
A Tale of Two States: Welfare Reform in Minnesota and Wisconsin

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The 104th Congress saw the rise to power of Republican majorities in both chambers for the first time since Dwight Eisenhower’s first term in office. The signal accomplishment of this historic Congress was the enactment of federal welfare reform legislation in August 1996; the centerpiece of the reform legislation was the abolition

of Aid to Families with Dependent Children (AFDC). AFDC dated back to the New Deal, and by March 1994 had grown to support more than 5 million mostly single-parent families. Under AFDC, dependent families were entitled to monthly cash payments funded jointly by the state and federal governments. While AFDC was only

one of approximately fifty means-tested federal welfare programs, its abolition represented a revolution in social policy founded on the belief that AFDC had wrought unintended, disastrous consequences.

Congress expressed this belief in extensive findings that prefaced the 1996 welfare reform legislation. These findings connected AFDC to long-term, intergenerational welfare dependence and to increases in illegitimacy that threatened the destruction of the family. Specifically, Congress found that children born into families receiving welfare assistance were three times more likely to be on welfare when they reached adulthood than children whose families were not on welfare. Congress also noted that the number of children receiving AFDC benefits had nearly tripled between 1965 and 1992, while the rate of illegitimacy had likewise tripled from 10.7 percent of all births in 1970 to 29.5 percent in 1991. Congress found that the increase in the number of children receiving AFDC was closely related to this explosion in the rate of illegitimate births.

In response to these concerns, the 1996 welfare reform legislation substituted a new welfare program—Temporary Assistance to Needy Families (TANF)—for AFDC. TANF is funded by the federal government in the form of block grants to the states. TANF assistance, unlike AFDC, is not an entitlement. Federal grants for the program are provided to the states subject to ground rules requiring the states to move an increasing percentage of each state's welfare caseload from welfare to

work. In addition, TANF benefits come with a lifetime limit of five years for each recipient. Within these ground rules, Congress left each of the fifty states free to design its own welfare program to replace AFDC.

Of the fifty states, perhaps no two resemble each other more closely than Minnesota and Wisconsin. Among other things, each has a population of roughly 5 million, each is dominated by a single metropolitan area, and each has a long-standing progressive political tradition. But in charting welfare reform in the aftermath of the 1996 act, no two states have taken paths that diverged more markedly.

Wisconsin's Welfare Miracle

Prior to the late 1980s, Minnesota and Wisconsin had similar welfare systems. By the spring of 1986, however, Wisconsin's welfare caseload had risen to more than 100,000 families, and welfare became a significant political issue. In November 1986, Tommy Thompson was elected governor on a platform that emphasized welfare reform. In the following years, under Governor Thompson's leadership, Wisconsin implemented a series of reforms that imposed responsibilities on welfare beneficiaries as a condition of receiving benefits, culminating in the requirement that able-bodied recipients work for their benefits. The promotion of personal responsibility through work is the cornerstone of Wisconsin's welfare system.

Wisconsin's reforms began modestly with a program called Learnfare in

1987. Under Learnfare, welfare beneficiaries were required to assure that their children attended school. If a child missed more than three days of school in a month, his or her family's benefits were reduced. Learnfare reduced Wisconsin's truancy and dropout rates and coincided with the beginning of the decline in Wisconsin's welfare caseload.

Further reforms and pilot programs commenced in the early 1990s. Wisconsin secured waivers from the federal government that allowed the state to impose job search and work requirements on AFDC beneficiaries in selected counties as a condition of receiving benefits. In January 1995, Wisconsin initiated a pilot program incorporating strict time limits on the receipt of AFDC benefits in two counties. In April 1996, programs called Self-Sufficiency First and Pay for Performance imposed work requirements in all counties in the state. In the first seven months after these programs were implemented, the welfare caseload fell by 14 percent in Milwaukee and 33 percent in the rest of the state.

Later in 1996, just prior to the enactment of the federal welfare reform act, Wisconsin's legislature adopted Wisconsin Works, or W-2, and Governor Thompson signed it into law, effective September 1997. The fundamental premises of W-2 are that (1) within his or her capabilities, nearly everyone is able to work, and (2) only work pays. (Disabled adults who receive federal supplemental security income benefits and who care for their children are covered under a separate program not

subject to W-2's requirements.) The Wisconsin Department of Workforce Development, which is charged with implementing W-2, has adopted a set of guiding principles, one of which is that the fairness of the state's welfare system is to be judged in comparison with the constraints on low-income, nonwelfare families who work for a living. In Wisconsin, there is no entitlement to public assistance.

Wisconsin's welfare system features a four-step employment ladder. All participants meet with a financial and employment planner who helps place them on the appropriate rung of the employment ladder. In order of preference, the rungs are: (1) unsubsidized employment; (2) subsidized employment expected to result in permanent employment; (3) community service jobs such as clerical or janitorial work for nonprofit organizations; and (4) transitional training and education for those who, because of severe barriers, are unable to perform independent, self-sustaining work. No welfare recipient is allowed to remain in any category other than unsubsidized employment for more than twenty-four months, with a maximum lifetime limit of five years.

