

## Welfare Reform in North Carolina: A Condensed Chronology

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This abbreviated chronology of "welfare reform" serves multiple purposes. First, it places North Carolina (NC) responses to P.L. 104-193 in the broader context of changes in children's and social service(s) programs in the State. Second, it identifies the presence and participation (or absence thereof) of prominent actors and policy makers in State-local decision-making. Third, it locates sequentially many of the more important choices made by the State in response to National as well as local actions. In reviewing and assessing the events below it is important to keep in mind a major and fundamental feature of the North Carolina delivery system for human services. The State functions under a state-supervised but locally administered system of social programs and services. The best and most concise description of these arrangements is found in, Janet Mason and John Saxon, "Social Services," in C. D. Liner, (ed.), State Local Government Relations in North Carolina (2nd ed.), Chapel Hill: Institute of Government, 1995, pp. 199-222.

### 1992

November 92: James B. Hunt, Jr. elected governor for the 3rd time. (Previously elected, under two consecutive term limit, in 1976 and 1980.) Prominent in campaign were children's issues, especially pre-school age concerns: day care, pre-school education, child health and development, support services for families.

### 1993

March 93: NC Department of Human Resources (C. Robin Britt, Sr., Secretary), issues report "Services for Preschool Children in NC--An inventory of Local Services."

February-  
June 93

"Long" session of the general Assembly enacts, after considerable debate, the Governor's "Smart Start" Program (G.S. 143B-168.12e). The official title of the new statutory section is, Early Childhood Initiatives. Democrats control both houses of the General Assembly: Senate, 39-11; House, 78-42.

July 93: NC Department of Human Resources, publishes "Smart Start: Request for Applications;" 89 out of 100 counties apply to be demonstration sites. Program guidelines emphasize popular themes of (a) devolution and (b) public-private partnerships. State statute creates the North Carolina Partnership for children, a private non-profit corporation charged with coordinating the activities of local demonstration projects. For most practical purposes the Partnership was a fund-raising and public relations and information organization. State funding was \$14.2 million, with expectations that local matching (from both private and public sources) would double this amount.

Number of families on welfare (AFDC) stands at 126,000 (approximately).

October 93: Twelve counties selected as "demonstration sites." Short-Term plans for fund usage(s) expected by December.

December 93: Two county Smart Start plans approved by the Secretary of DHR.

#### 1994

January-

May 94: Remaining counties struggle to develop short-term plans acceptable to DHR. Numerous problems arise in connection with plan approval(s) by DHR, e.g. violation(s) of state laws on fund usage for construction projects, purchase of mobile health units. Complexity also produced complications, with each of the 12 counties proposing roughly 30 projects. DHR review/evaluation staff consisted of only two persons.

January 94: Legislative oversight of Smart Start begins--Legislative Committee on Early Childhood Education and Development Initiatives. Initial review and reports from administrative officials are positive, even rosy.

March 94: Second legislative oversight hearing. Criticisms of Smart Start on both substantive and procedural grounds emerge. DHR pushed into a defensive mode. Division of Child Development involved in approving 400 different contracts for the 12 county sites.

Families on State welfare rolls (AFDC) stands at 128,349.

May 94: Significant administrative changes made in Smart Start. Prohibitions on (a) capital outlays and (b) supplantation of county-level funds for children and families. Deletion of administrative language assuring "maximum flexibility and discretion" in hands of local Smart Start partnerships.

July-

October 94: Long-Term Plans for Smart Start in development stage. DHR specifies some "Must-Have" components of Long-Term Plans. What had previously been a "local autonomy" policy stance under a block grant program takes on strong(er) central (Raleigh) control features.

November 94: DHR develops and distributes "Policies and Procedures" manual for local officials' guidance in conducting Smart Start program(s).

Legislative elections! In keeping with national trend(s) Republicans make large gains in General Assembly. Republicans gain control of the House by substantial margin (68-52) and nearly the Senate (24-26). Political climate changes dramatically.

1993-1994: Prominent implementation theme of Smart Start. "From the local perspective, the fact that there was no program handbook to provide definitive administrative guidance until the program was almost two years old was a sign of incompetence rather than of respect for

local autonomy." (C.W. Awsumb, "The Instability of Local Autonomy in Intergovernmental Grants: The Case of North Carolina's Smart Start Initiative," M.A. thesis, Department of Political Science, 1996, p. 43.)

### 1995

January-  
July 95:

Tumultuous General Assembly session. Smart Start is a prominent legislative "Whipping Boy," primarily but not exclusively from Republicans. Signs of potential "devolution" from Republican-dominated U.S. Congress generates NC legislative assertiveness, especially against the governor Hunt who is up for reelection in 1996. Also, welfare/social service programs come under the legislative "gun." Smart Start expanded to 30 counties and funding support increased, mostly through increased local and private matching fund requirements.

