

The La Follette Policy Report

VOL. 9, NO. 1

SPRING/SUMMER 1998

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The La Follette Policy Report is a semiannual publication of the Robert M. La Follette Institute of Public Affairs. The Institute is a nonpartisan teaching and research department of the University of Wisconsin-Madison. The Institute takes no stand on policy issues; opinions expressed in these pages reflect the views of individual researchers and authors.

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New Hope for Wisconsin Works

Sarah Archibald

Presenting this material at the La Follette Institute's spring conference, Sarah Archibald provided the primary description of Milwaukee's pilot welfare program, the New Hope Project. She is now a graduate of the La Follette Institute and is a researcher with the Madison-based Consortium for Policy Research in Education.

Created in 1935, Aid to Families with Dependent Children (AFDC) was a component of the Social Security Act, one which enabled states to provide assistance to needy children.

Over the last sixty years, AFDC proliferated into an extensive set of programs designed to help needy families. As the program grew, complaints about its perceived problems also developed. Where some critics argued administering it was a wasteful, inefficient bureaucratic process, others said it created a cycle of dependency.

Consensus was built around the notion that welfare as we knew it was in need of reform. On the national level the welfare reform environment thus can be characterized by widespread dissatisfaction with AFDC.

Numerous proposals were made at the federal level, but sweeping changes came when President Clinton signed the Personal Responsibility and Work Opportunity Reconciliation Act into law in 1996. As the name suggests, this act replaced AFDC benefits with benefits and services contingent upon a work requirement. It also replaced the matching-grant format of AFDC with a block grant program called Temporary Assistance to Needy Families (TANF). States were required to submit a plan for the delivery of TANF in order to be eligible for the block grant, and although the law contained detailed guidelines, many

of the operational decisions were left in the hands of the states.

Wisconsin

In Wisconsin the push for welfare reform was even stronger than at the national level. Reform efforts were under way long before the federal TANF legislation was passed, but when Wisconsin's welfare reform plan was signed into law by Governor Thompson in 1996, it included a plan for delivery of TANF.

Known officially as Wisconsin Works (W-2), the law has several features. It replaces the monthly AFDC cash benefits with a work requirement. In doing so, it establishes services that support work: help in finding and keeping a job, child care subsidies, health insurance, employment-related cash loans, transportation assistance, and more.

The Wisconsin Department of Workforce Development (DWD) is charged with overseeing W-2, but does not physically provide assistance in finding a job or child care or health care. Instead, the delivery of services is contracted out either to the county or, if the county declines, another party or parties in the corresponding geographic location. For example, in Milwaukee County, W-2 is being delivered by a number of private agencies.

In order to receive W-2 services, participants must meet certain eligibility requirements. Because W-2 is made up



Director's Perspective

What good is a public policy graduate program anyway? The answer to this question is in the pages of this issue of the *La Follette Policy Report*. By combining the rigors of policy analysis and public administration in the classroom with practice in real government agencies, we have learned how to train students for the real world. Moreover, we know it works because public sector agencies ask for repeat performances.

This issue of the *Policy Report* takes a bold turn away from faculty-produced articles and instead highlights some of our best student research and writing. Faculty are taking a back seat this time around so that we can show you how involved our students are in the policy world—while they are in our graduate program.

Two important conferences took place this past spring that graduate students were deeply involved in. One, the New Hope conference, was envisioned, coordinated, and brought to fruition by Professor Michael Wiseman. It included a stimulating collection of presentations by La Follette students, academicians, and government practitioners involved in welfare policymaking and evaluation.

To read about the New Hope Project in Milwaukee and some of the findings that were presented at the conference, begin with Sarah Archibald's lead story. It summarizes the welfare programs being discussed not just in Wisconsin but throughout the United States and indeed the world. Continue by exploring the health care and child care components of the various programs, which her classmates, Kendra Lodewick and Melissa Mullikin wrote about.

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of a number of services, eligibility is defined separately for each service.

In order to receive job assistance in the Madison area, for example, participants must go to the Dane County Job Center, where the first step is to meet with a financial and employment planner. The planner works with the participant to develop an "Employability Plan" and helps him or her map the course to self-sufficiency. At this stage, the planner recommends training on family budgeting and other life skills that support employment. The skills are provided by another person involved in the process of delivering W-2, someone who may or may not work in the same office. The participant is then placed at the highest suitable tier of the W-2 employment ladder. From highest to lowest in terms of employability, these tiers include:

- 1. Unsubsidized employment** – Regular job paying market wage plus Earned Income Credit (EIC) for those who are job-ready and just need assistance with placement.
- 2. Trial Jobs (subsidized employment)** – Individuals are hired into three- to six-month slots that are expected to become permanent. Participants earn at least minimum wage plus EIC. Employers receive a wage subsidy from the state for up to \$300 per month to offset some of the initial costs of new employee training and supervision.
- 3. Community Service Jobs (CSJs)** – Available for those who need to learn and practice the work habits and personal skills necessary for employment in a private business. Participants receive a monthly grant of \$673 for spending up to 30 hours per week in work activity and up to ten hours per week in training or education. Failure to participate results in a payment reduction for each hour missed without good reason.
- 4. W-2 Transition (W-2T)** – A mix of training (e.g., job, family budgeting), substance-abuse treatment, work activity, and services for those with the most serious barriers to independent, self-sustaining work. Participants receive a \$628 monthly grant for engaging in appropriately assigned activities,

based on their level of ability or the personal needs of their family. Failure to participate results in a payment reduction for each hour missed without good reason.

Once the appropriate employability level has been determined, participants either find employment independent of W-2 or are given a work assignment, depending on their skills and abilities. Aside from either the wage earned in the market or the grants provided in the two lower tiers, participants are also eligible for a number of other services.

Participants in the top two tiers are eligible for the state and federal earned income credits (EIC) which help boost the incomes of many low-wage workers above the poverty line. Because workers in the two lower tiers receive grants rather than wages, they are not eligible for EIC, but may be eligible for food stamps. The reasoning behind the provision of grants for the two lowest tiers (rather than wages) is tied to the concept of the employment ladder: participants must climb the ladder to reach self-sufficiency.

In addition to helping people find a place on the W-2 job ladder, the program allows for child care and health care subsidies. To be eligible for the child care benefit, parents must have incomes below 165 percent of the poverty level at the time of application, and they may remain eligible until income reaches 200 percent of the poverty level. W-2 agencies do not necessarily provide the services themselves, but they are obligated to refer eligible recipients to a county department for child care assistance.

Under W-2, the participant is required to pay a copayment for child care. The copayment is a flat fee (rather than a percentage of the cost of care) based on family income as a percentage of the federal poverty level and the number of children in care. The required copayment increases with family income, but it never exceeds 16 percent of family income. Under W-2, child care is not an entitlement. That is, no one is defined as having a legal right to financial assistance with child care, as workers who turn 65 after working at least 40 quarters have a legal right to Social Security. Instead, child care assistance under W-2 is funded according to *anticipated* levels of use, which have so far been larger than the demand for care, so all eligible participants have received



New Hope Conference Overview

by Michael Wiseman

An internationally renowned expert on the design and implementation of social welfare policies, Professor Wiseman teaches, studies, and consults widely. He provided the vision and the focus for the Institute's spring conference described here.

Each year the La Follette Institute conducts an all-Institute conference to draw students, faculty, and guests together to discuss a topic of general public affairs interest. The 1998 conference, "Understanding, Evaluating, and Sharing New Hope" was the culmination of a spring semester course which explored issues in policy analysis, program evaluation, public management, federalism, and the interaction of politics and policy surrounding Milwaukee's New Hope project. The conference was held March 19-20 at Madison's new Monona Terrace Community and Convention Center. The following comments are intended to provide background to the papers presented at the conference

Social Policy at La Follette

La Follette students and faculty are hardly alone in being interested in welfare and poverty policy. In recent

years these topics have received enormous attention both nationally and internationally. While specifics vary from state to state and country to country, four themes are common:

- *The persistence of poverty.* Despite decades of wars and assaults on poverty and rapid decline in unemployment, in the United States the official rate of poverty for children (and for all persons) was higher in 1996 than in 1966 and did not change between 1995 and 1996 despite rapid economic recovery. Poverty reduction in other developed countries has proved equally stubborn, although levels in the United States remain exceptionally high by international standards.
- *The problem of cost.* While social welfare expenditures per se do not capture a large share of gross na-

tional product, outlays for some types of benefits assistance, notably medical assistance, have been rising rapidly.

- *The need for social integration.* While the language used differs, poverty is in many respects associated with separation from the social mainstream; especially in Europe an important aspect of poverty policy involves bringing the poor to full participation in the political life of the country, including gaining access to all rights—and all obligations—of citizenship.
- *The importance of work.* If there is anything "new" on the welfare horizon, it is the increase in the importance attached to work by politicians and policymakers from across the political spectrum. Work not only serves to reduce need for social assistance, it is a very important basis for social integration. Moreover, it is the antidote for what is often seen as the poison of welfare dependency.

The State of Wisconsin is itself a leader in welfare innovation, especially
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benefits. (For further discussion of the child care provisions, see Melissa Mullikin's article in this issue of the *Policy Report*.)

Participants in W-2 are also eligible for health care subsidies, although not directly from W-2. This is because the implementation of the W-2 health plan required a waiver of federal medical assistance provisions, and the state's request for a waiver was denied. While it is true that the medicaid program remains available to low-income families and individuals who meet medicaid eligibility requirements, the fact that the state was unable to implement the health plan portion of W-2 will inevitably cause problems.

A recently published brochure promises: "The Department of Workforce Development is committed to continuing coordination with the Department of Health and Family Services to make health care available and accessible." Efforts continue, evidenced by Wisconsin's application for a federal waiver to allow the state to offer a new form of insurance called BadgerCare,

which would provide the state's current Medicaid benefits to a larger population, including all W-2 workers who do not have employer-paid insurance. (For further discussion of health care options, see Kendra Lodewick's article in this issue of the *Policy Report*.)

W-2 represents a number of important departures from AFDC. First, it disposes of the concept of cash assistance as an entitlement. With few exceptions, W-2 benefits are awarded only in conjunction with work, which is defined differently for participants on different tiers of the job ladder.

Second, the amount of time that a participant can receive W-2 benefits is limited. Although time limits are part of federal welfare reform, Wisconsin had plans to place time limits on the receipt of assistance even before it was discussed at the federal level. The time limit imposed at the federal level is a total of five years during a person's lifetime (since the inception of W-2), while the time limits established for W-2 vary according to the tiers: twenty-four months for trial jobs, CSJs, and transi-

tional placements, and a total of sixty (not necessarily consecutive) months for participation in these components.

These time limits also apply to members of the same family as the person who has been enrolled in W-2. The five-year restriction can be waived if unusual circumstances warrant an extension, but the number of extensions may not exceed 20 percent of the average monthly number of families receiving benefits that year.

Third, unlike AFDC, the level of W-2 assistance does not depend on family size. Benefits are calculated solely on the basis of the family head's hours of participation and the tier in which he or she is working.

The Wisconsin Department of Workforce Development reports that caseloads fell rapidly—down 64.2 percent since the statewide implementation of W-2 in September 1997. Of course, Wisconsin continues to enjoy an extremely healthy economy characterized by low unemployment, which can only improve the chances that Wisconsin's

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Building This Plane as We Fly It: La Crosse's Response to Youth Violence and Gangs

Wendy Kloiber

As a graduate student pursuing a joint degree in public policy and law at the University of Wisconsin-Madison, Wendy Kloiber staffed the Teaming Up on Gangs conference this year, an event hosted by the La Follette Institute's Center for State, Local, and Tribal Governance. Besides helping to contact community leaders and organize the program, she researched and wrote the following case study, which highlights the issue in one Wisconsin city and shows how that particular community grappled with the problem.

Do you want to die?"
"I don't want to die. Go home."
* * *

KouaVang would later tell La Crosse police that Anou Lo asked him this question moments before Lo pulled a revolver from his waistband and fired five shots at Vang, hitting his right arm. He would also tell police that Anou Lo was a member of the Imperial Gangsters (IG) and that he himself was a member of the TMCs, or Tiny Man Crew. The TMCs had been aggressive in earlier interactions with the IGs, and Vang felt Lo had shot him in retaliation.

The shooting took place on July 6, 1995, in a small park on the corner of Hood and 5th streets. The park is surrounded by family homes; many residents of the Hood Park neighborhood have lived there all their lives. Koua Vang was the only person to suffer a gunshot wound that night, but he was

far from being the only person who felt injured by the violent act.