Under W-2, applicants for welfare benefits no longer go to a county social services office. Rather, they go to a job center operated by a public or private agency under contract with the state. The intake worker is not a specialist in benefit eligibility, as under traditional welfare programs, but is instead a "financial and employment planner" whose responsibility is to move the applicant into employment or to assist

employed applicants in finding needed support services. As economist Michael Wiseman has summarized the procedure: "Those judged job-ready begin [a] job search; for those lacking job experience or with other problems, three tiers of subsidized activities are available. In principle, each tier requires a full-time combination of activities."

The key to Wisconsin's system is that it does not merely pay lip service to the desirability of working one's way off welfare. Wisconsin actually enforces its work requirement by denying cash assistance to able-bodied adults who refuse to work, and by cutting assistance to the extent that participants fail to show up for assigned activities or for their jobs. Participants are subject to the same constraints as working citizens who are outside the welfare system. They receive no cash assistance merely for having their eligibility for welfare approved; rather, they receive assistance only following a month in which they performed their assigned activities or their jobs.

Governor Thompson's reforms have virtually eliminated Wisconsin's welfare caseload. The number of families receiving welfare has dropped from its high of more than 100,000 to only 8,251 as of June 1999, a 92 percent decline. (Nationwide, welfare family caseloads have fallen nearly 50 percent since their peak in March 1994 and 26 percent since January 1998.) Wisconsin's experience shows that if welfare recipients are required to work in exchange for their monthly stipend, a large majority of them will succeed in leaving the welfare system behind.

In part, the decline in Wisconsin's welfare caseload reflects the fact that no one now moves to Wisconsin to collect welfare. In 1986, as a result of growing public concern over the expansion of welfare, Wisconsin convened a Magnet Study Committee to determine whether families were moving from Chicago to nearby Milwaukee for better welfare benefits. The committee concluded that in border counties, including Milwaukee County, welfare-motivated migration appeared to be a significant factor.

Governor Thompson himself did not doubt that Wisconsin's old, AFDC-based welfare system had been a magnet attracting out-of-state residents seeking higher benefits. In an April 1999 speech at a Manhattan Institute forum on welfare reform, Thompson noted, "They used to put posters in the Greyhound Bus depot down in Chicago that said, 'Go to Wisconsin for \$18.50 [and] you can increase your welfare allotment by at least \$175 a month.' Guess what happened? People came to Milwaukee and signed up for our welfare system."

Wisconsin's experience confirms, as one might expect, that enforcement of a strict work requirement eliminates any incentive to migrate to a state for the sake of its welfare benefits. An independent study of Wisconsin's caseload since the end of 1995 by John Weicher of the Hudson Institute concluded that as many as one-third of the families who were on welfare in Wisconsin at the end of 1995—many of whom were recent arrivals in Wisconsin—had left the state by September 1996.

The phenomenon of welfare migration has generally been denied by liberals. But Wisconsin's experience provides powerful evidence that welfare recipients are not fundamentally different from working families. They respond rationally to economic incentives.

Given the radical redirection of Wisconsin's welfare policy under a Republican administration, media commentators have placed the state under a microscope, looking for evidence of harm to poor people. Jason DeParle of the *New York Times*, for example, has devoted several lengthy articles to the impact of Wisconsin's welfare reform. DeParle has been able to detect no harmful effects other than a possible increase in the burden on grandparents who look after their grandchildren while the children's parents work. (Child care benefits are available to all low-income families in Wisconsin who need such care in order to work.)

More seriously, Michael Wiseman performed an extensive analysis of the impact of Wisconsin's welfare reform in 1996 and 1997 after implementation of the first statewide work requirements and initial implementation of W-2. (Follow-up assessments of subsequent data are expected to be available this year.) Wiseman's study was published by the Urban Institute in June 1999 and used data drawn from the National Survey of America's Families (a separate data collection project undertaken by the Urban Institute) to analyze aspects of family well-being likely to be affected by Wisconsin's welfare reform. The study concluded that on all

counts, including employment, income, and child poverty, Wisconsin had done very well compared with states having similar economic and demographic characteristics, and with the country as a whole. In particular, Wiseman found that Wisconsin's rate of child poverty, 11 percent, was less than half the national average and was the best of the states (including Minnesota) covered in his study.

Welfare policy analyst Robert Rec- tor has described Wisconsin's experience to date as a "welfare miracle." Based on the data, it is hard to quarrel with that characterization.

Welfare, Minnesota style

Like Wisconsin, Minnesota has traditionally provided a high level of welfare benefits, both cash and noncash. (On January 1, 1997, a family of three with no income other than welfare would have received \$729 monthly in cash and food stamps in Minnesota and \$719 in Wisconsin; nationwide, the median combined benefit was \$621.) In Minnesota, as in Wisconsin, welfare reform dates to the election of a Republican governor, Arne Carlson. Upon taking office in 1991, Governor Carlson successfully sought funding from the Minnesota Legislature for an experimental pilot program, based on previously developed, but never enacted, reform legislation.