June 95:

Families on State welfare rolls (AFDC) stands at 113,485.

Finances 1996-95: The intergovernmental funding features for public assistance and social service programs vary widely across different programs in North Carolina. On an aggregate and statewide basis for seventeen programs in the fiscal year 1994-1995, total outlays were slightly over \$4.2 billion. Of this amount the respective national, state, and local (County) funding proportions were: 67%, 25%, and 8%. In eight (8) of those programs, however, counties alone provided 100% of all non-federal funds--see attached table.

July 95:

In response to the changed political setting, and for other reasons, Governor Hunt launches "Work First." This program was described as a: "comprehensive, statewide approach to moving families from welfare to work," and as "Governor Jim Hunt's welfare reform initiative." ("Work First State Plan, 1997-1999," N.C. Department of Human Resources, Raleigh, NC, April 8, 1997.)

August 95:

NC Local Government Partnership Council (executive branch body of state-local officials) appoints a Human Services Task Force to start development of a "state plan" when it appeared that a federal welfare block grant would soon become a reality. Task Force composed of 80 persons: legislators, county officials, low income persons, former welfare recipients, advocacy groups, non-profit representatives, and persons from religious bodies. Task Force meets episodically over the next 8-10 months.

November 95:

NC Association of County Commissioner's presents policy statement to the Human Services Task Force on "Issues Related to Welfare Reform." The issues include: funding (parity), statewide uniformity, outcome (rather than process) measures, equity (across counties), economic development initiatives, program administration (management information, program simplification, and regionalization), and municipal involvement.

1996

January 96: NC Association of County Directors of Social Services, "Blue Ribbon" Committee on Block Grants produces report: "Critical Issues in Block Grant Implementation." (4 pp.). Report addresses issues involving National Block Grant Programs in NC but contains extensive attention to State-County administrative and policy relationships.

February 96: NC submits Work First state plan requesting U.S. DHHS waiver. Waiver approved and takes effect 1 July 1996. Waiver allows NC to pursue Work First with federal funds at the higher "capped" level under the legislation that ultimately passed (PL 104-193).

May 96: Suggested reorganization of the DHR indicated in a report by Legislative Fiscal Research Division. Report reflects legislative dissatisfaction with the organization, management, and effectiveness of DHR. Report is a stimulus to the creation of Legislative Study Commission on the Reorganization of DHR. Commission (of 16 public and private leaders) engages KPMG consulting firm for a management and organization study of DHR.

June 96: Number of families on welfare (Work First) stands at 101,000 (estimated).

July 96: General Assembly adjourns after contentious but less tumultuous session. Also creates a Legislative Study Commission on Welfare Reform.

August 96: 22 August 1996. Clinton signs Welfare Reform--Personal Responsibility and Work Opportunity Act of 1996.

September 96: NC Human Services Task Force expanded to include nearly 200 persons. 14 work groups created to develop long-term plan for Work First in NC. Groups are:

State/County Relations	Legal Issues
Work & Benefits	Housing
Health Care	Child Support
Transportation	Automation
Fraud & Abuse	Community Involvement
Budget	Organizational Development
Child Care	Mental Health & Substance Abuse

Clear two-track approach to welfare reform: (1) executive branch--Human Services Task Force, and (2) legislative branch--Legislative Study Commission.

Appointment of 12-member Legislative Study Commission.

October-  
December 96: Legislative Study Commission meets several times in quasi-hearings around the State. Receives varied inputs, but strong local (county) voice(s) on behalf of local autonomy in administering welfare programs.

November 96: State-Wide Elections.

Hunt reelected governor for fourth term. Democrats increase margin of control in State Senate (30-20). Republicans retain control of House by the narrowest of margins, 61-59.

December 96: Additional meetings of Legislative Study Commission (in Raleigh). Top-level DHR staff appear before the Commission. Informational matters as well as substantive policy questions produce friction between legislators (especially House representatives) and administrators.

#### 1997

January 97: General Assembly convenes in a temperate mode, helped by projections of a strong State economy and relaxed revenue constraints. Unemployment below 4% and issues center around what to do with new or discretionary money (\$500 million) in the State's \$11 billion General Fund budget.

New Secretary of DHR (David Bruton) assumes top position.

