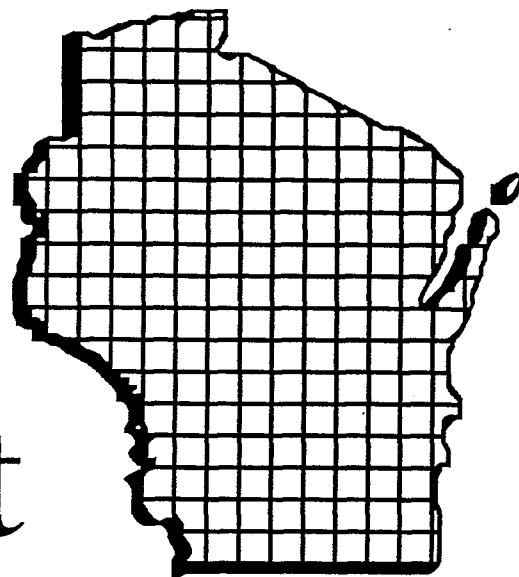


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Report



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**PRIVATIZING  
WELFARE IN  
BROWN COUNTY,  
WISCONSIN**

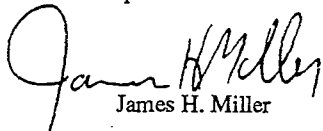
## Report from the Executive Director:

Over the past several years, one of the major public policy debates in this country has been how to restructure our welfare system. The point of much of this discussion was in restructuring the current programs. There has been no attention paid to the actual administration of welfare programs. That is why this particular study of general assistance in Brown County, Wisconsin has important relevance to the national debate on welfare reform.

In Brown County the policies that were initiated for the administration of general relief are a unique public-private relationship; one where government said to a private institution that you will basically take over the administration of an important welfare program. It is fair to point out that this particular project is best described as quasi-privatization. The Housing Allowance Office of Brown County, which was contracted to do this project, is a private nonprofit organization. The results have been savings not only in the administration of general relief, but also in the actual program costs for general relief. The explanation for these savings is the people who were administering welfare were not interested in becoming advocates for the poor, rather, their only priority was in funding individuals who were legally eligible for welfare. In addition, they were able to set up administrative guidelines that made for better business practices than the existing structures that preceded them. This raises a very interesting issue in terms of the administration of welfare, not only in Brown County, but across the country. Should the people who administer welfare also serve as advocates for the poor? In other words, should their major priority be in servicing existing government contracts, or should they be out lobbying for additional funds for their constituency?

I mention this because a recent report from Northwestern University indicated that in a comprehensive study of Cook County, Illinois, only 35% of the billions of dollars spent on poverty programs directly reached poor people. The advocates for the poor receive a much larger percentage of funding than the people for whom it was intended. What exists in this country is a large service and delivery system which benefits when budgets are raised for welfare programs. This leads to the interesting question of whether we can ever make structural policy changes in welfare without including structural changes in who administers welfare programs. Brown County may be small by national standards but it still ranks as the fourth largest county in Wisconsin, out of 72 counties.

This report adds to the welfare discussion of who should administer welfare programs in the future, even if there is extensive welfare reform? Should it be the existing bureaucracy and service providers, who in many instances profit from the existing system, or should it be non-advocacy groups whose only interest is administering welfare programs to the poor who are qualified to receive them?

  
James H. Miller

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### PRIVATIZING WELFARE IN BROWN COUNTY, WISCONSIN

by

Daniel J. Alesch, Ph.D.

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**PRIVATIZING WELFARE IN  
BROWN COUNTY, WISCONSIN**

**by**

**Daniel J. Alesch, Ph.D.**

## EXECUTIVE SUMMARY

This is a case study of privatized general relief administration. The privatization program, which may be the first of its kind in the United States, was undertaken by the Brown County, Wisconsin, government. It contracted with a private, nonprofit organization to administer the general relief program in a unique public-private relationship. The effort resulted in special benefits for the people of Brown County.

Brown County's privatized general relief program is more cost-effective than the programs it replaced. Administrative costs were cut almost in half the first year following privatization and have been reduced still further. Approximately 70 percent of the savings in administrative costs can be attributed to greater efficiency; the remaining 30 percent is attributed to the state-mandated program changes.

Benefit levels for individual recipients increased, but total benefit payments declined following privatization. Part of the reduction in total payments is because a work requirement reduced program participation, but substantial savings resulted from ensuring that recipients did not receive benefits beyond their eligibility.

Program quality did not suffer, but rather was enhanced, as a consequence of privatization. The privatized County program has more clearly defined rules and more uniform eligibility determination and payment levels than the programs it replaced. Recordkeeping for individual client cases is simpler and more uniform. Program paternalism has been reduced: the County's privately administered program places more responsibility on the program participant to make appropriate choices.

Some argue that the County's program has lost its flexibility and that the program is not an advocate for the poor. Others find these features a virtue, arguing that previous programs in the County were sometimes arbitrary and capricious.

The Brown County model might best be characterized as quasi-privatization. The relationship that has developed features a tradition of trust, confidence, and respect between the County Social Services Department and the nonprofit administrative organization; clear distinctions between administration and policy making; and a commitment by the nonprofit organization to return its earnings to the community. The nonprofit organization actually ran efficiently enough over the full range of programs it administers to enable it to use its resources to build new housing for physically handicapped persons requiring live-in attendants. The organization also bought several houses no longer fit for occupancy and razed them to remove them from the housing market.

The Brown County program suggests a model that can be replicated in other jurisdictions for a variety of programs. The model features a nonprofit organization committed to community service, contracts for the nonprofit organization to administer a variety of programs, collaborative relationships between local government agencies and the nonprofit organization, and dedication on the part of local government and the nonprofit organization to cost-effective program administration.

The Brown County model has produced substantial savings while retaining political responsiveness and responsibility. Privatization has allowed local government to initiate new

programs without adding staff or providing space. Private organizations can adjust staffs and work assignments to meet current needs, providing County programs with continuity, efficiency, and consistent quality.

## INTRODUCTION

There is growing national concern about both the conceptual underpinnings and the administration of the nation's social welfare programs. Many would argue that the current array of social welfare programs does not provide an effective safety net. If there were an effective net, there would not be hundreds of thousands of homeless and hungry people in the United States. Nor have America's public assistance programs done much to curtail the formation of a permanent American underclass. There is a growing class of people who tend not to share traditional values, who have little prospect for meaningful employment or personal development, and whose culture of poverty spans generations.

There must be a thorough, fundamental rethinking of public policy objectives and approaches to social welfare in the United States. We need significantly different approaches for income transfer, for creating effective safety nets, and for halting and reversing the growth of the permanent underclass.

If we are able to conceive and to create fundamentally new and effective public assistance programs, we must also devise effective ways to administer those programs. Perhaps privatization has an appropriate role in administering both new and existing programs. It is important to learn the extent to which there are benefits to increased privatization, but to do so requires evaluating carefully any experiences we have that will help us judge.

It is easy to be too simplistic about issues surrounding privatization and about the extent to which it might be beneficial in welfare administration. It is not enough to ask whether privatization is less costly than administration by public agencies. One must learn what kinds of benefits can and cannot be derived from privatized delivery, as well as the conditions under which those benefits might be realized.

Privatization, the use of private organizations to carry out public functions, can take many forms. Government may retain considerable control over the form and substance of programs, contracting with private firms to administer carefully defined programs with very little discretion about program administration and subject to considerable policy control. At another extreme, there are situations in which private firms simply perform a function previously performed by government, subject only to general regulatory policies. Mortgage insurance is a classic example. Once provided only by the federal government, mortgage insurance is now dominated by the private sector. Between these two extremes are any number of alternative arrangements, including public-private partnerships and the unique arrangement that has developed in metropolitan Green Bay, Wisconsin, over the past 15 years.

Much has been said about what might be gained or lost by privatizing various public programs. Most of what has been said is speculative, asserted, or hypothesized by persons with little or no actual experience with privatization. Some have hypothesized that increased privatization would be beneficial. Others have hypothesized just the opposite. Hypotheses about the effects of privatization often reflect ideological perspectives.

Those who support increased privatization sometimes argue that private firms are inherently more efficient at administering programs than are government agencies. The profit motive, they argue, is what drives organizations to seek efficiency; take away competition and profit, and efficiency

suffers. Supporters of this view would say that using private firms to deliver public services is a way of reducing governmental costs.

One might even argue that private firms may be even more effective than public organizations in administering public programs, partly because of dysfunctional work rules imposed by public employee unions. The argument is that government officials do not drive hard bargains with public employee unions because they are able to pass the costs on to taxpayers--there is no "bottom line" to worry about. Elected officials seek re-election, not cost-effective government; the argument is that they are likely to make concessions to unions because union members actively seek to affect election outcomes. Private firms, it could be argued, have considerably greater flexibility in matters that affect productivity, including organizational structure, work rules, job definition, and new technologies. The greater flexibility means not only increased efficiency, but improved program effectiveness.

Not everyone shares the view that privatization has major benefits for the public. Some assert that privatization leads to very undesirable outcomes. It has been claimed that privatizing public services is nothing more than an attempt to "bust the unions" and to force down wages of public employees. Private firms, it is argued, are not necessarily more efficient than governmental agencies; they only appear more efficient because they employ inferior staff and pay lower wages than their public counterparts.