Field trials of Minnesota's version of welfare reform, the Minnesota Family Investment Program (MFIP), began in three urban and four rural counties in April 1994. The trials were later expanded to include a fourth urban

county. According to its advocates, MFIP was intended to achieve two equally important goals: reducing poverty and encouraging a transition from welfare to the workforce. The program provided all participants increased financial incentives to work by allowing all recipients who found or kept jobs to keep more of their benefits than was otherwise permitted by AFDC rules. The program also encouraged work by mandating employment-focused activities, such as job searches and short-term training and education, for all long-term welfare recipients (those who had been on welfare for at least twenty-four of the previous thirty-six months) who participated. Long-term recipients who failed to undertake such required activities were subject to a 10 percent cut in their benefits. The behavior of MFIP pilot program participants was then judged against control groups of AFDC beneficiaries.

Because Minnesota ultimately extended MFIP statewide, with minor modifications, it is worth taking a look at the results of the pilot program. The Minnesota Department of Human Services commissioned an interim review of MFIP by the Manpower Demonstration Research Corporation that was performed eighteen months after implementation of the program. According to Manpower Demonstration Research's evaluation, MFIP's financial incentives had no significant effect on the long-term employment behavior of participants in urban areas who were new applicants for benefits, although it did increase their welfare payments. In other words, the hoped-for effect of

increasing the number of welfare recipients who would join the workforce and remain employed failed to materialize. With respect to MFIP's requirement that long-term welfare recipients engage in work-focused activities, the interim evaluation likewise found that the requirement had no employment effect on program participants in the rural counties, although the program's financial incentives also increased their welfare payments.

In only one group did the evaluation find that MFIP statistically improved the number of welfare recipients who found and retained employment. Among MFIP participants who were long-term recipients in the urban counties, the proportion of those who became employed rose to 52 percent, compared to 38 percent in the AFDC control group of long-term urban recipients. At the same time, the interim evaluation found that poverty among the long-term urban recipients in the program declined by 16 percent compared to the AFDC control group.

On the other hand, when all of those who participated in the pilot program were taken into account—short-term and long-term recipients, urban and rural—MFIP did not have the effect of encouraging recipients to get off welfare. On the contrary, the study found that on the whole, MFIP participants “stayed on welfare longer than their AFDC counterparts because they were able to combine welfare and work.”

The results of the Manpower Demonstration Research evaluation were equivocal at best. The MFIP pilot program could reasonably have been

deemed a failure, compared with other reform efforts that were in progress nationwide. In particular, the fact that MFIP appeared to keep recipients in the welfare system even longer than AFDC should have been sobering, especially in view of the strict time limits contained in the federal block grant system. Nevertheless, the Minnesota Department of Human Services proclaimed the pilot project a success, largely because of the slight increase in workforce participation and reduction of poverty among long-term urban recipients. The pilot MFIP program went on to become the model for the program that was ultimately adopted statewide.

When the federal welfare reform act of 1996 mandated that Minnesota devise a statewide system to replace AFDC, Governor Carlson responded by appointing a bipartisan committee. The group included twelve legislators, half Democrats and half Republicans, as well as representatives of the governor's staff and several state administrative agencies. According to Governor Carlson, this bipartisan approach worked well: "There [was] a lot of give and take. It's not a question of a Republican or Democratic approach. It's a focus on philosophy and how we continue to journey toward that philosophy." While Governor Carlson was never very clear about what that guiding philosophy was, he was quite certain about what it was not. Minnesota's philosophy did not involve demanding work in exchange for welfare benefits, with the goal of eliminating welfare dependence: "We never had expectations that we would

be able to get everybody off welfare," Carlson said later. "It's silly to run around with this ideology that everybody is going to become independent."

Bipartisan committees may sometimes be appropriate and may sometimes be effective. But it is futile to expect the type of bold, decisive leadership that Tommy Thompson provided in Wisconsin from such a group. Not surprisingly, Governor Carlson's committee ultimately recommended that the MFIP program be implemented statewide, in slightly revised form. Legislation to that effect was passed by Minnesota's legislature and signed into law in April 1997, effective January 1, 1998.

Minnesota's welfare reform legislation essentially followed the outline of the MFIP pilot program:

- Employment-related activities and employment are putatively required of MFIP recipients. Depending on their county of residence, however, recipients are exempt from such requirements for up to the first six months they receive benefits, and the payment of benefits commences upon approval of the participant's application for benefits.
- If recipients refuse to participate in such activities or to work, their benefits can be reduced by 10 percent. Continued refusal to participate can result in benefit cuts of 30 percent.
- The first 36 percent of a family's earned income is exempt in determining the amount of the family's monthly MFIP payment; a family of three remains on MFIP until its

income reaches \$1,398 a month, or 120 percent of the federal poverty level for a family of that size.

Consistent with federal law, beginning on July 1, 1997, MFIP participants can receive benefits for no more than a lifetime total of five years.

Meet the New Boss, Same as the Old Boss

The contrast between Minnesota's welfare system and Wisconsin's is clear. The difference begins with premises. MFIP "encourages" work, but does not actually require it. All recipients are initially exempted from any work-related requirements, and even after that exemption expires, many recipients continue to be excused from any effort to move toward gainful employment. Among others, all recipients who are "experiencing a crisis" or who have a child less than one year old are relieved of all work-related requirements. Moreover, even when "work activities" are mandated, actual employment is not. "Work activities" may consist merely of preparing work readiness plans and carrying out job searches.

