PROSPECTING AMONG THE POOR:

WELFARE PRIVATIZATION

by Bill Berk owitz

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INTRODUCTION

Even before the Personal Responsibility and Work Opportunity Act of 1996 was signed, sealed, and delivered to the states, the conservative Reason Foundation's William Eggers and John O'Leary had lauded "aggressive" privatization initiatives in New York, California, New Jersey, Massachusetts, and Georgia.

New York Governor George Pataki, chair of the Privatization Task Force of the Republican Governors Association, had argued at a meeting of governors that it was time for the immediate repeal of federal barriers to privatization at the state and local levels: "Existing federal policies favor government ownership of infrastructure. We are not looking at privatization as a mandate. We just want the option to explore privatization…The federal government should aid and abet, not interfere with, our efforts."[1]

The new law was the answer to Pataki's prayers. It gave states unprecedented latitude to determine how the new Temporary Assistance for Needy Families (TANF) and related programs would be handled. Individual states were "liberated" free to set up their own delivery systems within broad federal requirements. Many states, when confronted with the daunting task of rapidly implementing this "reform," chose to contract out services to nonprofit organizations and for-profit corporations.

The privatization of welfare was a triumph for many Republican as well as some Democratic governors, and for conservative national and state legislators.

Policy analysts at right-wing think tanks and policy institutes were also elated. In a 1997 speech, Lawrence W. Reed, President of the conservative Midland, Michigan-based Mackinac Center for Public Policy, touted privatization as the wave of the future: "The superiority of [privatization]…is now approaching the status of undisputed, conventional wisdom: the private sector exacts a toll from the inefficient for their poor performance, compels the service provider or asset owner to concern himself with the wishes of customers, and spurs a dynamic, never-ending pursuit of excellence – all without any of the political baggage that haunts the public sector as elements of its very nature."[2]

Some observers were less convinced that privatization would improve anything besides the privatizers' bottom lines. "This is one of the biggest corporate grabs in history," said Sandy Felder, Public Sector Coordinator for SEIU, commenting on the Personal Responsibility and Work Opportunity Reconciliation Act, signed into law by President Clinton.[3] In 1997 Mark Dunlea, executive director of the Hunger Action Network of New York, predicted that "the privatization of welfare-related social services…will mean a massive handoff from government to the private sector."[4]

"The federal government turned over $16 billion in TANF money to the states without setting any federal standards for privatization," says Cecilia Perry, public policy analyst for AFSCME. The early contracts in Wisconsin were particularly egregious in that they set "perverse incentives aimed at reducing caseloads and making huge profits."[5] Yet in March 1997, Phillip Truluck, Executive Vice President of the Heritage Foundation, hailed then-Governor of Wisconsin Tommy Thompson (who is now President Bush's Secretary of Health and Human Services) as "the real star of welfare reform today…whose perseverance and dedication brought about this Wisconsin miracle."[6]

Private industry takeover of government programs is not a new phenomenon. In the early 1960s Ross Perot's Electronic Data Systems won the contract to manage the Texas Medicaid program. "For years," writes Washington *Post* reporter Judith Havemann, "states have been relying on business to carry out what used to be considered government work; food conglomerates manage school cafeterias and banks in many areas have taken over the collection of taxes. More recently, an entire new industry has emerged to run prisons."[7] Time magazine notes that passage of the welfare reform bill set off a "welfare-management goldrush."[8]

Many corporations, large and small, are taking advantage of this modern-day "goldrush." These range from the corporate elite – such as Lockheed Martin, Andersen Consulting, "the world's largest management and technology firm" (now renamed Accenture),[9] and Ross Perot's Electronic Data Systems – to smaller companies like the rapidly expanding Denver, Colorado-based Policy Services Inc., which has 39 privatized service locations in 16 states and bills itself as the "first company to operate a full-service child support privatized office."[10] Other prospectors include Nebraska-based Curtis & Associates and the flourishing Maximus Inc., which as of May 1999 held a "30% share of this booming privatization market in health and human services."[11] Despite the fact that Maximus seemed ready to mine the mother lode of privatization, the company is now fighting a growing negative image as things seem to be going haywire in a number of programs.