Some would argue that private administration results in programs with significantly lower quality than programs administered by governmental agencies. The argument is that, in addition to hiring employees with inferior skills and training, the organizational commitment is to profit, not to meeting the needs of the clientele.

This is a case study of metropolitan Green Bay's privatized general relief program. Metropolitan Green Bay includes the 200,000 or so people who live in Green Bay and the surrounding communities comprising Brown County, Wisconsin. Brown County is at the northern end of northeastern Wisconsin's industrialized Fox River Valley.

Brown County contracted with a private, nonprofit organization in 1986 to administer the County's general relief program, which appears to be the first such arrangement in the United States.

This report addresses the extent to which privatized administration of general relief in Brown County has been successful; and examines the extent to which Brown County's model might be applicable and beneficial to other communities. The report addresses three basic questions. First, did program quality suffer as a consequence of privatization? Second, were administrative and program costs reduced as a consequence of privatization? Third, what lessons can be drawn from the Brown County experience that are applicable to other jurisdictions?

## **SOCIAL WELFARE PRIVATIZATION IN BROWN COUNTY, WISCONSIN**

### **Fifteen Years of Quasi-Privatization**

Over the past decade and a half, Brown County has developed a unique privatization arrangement linking local government agencies and a private, nonprofit Wisconsin corporation. The result is private involvement in administering a variety of public assistance programs. The private organization is the Housing Allowance Office of Brown County, Inc. (HAO). It administers subsidized housing programs, including housing vouchers, Section 8 rental assistance, housing for the elderly, housing for the physically disabled, housing rehabilitation, deferred interest home improvement loans, and self-help housing. The HAO also administers traditional public assistance programs as well, including Wisconsin's low income energy assistance program in Brown

County, a protective payee program (money management for persons requiring considerable assistance), and, most recently, general relief. Careful examination of Brown County's unique experience can help answer the important questions raised above.

### **The Housing Allowance Office of Brown County, Inc.**

The HAO is a nonprofit, nonstock, tax-exempt Wisconsin corporation. It is governed by a five member Board of Trustees composed of local persons active in civic affairs. The HAO already had substantial experience administering public programs under contract to local governments in Brown County when it was selected to administer general relief. The HAO specializes in determining the eligibility of applicants for public assistance and disbursing benefits to program participants.

The HAO was created in 1973 by the Rand Corporation, a California-based nonprofit research organization, to help conduct the U.S. Department of Housing and Urban Development's Experimental Housing Allowance Program. Rand's research objective was to test a full scale, countywide housing allowance program in two medium-sized metropolitan sites, Green Bay and South Bend, Indiana. The program distributed housing allowances (cash grants) to low and moderate income households, provided that the households were able to obtain decent, safe, and sanitary housing.

The HAO served as the program's administrative arm in Brown County and has been under contract with the Brown County Housing Authority since 1974 to administer federally funded countywide housing programs. Program monies for the experiment were funnelled through the County's then newly formed housing authority.

### **Developing the Green Bay Quasi-Privatization Model**

The HAO's Board of Trustees elected not to dissolve the organization when the housing experiment mission was concluded. The trustees decided that the HAO had performed its role in the allowance experiment well and that it should be retained to become a useful tool for local public policy in other areas.

Since 1979, the HAO has developed contractual relations with the City of Green Bay Housing Authority and other local government agencies to manage housing assistance programs. The Brown County Housing Authority and the HAO have worked together to develop the sixth largest housing voucher program in the United States, ranking behind New York City and Los Angeles and the states of Michigan, New York, and West Virginia. While the voucher program is quite small nationally, Brown County has been granted sufficient vouchers to provide assistance to 1400 lower income households.

In addition to administering the voucher program, the HAO administers 1200 Section 8 Rental Assistance certificates for the County Housing Authority. It manages over 200 low income housing units for other nonprofit organizations that have sponsored low income housing projects. The HAO has supervised rehabilitation of more than 600 housing units that have become subsidized units for lower income households and administers several million dollars in deferred-interest home improvement loans for various Brown County housing authorities.

Since 1985, the HAO has contracted with the County to administer Wisconsin's Low Income Energy Assistance Program in Brown County, and, with the County's Department of Social Services, to administer a protective payee program for low income persons unable to manage their resources. Finally, in 1986, the HAO contracted with Brown County's Department of Social Services to administer the general relief program.

The relationship between Brown County and the HAO goes substantially beyond simple contracts. The HAO and the County have created a model over the past 15 years with two important components. First, the model incorporates a tradition of trust, confidence, and respect between agency and HAO personnel. New projects are developed cooperatively and collaboratively. Clear distinctions are made between administration and policy making. The policy role of authorized public agencies is always maintained, although there is a great deal of informality in working relationships.

The second major feature of the model is that the HAO is committed to plowing its earnings and resources back into the community. The HAO charges its customers direct costs of administration, a negotiated overhead based on actual costs, and a small administrative fee. The administrative fee provides for contingencies and for financing HAO community projects. The HAO recently used its resources to help finance a 14-unit building for physically disabled persons who require live-in attendants. The HAO owns the building and the land on which it is built, but has chosen to arrange that the land will revert to the City at the end of the project's economic life. In 1988, the HAO bought three houses no longer fit for occupancy and demolished them to remove them from the market. The HAO also helps local officials develop programs and proposals for a variety of assisted housing projects and regularly contributes its expertise to community organizations involved in housing and neighborhood conservation and rehabilitation. Should the corporation be dissolved at some future time, its assets will be converted into community projects.

Because of the close working relationship between local officials and the private firm, the nonprofit status of the private organization, and the return of resources to the community, Green Bay's unique model might be called "quasi-privatization."

## **THE FOCUS OF THIS REPORT**

This report focuses on one element of Brown County's special form of quasi-privatization: administration of the County's general relief program. General relief is a public assistance program intended to provide temporary, short term financial assistance to persons and households who are not eligible for other programs. It is intended as a stop gap.

## **THE PLAN FOR THE REPORT**

The report consists of four major sections. The first of these deals with research issues--with the methods used to evaluate Brown County's privatized general relief experience. The second provides important background for the reader, including information about Brown County that puts the general relief experience in perspective and about the origins of private administration.

The third section presents analytical findings. The quality and costs of Brown County's general relief program are compared with those of previous programs in the County and with those of other Wisconsin counties. The final section presents conclusions drawn from this analysis of the Brown County experience.



## **THE RESEARCH PLAN**

This section focuses on the criteria used for evaluating the extent to which Brown County's program is successful and on the method for evaluating the program against those criteria.

### **Cost-Effectiveness is the Primary Criterion of Success**

The most appropriate measure of whether Brown County's privatization effort has been "successful" is the extent to which it is more cost-effective than the program it replaced or comparable programs in other Wisconsin counties.

Cost-effectiveness implies much more than low cost. It embraces efficiency and the accomplishment of specified objectives at acceptable levels of quality and reliability. One can hypothesize that privatization results in reduced costs. One cannot, however, measure comparative efficiency by looking only at total administrative costs or even at total administrative costs per case. The reason is that private programs could reduce administrative costs simply by reducing program quality. Any useful cost comparison must take variations in program quality into account.

In a general relief program, program quality can be defined in terms of how prospective general relief clients are treated by agency staff, whether eligible households actually receive benefits, whether ineligible households receive assistance, and the level of benefits paid to recipients.

The second aspect of cost-effectiveness analysis requires that one ask whether the privatized Brown County general relief program is as effective as it would be were it administered by a governmental agency. It is beyond the scope of this analysis to evaluate whether general relief programs are effective. For this report, effectiveness is defined in terms of administrative effectiveness: the extent to which eligibility is determined accurately and payments are timely and calculated and disbursed accurately.

### **Two Key Research Questions**

**Analysis of Program Quality.** The best way to assess the cost-effectiveness of Brown County's privatization program is to break the problem into two more manageable parts. First, is the quality of the Brown County program equal to or better than the quality of general relief programs in Brown County prior to privatization and in comparable Wisconsin counties? Second, is the cost of the Brown County program equal to or less than the cost of programs prior to privatization and in comparable Wisconsin counties?

To answer the first question, substantive program features in Brown County before and after the switch to private administration are compared. These features include eligibility criteria, benefit levels, the nature of benefits, and other qualitative features of the program. The quality of administrative systems and procedures before and after privatization are also compared.

In addition to the before and after comparison, it is useful to compare Brown County's program with those of other Wisconsin counties. Comparisons are made with 16 other predominantly urban Wisconsin counties. (Comparisons with programs in rural, agricultural counties would not be useful.) The 16 other Wisconsin counties selected for the comparison are: Chippewa, Dane, Eau Claire, Fond du Lac, Kenosha, La Crosse, Manitowoc, Marathon, Marinette, Milwaukee, Outagamie, Racine, Rock, Sheboygan, Waukesha, and Winnebago.

**Cost Comparisons.** To learn whether the cost of the Brown County program is equal to or less than the cost of programs prior to privatization and programs in comparable counties, one must compare both administrative and total program costs. An increase in administrative effort can

reduce total program expenditures, because successful managers make appropriate tradeoffs to increase administrative expenditures to bring about program savings.

### **Accounting for Research Complexity**

Very little is as easy as it sounds. There are difficulties associated with evaluating both program quality and program costs.