Most fundamentally, even an MFIP recipient who is theoretically subject to the "work activity" requirement can simply thumb her nose at the requirement and refuse to seek employment or participate in job training without losing entitlement to her benefits. The most severe sanction that can be applied for willful, persistent refusal to abide by the program's supposed requirements is a 30 percent reduction in cash benefits. Since Minnesota's cash benefits exceed those available in

Illinois and Indiana by 41 percent and 85 percent respectively, a 30 percent reduction is hardly draconian. The 30 percent sanction is applied only to the benefits available, if any, after the beneficiary's rent has been paid by the county to the beneficiary's landlord.

Moreover, according to the Minnesota Department of Human Services, "the MFIP sanctioning process is complex" and sanctions are rarely imposed. The sanctions provision is riddled with procedural obstacles and substantive exemptions that have been expanded in practice by many county welfare agencies. In Ramsey County, for example, welfare beneficiaries who claim they are victims of domestic abuse are excused from any imposition of program sanctions. According to one longtime Ramsey County social worker and former proponent of MFIP, "the program rewards pathos. We're not serving anybody by accommodating excuses."

Indeed, what strikes this social worker most forcefully about the system she helps administer is the lack of change between AFDC and MFIP. "They took entitlement out of the language, but not out of the attitude. To people who don't want to participate, it's the same old system," she says.

The difference between requiring work, as W-2 does, and "encouraging" it, as MFIP does, is evident from the fact that as of August 1999 only 38 percent of Minnesota's welfare recipients were working. This figure is astonishingly low at a time when there is essentially no involuntary unemployment in Minnesota, and jobs go begging at

every level of skill and experience. Many retail establishments around the Twin Cities have permanent “help wanted” signs posted. One commercial transportation service in search of drivers in the Twin Cities has broadcast television advertisements offering new employees rides to and from work, together with child care at work. And welfare caseworkers in Minnesota have confessed to feeling frustration as MFIP recipients drive past numerous “help wanted” signs on their way to the welfare office to report continued lack of success in their job searches. One of the Minnesota Department of Human Services staff members whom we interviewed conceded that it was “hard to understand” why a higher percentage of the MFIP caseload was not working.

The corollary of Minnesota’s failure to move welfare recipients into employment is the state’s persistently high welfare family caseload. Minnesota’s family caseload peaked in 1992 at 66,212. By June 1999 it had fallen 30 percent, to 45,053, far below the national average decline and just one-third the percentage decline achieved by Wisconsin. Viewed short-term, since the implementation of MFIP, the caseload reduction is even less impressive. Over the period from December 1997 through June 1999, Minnesota’s welfare family caseload had fallen a mere 3.6 percent, one of the smallest post-welfare reform reductions of any state in the country. Over the same period of time, Wisconsin reduced its already low caseload of 18,655 families by an astounding 56 percent. Moreover, Minnesota’s MFIP family case-

load numbers exclude some 10,000 additional individual general assistance cases providing benefits to single adults; Wisconsin has no comparable general assistance program.

A comparison of Wisconsin’s W-2 caseload and Minnesota’s MFIP caseload is not exact. The programs differ in scope and design. Alone among the states, for example, Minnesota includes federal food stamp benefits as part of its basic welfare program and therefore includes participants who are receiving only these benefits as part of its welfare family caseload. As of late 1999 this had the effect both of increasing the MFIP family caseload number by approximately 3,000 and of increasing by approximately one-sixth the percentage of those counted by the Department of Human Services as employed MFIP participants.

In addition, because W-2 is a work-based program for which minors are ineligible, W-2 caseload figures do not include what program officials refer to as “child only” cases that are covered instead by other Wisconsin programs. MFIP, on the other hand, covers such cases and MFIP caseload numbers include them. For example, W-2 excludes disabled adults who are the caretakers of children receiving federal disability benefits and who receive “caretaker supplements” under a state welfare program separate from coverage that would be afforded by MFIP. As of late 1999, Wisconsin had roughly 10,000 such “child only” cases covered under separate programs while Minnesota had approximately half that number of such cases covered under MFIP.

Comparison of the caseload numbers of the states' principal cash assistance welfare programs is nevertheless fundamentally fair because, even taking into account the differing scope and design of the two programs, the caseload comparisons more or less accurately convey the programs' relative success. There can be no serious question that, judged both on its own terms and by comparison with Minnesota's system, W-2 sets the benchmark for results. As Michael Wiseman concluded in mid-1999, "What is certain is that, as the [federal] Department of Health and Human Services confirmed, Wisconsin won the race to caseload contraction."

The unspoken reality of Minnesota's welfare system is that welfare remains an entitlement, just as it was under the discredited AFDC program that Congress scrapped in 1996. MFIP's failure to demand work of able-bodied recipients as a condition of receiving benefits guarantees that a substantial portion of the state's caseload will not find work, and will not move off welfare. It is predictable, too, that many of Minnesota's welfare recipients will simply disbelieve the system's five-year lifetime limit and will still be dependent on welfare when those limits begin to expire in July 2002. (Welfare caseworkers have already noted that their warnings about the five-year limit often seem not to be taken seriously.) Worse yet, Minnesota's skeptical MFIP recipients are probably right. When the five-year limits of long-term recipients begin to expire, the state's politicians and newspapers will undoubtedly

barrage the public with visions of impending doom. Minnesota is then likely to create exemptions from the five-year limit, or provide separate state funding for recipients who have exhausted their eligibility under the federal law.