March 97: Governor (Hunt) proposes (and Senate Bill 352 introduced) to create block grant program of welfare assistance. It grants to counties the flexible and discretionary use of funds previously earmarked for day care, transportation, and job training. Lump sum allocation(s) to counties. The recipient (counties) side of the "bargain" would be, "in exchange for the new flexibility, local officials would be held responsible for reducing welfare rolls in their county." (News and Observer 5 March 1997--John Wagner, "Hunt Plan Would Let Counties Run Welfare." Eligibility requirements and benefit levels would remain State-determined and uniform across the State.

KPMG consulting report delivered to the Study Commission on DHR Reorganization. Report titled: "A Culture of Collaboration: Reorganizing the North Carolina Department of Human Resources." Executive summary (24 pp.) highlights the following major recommendations for "The DHR of Tomorrow." (These are section headings from pp. 16-24 of the report.)

- DHR must fundamentally change its role as a regulatory and program management agency.
- Counties should be allowed to fashion a human services delivery structure that meets local needs and conditions.
- DHR must reorganize itself in ways that promote integrated program policy, partnerships with local service deliverers, and an outcomes-based approach to measuring results.
- Develop a focused mission that is clearly understood by all players in North Carolina's human services delivery system.
- Coordinate services internally to model an integrated approach to service delivery.
- Remove program silos by restructuring around functions, rather than programs.

- Align related services along functional lines through the creation of five divisions.
- Create a local services coordination unit that provides a "single face" of DHR to the state's service providers.
- Develop an information technology infrastructure that supports the state's entire human services delivery system.
- Create a DHR "to-be" Organizational Model that reflects the principles and structures incorporated in the recommendations in this report.
- Toward a Culture of Collaboration: A Plan of Action.

Full KPMG report is 175 pages with eight-appendices adding another 125 pages.

May 97: House Republicans propose "true bottom-up solution" for North Carolina welfare implementation. House legislation includes block grant elements of Senate bill but allows both eligibility determination and benefit levels to be set by the county commissioners in each of the 100 counties across the State. Counties could also set shorter or longer eligibility time limits (apart from the two-year State limit) and decide to lift the "family cap" (for additional children) currently in State regulations.

Criticism of House bill comes from several sources: (1) executive director of the North Carolina Association of County Directors of Social Services, (2) Secretary of DHR, David Bruton, (3) Assistant Secretary of DHR (for welfare policy), Peter Leouis, (4) some Democratic House members, (5) a few county commissioners, and (6) the Raleigh News and Observer, in both editorials and cartoons.

The House welfare reform bill, termed "radical" by a few critics, is incorporated into the House of Representatives budget bill where differences with the Senate would subsequently be negotiated. Passed by House in July.

Number of families on welfare stand at 91,500 (estimated).

June-July 97: Controversy continues over House and Senate legislative approaches to state-local implementation alternatives. Debate reaches strident policy and even personal levels.

Number of families on welfare in the State continues to decline to an estimated 85,000 (as of 1 August). North Carolina decline in caseloads for the 15 months from early 1996 to mid-1997 is 14%, slightly below the U.S. average of 15%. This decline, however, is substantially below the 23% drop for Southeastern states, especially, compared to declines in Tennessee (34%), South Carolina (29%), Georgia (23%), Florida (22%), Mississippi (22%), Virginia (22%), and Alabama (18%).

Across counties within the State two-year (1995-1997) caseload declines vary widely, from

a high of 48% (Dare County) to a low of 7% (Durham County). State wide drop over the two years is 24%, from 112,000 families to 85,000.

General Assembly passes reorganization legislation altering the administrative structures of the Department of Environment, Health, and Natural Resources, as well as the Department of Human Resources. All but a few public health functions are transferred to a renamed Department of Health and Human Services (DHHS).

August 97: General Assembly remains officially in session but in recess for one month while House and Senate negotiators (in conference committee) attempt to resolve major differences between House and Senate budget bills. The major issue stalemating adjournment is the sharp difference between House and Senate approaches to welfare implementation. For at least two weeks the impasse continues and is centered around the number of counties which will be allowed to be pilot or experimental counties following the House approach.

Prominent media (chiefly press) coverage of impasse. Several front page articles include: "Welfare Negotiations Snag on Number of Pilot Counties," John Wagner, News and Observer (14 August). "Welfare Accord Elusive," John Wagner, News and Observer (25 August). Editorials include: "Even One is Too Many," News and Observer (20 August).

Settlement finally reached on welfare implementation, ending longest legislative session in State's history. Compromise involves complex approval scheme that permits counties whose welfare rolls which, in the aggregate, total up to 15.5% of state-wide caseload, to "elect" to follow the House bill approach. Counties must declare intention to "elect" to operate own welfare program by 31 October 1997, submit county plan by 1 February 1998 to DHR (now renamed DHHS), DHHS recommends "electing" counties to the Joint Legislative Public Assistance Committee, which in turn recommends the approved counties to the General Assembly for confirmation.