Thirty years ago, the Hood Park neighborhood was almost entirely white and blue collar, populated by homeowners who were immigrants themselves or were the children and grandchildren of immigrants. In the years leading up to what would be known as the Hood Park shooting, the neighborhood had been undergoing significant changes. Many of its original homeowners were still there, but they had grown older. An increasing number of homes had become rental properties.

The neighborhood began to look less established and more transient, becoming a place where people came and went instead of a place where people put down roots.

Perhaps most significantly, the people moving into the rental properties were racially and ethnically different from the residents they replaced. In the last de-

cade, La Crosse's population has jumped from 1 percent nonwhite to 11 percent nonwhite as blacks from Illinois and refugees from Southeast Asia arrived wanting to make the city their home.

The shooting in Hood Park brought into the open tensions that had been building as diversity increased. The incident was felt by many to be a confirmation that their safe and peaceful neighborhood had become a war zone, populated by people who neither shared nor respected the longtime residents' love of their home city.

"This was a neighborhood where you didn't lock your car doors. Sure, there were typical kid scuffles, but this wasn't a place where you had to worry about the safety of your kids or your property." Sandy Herold lives with her husband and two children a few blocks from Hood Park in the house that was her grandmother's. It was through her

Teaming Up On Gangs: Overview of the Program

by Dennis Dresang and Jessica Steinhoff

Dennis Dresang is the founding director of the La Follette Institute and current director of the Institute's Center for State, Local, and Tribal Governance. Jessica Steinhoff is an undergraduate at the UW-Madison who served as recorder at the program.

It may take more than a village to raise a child—certainly more than a village government, anyway. In the past four years, as youth violence and gangs have emerged as issues of statewide concern, the Skornicka Seminars have focused on teamwork and on offering resources to communities as they grapple with changing youth patterns.

The Center for State, Local, and Tribal Governance has as its mission putting the resources of the La Follette Institute and the University of Wisconsin-Madison to work for a wide range of governing bodies and citizens throughout Wisconsin.

The seminars involve leaders from all sectors of the community—the justice system, schools, health and social services, business interests, and religious groups. The Wisconsin communities participating this spring were: Hudson, Platteville, Oshkosh, Richland Center, Rhinelander, and the Mohican tribe.

The program's keynote speaker this year was Madeleine Trichel, Executive Director of the Interfaith Center for Peace in Columbus, Ohio. Using youth themselves as leaders, Trichel has developed an effective approach to ending violence in communities. She argues that successful programs for ending patterns of violence must go beyond providing information. Successful efforts involve arranging mechanisms for learners to "try new behaviors in a safe environment, provide opportunities to practice the new skill, and mentors or coaches to provide long-term support." The best opportunities for intervention by community members are in response to early signs of conflict and in the aftermath of violent confrontation.

Attorney General James Doyle presented his views as the chief law enforcer in Wisconsin. According to Doyle, in addition to offering high-quality health care, a strong

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children that Sandy realized that the changes in her neighborhood extended beyond the deterioration of some rental properties.

On a Saturday morning when she and her husband were at work, her eleven-year-old son was mugged by a group of young teens who told him they were gang members. "They said to my son, 'Give us your ten dollars or we'll come after you with 9 millimeters and Uzis.' On that same day in this neighborhood there were two purse snatchings, and some beer was stolen from a car when people were unloading groceries."

Awareness of the presence of gangs in La Crosse happened on two levels at once. The first level was the change in the quality of neighborhood life—a feeling of decreased safety and trust caused by incidents like the mugging of Sandy's son. While the young teens who threatened him may or may not themselves have been gang members, they were the relatives of adults who had moved into the neighborhood and who in some cases were claiming their gang membership openly.

While Hood Park residents felt threatened by the increase of these crimes, at the second level the La Crosse Police Department had been seeing an increase in gang-related felonies committed within the city and the region. La Crosse's location on a major highway made the city a convenient crossroads for the exchange of drugs, guns, and stolen cars. Established, "corporate" gangs from larger cities as well as "homegrown" white and Hmong gangs were eager to take advantage of the opportunities.

In Sandy Herold's neighborhood a man arrested for delivering a machine gun to his brother reportedly told police he was a general for the Black P-Stone Rangers. He claimed there were 100 Rangers in La Crosse and 200 more coming, and threatened to take out contracts on police if they got in his way. This man lived for a time in the same house as some of the children who had mugged Sandy's son.

* * *

Prior to the Hood Park shooting, public opinion about gangs and teen violence had been divided. Mark Wehrs, who in July of 1995 was the Opinion Page editor of the *La Crosse Tribune* said:

At the time, the main concern of our editorial board was not

to become overly fearful. We didn't want to be afraid of all kids and particularly we didn't want to fan the flames of racist sentiment. Even if it was the truth that there were TMCs and IGs, we were determined to soft-pedal the story. We just didn't want to incriminate every kid on the street corner in baggy pants.

We never had the real players at the table. We were the converted talking to the converted.

Also, we were conscious of not wanting to divide the old against the young, especially when it was only a small percentage of kids who were in trouble. So even though the police were doing a good job of trying to get the word out, and from a news standpoint we covered the events fully, from an editorial standpoint we stuck our heads in the sand.

The La Crosse police had been making efforts to quietly "get the word out" for some time. In 1993, two years before the shooting, the police department went to local school administrators and suggested a collaborative effort. The result was the establishment of a fact-finding committee, headed by Assistant Superintendent David Johnston, which included parents, clergy, police, and the Hmong Mutual Assistance Association (HMAA). The committee found that there was indeed a gang presence in La Crosse's schools. The committee report gathered dust on the shelf until the Hood Park shooting. As Dr. Johnston said:

With Hood Park we lost our innocence. Before Hood Park, both liberals and conservatives in the city thought the issue was overrated and overplayed. We held workshops that trained teachers to recognize gang insignia, using information that was probably years out of date by the time we got it. We had a false sense of security, and part

of that came from the fact that we never had the real players at the table. We were the converted talking to the converted. The kids we talked to were the student council leaders, not the kids who are out until three in the morning. The issue of gangs also brings up the issue of racism, which is difficult and painful. It's very hard to talk about racism directly until something like a Hood Park happens, and then it's hard to talk about it productively.

The black community in La Crosse has no representative organization like the HMAA. The Hmong community arrived in tribal families as refugees from the Southeast Asian wars that devastated their homelands. By contrast, the black community in La Crosse has arrived family by family. The Hmong, as an "invited" group of people who had been wartime allies of the United States had to make the transition from a tribal people to being residents in a highly technological society. The black community has had to face the fact that many people in their new home felt blacks were bringing with them the very problems—crime, drugs and gangs—they most wanted to escape.

Johnston moved to La Crosse 18 years ago, and from his vantage point as an educational administrator has watched the school system adjust to the city's increasing diversity.

We've attempted to do outreach to the African American parents, but I wouldn't say we've been successful. The Hmong community has a different history. When the Hmong children first entered the school system they tended to be favorites of teachers because they were hard working. As they grow more and more integrated into the community that's less true. Now that they've gained a certain level of comfort, the Hmong kids are more likely to act like majority kids, and ignore authority more often.

One college-aged black man working as a counselor in a youth program recently made the decision to return to Illinois at the end of the semester. Heavily recruited to attend UW La Crosse, he found it very difficult, in two



years as a student there, to feel like an accepted and valued part of the community. This seemed to be a common feeling among many black students and workers in La Crosse.

“Both Asian and black students here are isolated. And often the youth of color who are at risk are the kids who are isolated twice—once because of race and once because their families are working hard to meet basic survival needs,” says Denis Tucker of the Hmong Mutual Assistance Association. “Lots of these kids are joining gangs to have a family, to have people to be close to who care about them.”

* * *

In the week before the shooting, Sandy Herold’s kids were unable to deliver all the papers on their 5:30 a.m. route. The “gang kids” would be out on the stoop of their house waiting for her son to come by. One of the kids hit her son and the whole family felt scared. Finally Sandy went to the police station, saying, “This is really happening, we’re really scared. We’re not crazy. We’re not making this up.” An officer offered to sponsor a community meeting with her, and together they made a flyer. Two hundred copies were printed and dropped off the afternoon of the shooting. The next morning, Sandy and the kids delivered the flyers in the morning paper.

More than 100 people showed up at that meeting. “It had almost a vigilante atmosphere,” said Sandy. “There were World War II vets there who had had some of those kids riding their bikes back and forth in front of their cars real slow, kind of playing chicken, and the vets were saying, ‘I’m gonna hit those kids next time.’ We nailed down the three households that were the biggest problem and the feeling was almost like, let’s burn them out.”

Overnight, perceptions of the issue of gangs and teen violence went from “overrated and overplayed” to a sense that nothing was more critical to the quality of life in La Crosse than to solve this problem. An incredible amount of time, energy, and resources went into many different kinds of efforts.

Several of them grew out of the community meeting. The city established a community planning council, which is attended by residents, members of the mayor’s staff, and police. In addition, a neighborhood block watch got started,

with Sandy as a captain. Volunteers attended meetings and trainings, and developed ways of fitting block watch activities into their daily schedules. A program called Skates for Kids took up residence in Hood Park, flooding a skating rink and renting ice skates to neighborhood youth. Each of these programs met a different need.

The combination of adult leadership with youth leadership is key

The planning council is the primary venue where questions of what requirements should be placed on the owners of neighborhood property are raised and decided. It can marshal different kinds of direct and indirect authority to deal with the deterioration of property issues that are important to the community. The block watch addressed the lack of safety residents were feeling, and Skates for Kids reasserted the presence of the community in the park, reclaiming it as a play space for children and families.

Other efforts targeted young people directly. The Community Youth Initiative (CYI) was a joint project of the police, the schools, and county social services that was started in 1994. “Ed Kondracki (La Crosse’s police chief) and the superintendent and the social services director just kept finding themselves at the same meetings talking about the same issues,” said the program’s director, Kerry Johnson. “We started looking at models to address the needs of youth in the community and we decided to use the Search Institute’s model. Most models focus on deficits - on all the things that are missing from kids’ lives or from their communities. The Search Institute model focuses on assets, and how to increase them.”

The CYI is composed of four bodies. An Adult Advocacy committee works directly in the community on behalf of youth. The newly established Youth Commission pulls together students from area high schools and gives them the opportunity to discuss issues together and serve as an advisory board to community leaders. In addition, two separate teams using the Search Institute

model focus on increasing the internal and external assets available to the community’s teens.

The Community Youth Initiative has chosen not to focus specifically on at-risk youth, believing that a more general mission is better suited to meet the needs of the community as a whole. A different program, Another Way, works directly with gang members trying to make the transition out of gang membership. Another Way, like many similar programs in La Crosse, is supported by several groups, although it is sponsored directly by the police department.

Once in the Another Way program, teens meet with counselors in a group setting two or more times a week. Meetings are designed to give teens a chance to talk about their experiences, and to meet some of the needs for support and companionship that led many of them to join gangs.

As a catalyst for many of these efforts, the La Crosse Police Department has exercised a progressive philosophy about the role of the police in solving community problems. “We’ve undergone a real paradigm shift,” says Chief Ed Kondracki. “We’re not ticket writers anymore. We’ve really begun to see ourselves as problem solvers.”

Part of the change is reflected in the level and quality of the presence that police officers have established by making themselves a resource to community efforts like the neighborhood block watches and programs like Another Way. Another part is reflected directly in La Crosse’s policing practices. Chief Kondracki is an advocate of community oriented policing, a strategy that moves officers away from a “headquarters” mentality and instead locates officers in smaller offices within the neighborhoods they police. With regard to gangs, La Crosse police have worked to identify both the larger group of teens who claim membership in a gang as well as the smaller group of teens who are habitual offenders. Teens with five misdemeanor convictions, or two felony or weapons convictions, receive extra scrutiny.

In addition, the District Attorney’s office strategized alongside police to keep violent kids off the streets. Koua Vang, the victim in the Hood Park shooting, went to jail for gun possession and Anou Lo received a very stiff sentence. The La Crosse County DA assigned an assistant to concentrate on



gang violence prosecution, and judges assisted in the effort by making use of sentencing enhancers for gang offenses to increase the jail time served by offenders.