Minnesota's Welfare Magnet

As noted earlier, many of Wisconsin's welfare recipients chose to leave the state rather than comply with Wisconsin's work requirements. A good share of them moved to Minnesota. In Minneapolis, the home of Minnesota's largest welfare population, roughly one-third of the caseload each year consists of new arrivals from other states, mostly nearby states with lower benefits, like Illinois and Indiana, or with stricter requirements, like Wisconsin.

For years, the phenomenon of welfare migration was either ignored or denied by Minnesota government officials and local newspapers. By 1993, however, public suspicions of such migration had become sufficiently widespread, especially in Minneapolis, that government officials finally responded by attempting to defuse the public's concern.

In 1993 Hennepin County's Office of Planning and Development undertook for the first time a formal study of migration to Hennepin County (which includes Minneapolis) from out of state. This study was initiated in response to "concerns that some in-migrants to Hennepin County come . . . primarily to take advantage of [Minnesota's] liberal welfare benefits and [Hennepin County's] comprehensive support networks."

The county's study concluded with a carefully phrased denial that migrants to Hennepin County moved to Minnesota "primarily" to take advantage of Minnesota's high welfare benefits. The study's data, however, provided overwhelming evidence of the phenomenon of welfare migration.

Buried in the text of the Hennepin County study was the fact that 31 percent of the county's caseload consisted of families who had moved to the county from other states within the previous year. According to the study, the vast majority of these families (84 percent) had received economic assistance in their state of origin at some point before moving to Minnesota. The report also noted that over the preceding five-year period for which Census data were available (1985 to 1990), only 10 percent of Hennepin County's residents were migrants who had moved there from outside Minnesota. It was impossible for an attentive reader of the report not to conclude that Minnesota's welfare benefits are, indeed, a powerful magnet attracting a dependent population from outside the state. And, as Hennepin County officials have continued to track the county's caseload in the years since 1993, they have consistently found that new arrivals from other states constitute about one-third of the caseload year in and year out. (Of course, each year's caseload also includes many "old arrivals" from other states in addition to the one-third who have migrated in the most recent twelve months.) The top five states from which these welfare-dependent individuals have come routinely include Illinois, Indiana,

and Wisconsin.

By the mid-1990s, anecdotal evidence of welfare migration into Minnesota made its way into the local newspapers. On July 31, 1996, for example, the Minneapolis-based *Star Tribune* carried a widely discussed, page-one story on the migration of welfare recipients from Gary, Indiana, to Minneapolis ("In Search of a Chance"). The story observed that as a result of this migration, "the welfare system [was] overwhelmed." The story noted that Greyhound had increased the number of buses from Gary to the Twin Cities from one a day to six, with a total of twelve on the first day of the month, when full welfare benefits were available. Similar anecdotal evidence has documented migration from other states; according to Minnesota welfare caseworkers, some welfare recipients from Chicago say that they moved to Minnesota in response to recommendations from their social workers in Illinois, who told them that welfare benefits are higher in Minnesota. In any event, more out-of-state MFIP applicants come from Illinois than from any other state.

By the time the Minnesota Legislature enacted MFIP as a statewide program in 1997, the phenomenon of welfare migration had somehow been transformed into conventional wisdom without ever quite having been acknowledged as a fact. In adopting Minnesota's welfare reform legislation in 1997, the legislature expressly found that county human services agencies had reported verified cases of individuals moving to Minnesota from other

states at least in part because Minnesota had higher cash welfare benefits. The legislature also expressly anticipated that migration to Minnesota by families seeking more money might increase as other states reformed their welfare programs.

The legislature accordingly addressed the problem of welfare migration by creating a two-tiered system of benefits in the MFIP legislation. During their first year in Minnesota, new arrivals were to receive cash assistance no greater than what was available in their state of origin. Only after one year in the state were new arrivals to be entitled to full welfare benefits. Unfortunately, that portion of the MFIP legislation never went into effect. A local court first enjoined the two-tier system, and the United States Supreme Court later held such provisions (which had been adopted in several states) to be unconstitutional.

Although it recognized welfare migration as a problem deriving from Minnesota's generous benefit levels, Minnesota's legislature has offered no meaningful alternative since its intended solution to the problem proved unfeasible. Effective July 1, 1998, the legislature merely amended MFIP to provide that the rent of new MFIP applicants is to be paid directly to the applicant's landlord out of the applicant's MFIP cash benefit for the first six months of the applicant's receipt of MFIP assistance. This rather token procedural reform appears to have had no impact on the phenomenon of welfare migration. Indeed, between May and October 1998, 20 percent of MFIP

applicants came from out of state; Illinois, Texas, and Wisconsin were the top three states from which these applicants had come. In Hennepin County, applicants from out of state continue to average roughly one-third of the caseload. Minnesota is left with a system providing benefits at a level that its own legislature acknowledged would lead to welfare migration, without any serious effort to deal with the issue. The entire question of welfare migration has been swept under a rug of silence and avoidance.