MAXIMUS INC.: MAXIMIZING PROFITS

The McLean, Virginia-based Maximus Inc., was one of the first companies to stake its claim in the welfare reform gold fields. Brian W. Ruttenbur, an analyst with SunTrust Equitable Securities, wryly notes that Maximus was "in this segment before there was a segment."[12] According to New York City's *City Limits* Weekly, Maximus was no stranger to privatization, having been the "first company to privatize a welfare system – Los Angeles County's, from 1988 to 1993."[13]

Maximus was optimistic about the possibilities for profit in this new era of welfare privatization. In a 1997 *Los Angeles Times* interview, company spokesperson Kevin Gedding observed that welfare reform "is, as yet, an undetermined revenue pool.… But there are billions of dollars in potential project work that need to be done in the next four to five years."[14] Bernard Picchi, growth stocks analyst for Lehman Brothers, estimated that the potential market could easily be more than $20 billion a year. Others placed the target figure as high as $28 billion, more than 10% of the national expenditure on welfare recipients.[15]

"There's no circus at this Maximus" says *Hoover's Online*, an investor news service, "although it provides program management and consulting services to the three rings of state, county, and local government health and human services agencies… including child support enforcement, managed care enrollment, and welfare-to-work initiatives."[16] If there is any doubt that welfare "reform" has become a fruitful business, consider these numbers – Maximus grew from a $50 million operation in 1995 to $105 million in 1996, and to $319.5 million in 1999, a 36.8% sales growth over 1998.

According to the company's website, Maximus is on an acquisition tear, buying up "companies that extend our core capabilities, expand our client base and increase our market presence in numerous new agencies, most importantly at the county and city government levels."[17] The company's Federal Services Division "completed a $350 million contract with the Social Security Administration to provide case management, assessment, and treatment referral services to individu-

als with severe substance abuse problems who were receiving federal disability benefits."[18]

David Mastran, a former Defense Department analyst who worked for the Department of Health, Education, and Welfare during the Nixon administration, founded Maximus in 1975. Today the company has more than 4,100 employees located in over 130 offices across the country. It has recently renewed or signed new contracts in Alaska, Illinois, Tennessee, South Carolina, New Jersey, Colorado, Kansas, Michigan, Pennsylvania, and Texas.[19] Maximus also has operations in Buenos Aires, Argentina and Cairo, Egypt. It has done so well financially that *Forbes* magazine selected it as one of its Ten Best Small Companies in America in 1999.[20]

Although the bottom line has been soaring, all the news for Maximus has not been good. Negative headlines and stories in newspapers throughout the country have highlighted its corporate malpractice, including inadequate and poor provision of services; misappropriation of funds, cronyism, and other financial irregularities; and discriminatory practices at company offices.

Inadequate and poor pr ovision of services

Catherine Brown-Swain is a volunteer with the Association for Children for Enforcement of Support (ACES) in Colorado Springs, Colorado. A former caseworker with the District Attorney's office, Brown-Swain recently served on a five-person committee evaluating proposals to manage child support services for the county. For the past five years Maximus has held the contract. Now, however, despite its re-bid, as of the contract's end on December 31, 2000, Maximus is no longer a player in El Paso County. "In the three years that ACES has been around, we've fielded over 3,000 complaints from people dependent on Maximus' services," Brown-Swain says. "That comes out to about one complaint for every seven clients. Most of these complaints concern clients being treated with disrespect when they try to access services. Equally important, many clients just do not have their cases worked."[21]

With the welfare clock ticking away, not having your case worked in a timely manner becomes critical – bringing recipients that much closer to getting dumped without a safety net. Brown-Swain, herself an experienced caseworker, found that she was having a hard time getting straight answers from Maximus staff. This, despite the fact that the company has one-third fewer clients to deal with and has 25 more people on staff than when the contract began.

Outright lies

In addition to poor services, Brown-Swain says, "Maximus' proposal contained several untruths, including its claim to be the leader of the state for criminal non-support cases. In fact, the company's lawyers haven't handled a single case of criminal non-support. At a County Commission hearing, Maximus Project Director Maryanne Fortezzo (formerly an administrator with the District Attorney's office) admitted that her staff weren't trained in that area."