* * *

Much has been accomplished in the two and a half years since the Hood Park shooting. Perhaps the most important gauge of that accomplishment lies in the way residents in the Hood Park area feel about their neighborhood. "Now it's not even close to a problem to send my son to the store," says Sandy Herold. Residents agree that the neighborhood once again feels like a safe place to be. While there is some question about whether the vigilance of the neighborhood block watch and the increased police presence have displaced crime away from Hood Park and into less well organized neighborhoods, most people feel that there has simply been a reduction in crime.

Community efforts have met with different kinds of challenges as the sense of safety increases. Participation in the block watch in the seventeen-block neighborhood around Hood Park has dropped off, although a strong core of volunteers keeps the program vital and active, and block watches have increased throughout the city. Skates for Kids has become a huge success, garnering attention across the state. As the program gets bigger, its administrative burden increases, and its founders are both extremely proud of their efforts and a little overwhelmed. As the community planning council becomes more institutional, its mission also expands.

The Community Youth Initiative has also undergone many changes. "We try to keep in mind that we're building this plane as we fly it," says director Kerry Johnson. While one asset team has organized many community events and is pleased with its progress, the other has floundered, uncertain of how best to accomplish its mission. The teams are now working on a plan to reorganize their efforts.

Another Way is now well established and continues to work with new groups of youth each semester. There continues to be concern about whether La Crosse is reaching all the youth and whether their interventions are effective. Denis Tucker of the HMAA says, "If we're talking about youth who have made it all the way out of gang membership, I know three. Out of maybe a hundred."

* * *

This issue is a particularly poignant one for La Crosse Mayor John Medinger. Born and raised in the Hood Park neighborhood, he has watched La Crosse change and adjust throughout his lifetime.

Mayor Medinger and his wife have adopted two black children, and the issues of teen violence and gangs, as well as the issue of race, are deeply important to his family. Recently he had the experience of driving past a group of kids in an empty parking lot on the way to pick up his son and discovering later that the hangout had been the scene of a gang stabbing.

Neighborhood as well as government involvement is essential

"There are reasons to be encouraged. One is the depth of feeling that La Crosse people have about this place. There's a feeling of protectiveness, that we've got a really good thing here and we're not going to let it slip away. Another thing is the way that in my lifetime, particularly in the political arena, racism has become absolutely unacceptable."

Sandy Herold tells the story that at a recent diversity workshop in her son's school, he listened as one of the teens who mugged him participated in a panel on being a teen of color in La Crosse. There was a sense of outrage and injustice among the white residents of the neighborhood afterward, a sense that racism was being used to cloak the fact that the behavior of these teens was unacceptable. As Sandy said, "I'm not being a racist. I'm not prejudiced against you because you're black. I'm prejudiced against you because you hit my son."

When Assistant Superintendent David Johnston talks about ongoing efforts in the schools, he is both very pleased and a little rueful. After giving an impressive listing of workshops, councils and student efforts, he adds:

As educators, we're trained to think that information changes behavior, and that once people have good information, they'll act on it

and the problems will be solved. Of course in reality this is often not the case, as anyone who has tried to quit smoking knows. To make real changes we have to work with emotions, and work with culture.

One of the patterns we learned about in the civil rights work of the '60s and '70s was that the first stage of a change movement begins with the legal structure. The priority is not that people like you, it's that you have some protection when people discriminate against you. The next piece of the movement does begin with changing hearts and minds, changing the factors that lead to discrimination. We really look to the young for that.

Of course, when we look to the young, to some degree we are asking them to do what we are unwilling to do ourselves. And the separation between different cliques in high school is often more brutal than the separations in the adult world. I worry that part of what we do is to teach kids how to go underground with their differences, rather than to connect.

Almost all the architects of La Crosse's solutions to the problem of teen violence and gangs agree that the combination of adult leadership with youth leadership is key, and that neighborhood as well as government involvement is essential. La Crosse has also been an excellent example of the effect of continued civic dialog on a given issue.

While initially there was little consensus on how to solve the problem (or even that there was a problem), the continued focus the issue received has been extremely productive. As one former gang member said when recently asked whether gangs still operated in La Crosse, "It's not like it used to be. In this city now you know they're gonna find you out, and when you know they're gonna find you out, you want to find something better to do than try and hide all the time."

Both the increase in the perception of public safety and the decrease in the perceived benefits of gang membership point to the effectiveness of La Crosse's approach. ■



The Child Care Component of Welfare Reform: Comparing PRWORA, W-2, and New Hope

Melissa Mullikin

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The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) passed in 1996 significantly altered the structure of federal child care subsidy programs. It created the Child Care and Development Fund (CCDF), combining and replacing four federal child care programs for low-income families with one block grant to states. It increased state autonomy in distributing child care funds, but it also provided for a significant increase in child care funding if states can provide matching funds.

Under PRWORA, to be eligible for child care and other benefits, adults must be engaged in work after no more than two years on welfare. States must have a "specific and gradually increasing" percentage of their caseload engaged in work or training activities, starting with 25 percent in 1997 and increasing five percentage points per year to 50 percent in the year 2002. The lifetime limit for receipt of aid is five years.

The ability of the working poor to obtain affordable, safe child care is clearly essential to the success of welfare reform, but it is also clear that such an endeavor is quite complicated. The work requirements mandated by the PRWORA raise several important child care-related policy issues:

- How much will the demand for child care increase?
- How will the supply of child care respond to the increase in demand?
- Will increased child care costs outweigh the benefits of full-time employment?
- Will there be enough child care funds for working poor families already receiving child care assistance if former welfare clients also start receiving funds?

- How will the proliferation of minimally monitored certified care affect the quality of care available?

- If quality declines, what are the consequences for children?

According to the National Academy of Sciences, certain types of child care, particularly infant care, after-school care, and nonstandard-hour care, are in relatively short supply. Increased work requirements mandated by PRWORA are expected to widen the gap between demand for child care and the already limited supply.

Because work requirements under the new law now apply to parents with children over age one (as opposed to age six before PRWORA), the increase in demand for infant care is expected to be particularly large.

The General Accounting Office (GAO) has predicted that the gap between supply and demand will be largest for infants and school-age children. The New Hope background survey of newly admitted participants to that program illuminated a similar problem:

Within the one-adult households with children subgroup, there appear to be two distinct subsets who probably have different barriers to employment: very young women with one child (who, while probably interested in assistance with child care, are especially likely to need help in overcoming their lack of work experience) and older women with several children (for whom the expense of child care may be the obstacle to employment or full employment).

Many of those moving from welfare to work have limited education and work experience and therefore are likely to obtain employment during nonstandard hours or on a rotating or changing schedule when child care is harder to

obtain. In 1990, for example, almost half of working-poor parents (income below poverty line) worked on a changing schedule, while one-fourth of working-class (above the poverty line but income below \$25,000 per year) and middle-class (income greater than \$25,000 per year) mothers and one-third of working-class and middle-class fathers worked on a changing schedule.

A GAO study of four child care sites (Chicago, Baltimore, and two rural counties in Oregon) found that nonstandard care was less frequently offered than other types of care. Only 12 percent to 35 percent of providers offered such care, and the vast majority of these were family child care homes with limited capacity. Only about one dozen centers across the country offer 24-hour child care.

In an attempt to improve the quality and supply of child care, the federal government mandates that states dedicate at least four percent of CCDF funds to increasing child care supply and enhancing the quality of child care. Such efforts may include grants and training for providers, recruitment efforts aimed at generating more child care providers, hiring additional regulatory staff to monitor the health and safety of child care programs, and developing resource and referral agencies.

The subsidies themselves may be enough to generate an increase in the supply of child care, as occurred in Massachusetts. Some observers predict that the informal, unregulated child care market will rise to meet the demand, but such care is frequently unstable and of lower quality than regulated care.

In addition to problems of supply, poor families will also have to contend with the burden of child care costs. Child care costs are fairly constant across poor and nonpoor areas, but costs make up a far larger share of poor families' income. For example, in 1993



families with annual incomes under \$14,400 who paid for care for children under age five spent 25 percent of their income on child care, compared with 6 percent for families with annual incomes greater than \$54,000. National survey data for 1993 show that low-income families with children spent an average of 18 percent of their income on child care. A survey conducted by the Progressive Policy Institute based in Washington, D.C., found that child care costs in Wisconsin would consume more than half of minimum wage earnings for over two-thirds of the welfare caseload.

According to an Urban Institute report, if states maintain their current level of spending, they will be able to serve roughly one-third of the children in need of child care assistance—about as many as were served prior to the new law. If states maximize federal child care funds under PRWORA, 47.5 percent of the potential child care assistance need could be met, compared with only 23.2 percent if states decide to rely only on federal funds to subsidize child care. Thus even at maximum federal spending levels, according to some scholars, slightly less than half of the estimated need can be met.

Perhaps in recognition of this estimated shortfall in funds, President Clinton announced a new child care initiative in early January 1998. Cited as a move to provide “child care that strengthens American families,” the new initiative would dedicate an estimated \$21.7 billion to various child care pro-

grams. Of the \$21.7 billion increase in funds, \$7.5 billion would be allocated to CCDF, which the Clinton administration claims would double the number of children receiving child care subsidies to more than two million by 2003. In announcing the new funds, Clinton pledged his commitment to supporting child care programs: “What the government is supposed to do is to help to create the conditions and give people the tools that will enable them to raise and love their children while successfully participating in the American workplace.”

Child Care under Wisconsin Works

Wisconsin Works (W-2), the state’s version of welfare reform legislation, requires all individuals previously receiving welfare benefits to work full time, except mothers with a child less than 12 weeks of age (Earlier requirements exempted mothers with children under age six). Most observers believe that this expansion of the work requirement to more mothers, particularly those with infant children, will increase demand for child care services significantly. To counter this expected precipitous rise in demand, the state has committed four times what it had been spending on child care—to \$180 million by 1999. In addition, the state has created a new category of child care providers—the “provisionally certified.” These providers are not required to have any training, but must meet simple health and safety standards. These less rigorous require-

ments are intended to encourage more people to become provisionally certified and offer child care, to meet the anticipated increase in demand for child care services.

Eligibility

Families are eligible for child care subsidies for children under age 13 if their gross income is equal to or less than 165 percent of the poverty line. Parents must also be in at least one of the following categories: (1) working; (2) less than 20 years of age and enrolled in high school or a high school equivalency program; or (3) in a training program. The governor has proposed legislation that would expand eligibility to include families at or below 200 percent of the poverty line, a move that would enlarge the pool of families eligible for child care subsidies.

Benefits

Parents using W-2 child care benefits may choose from a wide range of child care options through a voucher system. The Child Care Resource and Referral Network has been set up to help all parents locate safe and affordable care. W-2 benefits are paid only to licensed or certified child care providers.

Child care subsidies are available to eligible parents on a sliding fee scale based on income and family size, the number of children receiving subsidized care, and the type of child care chosen (see table 1). As family income increases, the copay increases, until the parents are able to cover the full costs of child care and move off the subsidy program.

As University of Wisconsin–Madison researcher Karen Fox Folk explained:

Child care copayments are 7.5 percent of the total cost for families with incomes up to 75 percent of the federal poverty line. Families with incomes between 75 and 95 percent of the federal poverty line pay 10 percent of child care costs. For each 1 percent increase in income above 95 percent of the poverty line, the copay increases, reaching 100 percent at 165 percent of the poverty line.

Operations

W-2 agencies can be private contractors or county social services departments and will primarily provide case management and guidance toward self-sufficient employment. W-2 agencies will

TABLE 1

Comparison of Monthly Child Care Copayments

Hourly Wage	Average Monthly Wage	W-2 Copay		New Hope Copay
		One Earner Two Children Certified Care	One Earner Two Children Licensed Care	One Earner Two Children
\$5.15	\$894	\$47	\$69	\$66
6.50	1,127	86	125	68
8.00	1,387	112	159	71
10.00	1,783	181	262	75



determine eligibility for child care services but in many cases administration of child care services will come from separate county human or social service departments. Eligible parents will receive help from county departments in finding child care providers. These departments will also determine child care copayments and use a computerized statewide reporting system to document child care provider services. The state computer system will issue bi-weekly checks to providers based on county reports. The parent is responsible for paying his or her share of the child care costs directly to the child care provider.

Although the program is in its infancy, serious concerns have already been raised by child care providers, claiming that the county is late in making payments and sometimes does not pay at all, causing them extreme financial hardship. In the pages of the *Milwaukee Journal Sentinel*, providers have also complained that it is extremely difficult to air their complaints and that they are frequently treated as “non-human” by county officials. The county’s new Day Care Enforcement Unit was scheduled to begin operations on March 1, 1998, as a resource for families and providers. Its operation could alleviate some of the concerns raised by the child care providers and be a place where the kinks can be worked out.

