halls or one-on-one counseling can bring students up to the 20 hours, the program structure is not well suited to the requirements. Since education is one of the primary concerns of the new JOBS program, more realistic rules should be developed.

Conclusions

Overall, the JOBS program is an excellent step toward providing needed opportunities for education and training. It has opened the door to increased connections between federal, state, and local human resource agencies. Although the law allows for flexibility to address different needs, the rules often bind that flexibility too tightly.

The future of JOBS depends on all the necessary players being involved, and the first year and a half shows that they are involved. Success also depends on meeting

the basic goal, which is serving the needs of individuals receiving public assistance. Sometimes, the rules get in the way and the available funds fall short. If the welfare reform program is to succeed, there will have to be a strong and lasting commitment.

Tom Fashingbauer is Director, Ramsey County Community Human Services Department (St. Paul, Minnesota), and President, National Association of County Human Service Administrators. The author wishes to express appreciation to Marilou Fallis of the National Association of Counties for assistance in preparing this article.

Implementing JOBS Deserves a Chance (continued from page 26)

State Capacity for Program Reporting

One of the most difficult challenges for states has been to develop management information systems to meet the reporting requirements for JOBS. States are required to submit data electronically on participant activity and program expenditures. The participation rate requirements are complex, and are different for AFDC and AFDC-UP. Failure to meet required participation levels will result in reduced federal funding. When the *Family Support Act* was passed, no state had the information technology necessary to meet even minimum reporting requirements. Automated systems development for JOBS is labor intensive, time consuming, and expensive, and is complicated further by the need for additional information technology to meet new mandates for reporting requirements for child support enforcement; Title XX; foster care and adoption; the child care and development block grant; and the Title IV-A child care program for low-income, non-AFDC families. Accountability requirements are increasing precisely when state and local resources are limited.

Realistic Expectations about JOBS

The *Family Support Act*, particularly the JOBS program, offers an opportunity to improve the delivery of human services and the lives of families. The change will be incremental, and it may proceed at a more modest rate than many people had hoped when we first began pressing for reform of the welfare system. Nevertheless, any move to tinker legislatively with the JOBS program would be premature. Many states have not operated their programs for a full year and many more are not yet operating statewide. States must be given the opportunity to develop programs that meet their specific needs. We must keep the goals of a reformed welfare system in mind at the same time that we keep a realistic check on our expectations.

Cesar A. Perales is Commissioner, New York State Department of Social Services, and chair of the APWA National Council of State Human Service Administrators.

Notes

¹J. Pesklin and A. Fairbank, *Work and Welfare: The Family Support Act of 1988* (Washington, DC: Congressional Budget

Office, 1989). CBO estimates that the number of additional participants in work-related programs will rise from 15,000 in 1989 to 80,000 in 1995.

²The HHS Family Support Administration has a synopsis of state JOBS programs compiled from state JOBS and Supportive Services Plans, from which some of this information was obtained.

³For a complete analysis of these issues, see *Transitional Child Care: Who's Eligible* (Washington, DC, Center for Law and Social Policy, 1990) and *Transitional Child Care: State Experiences and Emerging Policies under the Family Support Act* (Washington, DC: Children's Defense Fund and the Center for Law and Social Policy, 1990).



State and Local Initiatives on Productivity, Technology, and Innovation: Enhancing a National Resource for International Competitiveness

The Omnibus Trade and Competitiveness Act of 1988 established in the U.S. Department of Commerce a Clearinghouse for State and Local Initiatives on Productivity, Technology, and Innovation. ACIR assisted Commerce in determining appropriate roles for the Clearinghouse that would be of greatest support to state and local competitiveness initiatives. This volume includes:

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- **ACIR's findings and recommendations** on the setup, operations, and funding of the Clearinghouse

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(see page 38 for order form)

Welfare Reform in the 1990s: The Research View

Robert Moffitt

Passage of the *Family Support Act of 1988* has brought welfare reform to the attention of state and local policymakers once again. While the welfare system has never disappeared as an important issue, and while the *Family Support Act* was in part the culmination of several years of state and local activity on the Work Incentive program, work requirement and training programs, child support, and other programs, the new requirements of the *Family Support Act* put welfare reform even more center stage than before.

