The New Wisconsin Idea

Reinventing Public Compassion for the 21st Century

Overview of the Book

It was a heady time for social policy in America, and the state of Wisconsin was in many respects the engine driving the train. A former president, reflecting on the vast number of reform initiatives, said the “state has become literally a laboratory for wise experimentation legislation aiming to secure the social and political betterment of the people as a whole.”[1] He added that, “in Wisconsin there has been a successful effort to redeem the promises by performances, and to reduce theories into practice.”[2]

It may come as a surprise that the president who offered this assessment was Theodore Roosevelt, and the object of TR’s enthusiasm was the reforming efforts of Governor Robert La Follette, whose Progressive political movement at the dawn of the 20th century sparked a new era of state-level innovation. “Fighting Bob” La Follette’s accomplishments featured legislation weaving the most reliable safety net for the poor and vulnerable citizens including the nation’s first unemployment and worker’s compensation systems. These measures had a profound influence on the future direction of national, and even international, social policy.

Tommy Thompson served as Wisconsin’s governor as the 20th century turned into the 21st. Like his progressive predecessor, he introduced proposals that sought to improve the lot of his state’s poor and it also drew praise from Washington. President Bill Clinton used one of his weekly radio addresses in May
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Charles McCarthy, who is widely credited with coining during La Follette’s governorship, and it gave image to the effective partnership he had established with his alma mater, the University of Wisconsin.

Wisconsin is unique in that its power centers—the State Capitol and University of Wisconsin campus—share an isthmus in downtown Madison, joined on either end of the pedestrian State Street. But it was their shared concern for problem-solving that made the partnership the envy of other states, many of whose leaders traveled to Madison to investigate the process firsthand.

A popular “product” offered to these visitors during the La Follette years was model legislation held by Charles McCarthy, who is widely credited with coming up the “Wisconsin Idea” moniker. He captured its history in a book by the same name and also created the professionally staffed Legislative Reference Library, “which assembled best information from all sources for political consideration.”[3] This expedited the transfer of Wisconsin’s reforms to other states and national policy.

In 1934, President Franklin Delano Roosevelt appointed University of Wisconsin professor Edwin Witte as the Executive Director of the newly created President’s Committee on Economic Security in 1934. Congress had ordered the president to develop a comprehensive economic security program to be presented at the beginning of the 1935 session. Dr. Witte was recommended to lead this effort by FDR’s secretary of labor secretary, Frances Perkins, and he brought with him a trusted set of advisors from Wisconsin.

Dr. Witte and his team began work in July of 1934, and he presented their report to President Roosevelt the day before Christmas. The bill was then drafted in early ’35, followed by congressional action, wherein the term “economic security” was replaced with “social security.” President Roosevelt signed the Social Security Act into law in August 1935, just over one year from the time they began work. The term “social security” quickly became popular and in 1940 the International Labor Office issued an important report called “Approaches to Social Security” making it universally a universally accepted concept.

As we know all too well, FDR’s warnings of welfare becoming a narcotic if extended beyond the temporary needs became all too apparent as America escaped the Depression and a divide began to take shape between the working and nonworking populations. By mid-century, the federal government assumed near-total control of social welfare policies giving rise to a virtual government monopoly on care-giving in America. This was a far cry from the “power to the people” mantra of the Progressives. In response, there came an interesting conjunction of left-leaning community organizers, who sought to retain power in the hands of neighborhood residents, and right-leaning policymakers, who were interested in devolution to the states and a return to civil society.

By the 1990s, a near-universal disdain for America’s welfare state had emerged. But while critics of all shapes and sizes took form, agreement could not be reached on a model to replace the failed system. It was in this void that Thompson provided a “progressive reprisal” of the Wisconsin Idea. His first term in office, which began in 1987, was defined by efforts to mitigate the damages caused by unintentionally harmful Great Society policies of Lyndon Johnson. Following re-election in 1990, he partnered with the Wisconsin legislature to adopt legislation making Wisconsin the first state in the nation intent on replacing the Aid to Families with Dependent Children (AFDC) program with a new social contract.

This book presents the comprehensive account of how Wisconsin’s welfare replacement program was birthed from the initial, incremental reform activity to its eventual acceptance as a national reform package and international reform blueprint. In many respects, this book is a virtual user’s guide to Wisconsin welfare reform.

As Governors La Follette and Thompson understood, the sharing of power between Washington and the states must be carefully, and continuously, balanced.
Even more important, efforts to help the poor help themselves must be assiduously pursued. Changing economic conditions are reason enough to remain flexible, but the more delicate nature of the evolving needs of each individual requires an especially nimble care-giving apparatus. The best way to create and maintain such a system is through vibrant public-private partnerships, a mix of empowerment and charity, an openness to learning from other states (and other countries, for that matter), and a willingness to put theory to the test in the real world.