The child care subsidy system under W-2 has raised and will continue to raise important issues and questions. It is important to examine both how the subsidy functions on an operational level and how the subsidy affects child development and long-term educational outcomes. The main issues the W-2 child care experience may help to address are as follows:

- Will the new category of provisional certification provide an adequate supply of providers to meet the expected increase in demand?
- Since copayments for licensed care are greater than those for certified care, will lower-income families turn to lower-priced care? And does lower price mean lower quality?
- What are the consequences for children of lower quality care?

- Does the county pay child care providers in an efficient and timely manner?
- Will child care providers refuse to take on children who use subsidies because of possible financial hardship caused by late payment by the county?

New Hope Child Care

Before the passage of PRWORA and while W-2 was still in the planning stages, the New Hope Project began in 1994 in two low-income Milwaukee neighborhoods. According to the New Hope Participant Handbook, “The purpose of New Hope is to demonstrate that the solution to poverty is not welfare dependency but rather jobs that pay enough for families to lead decent lives.” In an effort to make work pay, the New Hope Project offers four main services: (1) job search assistance; (2) earnings supplements; (3) health insurance, and (4) child care subsidies. The child care subsidy enables the participant to work outside the home and, once the participant is working, acts as an incentive for that person to continue working at least 30 hours per week.

The ability of the working poor to obtain affordable, safe child care is clearly essential to the success of welfare reform

Eligibility

New Hope participants with at least one dependent child under the age of 13 are eligible to receive child care subsidies. The amount of the subsidy and the participant copay is based on monthly income and the number of children receiving care. In two-parent families, the New Hope participant is required to work at least 30 hours per week, and the second parent is required to work at least 15 hours per week. Unemployed participants who are seeking work are eligible to receive assistance for up to three hours per day for three weeks.

Benefits

The New Hope child care subsidy is just that—a subsidy. New Hope does not have a specific procedure for linking parents with child care nor does it operate a child care facility. Project representatives offer informal advice and assistance in obtaining child care, but the participant is ultimately responsible for locating and securing a child care arrangement.

When the participant finds a child care provider, the provider signs an agreement with New Hope and submits a copy of the facility’s license or certificate to New Hope. New Hope will pay only child care providers who are licensed by the state or certified by Milwaukee County. The provider must notify New Hope of the payment rate, and New Hope must agree to pay that rate less the amount of the copayment by the participant. Providers are reimbursed up to the maximum level that Milwaukee County paid for AFDC recipients enrolled in work programs. Minimum copays range from \$33 per month for a family with one child to \$121 per month for a two-earner family with four children to \$130 per month for a single earner with four children. As family earnings increase, copayments increase until family earnings reach 200 percent of the poverty line or \$30,000 (whichever is higher); at that point participants receive no subsidy and are required to pay the full cost of their child care.

Provider Payment

Both the New Hope participant and the child care provider are responsible for ensuring New Hope has the information it needs for the provider to be paid promptly. The participant is responsible for paying his or her part to the provider directly and maintaining an average of 30 hours of work per week. The provider is required to submit a voucher (provided by New Hope) between the first and the fifth of each month documenting the hours of care provided to the participants’ children. Once New Hope verifies the hours of work completed by the participant, a check is issued to the child care provider.

Subsidy Use

Since most welfare recipients and many low-income working individuals are single parents with young children, the welfare-to-work movement has made



the availability of affordable child care an absolute necessity for many families. A 1996 survey by the Manpower Demonstration Research Corporation (MDRC) of residents in the New Hope neighborhoods showed that 55.7 percent of all respondents, 61.8 percent of couples with children, and 75.4 percent of singles with children felt child care assistance would be “extremely helpful.” The potential for use of the New Hope child care subsidy was considerable: an early questionnaire completed by newly assigned New Hope participants showed that 71 percent had one or more dependent children living in their household.

MDRC analysts found that 23.3 percent of those surveyed had used child care subsidies during the first twelve months of their involvement in the New Hope Project. Of those New Hope participants unemployed but available for full-time work, 10.5 percent cited lack of child care as one of the barriers to obtaining employment. Of those unemployed and not available for full-time work, 14.0 percent cited caring for children as one barrier to obtaining full-time work.

Although it is the least frequently used New Hope benefit, child care subsidies have been cited by New Hope project representatives as absolutely essential to participants who receive the benefits. MDRC interviews with participants who benefited from the subsidy revealed that parents were “pleased with the child care assistance New Hope offered, saying child care payments eased some of their financial pressures and made it easier for them to go to work.” MDRC also found that parents were quite pleased with the flexibility the subsidy offered in allowing them to choose the type of care they wanted.

The MDRC report further stresses:

All the participants interviewed by MDRC who used New Hope’s child care benefits said that the payment was adequate to cover the cost of good-quality child care. None of the participants indicated that they had difficulty in locating a provider or getting providers to accept the New Hope payments.

Learning from New Hope

The New Hope child care subsidy is, in many ways, similar to the child care

benefits provided under W-2. These similarities and further New Hope evaluation results may provide Wisconsin welfare officials with information along the following lines:

- *Availability of affordable, safe child care.* Did New Hope participants have a hard time finding child care (particularly infant care and non-standard-hour care)?
- *Problems with payments to providers.* Are New Hope providers content with the method and timing of payment? Did participants pay providers promptly? Did New Hope pay providers promptly? Did the timing of New Hope payments cause providers financial hardship?
- *Work requirements.* How frequently did New Hope participants fail to meet the work requirement, thus jeopardizing the provider’s receipt of New Hope’s portion of the payment?
- *Use of child care benefits.* Preliminary New Hope estimates show what some regard as a low rate of child care subsidy use. Why did some parents elect to receive the subsidy while other eligible families did not? Where and how are those children being cared for? What types of demographic characteristics are associated with the use of child care subsidies? How might such findings help to predict rates of W-2 subsidy use?
- *Effects on child developmental outcomes.* How do children utilizing the New Hope child care benefits compare developmentally with those children whose parents used other means of providing care? What is the impact of the move from parent or relative-provided care to care by a center or other provider?

The results of the New Hope evaluation are eagerly anticipated—by policymakers, advocates, and scholars alike. New Hope has provided tantalizing questions and the hope for informative answers, answers that may provide much needed guidance in this nation’s continuing efforts to move millions of children up and out of poverty. ■

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The only full-fledged article not written by a student in this edition of the *Policy Report* is the piece by Keith Bradley, our distinguished guest from Great Britain’s Parliament who lent a marvelous international perspective to the New Hope conference.

For the third year, the Institute hosted teams of leaders from six Wisconsin communities for our program on youth violence and gangs. The case study prepared by graduate student Wendy Kloiber was a key component of the program’s materials this year. It is one that leaders in a number of communities are now using as they work to strengthen relationships with youth and build collaborative efforts to stem youth violence.

Many La Follette students are engaged in summer internships where they are applying principles learned in their first year of classes. A number of internships are under way in various agencies in Washington, D.C., but some are in Wisconsin. One effort in Wisconsin involves three students studying and evaluating the TEACH program, an initiative headed by former Wisconsin State Representative Doris Hanson to consider various aspects and public policy implications of wiring local schools to the Internet. Coordinating the student internships—as well as permanent job placement—is Donna Wong, our newest staff member, whom we’re very pleased to have on board.

I’m pleased also to welcome two new faculty members in the upcoming academic year—Kelly Chang, a recent Ph.D. recipient from Stanford University, and Sandra Hoffmann, from the University of California, Berkeley, where she received a Ph.D. in political science. Chang will be teaching fundamentals courses and quantitative methods, and Hoffmann will be concentrating on environmental policy.

We hope you’ll enjoy the articles in this issue of the *Policy Report*. Let us hear from you when you have a chance.



Archibald, continued from page 3

welfare-to-work program will be successful in moving W-2 participants into jobs.

As of May 31, 1998, 11,261 individuals were receiving cash assistance under W-2, and many of this number may be people who are not readily employable. W-2 began in September 1997, but all results must be regarded as preliminary. At this point we have no measure of long-term effects of the program on poverty levels, which is crucial to determining its success.

The New Hope Project

The New Hope Project is a three-year initiative to reduce poverty, reform welfare, increase employment, and address the economic insecurity of low-income workers. It is operated in two high-poverty neighborhoods of Milwaukee by a community-based organization funded by local, state, and national nonprofit organizations involved in antipoverty policy, as well as by both state and federal governments. Its creation was inspired by the recognition that one way or another, the needs of low-income persons from this area were not being met by public assistance. By creating its own set of benefits outside public assistance, the New Hope Project hopes to learn a number of lessons about the kinds of assistance that are most in demand and most effective in assisting low-wage and unemployed workers.

New Hope operates on the basis of four principles: (1) that people who are willing and able to work full time should have the opportunity to do so; (2) that people who work full time should not be poor; (3) that the more people work the more money they should take home; and (4) that full-time work should make people better off financially than they would be on welfare. To translate these principles into practice, New Hope consists of four components:

- 1. Job Access** – Participants who are unemployed or who want to change jobs receive job search assistance; if they have not found employment after eight weeks, New Hope offers them a Community Service Job, which pays minimum wage and can last up to twelve months.
- 2. Earnings Supplement** – On a monthly basis, New Hope supple-

ments the earnings of program participants who work thirty hours or more per week so that when earnings and supplements are combined with state and federal EICs annual household income rises to near or above the poverty line. As earnings increase, the wage supplement declines in such a way that it will always pay more to work more hours.

- 3. Health Insurance** – New Hope offers subsidized health insurance to participants who work thirty hours or more per week but are not covered by employer plans or Medicaid. The monthly fee charged to participants rises with family income and household size.

- 4. Child Care Assistance** – New Hope offers financial assistance to cover child care for participants who work thirty hours or more per week and who have children under age thirteen. This assistance also declines as participants' earnings rise.

If New Hope officials determine that a person is eligible to participate, he or she is assigned to a project representative who will serve as the ongoing point of contact and source of help. Together they determine which job or type of job best matches the skills and preferences of the participant. Project reps report giving varied amounts of assistance with this step. Some say they feel that if participants are job-ready they should find the job on their own, while others report offering substantial guidance and assistance because this step is so crucial. In all cases, if the participant is not job-ready, he or she will be placed in a community service job. Although these positions are not real jobs in a market sense, New Hope treats them as such, offering all the benefits associated with unsubsidized employment. However, participation in community service jobs is set up for six-month intervals, and participation is not to exceed twelve months.

For all participants working at least 30 hours per week, benefits are processed monthly. These include wage subsidies for workers earning less income than the federal poverty level; child care subsidies, which require copayments, to help fund care for children if necessary for the participant to work; health insurance for those workers who are not able to

obtain insurance from their employers; and a report that tells participants how much state and federal EIC they have accumulated.

In addition to wage subsidies, assistance with health insurance, and child care subsidies, participants also receive a good deal of personal assistance from their project representatives. The representatives contact the participants at least once a month in order to keep up with any changes in employment or personal status that may affect the participant's eligibility for New Hope benefits. This has two important benefits. First, the lag time when a participant is not eligible for benefits is much shorter on New Hope due to the monthly follow-up of the project representative. Second, when a participant's goals, skills, or needs change, the project representative can make necessary adaptations in that person's job search, his or her transition from a community service job to a regular job, or other potential change.

The role of the project representative is central to the design of the New Hope project. Because that person—and only that person—handles all four components of New Hope for the participant, the quality of participants' interactions with their representatives will help determine the kind of experiences that participants have in New Hope. It may even be a factor in how effective the entire program is. In interviews, many New Hope participants credited their project representatives with giving them the information, motivation, and support they needed to achieve their employment goals and make other positive changes in their lives.

The New Hope "offer" is available to participants for only three years. The time limit is not part of the New Hope concept; rather it results from the fact that the project was conceived as a demonstration and is constrained by available funding. The last group of participants in the program began receiving benefits in December 1995 and will complete their New Hope experience on or before December 1998.

Comparing W-2 and New Hope

W-2 and New Hope are fundamentally different—the former functioning as a government assistance program, the latter, a demonstration outside of that system. Therefore, the scale, time of operation, and constraints faced by each of



them are radically different. Still, they both address the same question: How can welfare be reformed so that it provides opportunities for low-income people while continuing to meet their daily needs on the road to self-sufficiency? Comparing the two programs should uncover some answers. Because the New Hope project has been in operation much longer than W-2, lessons learned in addressing this question will naturally flow more from New Hope to W-2 than the other way around.

