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ARIZONA'S WELFARE REFORM EXPERIENCE

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Abstract

Arizona took a significant and early first step toward reshaping its welfare program with the 1995 enactment of the Employing and Moving People Off Welfare and Encouraging Responsibility (EMPOWER) program. At the time of its implementation, EMPOWER was one of the most extensive AFDC waiver programs in the nation and one of the first to include in one program such major reforms as mandatory cash sanctions for noncompliance, adult time limits, transitional medical and child care, a family benefit cap, and unwed minor parent provisions.

Most of EMPOWER's provisions already met TANF program requirements and were carried over into the state's current welfare program, EMPOWER REDESIGN. Based on this recent history, welfare in Arizona now focuses on three main principles: increase work, reduce dependency and promote self-sufficiency, and increase client accountability and program efficiency.

Because of Arizona's experience and commitment to both the philosophy and implementation of welfare reform preceding PRWORA, and the strong economy in Arizona, it seems reasonable to assume that if welfare reform is to succeed, signs of that success should be apparent in Arizona. This report assesses this proposition by examining changes in the states welfare approach from 1995 through 1998. Early findings are reviewed for local coordination, management information systems, privatization, outcome measurement, impacts of time limits, sanctions, and other caseload data and dynamics.

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This *Rockefeller Report* is about Arizona's welfare reform experience, before and after the federal welfare reforms creating the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) and the Temporary Aid to Needy Families (TANF) program. Lessons learned about evolving governance and state management capacity in Arizona's welfare reform experience may prove useful as other states continue to develop their systems.

The Arizona story that follows, based on our first year of field research (1997-98) and recent data for the 1999 state fiscal year, provides a summary of welfare reform efforts formally initiated in 1995. Because of the length of Arizona's experience, the degree of commitment to both the philosophy and implementation of reform of welfare that preceded PRWORA, and the strong economy in Arizona during the time of these changes, we believe that if welfare reform is going to succeed anywhere, signs of that success should be apparent in Arizona. In this report we examine early findings and pose questions and methodological issues for longer-term evaluations of state welfare reform experiments (see also Nathan and Gais, 1999).

Arizona's Welfare Reform History

Prior to the implementation of its Aid to Families with Dependent Children (AFDC) waiver program in 1995, Arizona, through its Department of Economic Security (DES), administered a standard AFDC program. Arizona's Department of Economic Security (DES) is the sole state agency involved in the administration of welfare in Arizona. DES was restructured in 1974 to function as an umbrella human service agency. By number of employees and budget, it is the state's largest agency, managing all state and local public welfare and employment services in its nine organizational divisions. DES administers a broad range of programs which, among other things, provide child support enforcement; financial and medical assistance to low-income families and individuals; child care assistance and services; support in the delivery of care to individuals with developmental disabilities; a system of integrated reemployment services, income maintenance, individual evaluation, and job training opportunities; and assistance to disabled persons to enter or return to employment. Since the creation of DES, welfare and employment services in Arizona have been centralized at the state level. Local DES offices, staffed by state employees, provide these services under the direction of the state central office.

A high level of agreement existed among elected and appointed policy makers of both the executive and legislative branches, however, concerning the need to reform welfare. Arizona took a first step toward reshaping its welfare program with the 1995 enactment of the Employing and Moving People Off Welfare and Encouraging Responsibility (EMPOWER) program.

EMPOWER was established under an AFDC waiver granted by the federal government in May 1995 and the program began in the following November. This program started and continues as a statewide policy demonstration project slated to run for seven years. It was developed by Arizona's executive and legislative branches and endorsed by a coalition of powerful state officials. The plan was well received and, with the support of key legislators and the executive branch, it advanced through the legislative process and was passed into law during that year's session.

At the time of its implementation, EMPOWER was one of the most extensive AFDC waiver programs in the nation. EMPOWER focused on moving welfare recipients into the workforce and encouraging self-sufficiency. It was one of the first to wrap many major reforms into one program: mandatory one-month cash sanctions for noncompliance with program requirements, adult time limits (24 months of eligibility for cash assistance in any 60 month period), individual development accounts, transitional medical and child care, a family benefit cap (no additional cash assistance to families for additional children born after the start of their eligibility), and unwed minor parent provisions. Arizona also implemented one-stop career centers in 1995. The one-stop centers offer a single access point to a wide array of employment, training, and educational programs and services. Arizona was one of the first five states to implement one-stop centers.