The Act raises once again the issue of the relative responsibilities of the federal, state, and local governments for different aspects of the provision and financing of welfare services. Responsibilities in a federal system should be assigned not only on the basis of fairness to different taxpayers but also according to what system has the greatest effect in lessening poverty, reducing the welfare rolls, and increasing self-sufficiency and general well-being among the low-income population.

Broadly speaking, there are two types of recent research on the welfare system by academic scholars, researchers in "think tanks" and other research organizations, and government policy analysts.¹ First, there is research on the behavioral effects of the system—does it affect family breakup, increase interstate migration, and so on? Second, what are the effects and success of giving work incentives through the AFDC benefit formula, offering work and training programs, altering the child support system, and so on? The research results on specific programs are of more direct use to policymakers, but research results on behavioral issues are important for motivating different reforms and developing evaluation criteria.

The gap between research results and specific issues facing administrators is often large. Much research also is equivocal in its findings: the water is often muddy, and no clear-cut answers emerge. But this is not always the case. Some things are reasonably well known and agreed on by most members of the research community, and perhaps, more important, some things are known *not* to be true. As the old saying goes, "it's what we think we know that ain't true that hurts us."

Determinants of Caseloads and Participation in the Welfare System

Most research on the determinants of caseloads and participation in AFDC has focused on female-headed families, who constitute more than 90 percent of the caseload. *One of the more significant findings is that for the past 10 years, the number of AFDC cases has remained relatively stable because the number of female-headed families grew while their participation rates fell.*

The caseload "explosion" of the late 1960s and early 1970s is long past, and caseloads have declined in some areas over the last 10 years. The AFDC caseload would have dropped more dramatically if it had not been for the growth in the number of female-headed families.

Interestingly, the number of female-headed families on AFDC—eligible by meeting the income, asset, and family structure requirements—has been declining steadily for many years. This decline appears to be a result of three factors:

- 1) Real AFDC benefit levels have been falling.
- 2) The imposition of more stringent work requirements and training programs has made AFDC more burdensome to recipients.
- 3) There is speculation that the new child support enforcement requirements have been discouraging participation.

Quite a bit of research has been conducted on the determinants of movements on and off AFDC. *Perhaps*

the most interesting finding is that most of the movements on and off AFDC are the result of changes in family structure (marriage, divorce, birth of children, or aging of children) and not the result of changes in the earnings or work behavior of the female family head.

This finding has tremendous implications for welfare reform. If work earnings are not the main route out of welfare, for example, what does this imply about current efforts to strengthen work and training programs? Research has shown that there is nothing about being a female family head in itself that forces a woman to stay out of the labor force or to work at a low-wage, menial job. In fact, female heads of household, as a whole, work more and have higher earnings than married women in the United States. The major problem appears to be the basic characteristics of these families—no able-bodied male in the household, but with dependent children under 18.

Behavioral Effects of the Welfare System

Many of the researchers on AFDC and other aspects of the welfare system have attempted to determine the validity of popular conceptions of welfare effects. Three ideas have received the most attention:

- 1) AFDC encourages marital breakup.
- 2) The poor migrate from state to state to seek higher AFDC benefits.
- 3) Welfare is passed from generation to generation—that is, children who grow up in AFDC families are more likely to be on AFDC when they mature.

No strong evidence has been found to support these ideas. Although there is some evidence that AFDC does have a deleterious effect on family structure by discouraging first marriages, encouraging marital breakup, and delaying remarriage, the effects are too small to explain any significant portion of the increase in female-headed households during the last 30 years.

The evidence on migration also is weak. Despite many accounts of women who have moved to get higher AFDC benefits, the data do not reveal a strong effect nationwide. Migration takes place for many other reasons as well, particularly in response to different economic conditions in different states and different individual economic circumstances. Individuals who lose a job, for example, are more likely to migrate; they may pick a higher benefit state when they move, but that decision was not stimulated by the benefits.