Some similarities and differences have emerged in the description of each program, but it may help at this point to compare them directly in terms of the operating agency, eligibility requirements, cash benefits, supporting services, incentives/sanctions, and other services (see table on page 14).

Although the table shows many important similarities and differences between W-2 and New Hope, at least three of these deserve emphasis. First, the eligibility for W-2 is much more restricted than the eligibility for New Hope. Only custodial parents are eligible for W-2, while New Hope potentially applies to all low-income adults. Persons cannot have turned down a job for at least 60 days to be eligible for W-2, while New Hope makes no restrictions based on experience prior to New Hope other than income and area of residence.

Second, New Hope provides a wage subsidy, in addition to state and federal EIC, to workers at all levels to ensure that all participants are above or near the poverty line. W-2 provides no such subsidy, and participants in only the top two tiers are eligible for EIC. The result of this policy difference is that more participants who work under W-2 remain poor.

Third, the table displays the contrast between the continuity of care provided from the one-stop-shop-style New Hope program and the multifarious approach of W-2. Under W-2, job assistance, child care assistance, and health care assistance are potentially all available, but from different people in different buildings. In contrast, all New Hope services are available in one place from a personal project representative.

New Hope for W-2?

What are the lessons New Hope has to offer W-2? Both programs share a common goal: providing services contingent upon work. And because the New Hope

experimental phase is coming to an end just as W-2 becomes fully implemented, it stands to reason that New Hope may be able to offer some feedback on the implementation of such a program that may aid the success of W-2.

The personal, coach-like relationship between the participant and the project representative has been central to the success of many New Hope participants

Wisconsin led the nation in reforming welfare based on a principle that W-2 and New Hope have in common: those who are able to work should, or should have the opportunity, to do so. By changing an entitlement program into a work program, W-2 has undoubtedly opened doors for a number of people in poverty. But as a national leader, Wisconsin must continue to look for ways to improve programs designed to serve those in need.

As Secretary of Workforce Development Linda Stewart said recently: “We recognize that while caseload numbers may dwindle, there is a fine line between dependence and independence for people living on the margin.” Wisconsin must continue looking at ways to help people over that line, and in many ways, the biggest challenges lie ahead. As Stewart has recognized, many of those remaining on the caseload are the hardest to serve. It is for these reasons that W-2 stands to gain so much by examining and learning from New Hope.

Lessons from New Hope fall into two broad categories: delivery of services and efforts to reduce poverty. Throughout its operation, New Hope has illuminated the usefulness of at least six methods that fall into the delivery-of-services category. First, the design of the copayment structure for health insurance and child care was based on the principle that it is important for participants to share some responsibility for

the costs of these services. At the same time, the designers of New Hope copayments took into account participants’ ability to contribute. For health insurance, copayments were deducted directly from monthly earnings supplements, or if the participant did not receive such a supplement (because of earnings above the threshold) in a given month, they were required to make a payment to the New Hope office. In the case of child care, participants were required to make their copayment directly to the child care providers. When considered as a package, New Hope benefits are more comprehensive than those found in any public assistance program. In interviews, participants said that the provision of these benefits was vital to their continued attachment to the labor market.

Second, delivering benefits monthly, though labor-intensive for the project representatives, is central to the design of New Hope because it allows participants to feel—quickly and tangibly—the benefits of work. Especially in the case of community service jobs, which paid relatively low wages, monthly wage supplements were a central motivating factor contributing to the success of many participants. In interviews, project representatives explained that participants did not want to work for \$4.25 per hour, but when informed about the monthly benefits package, participants felt that going to work was much more worthwhile.

Third, on a similar note, New Hope project representatives found it necessary to market the earned income tax credit (EIC) to participants. They found that on the whole, the EIC is an underutilized benefit that, when applied for, can provide substantial poverty relief to low-income workers. Therefore, project representatives encouraged participants to apply for EIC, and then gave them a monthly report of how much money had accumulated that they would later receive.

Fourth, the personal, coach-like relationship between the participant and the project representative has been central to the success of many New Hope participants. Having previously experienced a bureaucracy that did not seem to care about their success or failure, many participants expressed pleasant surprise at the care offered by project representatives. The replication of this relationship inside the governmental public assis-



Comparing W-2 and New Hope

Characteristics	W-2	New Hope	Comments
Operating Agency	Statewide program overseen by the Wisconsin Department of Workforce Development but contracted out to W-2 agencies, which may include county offices or private firms.	Anti-poverty initiative administered by a single agency, The New Hope Project, at two different sites in two different neighborhoods of Milwaukee.	While both programs are supposed to be neighborhood-based, outside of Milwaukee W-2's "neighborhoods" usually turn out to be counties, and in Milwaukee boundaries are chosen principally to equalize caseloads.
Eligibility	Household income at or below 115% of the federal poverty line, and: <ul style="list-style-type: none"> - resident of Wisconsin for at least 60 days; - cannot have refused a job for at least 60 days; - custodial parents with children age 18 or under; - asset limitation (up to \$2,500 excluding vehicles worth up to \$10,000 and one home in which the household resides). 	Household income at or below 150% of the federal poverty line, and: <ul style="list-style-type: none"> - resident of target area in Milwaukee; - willing and able to work at least 30 hours per week; - age 18 or over. 	Under W-2, participants are eligible for different services at different incomes. The eligibility listed at left is for involvement in the four-tiered jobs program. Participants are eligible for child care subsidies if their income is at or below 165% of the poverty line at the time of application, and continue to be eligible until their income exceeds 200% of the poverty line. Eligibility for medical care is currently subject to old Medicaid guidelines.
Cash Benefits	No wage subsidy. EIC for workers in top two tiers. Child care subsidies. 100% child-support pass through.	Wage subsidy. EIC for all participants. Child care subsidies. No involvement in child support.	All cash benefits contingent upon work activity. Under W-2, EIC is only available to workers in the two highest levels, subsidized or unsubsidized jobs, because it is only at these levels that workers earn wages.
Supporting Services	Loans (up to \$1,600) are available to help participants find and keep jobs. Coordination with Wisconsin Department of Health and Family Services to make health care accessible. Limited funds and time allowed for Education/Job Training, 10 hours per week for CSJ participants and 12 hours per week for those in W-2T.	Loans (up to \$100) are available to help participants find and keep jobs. Subsidized health insurance. Up to 10 hours per week can be spent on Education/Job Training for participants in CSJs.	Loans under W-2 can be repaid in cash or community service. Both W-2 and New Hope have a work-first orientation, deeming work most important regardless of the wage and opportunity offered by the job. Hence, little time or funds are allotted for education or training in either program.
Incentives and Sanctions	Must work to be eligible for benefits, added incentive that working more pays more. \$50 sanction per month under the Learnfare program. Sanctions for non-participation in two lower tiers include subtracting \$5.15 from participant's grant money for every hour missed without good cause.	Must work 30 hours per week to receive benefits, added incentive that working more hours pays more. No sanctions: must work to get paid, but if a participant loses one job he or she can get another or be placed in a CSJ and continue receiving benefits.	W-2 has a more flexible structure for determining whether or not participants are eligible for benefits. W-2 participants who miss work will earn less money, but unlike participants of New Hope, they can still receive benefits when they work under 30 hours per week.
Time Limits	60 total months (not necessarily consecutive) of eligibility for all W-2 program services; 24 months for trial jobs, CSJ's and transitional placements.	36 total months of eligibility; 12 months per CSJ; public assistance available after completing 36 months of New Hope.	The time limit is not part of the New Hope concept; rather it results from the fact that the project was conceived as a demonstration and is constrained by available funding.
Other Services	Job placement and career development services vary according to what services the local job center offers.	Job placement and career development services vary according to the individual needs of each participant.	Different W-2 services are offered at different agencies reflecting some of the discrepancies in the implementation of W-2.



tance system may increase the chances of success for participants.

Fifth, the fact that New Hope has been set up on a neighborhood level has had a positive impact on participants. While the smaller scale of New Hope lends itself to such a setup, it would be possible to replicate the neighborhood-level structure within the public assistance system if W-2 could be contracted out to agencies responsible for a smaller geographical location than they are at the present time. Having a benefits office and support center in the neighborhood would help potential participants get over common hurdles to success faced by low-income workers or potential workers: a fear of going to an office outside of potential participants' familiar setting; transportation problems getting to employment and support centers; and a feeling of a lack of support or viability in the participants' own neighborhoods.

Sixth, through its operation, New Hope officials have come to realize that requiring participants to work 30 hours per week to be eligible for benefits as a hard-and-fast rule had both positive and negative effects. Although it is important to reinforce the necessity of work, the inflexibility of this structure presents problems for those participants who may have extenuating circumstances such as a sick child. W-2's more flexible method of deducting per-hour wages may be a more realistic way to reinforce the importance of work while maintaining participants' ability to reach self-sufficiency. This is especially true given that through most of the New Hope experimental phase, participants had AFDC to fall back on if they needed it. Under W-2, no such alternative support system exists. Therefore, it becomes even more important to offer enough flexibility in the benefits structure for participants to sustain themselves.

In terms of efforts to reduce poverty, New Hope has also generated some useful lessons. First, in many cases, a wage subsidy (in addition to EIC) is necessary to raise workers above the poverty line. Both W-2 and New Hope operate under the notion that work must pay. One could take the argument one step further and say work must pay enough to bring workers out of poverty. Otherwise, over an extended period of time, the incentive to work, especially for those with few skills, may not be strong enough to maintain the goal of self-sufficiency that the programs set out to

achieve. That is, the chance of persons remaining self-sufficient if they are still in poverty is much less likely than for those who escape it.

For these reasons, W-2 may wish to gauge the success of its program on its ability to help workers out of poverty rather than merely into jobs. In doing so, it may become apparent that such wage subsidies are central to the success of the program. Further, W-2 may also want to address the lot of workers in the two lower tiers, looking specifically at the ability of these participants to climb the ladder to self-sufficiency when their wages are restricted to the monthly W-2 grants. One way of addressing this problem is to change the two lower tiers to wage-oriented rather than grant-oriented programs. In doing so, participants could receive federal and state EICs, which are intended to help low-income workers make a living wage.

Second, while W-2 only considers the needs of custodial parents and their children, New Hope identified other persons in need. They found that among the chronically unemployed or working poor were single persons without children. These persons can also benefit from assistance in finding life-sustaining employment. In terms of efforts to reduce poverty, public assistance may want to consider the needs of these workers as well.

At this point New Hope's success in reducing poverty remains in question. However, the New Hope Advisory Board expects a portion of the ongoing evaluation to determine this in the near future. For example, the evaluation will include an analysis of earnings in the program and in a control group, to see whether being a participant in New Hope affected earning potential. Since New Hope is a work-oriented program that placed little emphasis on training, its ability or inability to increase earnings potential may influence the amount of training provided by state programs, including W-2.

A cost-benefit analysis is also scheduled to occur after the completion of the experimental period, which will give policymakers information on how much these poverty-reduction efforts cost. This information is especially pertinent to those considering replicating all or part of the New Hope Project. It may also be pertinent, along with the implementation lessons, to the success of W-2. ■

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economy, and good parenting skills, communities must address gun control in order to prevent juvenile crime. In 1996 alone, he said, 201 homicides occurred in Wisconsin; 135 of these were committed with firearms, and 124 were the result of handgun violence.

Current Wisconsin law has no restrictions against the private sale of guns to anyone over 18, no licensing requirement for gun dealers, and no permit requirements for carrying a gun openly (except by minors and in or near schools). Wisconsin lawmakers recently voted to prohibit all local communities from passing laws to restrict gun possession and sales. This legislation also invalidated existing local ordinances such as those that prohibit carrying a gun in a public park or displaying handguns in storefront windows.

Doyle argues that Wisconsin should model its efforts to curtail youth violence after the successful initiatives taken in Boston. Local officials there used an aggressive approach to remove guns from the streets, then enacted collaborative violence prevention programs with schools, hospitals, businesses, churches, and other local organizations. They subsequently experienced a dramatic drop in juvenile violence, with only one teenage death from a gunshot wound in the past two years.