These are among the reasons this book was written. Thompson’s reforms were so successful that the state’s caseload plummeted by nearly 90 percent while poverty declined and employment escalated. The Wisconsin model ignited a reform movement that resulted in a new national law being adopted based on many of its tenets and its ideas continue to translate into global reform efforts most notably the United Kingdom.

This book was written by my welfare policy team at the Hudson Institute. Some of us were privileged to operate alongside Governor Thompson’s administration as members of Hudson’s field office in Madison. Others were external advisors located in Hudson’s Indianapolis or Washington offices. Together, we were given access to the principal policymakers, leading academics and source material that contributed to the making of the Wisconsin Works model.

Chapter 1 captures Tommy Thompson’s first term as Wisconsin governor and the Reagan administration’s attempt to encourage state experimentation in welfare policy. Thompson won office on the strength of twin campaign goals of economic development and welfare reform. The two were inextricably linked and made possible through Thompson’s artful continuation of his predecessor’s welfare experiments and aggressive new attempts to mitigate the damages of the AFDC program’s unintended consequences.

Chapter 2 introduces Thompson’s second term efforts to move from necessary but insufficient incremental reforms to a systematic reform model. As former welfare reforming governor Bill Clinton campaigned for the presidency on a promise to “end welfare as we know it,” Thompson beat him to the punch by testing Work Not Welfare in two counties.

Chapter 3 gives a detailed and authoritative account of the research and policy development process that resulted in the Wisconsin Works program design. This was a highly collaborative process that was driving by a team of Wisconsin officials possessing national expertise as well as active participation by a bipartisan set of state legislators and university scholars representing varying ideological perspectives and subject matter expertise.

Chapter 4 captures the fascinating national politics that coincided with the negotiation process necessary for Wisconsin Works state law to become approved for federal funding. President Clinton’s own efforts to reform welfare proved unsuccessful following his 1992 election and then the Republicans won a congressional majority in 1994. During this time, Thompson and a growing number of governors were successful rewriting welfare laws in their states and building public confidence in Wisconsin-style welfare reform. Clinton ultimately endorsed the Wisconsin model and signed the 1996 Republican welfare reform bill.

Chapter 5 moves from the drama of national politics to the nuts and bolts of program administration. No matter how big the ideas, all reforms are proven successful or not based on the quality of its implementation. This chapter assesses Wisconsin Works from a view from Milwaukee’s streets.

Chapter 6 illustrates that reform is not an event but rather a living process. Wisconsin ensured that its welfare reforms would be continuously improved by the inauguration of a Management and Evaluation Project that provided an interface between state policymakers and the national research community. Functions ranged from providing technical expertise on research methodology to catalyzing foundation’s investment in high impact research projects.

Chapter 7 considers welfare reform as a transatlantic trade. While the Wisconsin model was not replicated in full, its core concepts—work requirements, job centers and performance contracting—were exported to places such as Germany, the Netherlands, Israel and the United Kingdom.

In recognition of the twentieth anniversary of the adoption of Wisconsin Works in 2013, the Sagamore Institute hosted an event at the National Press Club featuring former Governor Tommy Thompson and British welfare chief Iain Duncan Smith. Their joint statement and individual remarks are included the Afterword. Thompson largely reflects on why he pursued such fundamental reforms and Smith forcefully makes the case for the next round of reforms necessary for the 21st century.
As I sign this end to AFDC in Wisconsin in 1999, I do so understanding the care with which we must proceed. We must maintain our sensitivity to the poor…our most at-risk citizens. Yet we start a critically important undertaking here today. And we will do it with boldness. No other state has ever taken down its AFDC statute in this fashion. The actions that will flow from enactment of this legislation will provide leadership for the nation in this arena. A comprehensive reform of the Wisconsin welfare system is in the offing.

Gov. Tommy G. Thompson
Governor’s Conference Room; State Capitol; Dec. 1, 1993

Recognizing this, the savvy Clinton preempted Dole by way of his May 18 national radio address. Three days before Dole’s arrival in the state, the president called W-2 “a sweeping welfare reform plan, one of the boldest yet attempted in America.” He further stated that, “all in all, Wisconsin has the makings of a solid, bold welfare reform plan. We should get it done.”

The president’s statement set off a chain reaction. First, Senator Dole responded to Clinton’s endorsement with highly charged words:

We all hope the president meant what he said. But I’m sorry to say, it’s another attempt to have it both ways. He didn’t say he would actually grant the waiver… Every time it’s had the opportunity in other states, the Clinton Administration has blocked firm time limits on welfare, the heart of the Wisconsin plan, and of any serious plan to end welfare as we know it.