The evidence on passing welfare status from generation to generation shows that children from AFDC families are more likely than other children to be on AFDC when they grow up. However, it also has been shown that this is true of children from all poor families, even those not growing up on AFDC. Poverty is passed from generation to generation to some degree, but that is not caused by the welfare system.

Reforming Welfare: Increasing Earnings Deductions

A great deal of research has gone into determining the effects of changes in the level of earnings deductions, such as the “30-and-one-third” deduction introduced in 1967 (\$30 and one-third of any earnings above that could be de-

ducted from countable income each month). The effect of the essential elimination of the deduction in 1981 also has been studied. The most important finding from the research, perhaps surprising, is that *increasing or decreasing earnings deductions in the AFDC benefit formula has no significant effect on work effort in the low-income population as a whole.*

The lack of an effect arises for two reasons. First, the 30-and-one-third deduction never induced more than 15 percent or so of the nationwide AFDC caseload to obtain employment. The work percentage now is 5 percent to 7 percent, but it was never very high. Second, a side effect of the 30-and-one-third deduction was to permit women who could have worked full time to work part time because then they could stay on AFDC. Women who work at all are likely to leave AFDC altogether. There is less incentive to choose a part-time job over a full-time job.

Another side effect of the 30-and-one-third deduction, and of all increases in earnings deductions, is that they tend to increase the caseload by permitting women to stay on the rolls longer than they would have otherwise. While it was always hoped that allowing women to work while on the AFDC rolls would have beneficial effects on their long-run employability and would encourage them to leave AFDC eventually, there is no statistical evidence that the effect was ever large. There is no evidence that the 30-and-one-third deduction decreased the AFDC caseload.

For all these reasons, most members of the research community no longer believe that manipulating the generosity of earnings deductions will have any significant impact on work effort or the AFDC caseload.

Reforming Welfare: Work, Education, and Training Programs

Most welfare reform programs require AFDC recipients to participate in some type of work, education, or training program. Attention to such programs has grown steadily, beginning with the WIN demonstration projects and other waiver programs permitted by 1981 federal legislation, and continuing with the new *Family Support Act* job mandates for some recipients.

Research on the effects of these programs has supported a major shift in opinion. Unlike the view of training programs in the 1970s, it now appears that many programs “work”; the earnings of recipients are often increased significantly by many programs.

Despite this change in the pessimistic view of the 1970s that “nothing works,” there is no clear-cut agreement on what types of work-welfare programs work “best.” There is some evidence that intensive programs, such as formal education and training, have a greater impact on recipient earnings than less intensive programs, such as job search. This is not surprising because the intensive programs are much more expensive than the others. There also are considerable variations in the effects of education-training programs and job-search programs, for reasons that have not been pinned down. Evaluations of the JOBS component of the *Family Support Act* should shed more light on what works “best.”

Research has revealed that work-welfare programs are not a panacea for the work problem among disadvantaged female heads of household. Most estimates of earnings impacts are in the range of \$200 to \$600 per year. These amounts are not to be scoffed at, but they are not large enough to make a major dent in the poverty rate or the AFDC caseload. More-

over, the fraction of the caseload that receives services of this kind has always been small, at least until now, so even these earnings effects will not be widespread. Consequently, it is important for these programs not to be oversold; by themselves, they will not do the job.

Care should be taken that the increasing emphasis on AFDC work programs does not divert attention away from work and training opportunities for the disadvantaged who do not wish to be on AFDC. JTPA and miscellaneous local work and training programs often have limits on the number of slots, and AFDC women frequently receive priority, making services to non-AFDC female heads of household spotty and inconsistent. As a consequence, there is a danger that AFDC will become relatively more attractive. It would be ironic if providing effective training programs to AFDC recipients were to increase the AFDC caseload, even in the short run.