Other speakers included Ron Johnson, with the Social Development Commission in Milwaukee, who brought some former gang members and some victims of violence to share their experiences with community leaders; a panel consisting of La Crosse Police Captain David Hanson, Former Mayor Helen Johnson of Stoughton, and Marc Wehrs of the La Crosse Tribune; Carol Lobes and Eileen Briggs-Houle of the Wisconsin Clearinghouse; and Fritz Grutzner of Madison's Meridian Group. The speakers shared their perspectives on ways to address issues of youth violence. The discussion among community members resulted in action plans facilitated by graduate students from the La Follette Institute. ■



Wiseman, continued from page 3

in the years since the 1986 election of Governor Tommy Thompson. The national debate on the direction of welfare policy, quiescent in the mid 1980s, was rekindled late in the decade by Wisconsin's accomplishments and the promotion of state experiments with welfare reform by both the Bush and Clinton administrations. The reform effort culminated nationally in 1996 with passage of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA).

PRWORA is a landmark in American federalism. It replaced the nation's core welfare program for families with children, Aid to Families with Dependent Children (AFDC) with Temporary Assistance for Needy Families (TANF), and in the process significantly expanded the latitude granted states in program design and operation. Perhaps the most important feature of the change was a shift in funding from federal cost sharing through "matching grants" that were elastic with respect to the number of families receiving assistance to a largely fixed federal appropriation scaled on the basis of state outlays during the period 1993-1995.

PRWORA presents a challenge to states. While criticism of AFDC has long been rife, specific plans for what might be substituted were generally in short supply, and many of the first state TANF programs looked much more like "welfare as we knew it" than "something completely different." Although it will take some time for states to construct effective assistance programs, Wisconsin once again has proved a leader in the process. The Wisconsin Works (W-2) program was announced a full year before PRWORA passed, and it is by far the most fully conceived of the state TANF plans.

Milwaukee's New Hope project, on the other hand, is a *demonstration* which shares many of the features of W-2. Bruce Hagen, deputy secretary of Wisconsin's Department of Workforce Development, reinforced this point in an address at the New Hope Conference. He said that "the new meaning of public assistance has to be not income maintenance, but helping people to find work and, once work is attained, helping in work. That, as I understand it, is what New Hope is about, and that is what Wisconsin Works is about." For a full comparison of New Hope and W-2, see

Sarah Archibald's lead article in this issue of the *Policy Report*. Also in this issue see articles by Melissa Mullikin (on the child care component) and by Kendra Lodewick (on health care).

New Hope's Evaluation

To the great credit of its architects, New Hope has from the beginning been envisioned as a demonstration, a set of ideas offered for adoption elsewhere and bundled with the kind of information on program effects that only careful evaluation can produce. In this regard as in many others the project offers important lessons.

New Hope contracted with the Manpower Demonstration Research Corporation (MDRC) to conduct an independent evaluation of the program's context, implementation, impacts on key outcomes, and costs. Among the central questions of the evaluation are: (1) How much will New Hope services actually be used? and (2) Do those with access to New Hope achieve better outcomes than those with access to preexisting services? In order to provide a reliable test of the difference the program made, applicants were randomly assigned in a lottery-like process to either a program group (with access to New Hope services) or a control group (with no access to New Hope services, but able to seek other services). The differences in the two groups' outcomes over time (for example, their differences in employment rates or average earnings) are the observed impacts of the program.

The Executive Summary of MDRC's implementation report is on the La Follette Institute's web site (www.lafollette.wisc.edu), and estimates of New Hope impacts will be available later in 1998.

New Hope and Welfare Reform in Other U.S. Locations

Kasia O'Neill's work, available on the Institute's web site, discussed the opportunities and benefits of a welfare reform demonstration in Oakland, California. Although Oakland's economic and social environment is much different from Milwaukee's, and California's TANF policy is substantially different from W-2's, O'Neill's conclusion is that an additional New Hope demonstration might avoid some problems encountered in Wisconsin and provide a better test of the response of households to New Hope's challenge to make a "clean break" with welfare.

Mary Healy studied the Minnesota Family Investment Program (MFIP). While both New Hope and MFIP share the same principles—that no one who works should be poor—the programs use different strategies to reach their goal. MFIP is not as strict as New Hope in some ways, but New Hope does not operate under the time constraints that MFIP does. A primary difference is that New Hope requires copayments for health care and child care. For Healy's paper, see the La Follette web site.

To Strengthen Michigan Families (TSMF) is the program Dawn Currier compared to Milwaukee's New Hope. Since TSMF requires participants to work only 20 hours per week, officials now face the challenge of moving people toward full-time work and self-sufficiency. See the La Follette web site for a full description of the Michigan welfare reform program and comparisons to New Hope.

New Hope and the New Deal in Great Britain

In Great Britain, the Labour Party campaigned in 1997 partly on a promise to undertake major reform of the United Kingdom's Social Security system. In the United Kingdom "Social Security" is the term used for the entire set of assistance programs, from aid to young dropouts to families with children to pensions. In January 1998 Prime Minister Tony Blair followed up on campaign promises by calling on party activists to help build a national consensus for welfare reform in a system that, he claimed, had divided British society between "one nation trapped on benefits, the other paying for them. One nation in growing poverty shut out from society's mainstream, the other watching social security spending rise and rise, until it costs more than health, education, law and order and employment put together."

International interest in welfare reform was reflected in a conference high point, an address by Keith Bradley, Parliamentary Under Secretary of State for Social Security. Bradley's visit occurred at the same time that the Chancellor of the Exchequer announced a plan for a "Working Families Tax Credit" modeled in part on the U.S. (and Wisconsin's) earned income credit. Bradley's speech, which points to the connection between the Labour Government's strategy and New Hope, is also reprinted in this issue of the *Policy Report*.



Health Care After Welfare Reform: What Has and Has Not Changed?

Kendra Lodewick

The student presenter at the New Hope conference covering issues of health care and welfare reform was Kendra Lodewick, now a graduate of La Follette's program. The full version of her paper appears on the La Follette web site.

Before welfare reform, the economic conditions of each state often determined the generosity of the Medicaid program. Federal grants comprised at least 50 percent of every state's Medicaid budget, increasing to as much as 83 percent in poorer states.

To be eligible for Medicaid benefits in Wisconsin, families had to have dependent children under the age of nineteen and incomes below a certain level, depending on family size. A family of three (a mother and two children), for example, could earn no more than \$647 per month (or 59.8% of the poverty line), and have no more than \$1,000 in assets.

The Medicaid program under AFDC was typically available only to single-parent families; money gained through child support payments or increased family income could disqualify a family. Medicaid covered an extensive range of services, ranging from physician and hospital services to family planning to alcohol or other drug treatment services.

Prior to welfare reform, Medicaid expenditures were increasing rapidly. Inflation was partly to blame, but technological advances for treating critically ill or severely injured persons were also extremely costly. Also, earlier economic recessions had expanded the size of the Medicaid-covered population, and the number of very old and disabled persons needing extensive or long-term care had grown. Transitional benefits were available for up to twelve months after a family left welfare, but these varied depending on the specific reasons for leaving welfare.

Once a family surpassed the income limits that had qualified them for AFDC, and after a transitional period, they were no longer able to receive either welfare benefits or Medicaid payments. This "all-or-nothing" characteristic is referred to as the Medicaid "notch." A family used to accessing health care at no cost was suddenly faced with the full cost of coverage if they managed to leave the welfare rolls.

For a low-income family new to the labor force, the money for health insurance independent of Medicaid was scarce. If a family was covered satisfactorily under AFDC, yet was unable to attain an adequate health plan once the adult in the family was employed, an understandable response was to remain unemployed and, therefore, covered.

Medicaid Under TANF

The federal program that replaced Aid to Families with Dependent Children—Temporary Assistance to Needy Families (TANF)—is intended to change public assistance from an entitlement to assistance that is dependent upon the recipient's willingness to work.

Yet while the new welfare reform measures impose the expectation that individuals receiving welfare will work for their benefits, health care remains an unconditional entitlement. Whereas previously families eligible for one program were automatically eligible for the other, now welfare and health care became separate programs.

The 1996 AFDC standards for counting income and assets remain for the current Medicaid program, regardless of a state's TANF eligibility requirements. Except in the case of pregnant women and children, states may, however, terminate Medicaid for individuals who also receive cash assistance under the block grant if they refuse to work. Despite this, under TANF guidelines, individuals need not participate in a welfare assistance program in order to be eligible for Medicaid. Essentially, then, the Medicaid program remains unchanged. Eligibility requirements have expanded the number of people able to access the services, yet the strengths and weaknesses of the pre-reform program remain unchanged.

Initial W-2 Health Care Proposal

Under W-2, Wisconsin applied for a federal waiver which would have effectively removed Medicaid as an un-

bounded entitlement for low-income families. Instead of offering health care coverage at no cost to the neediest participants, W-2 would require a monthly premium from all participants, regardless of income. It thus would change the eligibility requirements from those based solely on income to those based both on income and an ability to contribute financially to the coverage.

For families with incomes less than 159 percent of the poverty line, for example, the monthly premium required was \$20. For a typical family of three with no child care expenses whose head received an hourly wage of \$6, the \$240 annual premium required comprised 1.4 percent of the family's disposable income. Premiums would rise by \$3 for every percentage point increase in income up to the monthly maximum of \$143 at 200 percent of the poverty line.

Coverage was not available under the initial W-2 proposal if an employer offered a program that covered more than 50 percent of the premium (Pregnant women and children were excepted, however, and would have been eligible even if they were offered employer coverage). The participant would have been required to buy the employer plan. If the employer provided access to unsubsidized coverage, participants remained eligible for W-2 coverage for a maximum of twelve months. If no employer coverage was offered, the W-2 plan was available without limits. These complicated stipulations created different treatments for different participants, although everyone needed to meet the same eligibility requirements.

Once eligible at 165 percent of the poverty line, participants could have received coverage until their income rose to 200 percent of the poverty line, regardless of the amount of time they utilized the Medicaid program. Pregnant women with incomes in excess of 165 percent of the poverty line could become eligible if after medical expenses their income fell to below 165 percent of the poverty line.

Expanded Coverage

Wisconsin's defense of the W-2 health proposal emphasized the expanded coverage offered to low-income families. If Medicaid income limits had been frozen at their 1996 AFDC levels, Wisconsin would not have been able to extend Medicaid coverage to newly working, uninsured families. The proposal, in contrast, expanded coverage to reach



low-income families previously ineligible to qualify for Medicaid. Because the state *increased* the number of families able to qualify for subsidized health insurance, they did not need a waiver to implement this component of the plan.

In fact, federal regulations allowed for states to expand the eligibility requirements of 1996 AFDC standards, as long as the change was not more restrictive on any of the families eligible under AFDC standards. Here is where the Wisconsin model did not comply.

Charging a \$20 premium to all families with incomes under 159 percent of the poverty line, and raising the premium by \$3 for every percentage point thereafter, effectively restricted access to families previously receiving Medicaid at no charge.

This premium is a hallmark of the changing perception of the welfare system. By requiring families to contribute to the cost of their health care, the proposal aimed to prevent dependency by breaking the link between low incomes and free health care. This was a visible effort to encourage personal responsibility and autonomy on the part of the participant. Welfare was no longer a “freebie,” and neither would health care be.

Crowding Out

An additional, perhaps more practical, concern was the potential for “crowding-out” by employers. This refers to the fear that public health benefit programs could lead employers or employees to drop private coverage. Although recent studies suggest that expanded public health care for children has not had this result, there is not sufficient experience to determine the effect of expanded *family* insurance.

Cost Containment

The Thompson administration’s projections that the plan would be cost-neutral to the federal administration during the first few years of operations were based on several debatable assumptions. One criticism was that the cost projections incorporated savings that had already been realized. Also, certain reductions would have made the AFDC Medicaid benefit packages and the W-2 benefits no longer comparable. And third, the projections were based on a number of participants different from that calculated for AFDC benefits.

Waiver Denied

The W-2 proposal failed to obtain a

waiver. The main reason cited by the federal administration was the proposal’s failure to maintain the entitlement status of Medicaid for the neediest families. If all families had to pay a premium, regardless of their income, health care was no longer a universal right; it was contingent upon ability to pay.

The BadgerCare Alternative

A new proposal, “BadgerCare,” is pending waiver approval from the U.S. Department of Health and Human Services. The plan provides access for entire families with incomes below 185 percent of the poverty line. It would cover low-income families who would have been ineligible under AFDC standards, as well as those families, pregnant women, and children who remain eligible according to July 1996 AFDC and Healthy Start guidelines.

Eligibility Requirements

Families with incomes up to 150 percent of the poverty line would receive coverage at no charge. Families with income between 150 and 185 percent of the poverty line would pay up to 3.5 percent of their income in premiums. For the previously considered family of three at 180 percent of the poverty line, the required monthly premium would be \$60. This equates to 3 percent of a \$24,000 annual income (\$12 per hour). The families would be able to remain in the program until they reach 200 percent of the poverty line (\$27,000 annually, or \$13.50 per hour).