Teenage and Out-of-Wedlock Pregnancy

When Congress abolished AFDC in 1996, it did not do so primarily because that program was wasteful and inefficient, although it certainly was. Rather, Congress repealed the program because years of social science research had documented the devastating effects that the federal welfare system had on its intended beneficiaries. As noted earlier, Congress prefaced its reform legislation with findings to the effect that the principal federal entitlement program, AFDC, was a cause of intergenerational welfare dependency and, above all, of skyrocketing rates of illegitimacy.

When Lyndon Johnson declared "war on poverty" in 1965 and sought to end it through a vast expansion of the welfare state, the ratio of illegitimate white births to all white births was 4 percent. By the mid-1990s, the white illegitimacy rate had increased to 25 percent; among white high school dropouts, a group dominated by lower-

income whites, the illegitimacy rate had increased exponentially to 48 percent.

But in no group has family devastation been greater than among blacks. In 1965, the ratio of illegitimate black births to all black births was 26 percent. The black family was still relatively intact. As welfare programs proliferated and penetrated the black community, however, the illegitimacy rate soared, reaching 70 percent by the mid-1990s. Illegitimacy and fatherlessness had become the norm.

Over the past twenty years, voluminous social science research has linked welfare participation and its perverse incentives to this explosion of illegitimacy rates. Capping this research was a study performed by Professor Mark Rosenzweig of the University of Pennsylvania in 1996. Using data from the National Longitudinal Survey of Youth, he examined the marriage and fertility decisions of women ages fourteen to twenty-two, controlling for factors such as race, parental earnings, and the level of local welfare benefits. Rosenzweig found that among low-income (under \$10,000 annual income) women, a 10 percent rise in welfare benefits caused a 12 percent jump in illegitimate births. He concluded that the level of welfare benefits had a significant effect on illegitimacy rates among low-income women.

Serious journalistic investigation has corroborated the conclusions reached by social scientists. Washington Post reporter Leon Dash, for example, took the trouble of interviewing and spending time with teenage mothers. In his 1990 book *When Children Want Children*, he

showed in great detail that most unmarried teenage mothers conceive and deliver their babies deliberately rather than accidentally. Moreover, Dash demonstrated, such mothers are well aware of the role welfare will play in supporting them once a child is born.

Recognizing the damage associated with traditional, entitlement-based welfare programs, many states have adopted reformed welfare systems that try to avoid the perverse incentives that reward illegitimacy. Not surprisingly, one such state is Wisconsin.

Wisconsin's welfare program incorporates two key features that are designed to avoid rewarding and encouraging illegitimacy. First, custodial parents are ineligible for W-2 placement until they are at least eighteen years old. A parent younger than eighteen can meet with a case manager and receive some case management services; she may also be eligible for medical assistance and food stamps. But she will not be given a cash income and set up in an apartment. Wisconsin provides no cash assistance to minor parents. Second, Wisconsin's program provides a fixed amount of benefits to recipients regardless of family size. Thus, there is no cash incentive to bear additional children. These program features indicate that Wisconsin has made a thoughtful effort to reduce the role of the government in promoting teenage pregnancy.

Unfortunately, the same cannot be said about Minnesota's welfare system. Unlike political leaders in many other states, Minnesota's politicians seem to have learned nothing from the experi-

ence of the past thirty years. As though lost in a time warp, Minnesota has recreated the very features that made the AFDC program so devastating to the families that became dependent on it. Minnesota's program provides cash assistance to all mothers, regardless of age. Moreover, teenage mothers are excused from any work-related requirements other than attending school; until age twenty, adults may further claim exemption from any work-related requirements and program time limits by pursuing a high school general equivalency diploma.

Thus, if a sixteen-year-old Minnesota resident finds living with her parents to be unduly restrictive, she can become independent at age eighteen by the simple expedient of having a child. The state will pay her a cash income supplemented by food stamps and child care. (A minor's cash payment is usually to be paid to her parent until she turns eighteen; a federal housing subsidy may also be available to her when she turns eighteen.) And under MFIP, the state increases the amount of cash assistance for every child that is born. Moreover, if the teenager has trouble becoming pregnant because of a medical condition such as endometriosis or blocked fallopian tubes, she can undergo, at the taxpayers' expense—either under Minnesota's Medical Assistance (Medicaid) program or under health care coverage available through MinnesotaCare—diagnostic and corrective procedures that may cost thousands of dollars. Minnesota goes out of its way to facilitate and subsidize the largest possible

number of teenage pregnancies.

The same perverse incentives of course apply to adult women. In addition, if a woman age twenty or older has a child, she is excused from any work-related requirements for up to one year. As a result of the design of the program, Minnesota's welfare system is a prime enabler of teenage pregnancy and of illegitimacy among mothers of all ages. The inevitable consequence of Minnesota's misguided policies is reflected in the fact that approximately 57 percent of the state's 1998 MFIP caseload consisted of families started by a teenage parent; among MFIP applicants who were pregnant with their first child in 1998, 53 percent were teenagers.

In the spring of 1999, the Centers for Disease Control (CDC) released pregnancy data that it had compiled by state and race for the period 1992 through 1995. According to the CDC data, in 1995 Minnesota reported, for the first time, the highest black teenage pregnancy rate (the number of births plus abortions and miscarriages per 1,000 teenagers) among the states surveyed. At the same time, the CDC data showed that Minnesota had virtually the lowest white teenage pregnancy rate of any state.