For his part, Thompson wanted to use Clinton’s remarks to test whether the president was ready to put his money where his mouth was. Thompson pressed for rapid completion of the waiver application by Rogers and her team, who worked over the long Memorial Day weekend to get it done. As a result, Governor Thompson was able to deliver the inch-thick, 400-plus page waiver application to President Clinton on May 29, a mere eleven days after the president’s radio address.

Following delivery of the Wisconsin waiver request, the White House seemed to move in the direction of swift and certain approval of W-2. On June 17, White House Press Secretary Mike McCurry responded to a series of questions on Wisconsin’s proposal by saying, “The president’s fully supportive of the Wisconsin model for welfare reform.” Referring to the Department of Health and Human Services, McCurry...
added, “They’ve made it quite clear that they’re going to get [the waiver] done so that the experiment can move forward.”

The following day, Clinton raised expectations even further in an address to the American Association of Nurses in Washington, D.C., saying:

I have received an intriguing proposal from Wisconsin which has tough time limits but actually gives assurances, assurances of a job and health care and child care to people on welfare, and I expect to approve that request soon.

Not soon enough for Republicans in Congress, as it turned out. Senate Republicans had introduced legislation in their chamber in May approving the Wisconsin waiver application as a matter of law. On the House side, Speaker Newt Gingrich sent President Clinton a letter indicating that the House would do the same if HHS did not approve the waiver soon. The House made good on Gingrich’s promise during the first week of June, granting legislative approval to the waiver package on a 289-136 vote.

In the midst of the jockeying, Governor Thompson’s staff continued negotiating with HHS officials over the substance of the waiver application. The main sticking point on the W-2 waiver – aside from health care issues – was the state’s plan for evaluating the new program. In the past, the federal government had required that states conduct scientifically rigorous evaluations of their waiver experiments. Typically this meant that some individuals would be subject to the policies adopted under the waiver (the treatment group), and others would not (the control group). This would allow the state and the federal government to observe the impact of the experiment, if any, by comparing outcomes for the two different groups.

Obviously, this would not work if the entirety of the state’s welfare population was to be subject to the new program, as was the case with W-2. On this point, Rogers said that the state’s position was, “you cannot expect a community to be schizophrenic.” Governor Thompson and his staff thought it made little sense to establish a new set of principles governing public assistance and then to exempt a significant subset of the state’s population from them. Furthermore, this might not even be possible. According to the waiver application,

...when reform is accompanied by major publicity and extensive outreach to encourage public and private agencies to increase their efforts on behalf of those seeking assistance, maintaining an uncontaminated control group is virtually impossible.

Even if this difficulty could be overcome, the state thought that a straight impact evaluation would miss important areas of knowledge. Again, from the waiver application:

...initially, the key research issues do not involve assessing the net effects of W-2 compared to AFDC as we have in the past known it. W-2 is changing and will continue to change. What is essential is to assure (sic) the W-2 that is eventually implemented is the best version of the program possible. Thus from the state’s perspective the initial objective of evaluation is feedback, translating what is learned quickly into implications for operations management.

In other words, the state was at least as interested in process or implementation issues, as it was in evaluating the net impact of the new program. A process evaluation would indicate what was working and what was not, and it could lead to near-term improvements in the program. An impact evaluation, on the other hand, would indicate little about what was working or not. Instead, it would simply indicate the magnitude of net program effects, if any.

Despite the intuitive plausibility of the state’s arguments, HHS officials initially were wary of approving anything other than a traditional impact evaluation. Understandably, they wanted to know whether this radical new program was producing the hoped-for results. Furthermore, precedent stood in the way of what was being proposed under W-2 – the federal

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7 Unless otherwise indicated, the source for the remainder of the discussion of the waiver process is an author interview with Jean Rogers, September 18, 2001.
9 Ibid.
government had *always* insisted on rigorous impact evaluations, even on far less ambitious changes than were being contemplated under W-2.

Ultimately, it was only through persistence and a “never-give-up” attitude that the state got its way. Negotiations between HHS staff and Wisconsin officials took place over the course of “dozens and dozens” of sessions, according to Rogers. These were held in Wisconsin, in Washington, D.C., and over the telephone. The federal government first relented on the principle that there would have to be randomized treatment and control groups. Even so, HHS officials were skeptical about giving up a traditional impact evaluation. According to Rogers, “Whenever they’d raise an objection, we’d sit down again and come up with a new set of arguments.” Ultimately those arguments worked, and Wisconsin was given permission to try something new.