**Program Quality.** One of the difficulties in assessing changes in program quality in Brown County is that major programmatic changes took place at the time it was decided to privatize. Prior to the change, each municipality in the County administered its own general relief program. The change resulted in a single, uniform countywide program. The substantive content of the programs changed dramatically. Those major changes in program administration and content make it difficult to isolate the effects of privatization on quality, much less on cost-effectiveness.

Important quality issues hinge on personal values. Does a program that treats recipients paternally contribute to or detract from quality? Is a program that provides the minimal amount of money for which clients are eligible preferable to one that pays more money to the clients? Is a program that requires recipients to work for benefits superior to a program that provides benefits without a work requirement? These are issues of value, not issues of quality subject to empirical determination.

Another methodological concern comes from the considerable variation in substantive policies and administrative practices in general relief programs among Wisconsin's urban counties. Typically, one deals with variations in program and administration by selecting a large sample to randomize the variations. In this case, however, only 17 Wisconsin counties meet the criteria for being included in the comparative analysis. Administration is privatized in only one, so there is no hope for randomization. The small sample size and the wide disparities among programs in the counties mean that it would be extremely difficult to "prove" whether Brown County's program quality is superior to that of the other urban counties.

**Cost Issues.** Methodological complications invariably arise when attempting to compare costs among municipalities. Local governments allocate costs in a bewildering array of ways. Some charge rent or allocate the cost of office space to their various programs; others do not. Some charge overhead to departments; e.g., the costs of writing pay checks, performing janitorial services, recruiting employees, providing utilities, and so forth are allocated among the various line departments. Because practices vary so widely, it is extremely difficult to make informative cost comparisons across counties.

Normalizing costs across jurisdictions presents a second complication in cost comparisons. Historical cost analysis typically requires indexing costs to a price index. Comparative cost analysis calls for comparing costs per unit (costs per case) while accounting for any economies of scale and price differences such as differences in salaries paid for comparable work.

### **The Research Objective**

It is almost impossible to "prove" whether Brown County's privately administered program is more cost-effective than those that are administered by public agencies. There is too much variation in program design, administrative practice, and cost accounting for general relief programs among Wisconsin's 17 urban counties to establish proof in the traditional sense. One must, instead, rely on developing a compelling argument that inferences about cost-effectiveness are warranted and defensible. One looks for comparability and consistency between cross-sectional and longitudinal analysis. The objective is to examine the available evidence thoroughly

and from as unbiased a perspective as possible in order to draw conclusions that appear fully warranted.

## **THE HISTORICAL SETTING**

### **General Relief Prior to January 1, 1987**

General relief in Wisconsin was much more of a hodgepodge prior to January 1, 1987 than it is now. Some county governments administered general relief throughout the entire county, but in Brown and many other counties, general relief was administered by the various cities, villages, and towns in the county. In still other counties, general relief administration was split between municipal and county governments. State regulations created a general framework within which local jurisdictions administered general relief, but detailed program rules, to the extent they existed, varied considerably even within counties.

The variation in programs across jurisdictions was evidenced in both the level of benefits paid and in how eligibility was determined. An individual seeking assistance in a rural town would typically apply to the town chairman for benefits. Eligibility and benefits were often defined in the driveway or the barn at milking time. Some town chairmen prided themselves on having "never paid a dime in general relief" during their term of office. Other local governments, like the City of Green Bay, had well-developed, large programs.

In Brown County, the City of Green Bay, with about half the County's population, had most of the general relief cases in the County. It was frequently alleged, not only in Brown County, that low income households had to migrate from rural areas, small towns, and suburbs to the central city to obtain general relief benefits.

### **General Relief After January 1, 1987**

The Wisconsin legislature brought an end to the counties' widely disparate general relief administrative practices by enacting substantial modifications to Chapter 49 of the Wisconsin Statutes, dealing with public assistance. First, the legislation provided that, effective January 1, 1987, general relief would be administered solely by county governments; no longer would there be an option of permitting each minor civil division to administer its own program. Second, the State would contribute toward the costs of providing general relief. The State would not contribute toward administrative costs, but would contribute approximately 40 percent of the cost of non-medical program benefits and would share in the cost of medical benefits paid on behalf of program participants. Third, the State simplified some program features. The most important of these was to eliminate a cumbersome and costly process of reconciling benefits paid by one Wisconsin jurisdiction to persons who were permanent residents of another.

The major revisions to Chapter 49 left Brown County officials with two basic policy decisions, neither of which was immediately obvious to them. First, County officials would have to decide which agency or organization would administer general relief. Most elected local officials who had time to think about something that would happen a year or more away simply assumed that the County's Department of Social Services would administer the program. Even fewer officials had time to consider a second set of decisions about how the new program would be designed within the general constraints established by the State. The next few pages describe the issues and how Brown County chose to resolve them.

## **Brown County's Relief Profile**

Brown County's general relief recipients generally reflect the racial and ethnic mix of the regional population. More than 75 percent of Brown County's general relief recipients are between the ages of 18 and 40 years. More than half of all recipients are single, white males. There is a high incidence of chronic mental illness or instability, physical disability, and substance abuse among recipients. Unstable familial relationships are extremely common. Many recipients have little experience with the role models most of us consider to be a common part of the American family experience.

HAO staff workers estimate that a majority of the recipients have had problems with drugs or alcohol and that many have had repeated experiences in treatment facilities. A similarly high proportion has problems with basic literacy or with proper personal hygiene. Most have had few experiences with success; they appear to have been conditioned by repeated failure and disappointment.

Brown County general relief recipients seem to fall primarily into three categories. The first group consists of people who have had an unexpected major setback. The setback might have been a major illness, loss of a job, divorce or separation, or accident. The people in this group typically need some short term assistance and rarely return for more. The second group consists of young, single people who have few work skills and tend to have problems with substance abuse. They frequently move from one unstable situation to another, returning to the program regularly after several months or a year. The final group consists of chronic recipients. These people tend to be older, have more severe health or emotional problems, and, probably because of continual experiences with failure, seem to lack the motivation to try to alter their situation.

## **THE DECISION TO PRIVATIZE**

In Spring 1986, Brown County's Department of Social Services began to prepare to assume responsibility for general relief as of January 1, 1987. The Department was responsible to the County's Social Services Board at the time. The Board, made up of lay persons and representatives from the County's elected Board of Supervisors, made policy and directed the Department within the discretionary space permitted by State statute, subject to general oversight by the County Board of Supervisors. The Social Services Board would have responsibility for deciding how general relief would be administered in Brown County.

The widespread assumption in Green Bay and Brown County government circles was that the City of Green Bay's General Relief staff would be somehow involved in administering the program at the County level. Two alternatives were readily apparent. The County could contract with the City of Green Bay to administer the County program. Alternatively, the County could hire the entire City staff, form a unit within the Social Services Department with them, and use the unit to administer the program.

Both of these approaches had support in County government. One member of the Social Services Board held a concurrent position as chair of the City of Green Bay's Protection and Welfare Board. He spoke highly of the City's staff and testified to the quality of the program. Other Board members were also supportive. The City's program director appeared before the County's Social Services Board several times to provide information about the nature of the program the County was about to inherit and to provide information about workload and administrative costs.

The City and the County, however, abandoned attempts to have the Green Bay staff run the program in July. The mayor of Green Bay was concerned about the plight of city employees

whose department was about to disappear, but he was not eager to contract with the County. Other city-county contractual arrangements were not working out as well as hoped. There were also problems from the County's perspective. The City relief workers' salaries were slightly higher than those of County welfare workers. The City staff of about ten people would have been difficult to bring into County government given union contracts, salary differences, and limited office space. The matter was settled when Donald Holloway, Brown County's Executive, wrote to Mayor Halloin of Green Bay on July 10, 1986, saying that the County would not look to the City for general relief administrative services.

The County's Social Services Department suddenly found itself face to face with some urgent problems. The County would assume administrative responsibility for General Relief in five months. If the Department were to administer general relief itself, it would have to create job descriptions, negotiate them with the union, post the positions, recruit, hire, and train staff. The agency managers would have to develop a budget for the new program, work it through the County Board, and attempt to find space for a new staff in already crowded offices. All that would be time consuming, and there wasn't much time left. Moreover, the County's computer systems staff was significantly overloaded; there was a long queue of systems needing work, and little hope of having the necessary computer systems by January 1.

William Miller, Director of the Department of Social Services, and James Waldo, his Income Maintenance Manager, began thinking of alternative ways to administer the program. Not surprisingly, they thought of the Housing Allowance Office. The HAO had been under contract to the Department to administer low income energy assistance for a year. Waldo was the contract administrator, so he knew the HAO's capabilities and the organization's key staff well.

The Department's managers were able to consider contracting for program administration because the program was new to the County. They probably would not have been able to do so had the work ever been performed previously by County employees. However, the general relief program was caught in mid-air between town, village, and city halls and the County office building. The County was able, therefore, to think seriously about a full range of administrative options.

Miller recommended to the Social Services Board that it contract with the HAO to administer the program. He stated that the HAO was experienced in administering programs similar to general relief, was already engaged in determining eligibility for assistance programs, and had a working process for client appeals in place.

Miller's staff spoke with HAO staff about whether the HAO might be willing to administer the general relief program. The HAO's management was interested, but the trustees were concerned that administering general relief might be significantly different from administering housing programs. Eventually, the trustees acknowledged that the primary tasks, determining eligibility and disbursing benefits, were functions the organization performed very well, so they gave management a somewhat reluctant authorization to pursue the matter.