Her experience with Maximus has convinced Brown-Swain that "child support services should not be privatized," but ACES and others have yet to convince the County Commission to bring child support services back within the domain of the District Attorney's office. For now, she is cautiously optimistic that Policy Studies Inc., the company awarded the new contract, will do a better job than Maximus.[22]

Not the first time

El Paso County, Colorado is not the first place Maximus has run into trouble. Because there is no centralized national or individual state-run clearing-house that documents problems with specific privatizers, a company like Maximus can get dumped by one county for poor performance, yet still receive a $4 million contract from the same state a short time later.[23]

The *AFSCME Leader* found that back in 1994, during the pre-welfare "reform" era, "Mississippi froze a child support collection contract with Maximus when costs nearly doubled what the state had spent previously." In West Virginia the company was disqualified from bidding on a state contract "after a state employee was convicted of taking a $20,000 payment from Maximus," which was not charged in the case.[24]

"In terms of service here, they've been abysmal."

Maximus went public in 1997. In the following year the company came under fire in Connecticut for a $12.8 million contract that was supposed to "put a shine on a state program that pays for child care for working welfare recipients. But within months Maximus found its operations in the kind of disarray it usually takes government years to achieve," says the Leader. More than half of the 17,000 bills submitted by childcare providers were over 30 days late in being paid. Daycare centers were confronted with decisions about turning away children, and parents trying to contact the company encountered "telephone-system collapse." Under pressure to perform, the company shifted into crisis mode, adding more staff as founder Mastran was forced to take the reins and provide on-site crisis control.[25] "In terms of service here, they've been abysmal," says Rick Melita, a spokesperson for the Connecticut State Employees Association. "They underbid, overpromised and they didn't deliver."[26]

Misappropriation of funds, cronyism, and other financial irregularities

The breakdown in Connecticut was a harbinger of things to come. Significant complaints against Maximus have surfaced in other states as well. Privatization advocates have long considered Wisconsin, where Maximus provides a complete spectrum of "Wisconsin Works" (W-2) programs, the showplace of welfare "reform." Since 1997, Maximus has garnered more than $100 million in contracts in Milwaukee for welfare-related services.

During the past several months, the *Milwaukee Journal Sentinel* has reported on growing dissatisfaction with, and rampant improprieties in, the way Maximus is managing its contracts. A coalition of 50 Milwaukee-area church groups, along with six state lawmakers (including "welfare reform" supporters), have called for the termination of a $46 million Maximus contract that provides job training and other services to welfare recipients.[27]

The *Sentinel* also cites a July 2000 report by the Legislative Audit Bureau that "found nearly $800,000 in questionable spending by Maximus." This included "thousands in W-2 funds spent on soliciting contracts in other states, concerts for W-2 clients by Broadway singer Melba Moore and a holiday party for Maximus employees." Jennifer Reinert, who heads the state agency that oversees W-2, was quick to defend Maximus. She said auditors found no evidence of fraud, and blamed "sloppy bookkeeping" for the problems. In response, Maximus has agreed to pay back $500,000 for "improper spending of taxpayer W-2 money," and to spend another $500,000 on "extra services for the poor in Milwaukee County to try to make amends."[28]

Milwaukee Journal Sentinel columnist Eugene Kane wonders how "a large sophisticated company like Maximus – with welfare reform contracts in more than two dozen states – could have made so many glaring mistakes." Maximus was "one of five agencies hired to help create a welfare 'reform' system here that ended up being so confusing and poorly run that in little more than three years, loads of frustrated poor people opted out of the system. Cutting poor families off the dole proved so successful, W-2 enjoyed a huge surplus of funds, mainly because the program was drastically over-budgeted in the first place." Kane recognizes that Wisconsin has a welfare reform system that operates just like a business – "a poorly run business."[29]

While the Wisconsin situation was unfolding, Maximus was also under siege in New York. In March 2000, according to the *Mason City Iowa Globe-Gazette,* New York City comptroller Alan Hevesi refused to certify $104 million in welfare-to-work contracts with Maximus, charging that the award by Mayor Rudolph

Giuliani's administration raised the appearance of "corruption, favoritism and cronyism." Hevesi concluded that the company was given an unfair head start in preparing its bid.[30] In April, a New York State Supreme Court justice blocked the contract because of "compelling evidence that the contracting process has been corrupted." In late October, a state appellate court overturned the decision blocking the contract. A beleaguered Maximus spokesperson termed this victory a "vindication."[31]