Although that undoubtedly was the highest hurdle to clear, federal officials still insisted upon a rigorous evaluation model and put the onus on the state to come up with one. The state had already proposed such a model in its waiver application – one oriented more toward program process and outcomes based on smaller-scale evaluative pieces rather than a solitary, over-arching program impact evaluation. Settling on a version of this model with HHS took still more negotiation and some important assurances by Governor Thompson’s staff. Among other items, they agreed to:

- incorporate into the evaluation any and all program performance measures the federal government wished to suggest;
- accept that welfare participants in other states and the nation as a whole could be used as an ersatz control group for Wisconsin’s W-2 families;
- ensure that the evaluation effort was overseen by a “watchdog group” of academic and other experts from inside and outside of Wisconsin, and from across the political spectrum; and
- invite the federal government to appoint its own representatives to this group.

Ultimately, through these assurances, through their persistence, and through the comprehensiveness of their proposed evaluation design, Thompson’s staff succeeded in persuading the federal government to approve the evaluation component of the waiver application.

Remarkably, some of the other controversial features of W-2 – time limits, the universal work requirement, the end to an individual entitlement – were never points of serious contention in the waiver negotiation. According to Rogers, these things had already been approved under waivers in Wisconsin and elsewhere, and were under serious consideration as part of proposed federal reform legislation. Approving them caused federal officials little heartburn. This was just as well, because political events were soon to make the welfare waiver negotiations all but irrelevant.

The Coming of Federal Welfare Reform and the Influence of Wisconsin

Undoubtedly, the two most memorable sound bytes from the 1992 presidential campaign were “it’s the economy, stupid,” and “end welfare as we know it.” When Bill Clinton became president in 1993, one of his first steps was to introduce an economic stimulus package to try to right the foundering economy. On the subject of welfare, however, Clinton made the decision to delay introduction of an administration bill until after his health care overhaul received a hearing. It was not until June of 1994, 18 months after he took the oath of office, that the president offered the Work and Responsibility Act.10

On the subject of work, the bill focused its requirements on younger case heads (those born after 1971), with an option for the states to expand the requirements to a broader group over time. In keeping with the “two years and off” rhetoric of the presidential campaign, the bill also established a 24-month lifetime limit for receiving cash benefits without working. But this limit applied only to recipients born after 1971.

The Clinton administration tried to sell its plan as the promised end of welfare, but both the work requirements and the time limit on assistance were riddled with exemptions and exceptions. This was as much a consequence of a mixed commitment to reform within the administration as the prohibitive expenses associated with a true work program. The relative modesty of Clinton’s proposed reform displeased conservatives, but according to R. Kent Weaver, author of *Ending Welfare as We Know It*, the more significant opposition came from left-leaning House Democrats. This group worried that consideration of Clinton’s proposal would result in bad welfare law or Demo-
For these Democrats, committee markup and floor debate on welfare reform legislation posed a series of threatening “bad choices” on amendments that the Republicans were certain to propose (and conservative Democrats were certain to vote for). They could vote their conscience and risk losing their seats (and larger overall losses to the Republicans) or vote for provisions that would make the bill far more conservative than the original package and thus even further from their preferred policy positions.11

Liberal House Democrats understandably did not like either choice, but unlike their counterparts in the Wisconsin legislature they chose not to move the legislation. House Republicans welcomed this decision. They were not eager to lose welfare as an issue in the fall elections; in fact, they held out hope of overtaking Congress as a result of those elections and enacting their own version of welfare reform in 1995. As a result of these political calculations, then, the president’s much-ballyhooed welfare reform proposal lived a short life and was not mourned once gone.

The Republican Revolution (and the negotiations within)

With their sweeping electoral victories in the 1994 elections, Republicans gained control of Congress for the first time since 1955. During the campaign, welfare reform had been one of the key provisions in the party’s “Contract with America,” the document outlining the GOP’s agenda should it win control of the House of Representatives. More specifically, Republicans promised to introduce a “Personal Responsibility Act” that would:

- discourage illegitimacy and teen pregnancy by prohibiting welfare to minor mothers and denying increased AFDC for additional children while on welfare, cut spending for welfare programs, and enact a tough two-years-and-out provision with work requirements to promote individual responsibility.12

Cutting spending, though a desired end to some Republicans in and of itself, also was a virtual requirement of the then-prevailing budget rules. Those rules required that any tax cut – and House Republicans were proposing nearly 200 billion dollars’ worth – be offset with equivalent spending reductions. Unlike popular entitlement programs like Social Security and Medicare, savings could be drawn from welfare without inciting major opposition from organized constituent groups.13

The nation’s governors would certainly have something to say about any such spending cuts. As administrators of the AFDC program, they had an interest in minimizing any reduction in federal resources made available to the states. They also had a voice that could not be ignored. In the wake of the 1994 elections, Republicans controlled 30 of the nation’s 50 statehouses and eight out of nine of those in the most populous states. (Florida was the exception.) If welfare reform was going to work at all, it had to work for Republican governors.