Most of EMPOWER's provisions already met TANF program requirements and were carried over into the welfare program created after the enactment of TANF. Arizona's TANF plan was developed in early 1997

by the state legislature, with input from the governor's office, DES, community groups, and representatives of welfare recipient groups, the business community, and academia. The state's TANF program was built on the foundation of EMPOWER and is known as EMPOWER Redesign.

TANF and EMPOWER Redesign

The EMPOWER Redesign program focuses on three main principles: require work; reduce dependency and promote self-sufficiency; and increase client accountability and program efficiency. To meet these objectives, EMPOWER Redesign encompasses changes in rules and requirements as well as in administrative structure and approach.

Employment Focus

EMPOWER Redesign has an increased focus on employment for TANF recipients. JOBS (Jobs, Opportunities and Basic Skills) is a division of the state agency (Department of Economic Security, DES) that administers EMPOWER Redesign. Personnel from JOBS are the employment specialists. Family Assistance Administration (FAA) is another division of DES with personnel responsible for eligibility, food stamps, medical benefits, etc. FAA and JOBS employees are supposed to be working together to implement EMPOWER Redesign. Prior to TANF, JOBS personnel concentrated on sending clients to basic education and training programs. Now the emphasis is on short-term job readiness and placement of the client in the workforce. Education and training are no longer the initial stages of case management under JOBS; placement is the first priority. Educational activities do not as easily meet the work requirements under EMPOWER Redesign as they did under EMPOWER. Additionally, JOBS personnel have more control and authority over the process of reducing benefits by imposing penalties and sanctions on recipients.

An important change introduced with EMPOWER Redesign was the philosophical shift from a focus on financial assistance to one of "work first." This change in agency philosophy was made clear to all DES employees through mandatory reorientation and retraining sessions given by the agency beginning in the summer of 1997, shortly before the new program began. Training is ongoing at the local offices as policies are updated and new policies implemented.

Concern has been expressed, however, that training is not effective, consistent, or timely, burdening local office management who often find themselves providing training and clarification to employees. Morale problems associated with constant change are believed to have eroded momentum and led to some speculation that welfare reform might be more easily achieved in states that move more quickly and directly from AFDC to TANF.

Stiffer Penalties

Also added under EMPOWER Redesign have been the PRWORA-mandated, stiffer cash assistance sanctions for noncompliance with TANF program work requirements. On the first instance on noncompliance with program requirements, 25 percent of total household benefits are cut, whereas under EMPOWER only the adult portion of benefits was affected. The percentage of cuts increases with each subsequent instance of noncompliance, with all household benefits discontinued after the third time.

Addressing Welfare Related Issues

Arizona developed two programs to address issues related to welfare dependency. In partnership with the Arizona Department of Health Services (DHS), DES has invested \$2 million to design and implement a program to reduce out-of-wedlock pregnancies, which have been linked to welfare dependency.

Arizona has also created an initiative to develop community-based child care programs throughout the state. The lack of affordable and acceptable child care is often cited as a barrier to employment. With 1990 federal child care block grant funds, Arizona assists communities in implementing locally developed long-range plans to meet child care needs. For this initiative, DES actively provides assistance to community

groups to increase the quality of their proposals for funding, in some cases encouraging two or more groups in one community to work together and thereby strengthen their proposal and program.

Local Coordination

Since DES was already the home of an employment division doing aptitude evaluation, training, and job placement of individuals, the change in welfare policy emphasis from financial assistance to the active encouragement of employment, and the subsequent changes in the focus and duties of welfare program staff were able to be handled by a single agency. Because of its structure, DES has not had the same need to develop new expertise or form new partnerships in order to implement a reformed welfare program, as have TANF agencies in many other states.