In August 1986, the Social Services Board was still considering whether it should direct the Department of Social Services to administer the program or contract with an outside organization. The Board voted, 3-2, on August 21 to have the program administered by the Department of Social Services. One week later, on August 28, the Board reconsidered its action. This time the vote was 3-2 in support of contracting for administration with a private organization, reversing the earlier decision.

Having decided to contract for service delivery, the Social Services Board wanted to entertain proposals from a number of qualified organizations. Only two proposals were received, one from the Green Bay office of the State of Wisconsin Job Service and one from the HAO. The Job

Service Office withdrew its proposal, so, on September 19, the Board selected the HAO to administer the new County general relief program beginning January 1, 1987.

## **PRIVATIZATION AND PROGRAM QUALITY**

### **Choices and Changes Upon Privatization**

Brown County's Social Services Board made several very important decisions in the months preceding implementation of the County's general relief program. Those decisions resulted in a general relief program for Brown County that is substantially different from those administered by any of the individual municipalities prior to centralization.

**Slashing Funds Available for Administration.** While it was still trying to decide which organization would administer general relief, the Social Services Board surprised the Social Services staff. At an August Board meeting, Departmental managers were presenting historical administrative costs obtained from the City of Green Bay and projecting administrative and program costs for the first two years of the county-wide program. The City of Green Bay had been spending about \$400,000 per year in administration. County staff estimated they could administer a similar program for between \$350,000 and \$400,000, depending on the program design and the number of applicants.

A member of the Social Services Board, Peter DeRossi, said he thought \$400,000 was a lot of money for administering a general relief program. What would be the effects on the program, he wondered, if only half that amount were available for administering the program? Miller allowed that a program could be administered for \$200,000, but that it would be very difficult and would not permit much in the way of administration. DeRossi said he thought trying to administer the program for \$200,000 would be worth the effort, adding that it was always possible to increase the amount of money for administration if \$200,000 proved inadequate. The other members of the Board agreed, and on August 28, 1986, they placed a cap of \$200,000 on program administration for the first year.

### **Distinguishing Between Policy and Administration.**

While the City of Green Bay had a general relief program, the City's Protection and Welfare Board directed Green Bay's welfare program and often took an active role in program administration. Administration and policy making were separated in the County program.

The HAO became responsible for program administration, not policy making. Policy choices were separated from administrative responsibilities, eliminating most discretion in program administration. The County assumed responsibility for developing a policy manual to define general relief policy.

With the staff developing a policy manual and an administrative practices handbook, the Board was forced to focus its attention on policy, away from administration. That focus on policy and procedures reflected the new contract management approach rather than program operation.

**Changing Standards of Program Eligibility.** A basic difference between the old City of Green Bay program and the new County program is that the County program has more carefully defined rules concerning eligibility, the conditions under which benefits are disbursed, and the amount of benefits paid.

Exceptions to program rules and regulations were made on a fairly regular basis in Green Bay's program. Exceptions have not been made under the County program; policies are changed when specific provisions do not have the desired outcome. Exceptions are permitted, but they are granted only by County officials, not by administrators working for the HAO.

**Eliminating Inter-jurisdictional Reconciliation.** A second important programmatic difference stemming from the shift to county administration came from a decision by the State to eliminate the time-consuming and expensive reconciliation of relief payments among local governments. Prior to the policy change, local governments that provided relief to persons who were legal residents of another jurisdiction would reconcile their books at year end, shifting money among one another from the official residence jurisdiction to the jurisdiction that provided the support. The change in state statute reduced the general relief administrative workload significantly, resulting in about a 15 percent administrative cost savings.

**Eliminating Extensive Case Files.** A third difference between the County and the Green Bay program is that the County program simplified recordkeeping for individual cases. The Green Bay staff maintained extensive case histories on recipients. The County's program designers decided the program could operate effectively with significantly less information about cases. They specified the basic information required for determining eligibility and for disbursing benefits efficiently, retaining only necessary information.

A procedural change helped reduce the amount of information required. In the City's program, the applicant met first with a technician who prepared a file for subsequent review by a specialist. The specialist would decide whether to authorize payment. In the County program, a specialist meets the applicant, determines eligibility, makes referrals, and authorizes payments. Technicians then issue vouchers and meet with program participants for subsequent visits.

**Changing Methods of Determining Benefits.** In the City's program, case workers met with individual recipients to list specific items for which they received vouchers. The lists are said to have detailed how many bars of soap could be purchased with the voucher and whether cigarettes could be purchased. The County program is markedly different. For nonmedical relief, the County program has a standard payment schedule based on income and household size. Clients can elect to receive an amount less than the maximum if they choose. Many choose that option. A voucher for the appropriate amount is prepared on the spot, entered into the on-line computer system, and handed to the recipient.

**Introducing a Work Requirement.** A fifth important program difference is a work requirement. The City's program required that Green Bay residents work to obtain relief payments if they were able and provided they did not have to care for small children at home. There was less pressure on nonresidents to work for their benefits; intergovernmental financial reconciliation would recover funds paid to permanent residents of other governments. The County program requires all persons who are able to work to accept employment. Exceptions are made for one parent households with small children and for those who are ill.

The HAO contracts with the State of Wisconsin Job Service to administer work relief on behalf of the County. Recipients are placed in temporary jobs with public or nonprofit organizations, with an attempt to find jobs that might lead to permanent positions. There are fewer general relief recipients wielding rakes and snow shovels than under the old program. Recipients who fail to report for work are suspended from payment.

**Reducing Paternalism.** The County's program is designed to be less paternalistic than many general relief programs that preceded it. Involving the client in deciding how much money he or she needs, within the limits imposed by the rules, places some responsibility on the client. Giving the client a voucher that he or she can use at the grocery store, for example, to buy what he or she

feels necessary retains more dignity than issuing a detailed lists of what the voucher can be used for.

**Simplifying and Standardizing Administration.** The HAO and the County Department of Social Services staff worked together to design the substantive program components that were decided upon by the County Social Services Board. The new program design provided an opportunity to use fully the particular administrative strengths of the HAO.

The HAO was already using computer-assisted administrative systems extensively when it was chosen to administer general relief; virtually all HAO employees had computer terminals on their desks. The HAO was using on-line computer systems to update client history files, enter transactions, determine eligibility, and disburse benefits to more than 2,400 households participating in a variety of programs.

The HAO designs, develops, and enhances its own administrative and computer-assisted systems. The staff designed efficient general relief administrative processes which make extensive use of computers. The computer-assisted system reduces administrative variance among program staff. The extensive use of the computer-assisted systems further circumscribes administrative discretion by requiring great specificity in the definition of program components.

The Department of Social Service's Manager of Income Maintenance Programs is responsible for the general relief program. He described the involvement of HAO management in designing and administering the general relief program as a "real plus." The HAO's participation provides more management level involvement with the program than if the program were administered solely by the Department. Not only does he work on the program, but he has the assistance of the HAO's top management team as well. He also indicated that after three years in the program, he practices management by exception; he becomes involved primarily when problems develop. Finally, he indicates that he and the HAO managers have similar management styles which makes it relatively easy to work together. Contract administration has not been much of a problem.

## **ASSESSING PROGRAM QUALITY**

**An Overview of Program Design.** One allegation sometimes made about privatized programs is that they are inferior to programs delivered by governmental agencies. This is not the case in Brown County. The program was designed jointly by HAO and Department of Social Services staff and includes features from other counties that were considered desirable by Brown County officials. The Social Services Board approved the individual policies that comprise the program, but only after discussion and debate about their relative merits. The program reflects the Board's and the community's values. Program policies derive from appropriate political processes, not from the desires of a private firm.

Brown County is historically traditional and somewhat conservative politically. Consequently, one would expect the general relief program to reflect that tradition, and it does. It reflects the community's perception of equity; the program is designed to help the "deserving poor," but it is not as generous as programs in some other counties. One Brown County official who declined to be identified summarized the program as "designed to be equitable, objective and impartial."

Another important question when considering program quality is whether or not the HAO administers the program substantially differently from the way County employees would administer it. Program administration is important because it affects substantive aspects of the program: a well-designed program can be rendered ineffective by inept or inferior administration. Unfortunately, it is nearly impossible to ascertain how the Brown County employees would administer the program. The best one can do is to infer whether the program is administered



better, worse, or the same as it might otherwise be by comparing it historically with the program operated by the City of Green Bay and with programs in other urban, industrial Wisconsin counties.

**Participation as a Measure of Quality.** Participation rates are measures of the proportion of a population that participates in a program. The measure used most often is the percent of households participating in a program who are estimated to be eligible for it. An assessment of the Brown County experience should include an examination of participation rates to learn whether they changed appreciably when the County privatized program administration. If there was a sizable change in participation, did it occur because the program was administered by a private organization? If Brown County's participation rate is significantly different from that of other similar Wisconsin counties, could that have been a result of privatization?

Participation rates vary considerably among programs, depending on the nature of the program, its social acceptance, the extent to which eligible persons know about it, and the level of benefits one might receive if eligible. Participation rates for the same program also vary considerably among jurisdictions, depending on their population characteristics. Other things being equal, one would expect a higher participation rate in public assistance programs in communities with many low income households than in well-to-do communities. The characteristics of the population and the general relief programs vary widely among Wisconsin counties, so participation rates vary significantly among them as well.