Beyond keeping Republican governors happy, Republican members of Congress needed their expertise as well. It had been roughly half a century since Republicans had the responsibility for actually governing from Congress. Furthermore, the tide that carried the GOP to power in 1995 brought to Washington, D.C., many who had never served in Congress before. Finally, welfare was a traditionally Democratic issue, just as tax reform was a traditionally Republican issue. Consequently, there were few Congressional Republicans who had specialized in the intricacies of welfare and what it would take – practically and politically – to remake it. According to Ron Haskins, the former

11 Ibid., pp. 247, 8.
13 Weaver, Ending Welfare, op. cit., p. 257.
Ways and Means Committee staffer who walked point on welfare issues during this period, “[Republicans] had lots and lots of new members. They didn’t even know how to spell ‘AFDC.’”

The Republican governors rushed in to fill the vacuum and were welcomed by their allies in Washington. They had reformed welfare themselves with great political and practical success and had often done so with bipartisan support. The governors’ stature rose at a meeting with the Republican Congressional leadership in Williamsburg, Virginia, in the month following the historic November elections. According to Haskins, “Newt (Gingrich) was overwhelmed with how impressive the governors were. They were really experts on welfare reform. They had done it.”

Gingrich and his fellow Republicans knew that the governors in their party not only had the expertise to make a major contribution on welfare policy, but they also had the personal presence—described by Haskins as “spectacular”—not to be cowed by Democrats who might be opposed to reform efforts. Thus, Gingrich left Williamsburg persuaded that his party had an extraordinarily valuable asset in the governors, and that they should have the preeminent voice on welfare reform issues.

Media reports and interviews with key players involved in federal welfare reform after 1994 indicate that two governors—Governor Thompson in Wisconsin and Governor John Engler in Michigan—were the most influential. In fact, Congress looked first to Wisconsin as a model of what was possible. No other state—not even Governor Engler’s Michigan—had as much experience in reforming welfare, had made such dramatic changes, had reduced caseloads so sharply (an important consideration to Congressional Republicans looking to welfare programs for budget savings), had committed to such detailed documentation of its efforts, or had done so much with bipartisan support. According to Gerry Whitburn, Thompson’s Secretary of Health and Social Services until 1995:

Thompson had been doing it longer than any other governor. He had more waivers than most of the other states combined. And he had a track record of reducing the caseload that no other state could match. Nobody had done (welfare reform) with the results of Tommy Thompson. Everybody wanted to understand what Thompson thought.

Whitburn, who left Wisconsin in 1995 to work for Massachusetts Governor William Weld, compared Thompson’s national influence on welfare to Henry Kissinger’s influence on China policy in the 1970s: “If you were going to deal with China, you needed Kissinger at the table. If you were going to reform welfare, you needed Tommy.”

Ron Haskins echoed this sentiment: “The example from the real world was, hands-down, Wisconsin. Wisconsin made us all think, ‘God, it’s possible. This can be done.’”

Early in 1995, Governor Thompson was contacted by Gingrich’s office and offered a seat at the head of the welfare reform table. Thompson accepted, in part because he was a good party man, but also because he wanted input on the legislation that ultimately would determine how far he could move on welfare in Wisconsin.

From the beginning, Governor Thompson and his Republican statehouse colleagues pushed for block grants with maximum flexibility for the states. This, they thought, was a fair trade-off for the reduction in welfare funding that they saw as all but inevitable.

They were also tired of kissing the rings of Washington bureaucrats who had never run a welfare program, but who were empowered to tell the governors how they could and could not reform welfare. Beyond the freedom to implement welfare reform in ways best suited to local circumstances, the governors wanted:

- a generous and steady funding source, not one that had to be appropriated every year;
- an end to the entitlement status of welfare;
- more federal money for child care, and local control over how it would be spent; and
- establishment of the expectation that welfare recipients could and should go to work.

Not all Republican members of Congress were willing to give the governors the one thing they wanted most—flexibility. In fact, the House bill that had been developed as part of the Contract with America was laden with mandates, requirements, and prohibitions that were not necessarily to the governors’ liking.

These included:

- denial of aid to most poor children for whom
The extent of these requirements reflected one side of a split within the Republican coalition. Some Republicans had full trust in the competence and ideological bona fides of Republican governors, and were willing to devolve significant administrative authority to them. Others were skeptical that the state chief executives would pursue the “right” kind of welfare reform if left to their own devices. The latter group had enjoyed more influence in crafting the Contract with America welfare reform bill.