Yet, there have been organizational challenges for DES brought on by welfare reform. Although it has been beneficial to the agency to have a preexisting employment division, and although the working relationships between the various DES divisions appear effective to this point, the current state of these relationships and of the linkages between agency divisions may not meet all of the agency's new needs. Local office interviews and observations during the first year of EMPOWER Redesign revealed that the employment and job training and the welfare determination functions have been developed by separate divisions of the agency and to a degree remain as separate functions, leading to some fragmentation of services. All levels of the agency, particularly at the local service delivery level, need to improve linkages between divisions.

Prior to enactment of Arizona's TANF program, DES attempted to have its offices function as multi-service centers designed to promote "one-stop shopping" by its clients. Various DES divisions assigned staff members to each DES office, and agency clients could thus, theoretically, receive such services as benefit eligibility, job training, child care, food stamps, and medical assistance at a single office during a single visit. Yet, there was and is substantial variation among local offices in coordination between the various divisions, levels of staffing, hours of availability, resources, and so forth that often resulted in multiple visits to the "one-stop" shop to receive different services.

DES is now working to transform its offices into unified service centers called Empowerment Centers, designed to facilitate higher levels of interaction and coordination between the agency's divisions with regard to structuring the services they offer and addressing the needs of particular clients. All of these new centers contain a Jobs Resources area, open and accessible to the public, containing computer terminals linked to up-to-date statewide job listings, a child-care hotline, personal computers and work areas for preparation of resumes and applications, and copy and fax machines.

New rules facilitate higher levels of interaction and coordination between the agency's divisions. This coordination is an ongoing process. Local offices are in the process of making firmer administrative links between the two divisions that handle TANF benefits, and employment counseling, training, and placement.

After the first full year (1997-98), there are 41 Empowerment Centers throughout the state, with plans to convert all of the remaining local offices (approximately 50 more) to comprehensive centers in the next year. A long-range plan involves combining the roles now played by eligibility interviewers and job counselors, although Arizona has yet to make significant change in this direction.

Management Information Systems (MIS)

Examination of the state's MIS changes underscores the complexity of implementation of welfare policy change. Profound difficulties associated with the policy formation side of welfare reform decision making pale in comparison to challenges of capturing and using information needed to achieve the goals of these reforms and evaluate long-term consequences. In response to the changing requirements placed upon it, DES has made and continues to make changes to its MIS. These have included changes in the way DES processes information on client compliance with TANF program requirements; changes in the way the agency tracks and compiles data, which have been brought on by the new federal reporting requirements; and changes that enable the agency to implement major policy changes.

Under AFDC in the late 1970s and early 1980s, DES used a mainframe computer to perform its management information-related tasks. The mainframe helped centralize control over management information, but tended to hinder central office responsiveness to local offices and other agencies. In the 1980s, DES acquired mid-range computers, microcomputers, and local area networks (LANs) to augment the mainframe and to meet central, local, and remote office administration and management information needs. During this time period, DES was beginning to bridge the “responsiveness gap” created by the agency’s desire for both centralized control and localized access to management information.

In the current decade, DES has moved increasingly toward client/server technology, designing and implementing computer applications which distribute functions, capabilities, and information between the client (end-user personal computer-based workstation) and server (data base repository). This approach is intended to provide improvements in front line staff response times and contribute to a user-friendly operational environment. This should result in a decentralization of authority, greater access to management information and, the agency hopes, more local office responsiveness to clients, contracted service-providers, and the central office.

DES has been challenged by implementation deadlines and related time constraints, by new federal reporting requirements, and by the complexities of its new roles. Front line local office staff face many demands for information in their changing worlds and suggest the need for better individual case data and improved integration of state and local data. Generally, state-level officials evaluated information system changes more positively than local office personnel, but all agree that there is both opportunity and challenge ahead in this phase of management capacity.

Privatization Demonstration Project

One of the most important policy developments to arise from the welfare reform process in Arizona is the provision in the state’s TANF plan creating a controversial privatization pilot program, under which the administration of TANF in a portion of Maricopa County — location of the Phoenix metropolitan area and home to more than half of the state’s population — was privatized beginning in 1999. The state now spends about \$160 million statewide on the administration of its welfare program, and the privatized district is expected to include about 13 percent of the state caseload. The TANF plan also calls for a similar privatization pilot in an as yet undetermined rural area of the state some time thereafter, and will create a mechanism whereby these pilot programs will be studied and considered for further expansion by future legislatures.