This problem bears on a larger debate concerning whether government assistance reform should shift from welfare to other programs for the poor. Ultimately, a solution to the welfare problem in the United States must lie in an increase in the ability of female-headed families and other disadvantaged groups to be self-sufficient when off welfare. The work-welfare programs for AFDC recipients are aimed in that direction, but such programs should be offered equally, if not more so, to women who choose to go off AFDC. Only then will they leave the welfare rolls. Similarly, an increased earned income tax credit, designed to raise take-home income, may encourage women to have jobs off AFDC.

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Reforming Welfare: The Child Support System

The widespread agreement that child support programs need strengthening has led to efforts to increase the rate of child support awards, payment levels, and the enforcement of payments. This offers the potential to reduce AFDC case-loads and expenditures. Child support reform might increase work levels and earnings of female heads of households by attracting them off AFDC. Whereas all but \$50 per month of child support income reduces the AFDC grant, the full extra amount of child support is available to any woman who leaves AFDC, even if she works. In this sense, reform of the child support system makes getting off welfare more attractive.

Unfortunately, the evidence thus far has not shown dramatic gains in this direction. Estimates by Irwin Garfinkel of the University of Wisconsin indicate that moderate improvements in the award rate, levels, and collection rate would reduce Wisconsin's AFDC caseload only by about 3 percent.² (He also is calculating estimates for the nation as a whole.) This rather modest gain is partly a result of the low incomes of the absent fathers. But caseload reductions are not much larger even when women are given a government guarantee of child support of \$3,000 per year.

Conclusions

Two of the most important reforms that still need to be studied are the effects of extending AFDC-UP, in which the qualifying unemployed person is the principal earner, to all states and of providing transitional child care and Medicaid benefits. Evaluations of the effects of the *Family Support Act* should provide important new information on these reforms.

Robert Moffitt is Professor of Economics, Brown University.

Notes

¹ Robert Moffitt, *Incentive Effects of the U.S. Welfare System: A Review* (Madison: University of Wisconsin, Institute for Research on Poverty, 1990).

² Irwin Garfinkel, Philip Robins, Pat Wong, and Daniel Meyer, "The Wisconsin Child Support Assurance System: Estimated Effects on Poverty, Labor Supply, Caseloads, and Costs," *Journal of Human Resources* 25 (Winter 1990): 1-31.

**Mandates:
Cases in State-Local Relations**

This information report on state mandates attempts to shed some light on an increasingly controversial aspect of state-local relations. The current concern centers around several issues, including the decline in federal aid relative to own-source revenues, the shift of more programmatic responsibility from the federal government to state and local governments, questions of accountability, public opposition to rising taxes, and difficulties in meeting mandates. The cases in this report come from seven states—Connecticut, Florida, Massachusetts, New York, Ohio, Rhode Island, and South Carolina.

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Counties

SELECTED CULTURAL AND ECONOMIC DATA OF OKLAHOMA COUNTIES. Oklahoma Advisory Committee on Intergovernmental Relations, 307 State Capitol Building, Oklahoma City, OK 73105, 1990.

This report contains profiles of Oklahoma's 77 counties. Each 4-page profile includes information on population (total and percentage by age, sex, and race); per capita personal income; unemployment earnings; land area; farms; water; voter registration by party; total votes cast in the last general election; sales tax; liquor by the drink; armories; ports; airports; public libraries; dentists and physicians; hospitals; nursing homes; school attendance and revenues; state distribution of funds to cities and towns, and to counties for roads; road mileage; vehicle registrations; revenues by source; and expenditures by type.

Decentralization

DECENTRALIZATION, LOCAL GOVERNMENTS, AND MARKETS. Edited by Robert J. Bennett. Oxford University Press, Clarendon Press, 200 Madison Avenue, New York, NY 10016, 1990.

This book contains 24 essays and empirical studies based on papers presented at a conference hosted and cosponsored by ACIR in February 1988. The papers, written by eminent scholars, examine two aspects of decentralization. One is intergovernmental, namely, relations between federal, state, and local government, and between central and local governments in various countries around the world. The second is decentralization of functions from government to market and non-intergovernmental institutions.