In order to determine whether participation rates in Brown County are significantly different from those of other Wisconsin counties, a comparative statistical analysis was conducted for the seventeen relatively urban, industrial Wisconsin counties. It was hypothesized that the proportion of the population receiving general relief benefits would be a function of benefit levels and household financial need in the community.

There are no current data from which to estimate accurately the number of households eligible for general relief in Wisconsin counties, so participation rates cannot be estimated reliably. This analysis relies, therefore, on a simpler measure: the proportion of the population receiving benefits per 10,000 county residents.

Benefit levels are defined as the average dollar value of program benefits paid per recipient in 1988. Financial need was measured by the county unemployment rate, a county cost of living index, and the percent of persons in the county living below the Bureau of Census 1980 poverty line.

The resulting regression equation (statistically significant at the .001 level of confidence with a coefficient of determination [R<sup>2</sup>] of .794) demonstrates a strong correlation between participation rates, benefit levels, and measures of financial need (See Table 1). The statistical model does not, however, predict participation rates in individual counties with great precision.

Brown, Eau Claire, Fond du Lac, Marinette, Sheboygan, and Winnebago Counties have fewer participants per 10,000 residents than one would expect based on the statistical estimating relationship. Dane, Kenosha, Milwaukee, and Rock Counties have more participants than one would expect. Counties having fewer than expected participants tend to be in northeastern Wisconsin, while those with higher than predicted program participation are located in southern Wisconsin. Milwaukee and Rock counties have far higher participation rates than predicted by the model.

One reason the model does not estimate participation rates particularly well is that it does not account for regional variations in the willingness of residents to apply for general relief. Nor does

Table 1. General Relief Recipients per 10,000 Population for Seventeen Urban, Industrial Wisconsin Counties, 1988

County	Avg Benefits per Recipient*	1988 Unemployment Rate**	1989 Cost of Living***	1980 % Below Poverty^	Recipients per 10,000 (Observed)^^	Recipients per 10,000 (Calculated)	Variance
La Crosse	\$480	3.7	96.0	9.9	3.0	9.7	-6.7
Outagamie	\$513	3.8	95.7	6.2	3.6	4.2	-0.6
Waukesha	\$303	3.2	107.0	3.1	4.5	3.5	1.0
Fond du Lac	\$190	4.2	98.8	6.7	7.7	20.6	-12.8
Sheboygan	\$211	3.5	98.0	4.9	8.8	18.7	-9.8
Brown	\$158	4.2	96.8	7.5	9.0	25.1	-16.1
Marathon	\$357	4.7	100.4	8.1	13.7	10.6	3.1
Manitowoc	\$232	5.3	97.7	5.9	16.1	17.6	-1.6
Winnebago	\$210	3.6	93.8	6.7	18.3	24.3	-6.0
Marinette	\$166	6.2	96.8	9.0	19.0	25.0	-6.0
Kenosha	\$298	4.8	106.0	7.0	19.9	7.8	12.1
Eau Claire	\$210	3.8	96.0	12.9	22.1	28.5	-6.4
Chippewa	\$252	4.9	96.0	10.2	22.7	22.7	0.0
Racine	\$150	4.5	106.0	7.0	25.4	16.6	8.9
Dane	\$233	2.7	103.0	9.7	32.9	18.2	14.7
Rock	\$190	4.5	95.6	7.2	55.0	23.8	31.2
Milwaukee	\$315	4.0	107.0	10.2	107.8	9.6	98.2

Regression Equation is  $R = 116 - 0.0583X1 - 0.56X2 - 0.899X3 + 1.02X4$ ,  
 where:

- R = General Relief Recipients in 1988 per 10,000 County Population,
- X1 = Average General Relief Benefits per Recipient in 1988,
- X2 = County Unemployment Rate in 1988,
- X3 = Cost of Living Index in 1988,
- X4 = Percent of Persons in County Defined as Low Income, and
- R<sup>2</sup> = .794, and F = 11.55.
- Significant at .05.

Sources:

- \* Computed from total recipient months per county and total benefits paid by county as reported by Division of Community Assistance, Wisconsin Department of Health and Social Services.
- \*\* State of Wisconsin Job Service Office, Green Bay, Wisconsin.
- \*\*\* 1988 Cost of living index reported by Greater Green Bay Area Chamber of Commerce for nine counties for Spring 1989. Estimates made for remaining counties based on data for adjacent or comparable counties.
- ^ 1980 Census of Population, Wisconsin, Volume 1, Chapter C. Washington, D.C., Bureau of the Census, U.S. Department of Commerce. Computed from number of persons below poverty line as percent of total population.
- ^^ Computed from 1988 estimated county population (estimates from Table 1, "Official Population Estimates for 1988," Demographic Services Center, Wisconsin Department of Administration, November, 1988.) and number of General Relief recipients per county (reported by Division of Community Assistance, Wisconsin Department of Health and Social Services.

it take into account differences in county program features, such as work requirements, that may encourage or deter applications for assistance.

The Brown County general relief participation rate (9.0 recipients per 10,000 population) is higher than some other counties in northeastern Wisconsin (Fond du lac [7.7], Outagamie [3.3] and Sheboygan [8.8]), and lower than others (Manitowoc [16.1] and Winnebago [18.3]). Brown County's population tends to have traditional, middle class values. Participation rates in assistance programs reflect those values. The participation rates are roughly comparable to those of neighboring counties, so it does not appear as though private program administration has had adverse effects on participation.

General relief participation rates have, however, changed significantly within Brown County over the past decade. The number of general relief recipients in the City of Green Bay increased dramatically in the three years from 1982 through 1984. Total program benefits paid by the City of Green Bay more than doubled in those three years. In 1984, Brown County local governments provided benefits for 5199 recipient-months. (A recipient-month is defined as benefits paid to a recipient for one month. A recipient who receives program benefits for two months would count as two recipient-months.)

Participation in the City's relief program declined slightly in 1985 and again in 1986, but the number of relief recipients dropped markedly in 1987 when the program moved to the County level and was privatized. The number of recipients declined again in 1988. In its final years of administering general relief, the City averaged 240 general relief recipients at any given time. In 1988, the County's program averaged significantly fewer, about 195 recipients per month, even though County population is about twice the City population.

There are two dominant reasons for the decline in the number of general relief recipients. First, there has been a gradual decline in the number of general relief recipients across Wisconsin since 1984. This may reflect a gradual improvement in the state's economy, but it also reflects new policy at the state level. Wisconsin's Governor Thompson used his line item veto power to exclude many nonresidents from general relief benefits unless they are in Wisconsin for a limited number of specific reasons. Part of the reduction in Brown County's participation reflects the statewide trend.

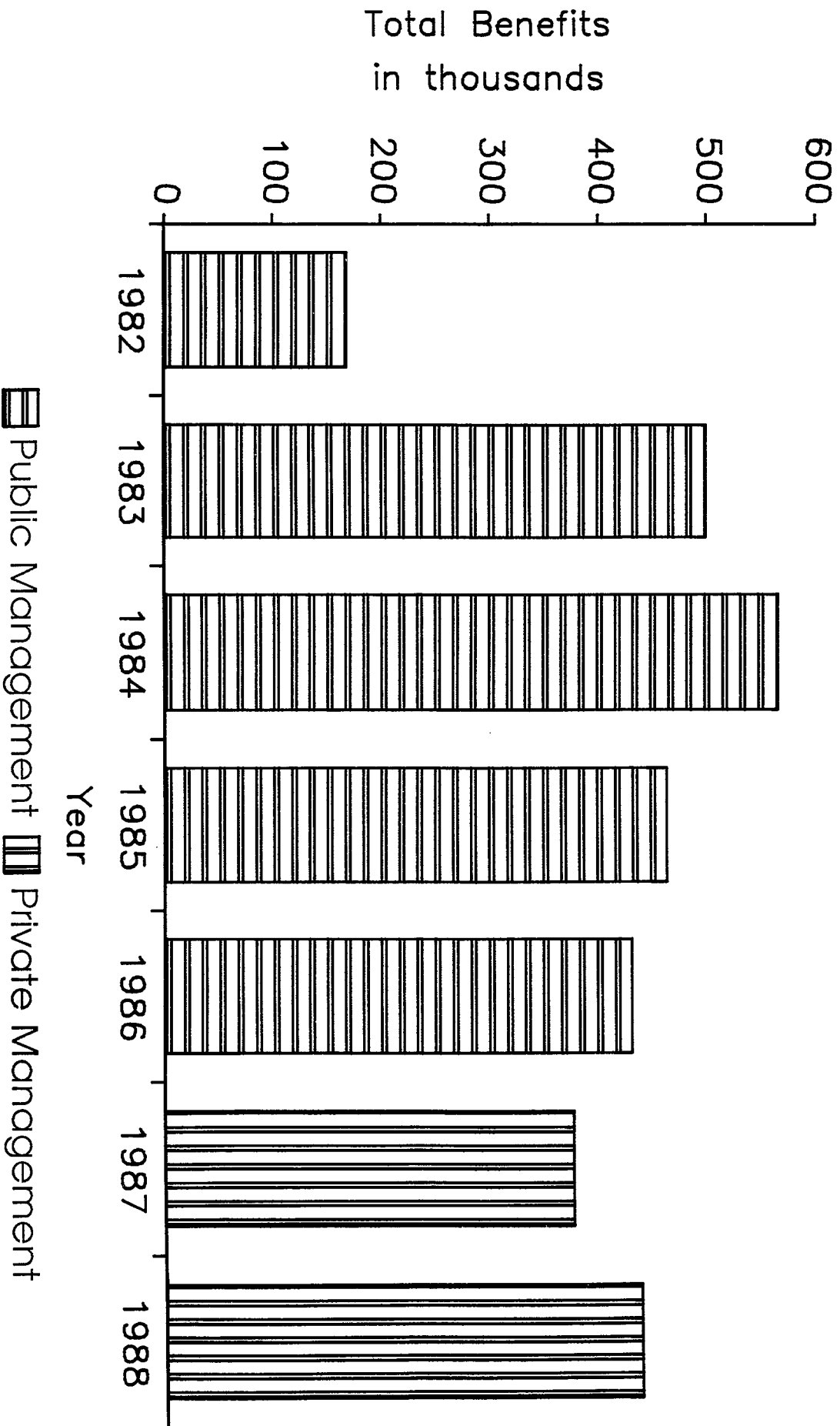
The second reason for a decrease in recipients in Brown County is the rigorously enforced application of work requirements. As described above, able-bodied persons are required to report to work on public projects or with nonprofit organizations to earn general relief benefits and to develop skills that will enable them to find permanent employment. When the work relief program requirement was first imposed two months after Brown County assumed program responsibility, a large number of clients were suspended because they did not report for work. Now, those who are unwilling to work simply do not apply. Consequently, there were fewer general relief recipients in 1989 than in 1987.