Fortunately for the governors, Gingrich stood firmly in the “trust governors” camp. Thus, in early January he negotiated a deal between Congressional leadership and Republican governors to modify the Contract with America welfare legislation. The crux of the agreement was that welfare funding would be put on a block grant basis with substantial administrative flexibility given to states, but funding levels would be fixed for five years, with no possibility of increases. Beyond this, many of the more contentious issues were left undecided: among them, family caps, treatment of teenage mothers, and the nature of time limits and work requirements. Even so, all parties were sufficiently satisfied with the outlines of the agreement to move ahead in crafting actual legislation.

Once the legislative process began in earnest, Governor Thompson and his staff remained heavily involved by suggesting general principles for the Republican governors to modify the Contract with America welfare legislation. The crux of the agreement was that welfare funding would be put on a block grant basis with substantial administrative flexibility given to states, but funding levels would be fixed for five years, with no possibility of increases. Beyond this, many of the more contentious issues were left undecided: among them, family caps, treatment of teenage mothers, and the nature of time limits and work requirements. Even so, all parties were sufficiently satisfied with the outlines of the agreement to move ahead in crafting actual legislation.

As a draft bill emerged from the Human Resources Subcommittee of the Ways and Means Committee, the stamp of the Republican governors was noticeable. Whereas the Contract version of the Personal Responsibility Act had made block grant funding an option available to individual states, the version negotiated with the governors made block grants the funding mechanism. Where the earlier version required a family cap on benefits, the version negotiated with the governors permitted state funding of benefits for additional children (though it still prohibited federal funding of such benefits). The earlier legislation had established minimum weekly hour requirements for work activity participation and had applied such requirements to 50 percent of the caseload by 2003. The governors’ version had no minimum hourly requirements and stipulated that only 20 percent of the caseload would eventually have to work. The earlier version had no exemption to the five-year lifetime benefit limit. The governors’ version included a 10 percent hardship exemption.

As the venues of legislative consideration expanded – first to the whole Ways and Means Committee and next to the House floor – the number of interested parties and divergent opinions also expanded. This meant that Republican governors had to accept some changes in the House legislation in order to hold Congressional Republicans together, and hope that they could achieve reversals in the Senate. Foremost among these was a reversion to the stricter and more explicit work requirements in the original Contract bill. The governors managed to negotiate a credit against these requirements for caseload reductions, an important concession.

As it became clear that the House would pass welfare reform legislation, Republican governors began turning their attention to the Senate – in particular, to Senator Bob Packwood’s Finance Committee, which would mark up any reform bill. Once again, the governors pushed a block grant approach, though one without some of the more onerous mandates of the House legislation. As they had on the House side, key Republican governors, including Tommy Thompson,
worked closely with Packwood, other key Senate Republicans, and their staffs to craft the actual legislative vehicle.

When that legislation emerged from the Finance Committee, it did so in a form largely to the governors’ liking. The legislation would be financed through block grant funding, as with the House legislation. It defined work activities more broadly than had the House legislation and contained no language on family caps or prohibition of cash benefits to some teen mothers, as had the House bill. Furthermore, it increased to 15 percent the House’s 10 percent hardship exemption on the five-year time limit.26 (The hardship exemption was later boosted again, to 20 percent, in a revised version of the bill.)27

The legislative history from the House side also repeated itself as the bill moved on to the full Senate. With a wider variety of interests to be satisfied and sharp disagreements between conservative and moderate Republican senators, the governors lost some of the ground they had made up in the Finance Committee. Most significantly from the governors’ perspective, the bill that passed the Senate included an 80 percent “maintenance of effort” provision, requiring them to maintain state funding levels for public assistance at least 80 percent of previous state spending. A family cap amendment to the Finance Committee bill also passed, but it made such caps an option for states rather than a requirement.27 The governors undoubtedly would have been happier without these provisions, but the heart of the legislation — block grant funding with greatly enhanced state flexibility — remained intact.

Upon passage of the bill in the Senate, the milestone reform legislation from both chambers moved to conference committee. Reconciliation of the two bills took more than three months. In general, conference committee participants sought to find a middle ground between the two chambers’ bills. The time limit exemption, for example, was set at 15 percent—dead even between the two bills. Furthermore, on the contentious family formation issues promoted by conservatives, states were left to choose whether or not to deny benefits to teen mothers, but they would be required to impose a family cap unless the state legislature explicitly voted not to.28

After ironing out their differences on these and many other provisions, the House and Senate sent the conference bill to President Clinton for his signature on two separate occasions. In December of 1995 it was included as part of the budget reconciliation bill submitted by Republicans, which Clinton vetoed, notoriously resulting in a government shutdown.29 Republicans then separated the welfare bill from the rest of the budget package and resubmitted it to Clinton as freestanding legislation. Saying he objected to changes the bill made to the Food Stamp program, the school lunch program, and immigrant welfare benefits, the president once again vetoed the legislation.30

The Third Time’s a Charm

The Republicans had made welfare reform a central piece of the 1994 Congressional campaign, and had worked diligently in the first session of the new Congress to make it a reality. But two consecutive Clinton vetoes left them dispirited, with a universally disliked status quo, and no consensus on where to turn next.