In the meantime, the Manhattan district attorney's office launched an investigation into the hiring by Maximus of a father-in-law and a family friend of New York City's welfare commissioner, Jason Turner, as the company was preparing to bid on the city's welfare contracts.[32] (Turner was the "architect of Wisconsin's aggressive experiment with welfare reform," according to Karen Houppert.[33])

Discriminatory Practices

The Milwaukee *Business Journal* reports that, on top of the company's financial shenanigans, "16 formal gender or racial discrimination complaints have been filed with the Milwaukee office of the Equal Employment Opportunity Commission, against Maximus or one of its subsidiaries. In addition…as many as a dozen internal grievances were filed with the company's human resources office related to unfair promotion practices."[34]

Linda Garcia is an organizer with 9to5, a national nonprofit grassroots organization working to empower women through securing economic justice. Garcia has observed the activities of Maximus first-hand from the front lines in Milwaukee. "The public has not been served well by privatization, " she says. "The standards of accountability and monitoring have been practically non-existent. We're not seeing decent services provided to the community or a decrease in poverty or homelessness." Garcia, who has been working on behalf of the women involved in the discrimination suit against Maximus, believes discriminatory practices "may be widespread" at Maximus' MaxStaff entity, which seems to be "funneling women to low-paying jobs in order to quickly receive the bonus staff gets for placements."[35]

LOCKHEED MARTIN:
DEEP IN THE POCKETS OF TEXAS

Lockheed Martin is probably the most well-known company involved in welfare privatization. According to *Time*, the company "moved into the welfare field about 10 years ago, and with the cold war's end, its government-services division has become the fastest-growing part of the company." By early 1998, Lockheed Martin collected "fully 11% of all child-support payments taken in nationwide."[36]

In their analysis in *The Nation*, William D. Hartung and Jennifer Washburn describe how America's largest weapons manufacturer designed a division of the company – Lockheed Martin Information Management Services – "to run full-scale welfare programs in Texas and Arizona." Lockheed Martin's grand strategy involves handing corporations the right "to run entire government programs."[37]

Lockheed Martin's controversial and checkered history makes Maximus Inc. look like a troop of Girl Scouts. According to Hartung and Washburn, "This is, after all, one of the companies whose fondness for doling out bribes moved Congress to pass the Foreign Corrupt Practices Act in 1977; the company whose multibillion dollar overcharges on the C-54 transport plane made 'cost overrun' a household phrase; and the company whose 1971 government bailout – a $250 million loan guarantee with no strings attached – inspired former Senator William Proxmire to coin the phrase 'corporate welfare'." And, of course, let's not forget the infamous $600 toilet seat Lockheed produced for the Navy.[38]

Lockheed's Texas campaign began in May 1995 when Dan Shelley, Governor Bush's legislative liaison, quietly slipped a proviso "into the state's welfare reform bill requiring a study on privatizing public assistance." By the time the story ended, it involved the Governor and a number of his aides, campaign donations from Lockheed to Congressman Dick Armey and Senators Phil Gramm and Kay Bailey Hutchison, "an unprecedented (and some believe unconstitutional) public-private partnership with the Texas Workforce Commission," a union-led campaign accusing Lockheed Martin of "improper lobbying," and "revolving door hires" of individuals with close connections to decision makers.[39] In the end, Lockheed

Martin's bid to completely overhaul Texas' welfare system was rejected. The company did receive some welfare-to-work contracts, and it has been quick to take credit for finding jobs for thousands of Texas welfare recipients.

As in many other states, it is difficult to measure the long-term effects of Lockheed's programs in Texas since, as Miriam Rozen reports in the *Dallas Observer*, the state Legislature doesn't track them. Rozen says, "[T]he chief concern of many frontline poverty workers… is the lack of research on the consequences of welfare reform. No one knows whether Lockheed Martin's success stories will end up back on the dole in a few years." Kim Olsen, an organizer at ACORN (Association of Community Organizations for Reform Now), told Rozen she had informally interviewed some 700 welfare recipients since the reforms took effect. Olsen "believes that Lockheed Martin's tactics have left many aid recipients in the dark about benefits for which they are eligible – including educational and child-care subsidies." [40]

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Lockheed has won more than two dozen contracts to provide case management, skills training,and job placement assistance. Its reputation as a service provider has come under fire in several areas. In Baltimore, Maryland, where the company won a three-year contract to collect child support, Lockheed "failed to meet performance goals" in its first year. In California, the company and the state "mutually agreed to cancel a contract for Lockheed Martin to build a computerized tracking system for collecting child support…[when] the system's projected costs had skyrocketed – from $99 million to $277 million."[41]

AMERICA WORKS... BUT DOES IT?