Several of the contributors examine basic definitions and models of decentralization. There also are in-depth analyses of tax decentralization and privatization, as well as examinations of regional growth and income distribution and the urban dimension of decentralization. Five papers discuss

recent innovations in Columbia, France, Italy, Portugal, and Spain.

Environment

GUIDE TO STATE ENVIRONMENTAL PROGRAMS. By Deborah Hitchcock Jessup. (Second Edition.) BNA Books, P. O. Box 7816, Raritan, NJ 08818-7816, 1990.

Since the first edition of this book was published in 1988, many new federal programs have required state action, including the state revolving loan program, the federal nonpoint source and toxic water pollution control programs, the national sludge management program, and the solid waste management provisions of the *Resource Conservation and Recovery Act*.

This edition revises and supplements the previous one. It contains updates of directory entries, amends federal and state program descriptions, and adds new sections. This edition also expands coverage of such programs as underground storage tank rules, wetlands protection, groundwater protection, permits, and coastal protection.

PAYING FOR PROGRESS: *Perspectives on Financing Environmental Protection*. Administration and Resources Management, U.S. Environmental Protection Administration, Washington, DC 20460, 1990.

In the overview of this report, EPA Administrator William K. Reilly states, "Today, the question is no longer whether we will take action on environmental problems, but how. . . . Paying for environmental programs presents . . . one of the major challenges of the 1990s. The cost . . . will continue to grow significantly in the coming years. . . . And, thus, new thinking and innovative approaches are required in both the public and private sectors." The report contains a collection of 21 essays on the nature of the funding challenge and creative solutions by leaders from federal, state, and local government; conservation groups; the financial world; industry; and academia.

REGULATORY FEDERALISM, NATURAL RESOURCES, AND ENVIRONMENTAL MANAGEMENT

Edited by Michael S. Hamilton. American Society for Public Administration, 1120 G Street, NW, Suite 500, Washington, DC 20005, 1991.

Working from the premise that the environment will be one of the foremost issues facing public administration in the next decade, this book opens a dialogue between academic and practitioner. With an in-depth account of trends and varying viewpoints, the book shows how public involvement and intergovernmental relations are shaping the future of environmental management.

Finance

AID TO SUBDIVISIONS: *An Examination of State Shared Revenue in South Carolina*. South Carolina Advisory Commission on Intergovernmental Relations, P. O. Box 12395, Columbia, SC 29211, 1990.

Local governments in most states are dependent to some extent on state shared revenues. The reduction in federal aid has forced many states to reexamine their relationships with local governments. SCACIR examined the process the state uses to share revenues with cities and counties, and found that the system is so complex that it is not easily understood by the recipients or the legislators. Distribution amounts are determined by a variety of formulas, with different equations being applied to portions of 11 taxes. SCACIR recommends that the 11 funding sources be replaced by the state income tax and that the annual growth of the total distribution be based on the annual percentage growth in the state general fund.

FEDERAL FUNDS IN SOUTH CAROLINA: *A Brief Overview*. South Carolina Advisory Commission on Intergovernmental Relations, P. O. Box 12395, Columbia, SC 29211, 1990.

During the 1980s, federal expenditures continued to have a significant effect on the economy in South Carolina, as in all states. The expenditures that have a positive effect on the state's

financial outlook include but are not limited to grants to state and local governments, federal employees' salaries and wages, direct payments to individuals, and procurement contracts. This report examines South Carolina's federal funds compared to all states and to the other southeastern states, the type of federal expenditures that have the most significant impact on the state economy, and where most of the funds are invested.

RECENT CHANGES IN STATE, LOCAL, AND STATE-LOCAL TAX LEVELS. By Scott R. Mackey. Legislative Finance Paper #75. National Conference of State Legislatures, 1560 Broadway, Suite 700, Denver, CO 80202, January 1991.