General Assembly adjourns. Many observers concur in the view that the politics, policy, and administration of welfare reform in North Carolina have only just begun--perhaps are at "the end of the beginning."

Two prominent sets of non-players in the House-Senate controversy were: (1) the Governor and top DHHS executives and (2) county commissioners, both as individuals and through the NCACC.

October 97: Secretary Dr. (M.D.) David Bruton announces internal restructuring of the new DHHS. Only modest internal shifts occur under the Assistant Secretary for Human Services and Education Policy (Peter Leousis).

Counties begin to make decisions on whether to become "elect" counties operating their own Work First programs, or whether to operate as a "standard" county. Initial indications are that about 20 counties (mostly in the western part of the state) may file as elect counties. Only one county (New Hanover) contains as much as 2 % of the total state caseload and the aggregate caseload proportion for the prospective elect counties is 15-16%. All counties must file their intent by 31 October and can shift from elect to standard as late as 15 January

1998.

*Addendum*

November 97: Twenty-seven counties notified the DHHS of their intention to be “electing” counties. The *Conference on Poverty* was contracted to assist these counties with the formation of their county plans.

September 97-  
January 98: All counties (electing and standard) participate in a state directed county planning process.

1998

February 98: 1 February 1998. County plans are due and submitted to DHHS for review and feedback.

February-  
March 98: State-level peer-review process for all county plans. The electing counties received a separate and more detailed review – with numerical scoring. (Research Associations note that we will be sending you these review criteria.)

March 98: DHHS review process finds (potential) legal problems in all 27 county plans – ranging from small to large infractions. For example, the reviews found potential legal problems in mandatory family planning, mandatory drug screening, and voluntary sterilization. The plans were returned and counties had approximately one week to make any changes before submitting their final draft.

17 March 1998. DHHS accepts county plans and makes its first go around of recommendations concerning the merit of each “electing” county’s plan. According to the News and Observer that list is (in order of DHHS preference):

Counties Recommended

1. Craven
2. Macon
3. Caswell
4. Chatham
5. Transylvania
6. Polk
7. Cabarrus
8. Davie
9. Surry
10. Henderson
11. Davidson
12. Randolph
13. Caldwell
14. Forsyth

15. Cherokee
16. Wilkes
17. Alamance
18. Lincoln

Counties Initially Rejected

19. Catawba
20. Rutherford
21. McDowell
22. Iredell
23. Sampson
24. Stokes
25. New Hanover
26. Moore
27. Mitchell

April-

May 98: Electing counties make necessary changes to plans. Mitchell and Cabarrus remove themselves from the “electing” list.

DHHS approves all 25 electing county plans (constituting nearly 20% of the state-wide caseload) and forwards these recommendations on to the General Assembly. [**PLEASE NOTE:** the county rankings (listed above) did significantly change; for example, Catawba jumped to near the top of the list of DHHS’s final recommendation]

May-

October 98: General Assembly Meets.

October 98: General Assembly decides to pick “electing” counties by lottery. Each of the 25 counties desiring “electing” status were placed in a hat and the House Sergeant-at-Arms drew county names until the state-mandated limit of 15.5% of all state-wide welfare cases was reached. This random-draw process was supervised by Representative Cherie Berry (Catawba County) and Representative Julia Howard (Davie County). Ironically, Representative Berry’s county, Catawba, was one of the four counties not selected. Both the media and Senate Democrats criticized this method of selection. Representatives Berry and Howard defended the selection mechanism. According to the News and Observer, the following counties were selected: (Research Associates please note that we are still waiting final and absolute confirmation of this list).

Counties Selected

1. Rutherford
2. New Hanover
3. Davie
4. Randolph
5. Polk
6. Caswell
7. Lincoln
8. Sampson
9. Forsyth
10. Wilkes
11. Henderson
12. McDowell
13. Cherokee

14. Chatham
15. Stokes
16. Alamance
17. Surry
18. Iredell
19. Caldwell
20. Macon
21. Transylvania

Counties Not Selected

1. Moore
2. Craven
3. Catawba
4. Davidson

1999

Summer 99: DHHS puts together a “WorkFirst Report Card.” This report ranks all North Carolina counties in several categories related to welfare reform, including -- increasing self-sufficiency, putting recipients to work, limiting benefits, promoting personal responsibility, and protecting children. For more information, visit:

<http://www.dhhs.state.nc.us/docs/factsh.htm>  
<http://www.dhhs.state.nc.us/docs/reportcard.htm>.

2000

January 00: Number of families on welfare stands at 48,762.

February 00: Number of families on welfare stands at 47,349.