Arizona has some history of privatization, but privatization of governmental services has often been a focus of political conflict. The privatization of a portion of the welfare administration in Maricopa County has been exceptionally controversial, largely for three reasons: the substantial budget sum at stake; the fact that private contractors are allowed and expected to exercise far more discretion (particularly with regard to eligibility determinations) than other contractors; and the financial incentives available to the private TANF contractors. The state already contracts with many private service providers for other services, but these contractors typically have responsibility for only line functions in the performance of particular programmatic activities; normally their levels of discretion are not as great and their roles more clearly defined than would be the case with this experiment.

Proponents of the privatization pilot program, which is known as ARIZONA WORKS, encountered political opposition to the program from both welfare recipient advocacy groups and the state employee union. In addition, the federal government sent early signals that it would disallow waiver requests required to make ARIZONA WORKS work.

The ARIZONA WORKS privatization pilot program was launched April 1, 1999, following a request for proposals process that resulted in the selection of Maximus Inc. as the private contractor with primary responsibility to develop employment options for eligible clients. In keeping with the recent Texas precedent, Arizona’s waiver requests were not approved by the U.S. Department of Agriculture and HCVA, so Maximus is limited to eligibility determination in the areas of cash assistance, general assistance, and child care. Under this arrangement, state agency employees remain responsible for food stamp and Medicaid eligibility determinations.

This privatization experiment will be closely watched. In this state already predisposed to supporting privatization, success of this experiment has implications for the state's entire approach to the delivery of services.

Outcome Measurement

DES is continuing a prototype federal partnership project to implement an outcome-based performance measuring and monitoring system for EMPOWER Redesign. This system uses baseline data and trends to establish targets for program performance. DES also conducts long-term follow-up and outcome tracking in recipient employment rate, case closures, work program employment and retention rates, average hourly wage at employment, child support recipient rate, and rates of additional births to adult and teen recipients.

Additionally, DES will monitor program success in benefit payment accuracy rate, benefit timeliness rate, and customer satisfaction. Past poor performance has increased attention to accuracy. Local offices are under pressure to ensure 95 percent accuracy in correct eligibility decisions and timely issuance of benefits.

Early Evaluation of the Arizona Experiment

Enough time has elapsed since the important structural changes in Arizona's welfare program were implemented to observe early general impacts of the reforms. Among the most discussed administrative reform provisions and policies were EMPOWER Redesign's 24 month time limit for cash benefits for adults and its incremental sanctions for noncompliance with key program elements. Our field research and selected program data provide some insights into the impact of these policies on a changing welfare caseload.

Impact of the Time Limit

In November, 1997, the first cohort of Arizona welfare recipients reached the 24-month time limit for the receipt of cash assistance under EMPOWER. In that month, 2,625 adults were removed from the cash assistance grant rolls. In the next month, an additional 1,523 adults were penalized for reaching the 24-month limit. In ensuing months through the end of the 1998 state fiscal year, another 3,000 reached the 24-month limit. Following this pace, during the 1999 state fiscal year, from July 1, 1998, to June 30, 1999, 2,842 adults were removed from grants upon reaching the 24-month time limit.

This time limit sanction, which applies only to the portion of the cash grant belonging to the adults in the household, according to DES estimates resulted in savings for the state of \$2.1 million in the state fiscal year 1998 (DES, 1999, p. 23). As a practical matter, this amounted to a reduction of approximately \$70 from an average monthly case payment of \$278 in 1998.

These numbers raise important questions to which we have insufficient answers. During the brief history of the 24-month limit sanction, from November 1998 to July 1999, over 10,000 adults lost cash assistance and we do not yet understand the long-term consequences to these individuals, their families, and the impact on other sources of community services and support.

In making estimates of direct and indirect impacts, it is important to remember that no cases were closed due to the 24-month cash benefit reduction policy. Children in these households continued to receive cash assistance, Medicaid, food stamps, and other supportive services. In fact, adults targeted for the reductions continue to be eligible for supportive services as well as employment program services. And, similar to the pattern reported elsewhere (Walters, 1999), ample exemptions and grounds for exception to the 24-month rule exist in Arizona. In Arizona, time limits may be incentives for welfare recipients to find work, but they will not lead to the end of welfare.