**Benefit Levels.** Brown County's maximum nonmedical general relief benefit is \$198 per month, about \$23 higher than the state's minimum level and about \$25 under the state average. Walworth County's benefit schedule was the highest in Wisconsin in early 1989 at about \$310.

A county's benefit schedule does not necessarily equate directly with the average benefit paid to relief clients. Illustratively, Brown County's maximum payment was \$180 in 1988, but its average monthly payment per recipient was only \$158 (see Table 1). In other counties, the average payment is much nearer the maximum payment. Why is this the case?

The primary reason for the disparity between maximum benefit and average payment per client per month is that the Brown County program gives vouchers to clients to take care of their needs for an

Figure 2. General Relief Benefits to Recipients, City of Green Bay 1982-86 and Private Brown County Program 1987-88



average of about 11 days rather than for the more common 30 days. The average client participates in the program for about two months, but many find work or become eligible for other programs, such as AFDC, in a relatively short period or during the month. Seeing a general relief recipient only once a month and paying benefits to that client for the entire month means that there is a high probability that the client will receive benefits for longer than he or she is eligible.

The HAO and the County staff found that it is cost-effective to see clients more than once a month in some cases and to pay clients vouchers for relatively short periods rather than once for the entire month. The increased frequency of client visits raises administrative costs, but reduces total program costs. The reduction in excess benefits paid more than offsets the increase in administrative costs. Moreover, the HAO utilizes technicians rather than specialists for the follow-up visits, thus keeping salary costs down.

Finally, HAO staff do not automatically pay eligible persons the maximum amount permitted. Unlike most forms of public assistance, general relief payments to recipients have a payback requirement. The work requirement often meets the payback requirement, but since not everyone is required to work, clients can and do make repayments. These repayments offset program costs. Clients are encouraged to assess carefully how much money they actually need. Many take less than the maximum payment permitted by county ordinance. Total general relief benefits paid in Brown County declined following privatization, primarily because fewer people participated. Total benefits per case also declined, because recipients tended to stay in the program shorter periods of time. However, while total benefits per case declined, weekly benefits actually received by clients were higher following privatization.

### **Unanticipated Side Effects**

**Decreased Administrative Discretion.** One of the early unexpected side effects of the new, privatized County program stemmed from the reduced administrative flexibility designed into it. For many years, general relief in Brown County's municipalities operated without policy or administrative manuals. Program administrators exercised a great deal of discretion in determining eligibility and benefit levels. There was too much flexibility for some observers. Legal Services of Northeastern Wisconsin, Inc., an advocacy organization for lower income households, took legal action against the City of Green Bay to force it to develop a policies and procedures manual. The resulting manual was used by the City the last few years the City operated the general relief program. The written policies reduced administrative discretion, but there was still plenty of flexibility to deal with unusual cases.

When the County's Department of Social Services and the HAO drafted the policies and procedures manual for the new general relief program, they minimized administrative discretion. The Social Services Board did not want the HAO to have any significant administrative discretion. Nor did the HAO want the discretion. It believes that discretion rightfully belongs to authorized policy-makers and did not want to incur the legal liabilities associated with substantial policy-making discretion.

Four months into the County program, there was an unfortunate case involving the death of a mother of two. The case, described in the press as a "hole in the welfare safety net," was alleged to have occurred because of the lack of administrative discretion on the part of the HAO to deal with unusual cases. The HAO and the Department of Social Services disagreed. They refused financial assistance to the woman's husband to pay for the funeral on the grounds that the household was ineligible based on its income.

The HAO said that it had no alternative but to deny the assistance. To decide differently, its managers maintained, would be a violation of policies determined by the Social Services Board and would constitute a breach of contract with the County. County officials agreed it was their intent

that the HAO have no choice, but the attendant publicity led the County to develop a new policy. The new policy permitted exceptions in unusual cases, but the County retained the authority to decide when and where exceptions would be granted.

**Effects on Other Programs.** The Salvation Army and a local organization providing food to the poor, Paul's Pantry, both of which are dedicated to helping lower income persons, complained to the press in 1987 that demand for their services had grown rapidly and that their resources were being stretched to the breaking point. The increased demand for services from these organizations was not attributed solely to the new work requirement for general relief, but that rule was seen as a major contributor to the increased demand.

An analysis by HAO staff indicated that some of the increased demand for the services of these two organizations was clearly attributable to the effects of tighter eligibility rules and, particularly, the work requirement. However, the HAO's analysis concluded that the total increase in demand far exceeded that which could be possibly attributed to the effects of tighter general relief rules. The HAO was unable to identify the source of the change in demand with certainty, but attributed much of it to increased publicity about the services provided by the two organizations and an increased awareness in the community of the plight of lower income households and homeless persons.

In addition to the effects on the Salvation Army and Paul's Pantry, Legal Services of Northeastern Wisconsin experienced noticeable side effects. There was a significant drop-off in the number of general relief applicants who sought assistance from Legal Services following the shift of responsibility to the County level from the municipalities. There is anecdotal evidence that there were clients who could have benefited from legal assistance from Legal Services, but they were not referred there by the HAO's general relief staff. When the City of Green Bay ran the program, clients who were ineligible or who had trouble because of a particular rule were routinely referred to Legal Services to see whether something might be done to appeal a ruling or to get a rule changed.

Some Legal Services staff members expressed concern about the rigidity and inflexibility of rules after the program was shifted to the County and the HAO. If the City staff encountered a case that did not fit within the rules, but where the applicant had a genuine need, they usually found a way to provide some money. The County and the HAO believe their rules to be equitable, objective, and impartial. Some would argue that you cannot have it both ways. If there must be a handbook with specified rules and procedures to protect clients from arbitrary and capricious behavior, then the price is a reduction of flexibility to meet unusual circumstances.

### **Summary and Conclusions About Program Quality**

Brown County's general relief program is more restrictive than its Green Bay predecessor. Partly as a consequence of that restrictiveness, including specifically the work requirement, the number of recipients has declined. However, part of the decline of program participants in Brown County is attributable to a statewide decline in the number of general relief recipients. It does not appear that privatization has had any measurable adverse effects on program participation.

The County program is less flexible than the programs administered by the City of Green Bay and other local Brown County municipalities prior to centralization. The reduced flexibility was accompanied by a program that is administered more consistently, as well as more equitably, objectively, and impartially. Some advocates for the poor view the reduced flexibility as a serious program flaw; a failure to provide flexible benefits in a "last resort" kind of program.

Program benefits paid per case per week have increased. The number of recipients has declined. There has been an increase in average benefit levels paid to recipients. The relatively low participation in the general relief program is typical of counties in northeastern Wisconsin,

reflecting a population with strong traditional values. The participation rate also reflects the policies of Brown County's Social Services Board. The general relief program mirrors a general community reluctance to make high levels of public assistance readily available to large numbers of people.

Whether the program is inflexible or equitable, objective or unduly restrictive, and impartial or unfeeling depends on one's personal values and perspective. The HAO has not taken a strong advocacy role on behalf of program recipients. On the other hand, the HAO and the County's professional staff have pressed for and received both changes in policies and increases in payment levels that benefit clients directly. The program appears to be responsive to both policy makers and program recipients.

Finally, the HAO has a corporate policy to treat its clients with respect. Program applicants are encouraged to call for appointments rather than to drop in and wait for a specialist to become free to handle their case. Interviews are conducted in closed rooms to help ensure privacy. The organization enforces program rules and regulations with little variance, but attempts to do so in a way that enhances human dignity.

## **AN ASSESSMENT OF ADMINISTRATIVE AND PROGRAM COSTS**

The second question concerning the extent to which Brown County's experiment with privatization is successful has to do with whether the privately administered program is as efficient or more efficient than a comparable program administered by a governmental agency.