Here it is worth noting that among both blacks and whites in America, birth rates—the number of children born per unit of population—have generally been falling for many years. The same is true of teenage birth rates. During this same period, however, concentrated in the mid-1960s and thereafter, the ratio of illegitimate births to

all live births has increased steeply. Among black teenagers, approximately 96 percent of all births are illegitimate.

The St. Paul Pioneer Press has treated the CDC data as a significant news story. (The Star Tribune, on the other hand, has not even reported the CDC data.) In two major stories and six opinion pieces, the Pioneer Press has rightly approached the CDC data as a mystery calling for an explanation. How can the same state have the highest black teenage pregnancy rate among the states surveyed, while simultaneously having nearly the lowest white teenage pregnancy rate?

The explanations offered to solve this mystery have ranged from the predictable to the ridiculous. Some, according to the Pioneer Press, have alleged that that all-purpose bugaboo, “racism,” is to blame. Given the well-known mechanism by which pregnancy occurs, however, no one has quite managed to explain how “racism” induces a teenage girl to get pregnant. In any event, racism is no worse in Minnesota than in any other state, and therefore cannot explain the mystery at hand.

Others have theorized that “Minnesota nice,” manifested in a hypothetical aversion on the part of Minnesotans to talking bluntly about birth control techniques, is the culprit. Any such assumed reticence would, however, apply equally to white and black teenagers, and anyway, this theory ignores the fact that most teenagers who become pregnant do so deliberately.

Still others have hypothesized that black poverty is worse in Minnesota than in other states and that this could

explain the extraordinarily high rate of black teenage pregnancy. No data have been offered to substantiate the assertion that black poverty in Minnesota is worse than in such states as Mississippi and New York, which have lower black teenage pregnancy rates than Minnesota’s.

There is, however, an obvious link between poverty and illegitimacy. That link is welfare, as critics of the welfare system have been pointing out for thirty-five years. Social scientist Charles Murray recently put it this way: “Why should illegitimate births be so much more likely to occur among women who are already poor? . . . An answer based on a welfare system that offers incentives only to poor women meets the test of [logical simplicity].”

What Minnesota is now experiencing is a recapitulation of the tragedy wrought nationwide by the AFDC program. In the various ways noted here, Minnesota—unlike states such as Wisconsin—has chosen to continue to offer both cash and noncash incentives that reward welfare recipients who bear illegitimate children. These incentives apply equally, of course, to black and white teenagers. But blacks in Minnesota participate in the welfare system at a rate far greater than whites. In fact, the black share of the welfare caseload in Minnesota is approximately ten times the percentage of blacks in the state. Therefore, the perverse incentives inherent in Minnesota’s welfare system apply disproportionately to blacks, which explains much of the discrepancy between black and white teenage pregnancy rates.

As of the most recent available data, in 1996 Wisconsin and Minnesota had the highest black teenage birth rates among the states surveyed by the CDC. By virtue of the enactment of W-2 effective September 1997, Wisconsin has taken steps that should have some positive effect on the lives of the poor in general as well as the phenomena of teenage childbirth and illegitimacy specifically. Because post-welfare reform pregnancy and birthrate data are not available, it is too soon to tell what impact Wisconsin's efforts will have on the phenomena of teenage pregnancy and illegitimacy, but not too soon to suggest that Minnesota should follow in Wisconsin's steps.

The "war on poverty" was perhaps well-intentioned. But the unintended and disastrous consequences of programs like AFDC and MFIP now are too well known and well documented to be ignored. As they proceed with an apparent determination to repeat the mistakes of the past, Minnesota's political leaders lack the excuse of ignorance.

A New Birth of Freedom

By supporting able-bodied recipients who do not work and by enabling personal irresponsibility generally, Minnesota's welfare system needlessly encourages and perpetuates dependence. The focus of much of the preceding discussion has been the effects of this dependence on the beneficiaries of the welfare system. But, while it is important to recognize the destructive impact of Minnesota's program on its recipients, it is at least equally impor-

tant to acknowledge the unfairness of Minnesota's system to the taxpayers who work to support it.

One of the most inspiring aspects of Wisconsin's reformed welfare system is its expressly stated determination to judge the fairness of the welfare system by comparison with the hardships experienced by families who support themselves. Minnesota's welfare system fails this test of fairness. As of 1995, the total value of the cash and certain of the basic noncash benefits available to welfare recipients in Minnesota was calculated to be approximately ten dollars an hour, or \$20,000 per year. (The number would be higher now.) Minnesota's generosity is not unique; in twenty-nine states, welfare recipients are paid more than a secretary's starting salary. But to say that Minnesota's system is not unique does not minimize the unfairness of taxing hardworking families, many of whom earn less than \$20,000 per year and are barely able to pay their own bills, to support welfare recipients who make a voluntary decision to become pregnant, and then make a second voluntary decision not to seek or accept employment.

Abraham Lincoln frequently argued that the basic precept of tyranny is "You work and I eat." Lincoln condemned slavery as a manifestation of this tyrannical principle. Minnesota's welfare system accords with this principle and conflicts with a fundamental principle of fairness—he who would eat should work, if he is able. It thus constitutes an ongoing injustice to the taxpayers of the state. In contrast, by

implementing a welfare system that respects the state's working citizens, Wisconsin has experienced a new birth of freedom.