This report examines the most recent data available on the level and composition of state and local government tax revenue. It presents FY 1990 data on state taxes and offers preliminary estimates of combined state-local tax levels. More detail is provided for FY 1989, including average property tax levels in each state. The report also examines several aspects of local finance, including property tax levels, nonproperty tax levels, and trends in reliance on charges and other miscellaneous revenues.

TENNESSEE'S OBSOLETE TAX SYSTEM. *Significant Tax and Fiscal Indicators*. Tennessee Advisory Commission on Intergovernmental Relations, 226 Capitol Boulevard Building, Suite 508, Nashville, TN 37219, 1990.

In its report, TACIR calls the state tax system the product of 50 years of "disjointed incrementalism." In a 1985 report, a Joint Legislative Task Force focused on three criteria for a "good" tax and revenue system, and found that Tennessee failed all three tests: it was unfair; it was unnecessarily complicated; and it did not generate adequate revenue. In this report, TACIR asks, "What Is Wrong with Tennessee's Tax System?" and gives ten answers dealing with the tax base and structure, dependence on certain types of taxes, and changes in federal aid.

Information Systems

A STUDY OF LAND INFORMATION. U.S. Department of the Interior, 1849 C Street, NW, Washington, DC 20240, 1990.

The 1988 *Federal Land Exchange Facilitation Act* directed the Depart-

ment of the Interior to conduct a study and make recommendations for possible improvements in the collection, storage, use, and dissemination of information related to federal and all other lands. The study team included representatives of the departments of Interior, Agriculture, and Commerce; the National Science Foundation; the National Governors' Association; and the National Association of Counties, plus an ad hoc committee from the professional associations.

The team reported that there has been much effective work in modernizing land information, but there is a need for more federal, state, and local leadership to develop standards and to assure the level of coordination required to set up compatible systems. This presupposes adoption of a nationwide integrated land information system network concept that contains (1) geodetic control, (2) basic map information, (3) property boundaries, and (4) legal rights and land use data.

Infrastructure

SOUTH CAROLINA LOCAL GOVERNMENT CAPITAL PROJECT & INFRASTRUCTURE NEEDS SURVEY. South Carolina Advisory Commission on Intergovernmental Relations, P. O. Box 12395, Columbia, SC 29211, 1990.

In order to deal with problems of financing capital projects, South Carolina local governments have requested assistance from the legislature in the form of enabling legislation for alternative revenue sources to the property tax and limited grants. A local option sales tax was recently adopted, and SCACIR made recommendations for relaxing mandated local debt limitations. Possible project-specific, "limited time" sales taxes also have been recommended as possible funding options for capital projects.

This report contains the results and analysis of an inventory survey of local governments with at least 3,000 population focusing on costs of planning and constructing new projects and of maintaining and renovating existing facilities. The respondents provided a wide range of information, including a brief description of projects, cost estimates, and anticipated funding sources.

International Relations

FEDERALISM AND INTERNATIONAL RELATIONS: *The Role of Subnational Units*. Edited by

Hans J. Michelmann and Panayotis Soldatos. Oxford University Press, Clarendon Press, 200 Madison Avenue, New York, NY 10016, 1990.

The growing importance of state and local government activities in the international arena is becoming increasingly obvious to Americans. What may be less obvious is that equivalent governments elsewhere (e.g., cantons, laender, and provinces) are equally involved in international affairs. Just as many of the states have offices in Canada, Europe, Japan, and other countries, so Canadian provinces have offices in the United States and elsewhere.

The contributors to this volume examine the development of such "constituent diplomacy" in Australia, Austria, Belgium, Canada, Germany, Switzerland, and the United States. The book includes a chapter by ACIR Executive Director John Kincaid.

State and Local Government

STATE AND LOCAL GOVERNMENT AND PUBLIC-PRIVATE PARTNERSHIPS. By William G. Colman. Greenwood Press, 88 Post Road, W., Box 5007, Westport, CT 06881, 1989.