If an employer pays at least 80 percent of the cost of an offered health care package, the family would not be eligible to receive BadgerCare; they would utilize the program offered by the employer. The state is reviewing options to prevent the “crowding out” problem. Such options include: state purchasing of employer-sponsored programs in place of HMO enrollment in BadgerCare; limiting the enrollment period to the time of employment or a limited open enrollment period; restricting enrollment including provisions relating to the length of time uninsured; and supporting other insurance reforms that encourage broad-based coverage of all employees.

Services Covered

BadgerCare benefits are identical to those offered by the Wisconsin Medicaid program. The state would utilize

a comprehensive HMO managed care system, as is in effect in the existing Medicaid program, and continue to provide the same set of comprehensive services.

A Change in Philosophy?

The BadgerCare proposal indicates a change in Wisconsin’s philosophy regarding the status of public benefits, particularly health insurance. The new proposal would broaden the eligibility requirements to all those with incomes less than 150 percent of the poverty line. This move appears to signal a reaffirmation of the “right” to health care for the neediest families. The question is whether it really extends that right to other low-income families with incomes above 150 percent of the poverty line. Essentially, it does not. What it does do is sidestep the entitlement issue to fit federal guidelines, and bumps the welfare notch a few rungs higher on the income ladder. It goes beyond past programs, however, in expanding eligibility to include low-income, previously uninsured working-poor families without access to employer-sponsored coverage.

New Hope

The health care component of the New Hope program shares some characteristics with the BadgerCare proposal. Like BadgerCare, New Hope’s health insurance program uses managed care. Participants can choose from two health maintenance organizations in the area, but are encouraged to continue to use Medicaid if they are still eligible. The continued security of Medicaid for New Hope participants may of course limit their participation in New Hope insurance.

Eligibility Requirements

To access the health care program an individual must be enrolled in the New Hope project, working at least 30 hours each week, and the family income must be below 150 percent of the poverty level. Participants must contribute to the cost of their health care, regardless of the family’s earnings. New Hope case managers are careful to explain that health care premiums will rise substantially once the participants leave the program.

The benefit schedule for New Hope is extremely complex. New Hope participants’ health insurance contributions range from a low of \$6 per month for



one earner with no children receiving \$83 in monthly earnings, to a high of \$720 per month for a two-earner family with four children receiving a monthly income of \$1,875. A one-earner family with two children earning \$667 per month, for example, would pay \$14 per month for health insurance under the New Hope model. The schedule is intended to parallel “real-world” experience, yet the contingency on family size is rarely found elsewhere. Nonetheless, the general pattern of participant contribution rises incrementally until a certain income level, and then continues to rise by an increasing proportion relative to income.

Benefits

New Hope’s insurance covers all members of a household, including children through age 19 (or age 25 if the dependent is a full-time student). If a participant’s employer offers a health program that covers only that individual and none of the family, the rest of the family can receive New Hope coverage. The New Hope health insurance program’s flexibility is intended to customize a health plan for each participant, ensuring comprehensive, appropriate health care.

BadgerCare and New Hope Compared

The most immediate and noticeable difference between the programs is that New Hope requires a monthly contribution from all participants, regardless of income, while BadgerCare requires premiums only from families with incomes above 150 percent of the poverty level. Since all New Hope families entered the program with incomes at or below 150 percent of the poverty line, all participants would be eligible for free health care coverage under the proposed BadgerCare plan (as well as the Medicaid program currently in place).

All participating families in New Hope are eligible for free health care through the state program, and would remain eligible until their incomes reached 200 percent of the poverty line. This free service, when compared with New Hope’s gradually increasing participant contribution, may create greater reliance on the public system. Because of the premium contributions required from each family, New Hope, in fact, would not meet federal standards; it too would be denied a waiver. Although the contributions fall far short of the ac-

tual premium paid to the HMO, they are still more than the federal administration deems appropriate.

New Hope’s health insurance adapts to the circumstances of participants. If the family is offered adequate insurance from an employer, they can choose whether or not to access New Hope. If only the worker is protected under the plan, New Hope will provide for the remaining family members. BadgerCare would require that families use employer plans if the employer covers more than 80 percent of the premium. Therefore, some families, unable to cover the costs of the employer-sponsored program, yet also denied BadgerCare because of the employer’s offer, would remain uninsured. If no employer coverage is available, the family would be eligible to enroll in BadgerCare, an arrangement similar to New Hope.

New Hope participants do not receive benefits for free. Their New Hope wage supplement helps to cover their portion of the benefits, yet they are not required to enroll in the program. They are not given an amount equal to the entire price of their insurance package, but they are allowed enough to cover their copayment. This element is important in that it allows the participant to decide independently between an increase in spendable income and the security of health insurance. What New Hope offers is a guarantee that participants will be able to provide for themselves and their families in exchange for their work. In contrast, BadgerCare offers free access to health care, even if a participant does nothing but fall below the income requirement.

Prior to the implementation of New Hope, 88 percent of eligible participants indicated in a survey that health insurance would be extremely helpful. The same survey indicated that 36 percent of part-time workers had jobs that provided health insurance, compared with 73 percent of full-time workers. New Hope health insurance was not accessed at corresponding levels, perhaps because of the availability of free health care through the state program.

New Hope combines multiple benefit packages, including the Earned Income Credit, child care supplements, health care supplements, and a New Hope Income Supplement, at graduated levels, to participating families. The extent of these benefits depends upon the current

family size and income of the participants.

The graduated schedule is an alternative to the “all-or-nothing” approach in social services. All participants, as long as they are willing to work, are ensured that when combined with the tax and wage supplements included in the program, necessary child care and health care will be affordable, if they choose to pay their part for them. Furthermore, the combination of benefits is guaranteed to lift participant families to or beyond the poverty line. This is a critical characteristic of the program. Even though families’ copays increase as their incomes increase, they are not made worse off by increased earnings.

New Hope is a comprehensive, coordinated antipoverty program. What it proposes is a new definition of entitlement. Although it does not guarantee free health care to families, it does “entitle” all those willing and able to work to achieve earnings beyond the poverty line. If they are willing to contribute, they will be taken care of. This objective underlies each component of the New Hope program. Furthermore, it underscores the idea of New Hope as an organic, fluid program, able to respond to the changing needs of participants. They can pick and choose the components most useful to them at any particular time.

New Hope health insurance, therefore, is only one component in a much larger move toward self-sufficiency. The BadgerCare proposal does not include conditions that link health care provision with an effort towards self-sufficiency; eligibility is based on income alone. This primary difference is a difference not only in program, but also in philosophy.

Does a change in eligibility requirements change the definition of an entitlement? If a participant is unable to purchase health insurance, yet the means to obtaining a job that would enable him or her to do so are readily available, is there justification for providing that benefit on the basis of income alone? Should individuals be required to contribute somehow to their own safety net, regardless of their income? Is there a means of ensuring basic health care for all individuals, while continuing to promote self-sufficiency? The evaluation of New Hope will shed light on these issues, although it will not end the debate.



Milwaukee's New Hope and Britain's New Deal: A Transatlantic Perspective on Welfare Reform

Keith Bradley, MP

Member of Parliament in the UK since 1987, Keith Bradley is currently Under Secretary of State at the Department of Social Security. His responsibilities include overseeing poverty and low-income programs. The following article is excerpted from the keynote speech he gave at the New Hope conference. The unedited text is available on the La Follette web site: www.lafollette.wisc.edu

In the UK this year, we are celebrating 50 years of the welfare state. The passing, in 1948, of Beveridge's National Assistance Act marked a milestone in the provision of welfare. Its aims of preventing poverty through comprehensive insurance and a universal safety net were noble, and have proved their lasting value over the years.

But times have changed, and the machinery of welfare developed half a century ago needs to be modernized. As we in the UK embark on our program of reform, we need to learn from the experience of other countries, and that is why we are here. The New Hope project in Milwaukee is in an area where the problems encountered are analogous to some of the difficulties we face in parts of the UK, particularly in some of our inner cities.

New Hope stands out as a model program because it opens up opportunities for people who are willing and able to work; it lifts them out of poverty, and makes it financially worthwhile to work more hours; and it makes people better off than they would be on welfare. I applaud those principles. New Hope demonstrates, through its unique package of benefits and services, an innovative approach to welfare reform and reducing poverty. We shall continue to watch developments with interest not least because the program is operating in a state where profound and bold changes in welfare have been introduced.

When we visited the Dane County Job Center we were shown how a number of programs could be brought together at a single point, providing both employers and jobseekers with a service of impressive quality. When we were elected we too set about the task of modernizing many of our institutions and reorientating our welfare policies.

Central to our approach have been three principles: (1) Society has a responsibility to help people in genuine need, who are unable to look after themselves; (2) Individuals have a responsi-

bility to help provide for themselves when they can do so; (3) Work is the best route out of poverty for people who are able to work.

The system we inherited falls a long way short of these principles. Despite the fact that more money was being spent on welfare than on health, education, and law and order combined, the number of workless households had doubled since 1979. Today one in five people in the UK live in households where no one is working—some 3.5 million households, containing 5 million adults and 2.7 million children.

The system has encouraged dependency by writing off large numbers of people as outside the labor market. We have witnessed enormous increases in the number registering as sick or disabled; and the interaction of different elements within the system is now so complicated that many unemployed people fail to understand how much better off they could be by working.

In short, we inherited a system which fostered social exclusion rather than combating poverty, a system that discouraged people from working, in which costs were spiraling out of control, that promoted social inequality rather than social cohesion, and had lost public confidence.

You will understand, therefore, that we have no choice but to reform the system. When welfare systems stagnate they tend to trap people in the very poverty they were originally designed to alleviate. The role of welfare is constantly changing—what was needed to relieve the destitution in Elizabethan England in the 1600s was different from the solutions introduced by the Beveridge reforms to relieve poverty in the 1940s. And what is needed today is different again—to prevent people becoming poor in the first place and to create the means for them to lift themselves out of poverty. This is exactly what New Hope does.

Clearly, our approach to reform in the UK has to reflect the particular condi-

tions and political climate of our own country. When we took office, therefore, we introduced an ambitious welfare-to-work program to attack unemployment and break the spiral of escalating spending on welfare. We started to use language which for many listeners, had not been heard for nearly 20 years. Words like "employability," "social inclusion," "participation," "responsibility," and "active services" entered the vocabulary for the first time in many years. But it was by no means all about words. Our policy agenda has been punctuated by action. Indeed, as Tony Blair remarked after just 10 months in office, we have been as active as any government in living memory in making the transition from words to deeds.

When the Chancellor of the Exchequer, Gordon Brown, introduced his first full budget, welfare-to-work was its centerpiece, perhaps best summarized in Brown's own words: "For those who can work, this is our New Deal: Your responsibility is to work. My guarantee is that if you work, work will pay."

First let me mention the most radical element of the budget, the introduction of a Working Families Tax Credit (WFTC). For hundreds of thousands of working families on low incomes, WFTC will effectively be a tax cut. And not only that, it will also abolish the grotesque distortion where some low-paid employees have had to pay back more than a pound for every extra pound they earn. For families where someone works full time there is now a guaranteed income of at least £180 a week. And to the same working family, a second guarantee that no income tax at all will be paid on earnings below £220 a week. WFTC will mean a better and fairer deal for 1.4 million working families and will provide about £5 billion of help each year. It is central to our major program of tax and benefit reform, and represents a first step toward greater integration of two systems. It will reduce the stigma associated with in-work support; it will enhance support for children; and it will



ensure that more low- and middle-income working families keep more of what they earn. This will be achieved by introducing the higher income threshold before WFTC is withdrawn, and withdrawing it at a rate of 55 percent rather than 70 percent as was previously the case. In addition, we will be providing much more help for child care costs through a new child care credit which entitles WFTC recipients to 70 percent of eligible child care costs.

The New Deal

The New Deal, which lies at the heart of our welfare-to-work program, gives expression to our belief that work is the best form of welfare for those capable of doing it; it emphasizes participation; it engages the full range of partners (voluntary, private sector, church-based, public sector, local authorities) in each community in design, planning and delivery; it recognizes that each individual's circumstances are unique, and that solutions must be tailored to each person; and it emphasizes the responsibility that individuals have to do all they can to improve their employability. In return, as they embark on and cooperate with the program, they can look to the system to help them make that transition.