Founded in 1984 as a private for-profit company by Peter Cove and Lee Bowes, America Works, Inc. has enjoyed its market share of welfare privatization. The company has contracts in New York City, Albany, Baltimore, Indianapolis, and Miami. According to its website, the company's mission is to "change people's lives by lifting them from welfare dependency into the productive world of employment."[42] The company's founders believe that poor work habits are major barriers to working for long-term unemployed people. Attaining and keeping jobs requires knowing how to be "on time and reliable, take direction and behave appropriately."

This "tough love" offer of "boot-camp-style job readiness" welfare-to-work services has made America Works the darling of New York City Mayor Rudolph Giuliani, who has centered his administration around cutting welfare rolls. Giuliani "raised some eyebrows a year ago," according to the *New York Times'* Jason DeParle, by bringing in Jason Turner, "one of the nation's most uncompromising critics of public assistance," to run the city's welfare agency. "Turner, a veteran of Wisconsin's anti-welfare campaign, designed his first welfare plan in junior high school, and he has been refining his craft ever since."[43] America Works' approach has also received considerable positive coverage in the mainstream media.

The Hunger Action Network's Mark Dunlea says that the company "focuses on finding entry-level positions such as receptionists, secretary, mail-room clerk, word processor, cashier, security or warehouse worker…[with] a typical annual salary…rang [ing] from $15,500 to $18,000." An often-voiced criticism of America Works is that it skims off the best potential clients and disregards the hard-core cases. "For example," writes Dunlea, "a worker who has a family emergency and fails to comply with an attendance policy – far stricter than in most workplaces – is typically kicked out of the program."[44]

A 1996 audit by New York State Comptroller H. Carl McCall pointed out that America Works was under contract with the state "to place AFDC recipients in private sector unsubsidized jobs." The company was paid by the state when a

client either: "(a) enrolled in the program, or (b) was placed in a job by the program, or (c) retained the job for at least 90 calendar days." According to Dunlea, "America Works receives fees from two sources. It charges the welfare agency approximately $5,000 for each client, and it keeps a significant portion of the salary its clients earn during their first four months on the job. During this time, while monitoring performance, America Works reaps $6-9 an hour from the employer, which pays the trainee minimum wage." The company "further boosts profits by collecting various government incentives and tax credits for hiring welfare participants." Dunlea cites an AFSCME report claiming that America Works has received more than $1 million from New York State "for people who never found jobs and for placements that never became permanent."[45]

CURTIS & ASSOCIATES

Dean Curtis founded the Kearney, Nebraska-based Curtis & Associates in 1985. The company was initially set up to respond to unemployment among family farmers, "train[ing] farmers for jobs through their self-sufficiency centers, seminars, and multicultural offices." Curtis' five-day workshops promote "work first" and are designed "to build confidence and emphasize that nothing comes to you, you must go out and get it."[46] The company has 500 employees in 90 offices nationwide, including Nebraska, Arizona, California, Indiana, and New York.

To Gretchen Obrist, Outreach and Intake Coordinator at the Nebraska Appleseed Center for Law in the Public Interest, Curtis & Associates embodies the worst aspects of privatization. The company contracts with the State of Nebraska for job search and placement, recently adding case assessments to its quiver. "Their duties are increasing as time goes by," says Obrist. "The case assessment piece is relatively new, but it is extremely important for clients. Curtis has an unconventional approach to case assessment. Instead of individual consultations, Curtis' staff have large groups of clients fill out difficult 16- to 18-page assessment forms themselves – forms that are not designed to be a do-it-yourself project." Since the forms are complicated and require some lengthy explanations, they are often incomplete, providing Curtis with an excuse to deny support. "In addition," says Obrist, "although Nebraska law encourages education as an important step towards self-sufficiency, Curtis, with the State's approval, has been sidestepping the law." [47]

The Appleseed Center has filed several class-action suits, including one concerning benefit time limits. According to Obrist, "The clock isn't supposed to start until after there's a case assessment and a plan developed with the client. Lately, Curtis and the state have been fast-tracking clients, starting the clock 90 days after a client applies for aid, regardless of whether there's been an assessment." Obrist also charges Curtis with being short-staffed and hiring unqualified caseworkers who aren't experienced social workers; workers can "qualify" for their jobs with only 24 credit hours of post-secondary education.