The method for such an analysis is conceptually simple: compare the costs per recipient among general relief programs in similar counties. Are Brown County's costs lower than those of other counties, or lower than the costs for the local governments operating the program before it was shifted, other things being equal?

Although conceptually simple, this kind of analysis is difficult to conduct in real situations. The basic problem is one of developing comparable programs and costs. Wisconsin's county programs are considerably different from one another. They vary in terms of eligibility rules, benefit levels and types, and the extent to which they have policies that encourage or inhibit program participation. It is virtually impossible to control the effects of all these variables when comparing programs.

Not only do county programs differ from one another significantly, but the actual and the reported costs of program administration vary widely among jurisdictions. Local government accounting practices are not the same even within the state, especially for programs like general relief, for which there are no state or federal grants for administrative expenditures and, consequently, no incentives for uniform reporting.

Generally, the cost of individual local government programs is understated. This is partly because agencies rarely account fully for overhead costs, such as the cost of the space they occupy, utilities, and support services, such as personnel, payroll, and maintenance services. In addition, agencies that administer several programs generally do not allocate managerial costs among them. Depreciation is rarely counted as a cost in government. On the other hand, a private organization must count all costs if it wants to stay in business, so its reported costs are typically its full costs. Finally, wage rates and other operating costs vary among communities. In order to develop truly comparable costs, one must adjust for differences that affect the costs of production.

Because of program and accounting differences, it is extremely difficult to develop reliable and reasonably accurate comparative cost data for many programs. Without program and financial

audits, a comparative cost analysis can, at best, only approximate differences in administrative costs among jurisdictions.

### **Changes in Administrative Costs**

When the HAO agreed to administer the general relief program within the \$200,000 administrative cost imposed by the Social Services Board, it was with the understanding that the program would probably have to be a bare bones effort. Illustratively, HAO and County Social Service staff thought it would probably be necessary to make cash payments rather than vouchers to relief recipients. They thought, too, that it might be necessary to review some cases every few months instead of monthly.

In fact, the program did not result in bare bones administration. Vouchers were used and clients were seen more often than monthly, and the program was administered for under \$200,000 in its first year. The HAO administered the general relief program for the entire County in 1987 for \$196,000 compared with the administrative costs of about \$400,000 for just the City of Green Bay in the prior year. General relief costs for the City of De Pere, the Villages of Allouez, Ashwaubenon, and Howard, and the many rural towns were over and above the City's costs of \$400,000.

The \$196,000 does understate total costs somewhat. The County introduced an expanded work requirement in the second month of HAO administration. The work requirement was administered separately through a separate \$40,000, one year contract to a different nonprofit organization, Forward Services. The work relief component was to emphasize training and long term job placement for relief recipients. The contract was terminated by the County before the year ended. The County then elected to contract for \$16,000 with the State of Wisconsin Job Service Office in Green Bay to administer the work requirement. The emphasis was shifted from training and long term placement to placement in public and nonprofit organizations.

**A Time Series Comparison.** Despite the difficulties of comparing administrative costs over time and among jurisdictions, it is still instructive to make the comparisons. Administrative costs for the City of Green Bay more than doubled from 1982 (\$189,700) to 1986 (\$411,800). By way of contrast, total administrative costs for the two years following privatization were \$226,000 in 1987 and \$219,000 in 1988.

When a 20 percent factor is added to reported City expenditures to account for unreported overhead costs, the City's costs become more comparable to those reported by the HAO. Add to that the unknown administrative costs of all the other municipalities in Brown County prior to the mandated centralization, and the cost difference before and after privatization is even more striking.

The County's privately administered program is significantly more efficient than the City's old program. The City's program called for extensive data collection and retention and lengthy interviews with clients without any apparent marginal benefits to either the clients or the taxpayers. The HAO uses five full time equivalent staff members to administer general relief. The same staff members have other responsibilities as well, among them helping to operate the Low Income Energy Assistance Program. The City used approximately twice as many persons to administer only general relief. Approximately 15 percent of the City's costs were because of the state's mandated intergovernmental financial reconciliation.

It is frequently alleged that private programs cost less because they pay less. It is not true in this case. HAO employees administering the general relief program are as well-qualified, well-trained, and well-paid as County employees who would operate the program were it not privatized.



Table 2. Administrative and Program Benefit Costs, City of Green Bay  
1982-86, and Brown County, Wisconsin, 1987-1988, Current Dollars.

	1982	1983	1984	1985 (est.)	1986	1987	1988
<b>Administrative Costs</b>							
Salaries, Fringe	\$147,743	\$177,696	\$266,709	\$298,490	\$267,733		
Travel Expense	\$1,348	\$1,685	\$2,391	\$2,800	\$3,320 *		
Supplies	\$1,065	\$747	\$2,735	\$2,250	\$2,500 *		
Postage, Communication	\$4,168	\$5,820	\$10,663	\$5,160	\$10,290 *		
Copies, Reproduction	\$560	\$1,779	\$1,785	\$6,060	\$6,750 *		
Word Processing Charges	\$116	\$16,843	\$32,654	\$34,710	\$33,550 *		
Data Processing	NA	NA	\$19,489	\$19,970	\$18,850 *		
Insurance	\$3,847	\$3,454	\$5,468	\$11,820	\$10,383		
Other	\$721	\$616	\$4,471	\$5,630	\$4,850 *		
General relief contract	NA	NA	NA	NA	NA	\$196,000	\$203,000
Work relief contract	NA	NA	NA	NA	NA	\$30,000	\$16,000
Total Reported Admin. Costs	\$159,568	\$208,640	\$346,365	\$386,890	\$358,226 **	\$226,000	\$219,000
Est. Overhead @ 20% Salaries	\$29,549	\$35,539	\$53,342	\$59,698	\$53,547	NA	NA
Imputed Total Admin. Costs	\$189,117	\$244,179	\$399,707	\$446,588	\$411,773	\$226,000	\$219,000
Change from Prior Year		1.29	1.64	1.12	0.92	0.55	0.97
<b>Program Benefits</b>							
Medical Benefits	\$87,850	\$284,002	\$286,529	\$171,000	\$151,437	\$205,655	\$269,999
Other	\$71,036	\$205,460	\$269,615	\$272,960	\$256,181	\$171,419	\$169,335
To Other Governments	\$9,830	\$10,176	\$9,902	\$20,000	\$23,588	NA	NA
Total Benefits	\$168,716	\$499,638	\$566,046	\$463,960	\$431,206	\$377,074	\$439,334
Est. Total Program and Admin. Costs	\$357,833	\$743,817	\$965,753	\$910,548	\$842,979	\$603,074	\$658,334
Administrative Costs per Benefit Dollar	\$0.53	\$0.33	\$0.41	\$0.49	\$0.49	\$0.37	\$0.33

\* Budgeted amounts for 1986.

Sources: City of Green Bay, Wisconsin, Final Budget, 1984-86, and  
Comprehensive Annual Financial Report for the Fiscal Year  
ending December 31, 1986, City of Green Bay, Wisconsin.

The Brown County Department of Social Services would utilize Income Maintenance Workers to operate general relief were the HAO not operating it. For 1989, the County's Income Maintenance Workers are paid \$9.00 per hour, excluding benefits. These workers, during their first year, are classified as Income Maintenance Assistants and paid \$8.24 per hour. The HAO uses two classes of workers: Client Service Technicians at \$7.90 per hour and Client Service Specialists at \$11.60 per hour, excluding benefits. They are used in the ratio of 70 percent Technicians and 30 percent Specialists. At that ratio, the average direct salary cost per hour is \$9.01 (again excluding benefits), virtually identical to that of the County employees.

Fringe benefit packages are equivalent for County and HAO employees, because the HAO pegs its fringe benefits to those paid by local governments in the area. Insurance, vacation, and sick leave programs are quite comparable. County employees participate in the Wisconsin Retirement System; the benefits are a function of highest salary earned, age at retirement, and years of the service. The State's retirement plan is portable only within Wisconsin governments. The HAO's retirement plan is with a national plan for colleges and nonprofit organizations. The program is fully portable, the company contributes 10 percent of annual earnings, employees may also contribute, and vesting occurs after six months.

Both the HAO and the County have merit programs. The County provides merit awards to employees who demonstrate particular competence. The HAO pays bonuses twice annually; the bonuses are significantly larger than the County's merit awards. At the HAO, the size of each person's bonus depends on his or her work performance.

The HAO's administration of the general relief program appears to be significantly more cost-effective than that of prior programs in Brown County. Shifting the program to the County provided an opportunity to design a much more efficient general relief program. The County and the HAO took full advantage of that opportunity, so a considerable amount of the savings in administrative costs are because of the new program's inherent efficiency and because expensive state-mandated administrative procedures were eliminated. Staff members are trained to operate several programs, so there is little slack time and no incentive to "make the work last." In addition, the HAO designed efficient, computer-assisted systems to operate the new program. The cross-training and the computerized systems enhance administrative efficiency.

## **A Comparative Cost Analysis**

A comparative cost analysis among counties would be very instructive as to whether the privately operated Brown County relief program is more efficient than public programs. Counties are not, however, obligated to provide the state with information about administrative costs for general relief, and few of them generate cost information by program for their own analytical and budgeting purposes. Several of Wisconsin's urban counties reported to the author that they were unable to separate administrative costs for general relief from other costs in the departments operating the program. Several others refused the author's request for a breakout of general relief administrative costs from other administrative costs. The counties that did provide cost information clearly have decidedly different general relief programs and widely varying accounting and management information systems. Their reported administrative costs ranged from a low of \$16.00 per recipient-month in Manitowoc County to a high of \$184.00 in Waukesha County.