Sanctions

Greater impacts on individuals and on the welfare system appear to be in the form of stiff noncompliance sanctions that can result in case closures and loss of all supportive services. EMPOWER Redesign employs incre-

mental sanctions for noncompliance with work requirements, child support requirements, immunization, and school attendance requirements.

As shown in Table 1, noncompliance sanctions have been applied to thousands of cases since being introduced midway into the 1998 state fiscal year. Also, Table 1 reveals that in its first 19 months of operation, this sanction resulted in approximately 12,000 case closures. This means families lost all support for at least one month, including the family grant and related supportive services. According to DES estimates, for the seven month portion of 1998 in which the policy applied, it was responsible for saving the state approximately \$4.5 million in cash assistance (DES, 1999, p. 41).

| | <i>SFY 1998</i> | <i>SFY 1999</i> |
|--|-----------------|-----------------|
| Average number of cases per month | 42,801 | 35,198 |
| Total cases sanctioned at 25 percent level | 16,150 | 7,813 |
| Total cases sanctioned at 50 percent level | 10,200 | 5,831 |
| Total cases closed due to sanctions | 6,500 | 5,596 |

Sources: Developed from 1999 data supplied by the Office of Strategic Planning, Budget, and Management Information, Arizona State Department of Economic Security, and 1998 Department of Economic Security Welfare Reform Annual Report.

According to a special study conducted by the DES Office of Research and Evaluation, of the 10,647 cases closed in the first quarter of 1998, 20 percent were closed due to the noncompliance sanction (Westra and Routley, 1999, p. 3). DES retains extensive data on reasons for case closures, and has identified seven general categories of reasons. The study found that closure due to work-related sanctions was the second largest reason for case closure. The most common cause of closure was general noncompliance with procedures not covered by the work sanctions, such as failure to provide or verify residential address or social security number or failure to complete the reapplication process.

Thus an early result of the recent Arizona welfare experiment involves significant caseload reduction based on noncompliance. Discovering the reason for this pattern and the consequences for recipients and the welfare system requires further research.

When evaluating overall reform, it is also important to examine the impact of the broad incremental sanctions approach on client behavior. The initial impact of the noncompliance sanction is displayed in Table 2.

| <i>Month</i> | <i># Total Cases</i> | <i># Cases Sanctioned at 25% Level</i> | <i>Percent of Total Cases Sanctioned at 25% Level</i> | <i># Cases Sanctioned at 50% Level</i> | <i>Percent of Total Cases Sanctioned at 50% Level</i> | <i># Cases Closed Due to Sanctions</i> | <i>Percent of Total Cases Closed Due to Sanctions</i> |
|--------------|----------------------|--|---|--|---|--|---|
| Nov. 1997 | 45,216 | 2,026 | 4% | 1,539 | 3% | 873 | 2% |
| Dec. | 43,525 | 1,607 | 4% | 1,345 | 3% | 895 | 2% |
| Jan. 1998 | 41,233 | 1,517 | 4% | 1,098 | 3% | 801 | 2% |
| Feb. | 39,751 | 964 | 2% | 1,009 | 3% | 743 | 2% |
| March | 38,682 | 800 | 2% | 667 | 2% | 712 | 2% |

Source: Arizona DES Family Assistance Administration

Table 2 compares those impacted by cash assistance sanctions for noncompliance with TANF requirements to the total caseload. The data from Table 2 suggest that the sanctions are positively correlated with program compliance. For instance, of the 2,026 recipients sanctioned with a 25 percent cut of their cash grant for noncompliance in November 1997, one-third complied by the end of the month; and thus only 1,345 had to be hit with a 50 percent sanction in December. Similarly, of those 1,345 recipients sanctioned by 50 percent in December, 544 more complied by the time that month was up. Thus from this perspective, the 25 percent and 50 percent sanctions appeared to have desired compliance effects on many recipients; and only 801 out of over 40,000 cases had their cases closed and cash grants completely discontinued pending compliance.