NONPROFITS: THE SOLUTION OR PART OF THE PROBLEM?

An unintended consequence of welfare "reform" has been the transformation of portions of the nonprofit sector – particularly some better-funded national organizations – from community assets to market-based competitors. The traditional distinction is becoming blurred between nonprofits, which invest in people and communities, and for-profit entities, which make money for their owners. In some places for-profits and nonprofits are now in direct competition; in others, they are creating profit-nonprofit partnerships to secure government contracts.

At the most elementary level, welfare reform allows nonprofits unprecedented access to cheap labor. Steve Williams, Executive Director of the San Francisco-based People Organized to Win Economic Rights (POWER), observes that both for-profit and nonprofit sectors derive this benefit from SFWorks, the city's welfare-to-work program. According to Williams, private companies hire at "just above the minimum wage." Companies like United Airlines and Burger King place workers in short-term, low-paying, dead-end jobs that require a minimum commitment on the part of employers. When they hire welfare workers, SFWorks reimburses them for a major part of their salary outlay.

Welfare reform allows nonprofits unprecedented access to cheap labor.

One of the most insidious consequences of the city's welfare-to-work program is that local nonprofits and private businesses are able to "steal jobs from low-wage workers, for whom these jobs no longer exist." This short-sighted pitting of low-wage workers against welfare workers threatens to create a new group of unemployed workers, who may well find themselves applying for welfare benefits.[48]

But it's not only for-profit companies that benefit from the SFWorks scheme. Williams says that some large nonprofit agencies, including Goodwill Industries, have become "addicted to this cheap labor pool." Nonprofits are tempted to save money on wages, for example by replacing reasonably compensated janitorial help with welfare-to-work employees.

At a deeper level of involvement, nonprofits are getting into the business – and it is a business – of administering welfare reform programs. Writing in the *Harvard Business Review*, William P. Ryan, a Cambridge, Massachusetts-based consultant to foundations and nonprofit organizations, looks at the changing landscape for nonprofits as governments contract with for-profit corporations to administer a panoply of government services. Nonprofits have begun to feel more pressure to adapt to this new competitive environment, Ryan says. "By playing in the new marketplace, nonprofits will be forced to reconfigure their operations and organizations in ways that could compromise their missions.… The danger is that in their struggle to become more viable competitors in the short term, nonprofit organizations will be forced to compromise the very assets that made them so vital to society in the first place."[49]

To compete in the marketplace, nonprofits are adapting to its new realities through a number of stratagems, from "subcontracting to partnership to outright conversion to for-profit status," according to Ryan. He points to the YWCA of Greater Milwaukee, which although "large and sophisticated by any nonprofit standard…could not go it alone." To deal with the "demand of a comprehensive, $40 million welfare-to-work contract, it created a for-profit limited liability corporation [called YW Works], with two for-profit partners."

In the final analysis, Ryan says the nonprofit sector needs to weigh its options very carefully. If they don't, all the dabbling in the free-market welfare "reform" sweepstakes will become an end in itself.

THE COMING W AVE OF "CHARITABLE CHOICE"

In addition to unleashing predatory corporate forces, the Personal Responsibility and Work Reconciliation Act of 1996 contains the first enactment of a concept conservatives call "charitable choice." Far from expanding anyone's choices, "charitable choice" forces state and local governments to include religious organizations in their pool of bidders for service-delivery contracts.