This book analyzes the legal, structural, financial, and political underpinnings of the policy and functional areas of domestic government that seem to be most critical nationally, and for which state and local governments bear, or are assuming, primary responsibility. A further purpose is to describe the current and emerging agenda of state and local governments and of the increasing number of private profit and nonprofit organizations that are taking on responsibilities for leadership and performance in state and local affairs. Attention is drawn to major changes in structure, resources, and commitment of governments and the private sector since the mid-1970s.

LEGAL PROCESSES FOR FACILITATING CONSOLIDATION AND COOPERATION AMONG LOCAL GOVERNMENTS: *Models from Other States*. By George F. Carpinello and Patricia E. Salkin. Government Law Center, Albany Law School, 80 New Scotland Avenue, Albany, NY 12208-3494, 1990.

Local governments have been undergoing changes in structures and functions in many states. State governments have adopted varying provisions for local annexation, consolidation, allocation of functions, provision of

services, and establishment of metropolitan districts. The report is divided into four parts. The first analyzes formal boundary changes. The second part deals with the transfer of functions and cooperative service provisions, and the third part with statutory or constitutional limits on the formation of new governments. In the fourth section, the authors discuss state incentives for local consolidation and cooperation. A supplement section contains constitutional and statutory provisions on local government from 16 states, Ontario, and New Zealand.

LOCAL GOVERNMENT COOPERATIVE VENTURES IN CONNECTICUT. Connecticut Advisory Commission on Intergovernmental Relations, 80 Washington Street, Hartford, CT 06106, 1990.

The Connecticut ACIR began looking at interlocal cooperation in 1989 to identify and analyze the various types of arrangements in the state and to catalog as many types as possible to serve as examples. The arrangements vary widely in purpose, organization, and financing, but they all involve the voluntary joining of local governments, are predominantly single purpose, do not involve a loss of

local autonomy, and represent practical solutions to service problems rather than a step toward regionalism or the creation of substate districts. The report contains examples of arrangements for dealing with public safety, public works, education, environment, health, risk management, housing, recreation, and economic development.

Taxation

PROPERTY APPRAISAL AND ASSESSMENT ADMINISTRATION. Edited by Joseph K. Eckert, with Robert J. Gloudemans and Richard R. Almy. International Association of Assessing Officers, 1313 East 60th Street, Chicago, IL 60637-2892, 1991.

Americans harbor an enduring ambivalence about local property taxes. While we perpetually criticize them, we never repeal them, and we even grudgingly admit that their administration may be getting better, often with help from the states. This book is about the "getting better," with comprehensive coverage of what modern assessing means. In 21 chapters and 17 appendixes, the topics range from the familiar to the esoteric, including law and economics; the need for

uniformity; what market value is and is not; similarities and differences between single property and mass appraisal; and transformations wrought by hi-tech developments (and those just beginning). The book emphasizes that the assessor has a professional job to do in the state/local system.

SMALL PROPERTY VERSUS BIG GOVERNMENT: Social Origins of the Property Tax Revolt. By Clarence Y. H. Lo. University of California Press, 2120 Berkeley Way, Berkeley, CA 94720, 1990.

The 1978 California ballot initiative that became known nationwide as "Proposition 13" ushered in the so-called tax revolt, which had a profound impact on state-local tax systems—on "what government did about large fortunes and small property." The author traces the origins of the protest from "fair taxation" efforts in 1958 and 1965 to the joining of forces by Howard Jarvis and Paul Gann. The 1978 campaign was a tactical alliance of the middle class, business interests, apartment owners, and suburban homeowners. The subsequent "victory" set the stage for changes that would jolt governments in California and beyond.



Finance Data Diskettes

1988 Now Available for State-Local Government Finance Data. The diskettes developed by ACIR provide access to Census finance data in a format not previously available, and are designed for easy use. State-by-state data for 129 revenue and 200 expenditure classifications, population, and personal income are included for state and local governments combined, state government only, or all local governments aggregated at the state level.

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(see page 38 for order form)

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Devolving Federal Program Responsibilities and Revenue Sources to State and Local Governments, A-104, 1986, 78 pp.	\$5.00
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