Factors Affecting Caseload

The number of welfare cases in Arizona has been in decline since the 1995 implementation of EMPOWER, and even more so since the state's TANF program began in 1997. But there is a correlation between the unemployment rate in the Phoenix area and state, and the demand for welfare cash assistance (as reflected in caseloads). In FY 1992, the Phoenix area and the state as a whole were near the low point of the recession of the early 1990s, as is reflected in the 7.4 percent state unemployment rate during that year. At least partly as a result of this economic decline, cash assistance cases had increased steadily through the late 1980s and early 1990s. As the state's economy recovered from the recession in the mid-1990s, the rate of growth in cases slowed, and eventually caseloads began to drop.

Figure 1 illustrates the long-term relationship between caseloads and unemployment in Arizona. Arizona's caseload decline lags slightly behind reduction in unemployment based on recovery from the recession of the early 1990s. Although not portrayed in Figure 1, for the period of January 1993 through March 1998, Arizona's caseload decline exceeded the national average. Nationally for that period, the number of families on cash assistance decreased by 36.9 percent while the number of Arizona families on cash assistance declined by 42.8 percent.

When the time series is examined closely along with key state welfare reform milestones and noncompliance sanction data, independent impacts of reform are highlighted. As noted earlier, Arizona's TANF program took effect in August 1997, and the progressive TANF sanctions were first assessed against noncompliant recipients in September 1997. Although the number of recipients has been in decline throughout this time period and beyond, our initial analysis revealed that cases declined at a faster rate following implementation of TANF in August 1997. From January to August 1997, the number of welfare cases in Arizona declined at an average rate of one percent per month; from September 1997 to January 1998, the number of cases dropped at an average rate of four percent per month.

Figure 2 illustrates similar progressively higher percentage increases in monthly caseload reductions for the period of January 1995 through June 1998. That figure shows the significant increase in the rate of caseload reduction during the first year of EMPOWER Redesign.

Several studies have examined the factors that affect welfare caseloads, but they have been neither enough in number nor definitive enough in their findings to end the inquiry. State welfare caseloads are clearly related to the conditions of the national and state economies (Blank, 1997, and Fein, 1996, in Gais et al., 1997). Economic conditions, however, account for only part of the changes in welfare caseloads, nationally and in Arizona.

Demographic factors also have been found to have an effect on caseloads, but analysts have not, to this point, been able to specify precise statistical relationships (Gabe, 1992, in Gais et al., 1997). Importantly, welfare policy reforms — both in the form of state AFDC waivers and of the new TANF programs — also have been shown to have some correlation to caseload declines (Gais et al., 1997, pp. 4-5). More analysis remains to be done in this area. Yet Arizona's experience with its AFDC waiver program contributes to the body of evidence suggesting that programmatic changes, and effective administration of those programs, may have a substantial effect on welfare caseloads.