Still, an important change was taking place among the nation’s governors. Through the first session of the new Congress, the governors had been unable to speak with a single voice on the subject of welfare reform, largely because National Governors Association policy statements had to be approved by three-quarters of the nation’s governors. After 1994, though, Republicans controlled only 30 of the 50 governors’ offices. Furthermore, Vermont Governor Howard Dean, chairman of the NGA, was a vocal opponent of Republicans’ welfare reform ideas.31

In August of 1995, Tommy Thompson took over as chair of the NGA. Thompson believed that if the nation’s governors, Democrats and Republicans, could unify behind a set of welfare reform principles then perhaps Congress and the White House would follow their lead. Governor Thompson, of course, had his own incentive for brokering such a deal. By helping to shape a federal reform to his liking, he could ensure the acceptability of his W-2 program to the federal government, which was well advanced in the development process by late 1995. Like all of the other governors, Thompson faced significant budgetary impact from any potential changes to AFDC and Medicaid. If the governors could help broker a deal, it would make their own state budget pictures far more predictable and most likely more manageable.32

In an interview with Margaret Warner on the “McNeil-Lehrer News Hour,” Thompson explained the

25 Ibid., pp. 301, 2.
26 Ibid., p. 317.
27 Ibid., pp. 310-313.
28 Ibid., p. 320.
29 Ibid.
30 Ibid.
31 Ibid. p. 267.
32 Ibid., p. 321.
issue this way:

...welfare, Medicaid, and employment and training...comprise about 43 percent of our total budgets, and what’s going to happen if Congress and the president do not get their act together and reconcile their differences and pass an appropriation bill on these subjects, state governors, legislators, are going to have to live under the same rules and regulations, the same dictates from Congress in Washington with less money, and it’s a recipe for disaster, Margaret. We can’t really comply with the law.\textsuperscript{33}

Though the governors had a vested interest in reform favorable to them, earlier efforts at agreement had been undermined by political considerations. Democratic governors did not want to support the kind of legislation Republican governors had helped Congressional Republicans to craft. To do so would have been to poke their president in the eye. This left Republicans in the position of having to work with Congress through the Republican Governors Association—an effective vehicle but obviously a partisan one. This was not Thompson’s preferred mode of operation, however. According to a former Governor’s Office staffer,

Governor Thompson is a great believer in bipartisanship. This is the way he had worked on welfare issues in Wisconsin. He thought there was no way we were going to get these bills passed without significant Democratic support. So he brought everyone together at the NGA meeting.

At the February 1996 winter meeting of the NGA, Thompson determined to find a middle ground on welfare reform with which a super-majority of governors could agree. Committed to this idea, he and a handful of other Democratic and Republican governors—not their staffs but the governors themselves—cobbled together the outlines of an agreement. They agreed, for example, that welfare and Medicaid should be funded through block grants. These grants should substantially enhance state freedom and flexibility with respect to how the money would be spent. They agreed that they needed an additional $4 billion for child care and a substantial contingency fund to help states address increasing costs in times of economic hardship.\textsuperscript{34} They agreed that states could afford to maintain welfare spending at least at 75 percent of previous state expenditure levels.\textsuperscript{35} They agreed on a five-year time limit for receipt of benefits by any given family, with somewhat greater exemptions for hardship cases than had been in the congressional conference bill.\textsuperscript{36} They agreed that the federal entitlement to welfare should end, and that states should have the option to enact family cap provisions if they chose to.\textsuperscript{37} They agreed to the work requirements in the previous conference bill but with a “discount” applied to the work participation requirements in direct proportion to welfare caseload reductions.\textsuperscript{38}

Having set out to achieve a bipartisan consensus on welfare reform at the NGA meeting, Thompson succeeded beyond his wildest dreams. The package was approved by all 50 governors.

The NGA proposal helped ease the stand-off between President Clinton and Congress in two ways. First, it showed that constructive bipartisanship on the issue of welfare reform was possible. If all 50 of the nation’s governors, Democrats and Republicans, could agree on the basic outlines of reform, surely Congress and the president could do the same. Second, the agreement among the governors communicated a sense of urgency that something had to be done, and soon.

Having sparked a return to the bargaining table in the House and Senate through his NGA deal, Governor Thompson was concerned that a bipartisan bill not be watered down to the point of meaninglessness. He and his staff wanted to be sure that where some in Congress might want to say that states “may” or “can” do something, the legislation would in fact say that they “must” and “will” do it. According to Rogers, “Everywhere we could, we pushed for things being required,” rather than simply being allowed.