The first phase of the New Deal is for 18–24-year-olds. The New Deal offers all unemployed 18–24-year-olds who have been on benefit for six months or more help to find work, to improve their employability, and thus help them to keep jobs.

The first aim of the program is to get those young people who are job-ready into unsubsidized employment. For the rest, it provides up to four months of needs diagnosis, guidance, and referral from a designated personal adviser. Clients will then have four options for activity: a subsidized job with an employer, work with a voluntary organization or the Environment Task Force (all lasting six months and backed up with subsidized training) or up to a year of full-time education or training. There will also be support and advice for those young people who see self-employment as their best route out of benefit-dependency.

For those young people eligible for the New Deal, there is no fifth option of remaining on welfare. They face reductions (and, in the case of able-bodied youngsters without children, total loss) of benefit if they refuse to take up one of

the options to which they have been referred by their personal adviser. For those young people returning to benefit up to three months after completing their activity, further individually tailored support will be available, including help with job search, access to advice, and guidance, education, and training.

But the New Deal does not stop there. We recognize that help is also needed for older, long-term unemployed people, and for some groups who are especially disadvantaged in the labor market such as single parents and the sick and disabled. So we have designed New Deals for them as well.

New Hope demonstrates an innovative approach to welfare reform and reducing poverty

The New Deal for people over age 25 who have been unemployed for two years or more encompasses a series of advisory interviews, at which clients will be guided in their job search and directed, where appropriate, to further help. In addition, there will be an opportunity to take up subsidized employment, or full-time study while retaining their benefit. We are proposing a series of pilots in various parts of the UK costing up to £100 million and providing up to 70,000 places. Most of the program will focus on those who have been unemployed for 18 months or more, but in some areas it will cover those who have been out of work for 12 months. This package will also be offered to people age 50 and over, and we will ensure that the help they receive takes account of their special circumstances and makes the most of the particular skills and experience they have to offer. Our intention is to pilot a range of approaches for different client groups, involving different delivery methods, including a variety of public sector and private sector partnerships.

Single Parenthood

We have long been concerned about the growth of single parenthood in the UK.

Today, over one-fifth of all families with children in the UK are headed by a single parent—one of the highest proportions in the world. And while women's employment has been increasing, the employment rate of single mothers has fallen since 1979 from around 48 percent to 40 percent. This compares with 82 percent for France and 60 percent here in the United States. We recognize that single mothers face special difficulties in returning to the labor market, and that our approach needs to have regard to their caring responsibilities. But we also have to recognize that, as a group, single parents often face other barriers—for example, 49 percent of non-working single parents have no qualifications. Single parents in the United Kingdom have never been required to participate in the labor market as a condition of receiving welfare. In that respect, we are different from most other countries, certainly in Europe. Only when the youngest child reaches 16 is a single parent expected to register for work. Yet we know that many single parents with younger children, given help and support, would prefer work to welfare.

So we promised, in our election manifesto, that once a child was in the second term of full-time school, single parents would be offered advice by a proactive employment service to develop a package of job search, training, and after-school care to help them off welfare. And we have started to deliver this promise in the New Deal, which we are testing in eight areas of the country, offering up to 40,000 parents of school-age children a package of job search help and support delivered in local offices by specialized advisers. The early results are encouraging and we plan to implement this scheme for all new claims, with services provided via the Internet so that participants have ready access to information and guidance.

Child Care

One very important issue which Milwaukee's New Hope Project also addressed, and which is of immense importance for parents in the UK, is access to good quality, affordable child care. Getting child care right is crucial to building strong families and communities, and to running a strong and stable economy, yet it has been badly neglected in the past, with access to decent child care being something of a lottery



depending on where you live. So we have committed ourselves to increasing the supply of affordable, good quality child care in all parts of the country. We are investing £300 million to expand out-of-school child care provision across the country over the next five years, providing places for up to a million children, up from only 100,000 at present.

Again, our approach recognizes the circumstances which already prevail in the UK—not least, the diversity of current provision and the preference of many parents for informal care arrangements. So our approach is a pluralist one, involving partnerships among all relevant stakeholders, including child care organizations, local authorities, and employers. Central to our strategy is an increased supply of trained, qualified child care workers, better information systems on local provision, and support to providers.

Sick and Disabled Clients

Disabled people form another group in need of special help. In the UK, sickness and disability is now the most common reason for adults to be out of work, and spending on this group is one of the fastest growing areas, with the numbers continually increasing and current trends indicating a continuation of this growth. So our aim is to help and encourage those with disabilities or long-term illnesses who want to work, while providing support for those who cannot. We want to focus on capacities and abilities, rather than incapacities and disabilities.

Our proposed budget included introduction of a Disabled Person's Tax Credit. This will make it more worthwhile for those who can work to do so, and will provide them with support for child care. Another program being proposed is the New Deal for Sick and Disabled People, which extends our welfare-to-work approach to people with a disability or long-term illness.

The main elements of our approach will be: (1) a voluntary interview with a designated personal adviser to identify skills, abilities, and job goals, to offer advice and agree an action plan. Already, our Employment Service offers a range of specially designed programs for sick and disabled people, and we will build on these to provide support and job coaching for people moving into work, and support for their employers; (2) to promote innovative projects, in-

volving private and voluntary organizations, to develop new ways of helping people to secure and retain employment. We will also target an information program at clients, providers, and employers to reverse the perception that people who are disabled or who have a long-term illness have no part in the labor market, and to improve awareness of the help available; (3) to evaluate rigorously the effectiveness of new and existing measures for disabled people.

When welfare systems stagnate they tend to trap people in the very poverty they were originally designed to alleviate

Conclusion

In the UK, the age of passive income support is moving toward its close. Instead of simply handing people a paycheck and telling them to come and see us in a few years, the emphasis is shifting to actively helping people into work. So when people come to see us who are able to work, we should not just require them to provide information in return for money. We should provide active services that help them find jobs. At the end of 1997, we launched a major new initiative designed to link the themes of welfare reform and modern service. Effective welfare reform, as you have shown, has to be based on a vision centered around people—those who use the services, those who deliver them, and those who pay for them. That involves a fundamental rethinking about the way we deliver services. It involves key elements such as active case management, integrated working, bringing together linked services that have become split between organizations and systems.

In the UK, aspects of responsibility for welfare are split between local and central government, and a variety of providers in the private and nonprofit (what we term "voluntary") sector. But at the moment, services are often poorly coordinated and anything but integrated. All too frequently, even when

dealing with central government, an individual may have to call at a number of different offices and see a range of people about different aspects of the case. We aim to overcome this by providing a common point of contact, better information in a customer-friendly form, information sharing, and—crucially—better support for our staff.

There is, of course, no single blueprint—either for welfare reform or service delivery. But the two issues are inextricably linked, and I am quite convinced that the style of administration can be at least as important in securing behavioral change as the structure of welfare provision itself. And as we look around, particularly at the various initiatives that are already under way here and in other states, we realize that we do not need to reinvent the wheel.

Ladies and gentlemen, welfare reform is a long-term process. It is unrealistic to expect such fundamental changes to happen overnight. Our experience in the UK is that when people see a successful scheme in operation, they are keen to participate themselves. A well-run, actively managed administration, supported properly with customer-friendly technology, is more likely to attract people and result in the kind of behavioral changes and the shift in culture we want to bring about. Systems have to recognize the realities of peoples' caring responsibilities; they have to recognize the realities of many peoples' fears and apprehensions; and they have to recognize that it takes time to break down a culture of dependence that has grown up over 40 or 50 years.

Sometimes, that involves tough decisions. Politically, we have to find the right balance between sticks and carrots. The future looks encouraging. We have a positive, better, service agenda. We have embarked upon reforms that will create a welfare system better equipped to take us into the twenty-first century. And we are learning from our own experiences but also from the initiatives you have introduced here and which you have shown us.

Thank you, once again, for letting us see how you are putting New Hope in place. Thank you for letting us share some of the insights that are emerging from your work. I shall take these lessons back home, so that both New Hope and New Deal can make real contributions to improving the work prospects of those who participate. ■



Policy Analysis in the City of Milwaukee— Teams Analyze Policy and Make Recommendations

Each spring, Mayor John Norquist and the Department of Administration in Milwaukee contract with students enrolled in Public Affairs 869 to analyze several current problems faced by the City of Milwaukee.

Students work closely with staff of the Budget and Management Division to define the problem and determine the scope of their analysis; they use a wide range of analytical skills to assess the problems and propose solutions; and they present their findings and proposals to the mayor and his staff in twenty-minute briefings. One report especially impressed the mayor this year, and as the students completed their presentation, he instructed his budget director to take the necessary steps to implement their recommendations. All the reports were well received, and next year's projects are already under discussion.

Some of the course's costs are underwritten by the generous contribution of Mr. Wilbur Voigt of Chicago, a friend of the La Follette Institute. Faculty, staff, and students are grateful for his support.

Copies of the full report are available upon request from the La Follette Institute's publications department. Following are summaries of the projects.

Spurring Voter Participation

*John Christensen
Dawn Currier
Erin Kalinosky
Michael Jacob*

Following national trends, voter turnout in Milwaukee has been declining in recent years. This study evaluates the current efforts of the city's Election Commission to increase voter participation and explores several steps that the commission might undertake to increase the proportion of Milwaukee residents who go to the polls.

In their analysis, students identified and assessed comparable cities; analyzed voter turnout among Milwaukee's aldermanic districts to determine patterns of voting behavior; surveyed non-profit organizations that work with the Election Commission; and studied the procedural changes that other cities have undertaken to increase turnout.

The Rule of Three and the Rule of Five in Milwaukee's Civil Service

*Robert Blaine
Connie Buck
Tamarine Cornelius
Kristen Voskuil*

City hiring rules require that Milwaukee's Department of Employee Relations presents a hiring agency with a list of the top five certified candidates for managerial positions or the top three certified candidates for all other positions. This study analyzes how these two rules negatively affect the city's hiring practices, and examines alternatives to the rules. The current system of hiring is seen as not fulfilling its intended purpose. Recommendations include replacing the current rules with a rule of five for nonmanagerial positions and a whole-list referral procedure for managerial positions, with the score itself rather than just the ranking being the most important factor. Managers would have more discretion, and Milwaukee would ostensibly be more competitive with the private sector and other governmental jurisdictions in seeking the best job candidates.

Milwaukee Public Schools' Plan for Building Neighborhood Schools

*Peter Ballard
Kasia O'Neill
Robert Simi
Tami VanGalder
David Weerts*

This project explores several strategies that Milwaukee Public Schools might follow to finance the construction of new neighborhood schools. The report analyzes two consultants' studies and assesses the impact of building neighborhood schools on average class sizes and on the costs of busing students.

The district would like to build 12 new schools on the assumption that if new, neighborhood schools offer additional services, parents would choose to enroll their children there, particularly in the central city, rather than sending them elsewhere.

Based on their assessment of the factors involved, the student analysts recommend that three neighborhood

schools be built. The busing saving realized from the operation of the first three schools could be applied to the financing of more neighborhood schools.

Alternative Financing Strategies for Milwaukee's Forestry Division

*Megan McGinley
Melissa Mullikin
Jean Prijatelj
Rose Smyrski*

Students in this group assessed the possibilities of the Forestry Department providing pruning and other tree maintenance services for those city departments who do their own maintenance and for suburban Milwaukee municipalities who do their own maintenance.

The team studied the procedures of the Forestry Department, determined their level of efficiency, and concluded that the department had several options for lowering dependence on property tax financing and increasing net revenue generated.

Recommendations included expanding services to the Police Department and Water Works, developing a fee schedule for consulting, and then offering their services to surrounding municipalities.

Regional Initiatives for the City of Milwaukee

*Steve Drumm
Jason Hanna
Jolie Krasinski
Bambi Statz*

The goal of this analysis was to explore ways that the City of Milwaukee and its suburban neighbors can collaborate to provide public services more effectively and at lower costs.

Relationships between Milwaukee and its suburbs vary widely, but several areas may have potential for service-sharing: garbage collection; administrative functions such as high-volume purchasing; training and/or sharing of specialized equipment for dealing with hazardous materials and environmental issues; cooperative management specifically of the Pabst Theater and the Marcus Center for the Performing Arts; and a regionally funded marketing initiative for promoting Milwaukee internationally. ■

The LaFollette 
Policy Report
The Robert M. La Follette
Institute of Public Affairs
University of Wisconsin-Madison
1225 Observatory Drive
Madison, WI 53706

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