Conclusions

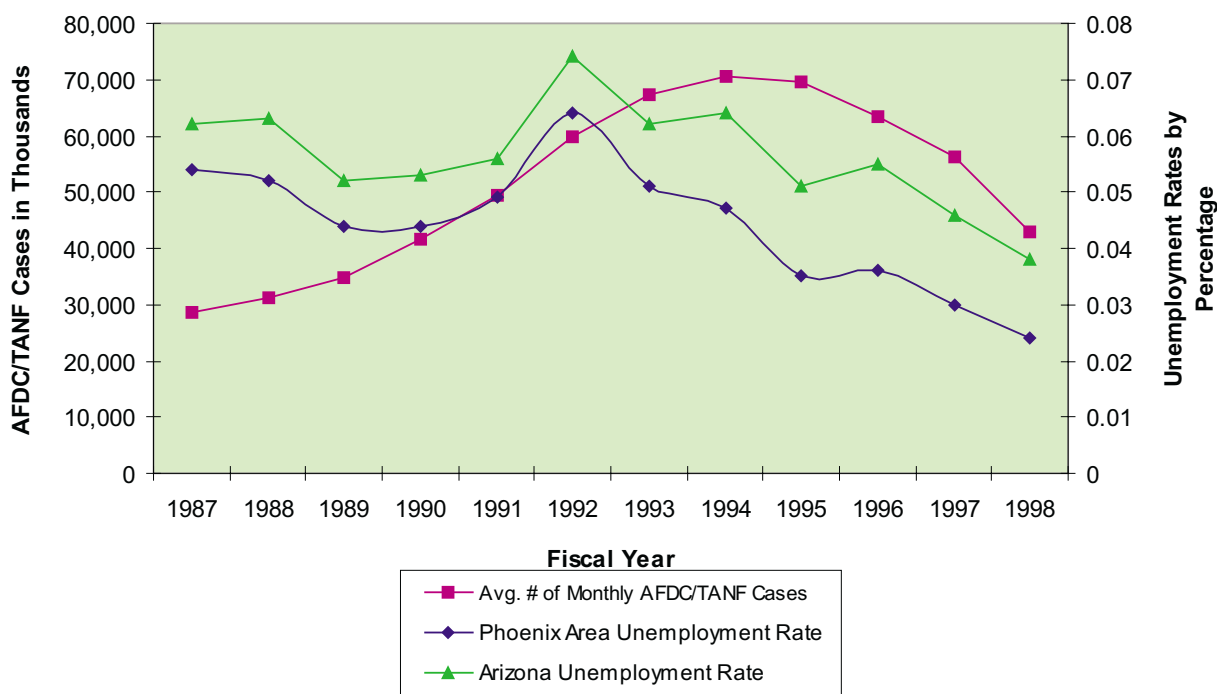
When it comes to welfare reform in Arizona, devolution is real. State government has made major changes in goals and implementation of welfare, and promises more. Changes have been possible because of state management capacity, and that capacity is changing rapidly in response to policy demands. In Arizona, new welfare policy and its implementation is the result of sustained collaboration among state leaders and program experts over the past five years. While it is early in the experience, all signs suggest a substantial and continuing commitment to the management integration and resource tools required to achieve those goals.

Important questions face Arizona and other states engaged in similar reform efforts. One group of questions is about impacts of reform on people and institutions: What will happen to both under different economic conditions and changing business cycles? What outcomes will result, and what will we learn about job tenure and training for those who find work before exhausting benefits? What about those who do not make it into the workforce — what will happen to them and what impact will accrue to other community institutions, budgets, and programs?

Much of Arizona's current reform was built from existing structures over recent years in an evolutionary form of reform. But decisive changes are being made, and if the privatization experiment appears successful and is extended, Arizona's reform may become revolutionary.

Figure 1

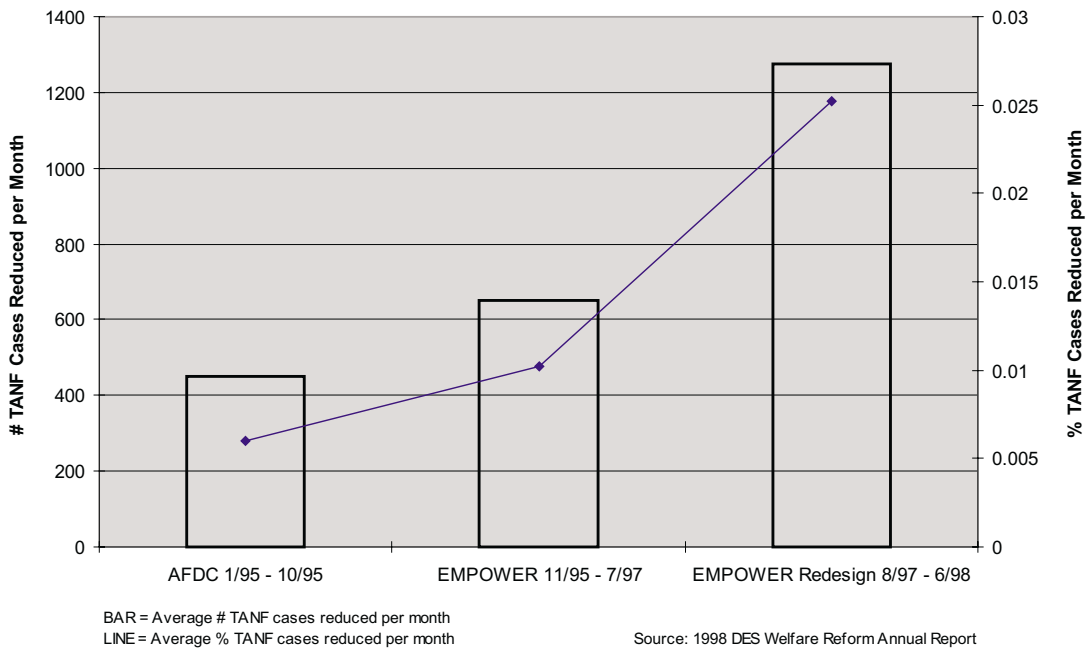
Comparison of Avg. # of Monthly AFDC/TANF Cases to Arizona and Phoenix Area Unemployment: FY 1987 - FY 1998