The variation in costs among counties does not reflect differences in efficiency as much as it reflects differences in accounting practice and program content. Repeated attempts by the author to develop statistical models to account for variance in reported administrative costs failed to yield results that met any tests of statistical significance. Brown County's administrative cost per recipient month were \$94.09 in 1988--about at the mid-range of reported costs for the urban, industrial Wisconsin counties for which data were obtained.

## **Conclusions About Efficiency**

There's no doubt that Brown County taxpayers are paying less for general relief now than it was when the program was administered by the various municipalities in the County. Administrative costs were cut in half, with approximately 70 percent of those savings due to increased efficiency. The remaining savings stem from the elimination by the State of intergovernmental reconciliation of benefits.

Some of the increase in efficiency came about because the County and the HAO took the opportunity to design a general relief program that is inherently efficient. The HAO designs its administrative processes with an eye toward efficiency. It utilizes computers to increase productivity. It provides cash bonuses to employees who demonstrate appropriate competency and productivity. It gives pay increases to employees who develop the skills necessary to perform two or more jobs. The organization provides incentive systems consonant with and supportive of high levels of efficiency and appropriate behavior with clients.

## **CONCLUSIONS**

### **PRIVATIZATION IS COST-EFFECTIVE IN BROWN COUNTY**

Brown County's privatized general relief program is significantly more cost-effective than the programs that went before it. Program quality is comparable to or superior to that of previous programs in the County and at least comparable with current programs in similar Wisconsin counties. Administrative costs are only about half those of previous programs in the County. Total program costs are also lower. To the extent that comparisons can be made, administrative costs are comparable with or lower than those of similar Wisconsin counties.

Measures of program quality are lodged inevitably in values. Brown County's privatized program operates today under a set of published administrative rules governing procedures, eligibility, and benefits that are designed to ensure impartiality, objectivity, and equity. There is little discretion on the part of program administrators. Benefit levels are higher than ever before. Program paternalism has been reduced dramatically. Some argue that the program has lost its flexibility and that it does not act as an advocate for the poor, while others argue that the potential for arbitrariness and capriciousness have been eliminated.

However, even in its work requirement, the new program shows an improvement in quality. Some of the old programs in Brown County had work requirements, but they typically led to employment raking leaves or shoveling snow from sidewalks. The new work requirement is more likely to result in meaningful work assignments and lasting employment.

Benefits paid to general relief recipients declined slightly from a three year average of \$487,000 prior to privatization to a two year average of \$408,200 following privatization. The reduction in total program benefits is due largely to declining program participation, but also to administrative practices that help ensure that benefits do not extend beyond the time the client remains eligible.

A comparison of programs in 17 urban Wisconsin counties reveals that Brown County's program participation rates, benefit levels, and payments per case are generally comparable with those of similar counties. Participation rates and benefit levels are especially comparable with those of other northeastern Wisconsin counties.

The administrative costs for Brown County's privately administered general relief program were only half those of the City of Green Bay in the preceding years. In addition to Green Bay's costs,

unestimated administrative costs were incurred by each of the County's two dozen other jurisdictions. A reasonable estimate is that 70 percent of the savings in administrative costs can be attributed to greater administrative efficiency of the HAO administered program.

Efforts were made to identify the administrative costs for general relief programs in the same 17 Wisconsin counties. Administrative cost data could be obtained for only nine of those counties; the other counties were unable or unwilling to identify and report those costs to the author. Reported administrative costs ranged from a low of \$19 to a high of \$184 per case. The variance reflects the wide range of definitions of what constitutes a case and the wide range of cost accounting practices among the counties more than any real differences in administrative costs. The unreliability of the data precludes any meaningful cost comparisons among counties.

## **THERE ARE BENEFITS TO THE COUNTY BEYOND COST-EFFECTIVENESS**

Brown County benefits from more than financial savings by using a private firm to administer its general relief program. First, the clear separation of policy and administration has helped focus the Social Services Board's attention on matters of policy rather than on a mix of policy and administration. This is particularly important in Brown County. Historically, various boards, committees, and commissions were responsible for policy and administration. Under its relatively new executive form of government, efforts are being made to separate legislative policy functions from administration. The privatization contract led the Social Services Board to pay less attention to administrative detail and more attention to important matters of policy.

Privatization also meant that the Department of Social Services was able to absorb the general relief program with virtually no increase in overhead costs to the County. No management staff members were added when the program was absorbed from the municipalities. The County is not responsible for updating computer programs, writing paychecks, benefits administration, training, or any of the other overhead items associated with adding staff to administer a new program.

## **CONTEMPORARY MANAGEMENT METHODS ARE EMPLOYED**

The administrative efficiency in the privatized program results in large part from a complete redesign of the general relief administrative systems and from the application of contemporary management methods by the contractor. The redesign reduced administrative record keeping, simplified calculation and payment of benefits, and introduced the use of on-line computer systems to minimize paperwork and errors.

The private contractor is free to make reasoned tradeoffs between expenditures on capital and labor. Consequently, virtually every employee has a computer terminal on his or her desk and uses on-line programs and electronic memos to increase his or her efficiency and accuracy. The high level of efficiency and the incentive programs seem to be acceptable to the contractor's employees. More than half have been with the organization for more than 10 years.

The second change that reduced total program benefits was more cost-effective benefits administration. Maximum benefits for eligible persons were higher in 1988 than in any previous year, but management methods were used to ensure that recipients received benefits only for the period for which they were eligible and only for as much as the client felt was needed. The private contractor issues vouchers for periods averaging eleven days rather than the more typical 30 days. Because program recipients often change status in mid-month, vouchers paid for entire months usually result in some overpayment. Providing vouchers for shorter periods means that payments more closely match actual eligibility. This practice results in higher administrative costs because clients must be seen more often, but total program costs decline more than enough to cover the

increased administrative costs. The private organization does not benefit from the increased frequency of interviewing clients and determining eligibility because it works under a fixed price contract. At the time the administrative contract price was fixed, it was assumed that eligibility would be ascertained not more than monthly.

## **THE BROWN COUNTY MODEL IS EFFECTIVE**

The Brown County model is best described as quasi-privatization. The HAO is a nonprofit organization dedicated to governmental service and to returning its earnings to the community. The relationships between the HAO and the local governmental agencies with which it contracts are characterized by cooperation, trust, and confidence. The arrangement provides flexibility while retaining political responsibility. Responsibility for policy remains with authorized public officials. Procedures for policy review and for appeals are spelled out. The HAO's discretion is extremely limited, but part of the Brown County model is that the HAO accepts responsibility for working with governmental staff to create policy and program initiatives. The HAO has assumed responsibility for helping local boards and commissions learn how to monitor its operations and manage privatization contracts; this is a new area for most local officials and one that takes some time to learn.

The Brown County model allows local government to take on new program initiatives without having to concern itself with adding new staff and providing space for that staff. City councils and county boards have learned that, once staff is added, it never goes away. By contracting with the HAO, local officials are free to take on new initiatives without that concern. HAO staff members are trained to work in a variety of housing and public assistance programs. They move freely among assignments. Illustratively, housing programs require more staff in the summer, while low income energy assistance programs require more staff in the winter. The two balance out, so employees always work near capacity and efficiency is maintained at high levels. The size of the organization can also be adjusted to meet current demands.

## **SUBSTANTIAL PARTS OF THE BROWN COUNTY MODEL ARE TRANSFERABLE**

The Brown County model can be replicated in other jurisdictions for general relief and other programs. The key features of the model are a nonprofit organization committed to community service, contracts for that organization to administer a variety of programs, including specifically new or experimental programs, a collaborative relationship between local governmental agencies and the nonprofit organization, and dedication on the part of local government and the nonprofit to cost-effective program administration. The benefits to a community from such a relationship include increased program and administrative flexibility and significant cost savings while retaining political responsiveness and responsibility.

## FOOTNOTES

1. 1985-86 Wis. Stats., Chapter 49, Public Assistance.
2. Subsequent to its policy role in development of the county's general relief program, and under a newly elected county executive, the Social Services Board was turned into an advisory rather than policy making board. The redefinition was made in order to be consistent with state statutes concerning the role of such bodies in counties with an elected executive. Policy matters are now addressed by the Brown County Board of Supervisor's Committee on Health and Human Services.
3. Brown County is unique in Wisconsin in that persons elected to Green Bay's City Council serve in a dual capacity as members of the Brown County Board of Supervisors.
4. Information for this section is drawn from interviews with Mr. James Waldo, Brown County Department of Social Service, Lars Larson, Director, and Roy Diedrich, Vice President for Client Services, Housing Allowance Office of Brown County, Inc. Additional information is drawn from newspaper articles in the Green Bay News-Chronicle and the Green Bay Press-Gazette from July 1987 through June 1988 and from published Minutes of the Brown County Social Services Board from meetings covering the same time period.
5. Interview with James Waldo, Manager, Income Maintenance Division, Department of Social Services, Brown County, Wisconsin.
6. Green Bay Press-Gazette, April 18, 1987 and May 1, 1987.
7. Interview with Mr. Peter McKeever, former Director, Northeastern Wisconsin Legal Services, June, 1989.