A Note on Sources

We chose to keep our text uncluttered with footnotes in the hope that it would make the article more readable and in recognition of the fact that it mostly draws on public information that is readily available from sources that can be deduced in the text. Two sources for which this is not true are books that provide much useful background information on AFDC: Robert E. Rector and William F. Lauber, *America's Failed \$5.4 Trillion War on Poverty* (Washington, D.C.: Heritage Foundation, 1995), and Michael Tanner, *The End of Welfare: Fighting Poverty in the Civil Society* (Washington, D.C.: Cato Institute, 1996).

Detailed information and data regarding Wisconsin's and Minnesota's welfare programs are available on the Web sites of the respective state agencies responsible for administering the programs. The Web site of the Wisconsin Department of Workforce Development (www.dwd.state.wi.us) is continually updated and contains a wealth of relevant information; the Web site of the Minnesota Department of Human Services (www.dhs.state.mn.us) is also helpful. Authoritative longitudinal state-by-state comparisons of caseload data are provided in Robert E. Rector and Sarah E. Youseff, *The Impact of Welfare Reform: The Trend in State Caseloads 1985-1998* (Washington, D.C.: Heritage Foundation, 1999), and on a Web site maintained by an agency of the federal Department of Health and Human Services (www.acf.dhhs.gov).

Our account of the evolution of Wisconsin's welfare program draws on Robert E. Rector, "Wisconsin's Welfare Miracle," published in the March-April 1997 issue of *Heritage Review*. Governor Thompson provided his own account in "The Good News about Welfare Reform: Wisconsin's Success Story," a March 1997 speech delivered at the Heritage Founda-

tion that is available on the foundation's Web site (www.heritage.org). Governor Thompson also delivered a speech recounting the Wisconsin experience at the Manhattan Institute's "Next Steps in Welfare Reform" conference held in April 1999; all the conference speeches are available on the institute's Web site (www.manhattan-institute.org). Our quotation of Governor Thompson comes from this speech.

John Weicher's analysis of the effects of welfare reform in Wisconsin is contained in "The Labor Force Movie," published in the Winter 1999 issue of *American Outlook*. Michael Wiseman's preliminary but invaluable study of the effects of welfare reform in Wisconsin is "In the Midst of Reform: Wisconsin in 1997," published by the Urban Institute in June 1999 and available on the Wisconsin Department of Workforce Development's Web site. Follow-up analysis of data gathered by the Urban Institute in 1999 concerning issues covered in Wiseman's study is to be available early this year.

The Manpower Demonstration Research Corporation's evaluation of the MFIP pilot program, C. Miller et al., "Making Welfare Work and Pay: Implementation and 18-Month Impacts of the Minnesota Family Investment Program," is available on the corporation's Web site (www.mdr.org). Governor Carlson commissioned an authorized account of his administration by Mary Lahr Schier, ed., *Take Your Victories as They Come: The Carlson Years in Minnesota Politics* (Minneapolis: MSP Books, 1998). Although the book has a number of coauthors, Schier wrote chapter 4, on welfare reform. In our description of the development of MFIP we have drawn from this account and its quotations of Governor Carlson as well as from materials provided by the Minnesota Department of Human Services.

The Department of Human Services is conducting a longitudinal study of a selected sample of MFIP participants. In 1999 the department published the first two in a series of reports to be published

over five years as part of this study; two more are to be published this year. The 1999 reports provide valuable information regarding the makeup of MFIP's family caseload at the outset of the program. These reports will be indispensable to future discussions of MFIP.

In connection with our discussion of Minnesota's welfare magnet, we drew on the study issued in December 1993 by the Hennepin County Office of Planning and Development, "In-Migration Into Hennepin County, Minnesota: An Analysis of Migration Patterns, County Program Use and Policy Implications." Copies of the study are still available from that office. County staff provided us with updated in-migration data in 1999. We also relied on the extremely helpful comparative state welfare benefit analysis and related information contained in legal papers filed in Ramsey County District Court by the Minnesota attorney general on behalf of the commissioner of human services in the lawsuit over MFIP's two-tiered benefit provision.

Fritz Ohnsorg of the Minnesota Department of Health provided us a complete copy of the CDC data regarding teenage pregnancy rates by state and race that had been the subject of news articles

and opinion columns in the St. Paul Pioneer Press; Melissa Park of the CDC's National Center for Health Statistics provided us the most recent CDC data regarding teenage birth rates by state and race contained in the December 17, 1998, National Vital Statistics Report. Professor Mark Rosenzweig's study of the relationship between welfare and illegitimacy was presented as a paper to the National Academy of Sciences in April 1996; the paper is summarized in Ron Haskins, "Does Welfare Encourage Illegitimacy?" published in the July/August 1996 issue of *American Enterprise*. The Charles Murray quote comes from "What to Do about Welfare," published in the December 1994 issue of *Commentary*, an essay that should be read in conjunction with Murray's seminal book *Losing Ground: American Social Policy 1950-1980* (New York: Basic Books, 1994; tenth anniversary edition, with a new introduction) and his response to critics of his findings concerning welfare and illegitimacy set forth in that book, "Does Welfare Bring More Babies?" published in the Spring 1994 issue of *Public Interest*. n