Source: Constructed from data provided by Arizona DES Family Assistance Administration

Figure 2

Statewide Average Number and Rate of TANF Caseload Reduction per Month by Effective Policy - January 1995 - June 1998



All of these questions require more and different information, and more time to accurately assess. But for the present, it seems safe to conclude that welfare as we knew it in Arizona is slipping away. Whether the major changes described here will be sustained is a function of will and capacity. The will seems strong, meaning that the ultimate test of the resilience of these reforms and impacts will likely be a question of capacity.

There are numerous components of that capacity at the state level, one of which is the ability to develop and solidify unanimity of purpose within state government. In terms of setting and meeting the goals of employment-centered welfare reform, the ability of state legislatures to settle on particular goals, and to get the welfare agency to buy into those goals, is of fundamental importance to this process of reform. Similarly, the ability of the welfare agency to attain full organizational commitment to those goals, and thereby achieve them through effective implementation, is basic to the success of TANF programs.

As is often the case with administrative reform, the new goals of welfare have been put into place in a top-down manner. In Arizona, this has resulted in some degree of goal conflict, as legislators and DES administrators articulate the support of work activities and family well being, while local office personnel perceive their goals to be ensuring correct eligibility decisions and thereby minimizing program costs. Local DES office visits revealed among some local office personnel, particularly long-term social workers, a sense of distrust of central administrators and a cynicism toward the agency's ability to meet the stated goals of TANF. From these visits, it seems evident that legislators, administrators, and local personnel perceive somewhat different realities. The former see new types of empowerment, opportunities, and challenges, while the latter see raised expectations accompanied by a shortage of the discretion, resources, and tools that could help them meet those expectations.

The development of mechanisms within state governments to resolve these conflicts, and to thereby achieve a universal commitment to these goals among stakeholders, is a vital component of capacity building and is one of the most significant hurdles to overcome on the road to true and lasting welfare reform in Arizona.

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The State Capacity Study

The State Capacity Study is a multi-year research project on state management systems for welfare, Medicaid, and workforce development programs. By assessing rapidly changing management systems in a large sample of states, researchers will learn what goals state leaders intend to achieve in their social programs and develop practical recommendations regarding the strengths and weaknesses of different management strategies.

The project includes two major rounds of intensive field research in 21 states. A field research director, usually a scholar who works in the state and has extensive knowledge of the state's programs and administrative systems, leads the study of each state. The states in the field sample include:

- | | |
|-----------------|------------------|
| ❖ Arizona | ❖ New York |
| ❖ California | ❖ North Carolina |
| ❖ Florida | ❖ Ohio |
| ❖ Georgia | ❖ Rhode Island |
| ❖ Kansas | ❖ Tennessee |
| ❖ Massachusetts | ❖ Texas |
| ❖ Michigan | ❖ Utah |
| ❖ Minnesota | ❖ Washington |
| ❖ Mississippi | ❖ West Virginia |
| ❖ Missouri | ❖ Wisconsin |
| ❖ New Jersey | |

The research will yield major reports and *Management Briefs* on state management systems beginning in 1998. This report is one in a series of *Rockefeller Reports* designed to inform and assist in the understanding of welfare legislation as it is implemented in the sample states.

Richard P. Nathan, director of the Rockefeller Institute of Government, is principal investigator of the State Capacity Study. Thomas L. Gais, a political scientist who has written extensively on political reform, is the study's project director.

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