This approach reflected Thompson’s belief that too often in the past, welfare reform legislation had been designed as if the 15 percent of the welfare population with the greatest barriers to self-sufficiency were the entirety of the population. In the case of the federal legislation, ultimately known by its “PRWORA” acronym\textsuperscript{39}, the governor sought a reversal—policy should...

\textsuperscript{33} “Compromising Position,” Transcript of Margaret Warner Interview with Governor Tommy Thompson of Wisconsin and Governor Bob Miller of Nevada, McNeil-Lehrer New Hour, February 6, 1996.

\textsuperscript{34} Neil R. Peirce, “Governor’s: America’s Surrogate Summit?”, February 18, 1996.


\textsuperscript{36} Weaver, Ending Welfare, op. cit., p. 321.

\textsuperscript{37} “After 60 Years, Most Control Sent to States,” 1996 Congressional Quarterly Almanac, pp. 6-4, 6-5.


\textsuperscript{39} Personal Responsibility and Work Opportunity Reconciliation Act of 1996; available through the Washington Post Writers Group.
be tailored to the other 85 percent; exceptions then could be made for the 15 percent of welfare recipients for whom the new law was not a good fit. Driven by this belief, the governor and his staff argued for a handful of basic “thou shalt” (and “shalt nots”) to require of the states, rather than policy options. The tenets they established were work requirements, time limits, and the end of individual entitlement.

Thompson and his team were also wary of the federal government getting too specific in terms of requirements. While seeking language that would require states to follow certain policy directions, Thompson did not want the federal government telling states exactly how those directions should be followed. His team sought the maximum flexibility possible and the minimum of “special permissions” required of the federal government before a state could pursue a specific policy innovation. The no-nonsense Rogers described the basic negotiating posture this way: “Give us general directions and general ‘you wills,’ and then get out of our faces.”

As actually introduced, the Republican bills in the House and Senate linked welfare and Medicaid reform—something Democrats and President Clinton had warned against. They also cut about $10 billion dollars more from program budgets than the nation’s governors had supported. With the fall election only six months away, congressional Republicans began to get nervous. Having recently emerged from the debacle of the government shutdown, polls showed they might lose Congress to the Democrats. If they failed to pass welfare reform again, they were subject to the charge of being a do-nothing Congress. And if they did, in fact, lose the House and Senate, they would also lose their opportunity to reform welfare largely on their terms. Recognizing these risks, Republicans chose to play it safe by separating Medicaid reform from welfare reform thus dramatically increasing the chances of a presidential signature.

The Republican maneuver set off alarm bells among many in Washington, who now saw new welfare legislation as imminent. Opponents of such reform mobilized by urging a presidential veto of the bill that was soon to emerge from Congress. The Urban Institute, a left-leaning think tank based in Washington, D.C., went so far as to estimate that 1 million children could fall into poverty as a result of the new legislation. The president, however, was sufficiently satisfied with the bill’s provisions that he announced he would sign the bill. And on August 22, 1996, he did.

Conclusion

The president’s decision to sign the bill displeased left-leaning advocacy groups and their friends in the administration. In particular, three of Clinton’s own top welfare officials – former aide to Bobby Kennedy, Peter Edelman, Clinton’s welfare reform working ground co-chair Mary Jo Bane and Wendell Primus – resigned their positions at the US Department of Health and Human Services in protest. The bill was a mixed blessing for President Clinton and his rival for the presidency, Bob Dole. In the former case, the president had made good on his promise to “end welfare as we know it,” but he had done so to the dismay of many of his more liberal supporters. Bob Dole, on the other hand, could claim partial credit for the legislative success since he served as Senate Majority Leader for much of the time the issue was taking shape. With the passage of the legislation, however, Dole had lost an important issue to use against Clinton in the fall general campaign, a campaign in which Dole already had precious little leverage against a popular incumbent.

Thanks to his success in designing the original model and then brokered the deal among all 50 governors, Tommy Thompson’s popularity hit new heights. Because of Wisconsin’s history of innovation and success in welfare policy, he had given Congressional Republicans confidence that a major, devolutionary welfare reform was both desirable and possible. Thompson, his staff and the nation’s Republican governors, contributed significantly to the substance of the GOP’s reform legislation. They had provided a source of expertise that was otherwise unavailable within the party. Finally, Governor Thompson had brokered a welfare deal with the nation’s governors that broke the ice between Congress and Clinton and ultimately resulted in a piece of legislation the president could sign.

What was Thompson’s reward for this accomplishment? With the passage of federal welfare reform, he no longer needed federal waivers to launch W-2. The new federal block grant made it permissible for W-2 to be implemented immediately, the crowning achievement of ten years’ worth of Wisconsin welfare reform.