Cathlin Siobhan Baker, Co-Director of The Employment Project, explains although religious organizations have received government funding over the years for emergency food programs, childcare, youth programs, and the like, they were expressly prohibited from religious proselytizing. Baker writes: "Gone are the prohibitions regarding government funding of pervasively sectarian organizations. Churches and other religious congregations that provide welfare services on behalf of the government can display religious symbols, use religious language, and use religious criteria in hiring and firing employees."[50]

Charitable choice has had currency within conservative circles for quite some time, but it didn't receive widespread attention until then-Senator John Ashcroft (Rep.-Mo.) fought for its inclusion in the welfare reform bill. Although he lost his 2000 re-election bid to his dead opponent, Ashcroft is now President Bush's Attorney General.

"Gone are the prohibitions regarding government funding o f pervasively sectarian organizations."

On January 29, amidst great fanfare and surrounded by Christian, Muslim and Jewish religious leaders, President George W. Bush signed an executive order creating a new White House Office of Faith-Based and Community Initiatives. As governor of Texas, Bush has been a strong advocate for charitable choice, supporting the notion that faith-based organizations take over a large part of the provision of a broad array of government services. One of the things the new White House Office will do is help religious groups compete for billions of dollars in government grants.

During the presidential campaign, Bush called for "armies of compassion" fielded by "faith-based organizations, charities and community groups" to help aid America's poor and needy. In an opinion piece for *USA Today*, Bush laid out his plan for taking "the next bold step in welfare reform," proposing $80 billion over 10 years so that faith-based organizations can become "our nation's most heroic armies of compassion." He also proposed a $200 million federal initiative to "support community and faith-based groups that fortify marriage and champion the role of fathers."[51] The ceremony at the White House was only Bush's first step toward fulfilling his campaign promises.

Right-wing ideologues find charitable choice attractive because it not only reduces government involvement in service-delivery but also injects their religious and "moral framework" into the welfare debate. Welfare is no longer a question of poverty or the economic inequities in our society; the debate is framed within such time-honored right-wing moral premises as an epidemic of out-of-wedlock births and the lack of personal responsibility – behaviors that conservatives believe contribute to the general moral breakdown of our society.

In *Religion-Sponsored Social Service Providers: The Not-So-Independent Sector*, independent researchers Jim Castelli and John McCarthy of Pennsylvania State University have concluded that the expansion of faith communities' existing social services is no substitute for government efforts. According to Castelli and McCarthy, "Not only is there no infrastructure at the national, state, or local levels to administer programs and large amounts of funding, but such expansion would require faith communities to wholly change their funding priorities in order to build their capacity."[52]

CONCLUSIONS

Privatization was to be the engine powering welfare reform initiatives. It was supposed to replace federal and state bureaucracies with streamlined, cost-effective corporate providers of services. Privatizers believed that private companies would administer welfare regulations more stringently and accurately, deliver services more efficiently, and focus on only those who really deserved benefits. At the same time private entities promised to save taxpayers' money. Private companies competing for contracts assured states that they would dramatically reduce the welfare rolls. Indeed, this is the one area in which they have been successful.

Is the privatization of welfare delivering on its promises? Have private companies and enterprising nonprofits transformed the old welfare system into a suite of services leading to decent-paying, long-term employment for former welfare recipients? Max Sawicky, economist at the Washington, D.C.-based Economic Policy Institute, is troubled by the fact that the so-called "success [of welfare privatization] has been announced before the results are in."[53]

In fact, a growing number of policy makers, researchers, and media critics are uncovering a proliferation of profit-taking and corporate failures that ultimately rest on the backs of welfare recipients and tax payers:

- While welfare privatization has delivered drastic reductions in caseloads and welfare rolls, it has not moved recipients from the "underclass" to the working class. Privatization is not efficiently delivering job training and support services to those who need them.

- The financial bonuses privatizers receive for reducing caseloads create an incentive to terminate clients' benefits – not to assist them in climbing out of poverty.

- As in the case of Curtis and Associates, staff working for private companies often have neither the credentials nor the training to handle their caseloads.

Consequently, clients do not receive services they need, and to which they are entitled, such as childcare and transportation subsidies and medical care.

- As Wisconsin, New York, and Texas have learned to their chagrin, companies like Maximus and Lockheed Martin blithely spend public monies from other jurisdictions to wine, dine, and pay off decision-makers in the pursuit of new contracts.

- The states and local governments that contract with corporations for welfare services have not instituted any form of systematic oversight. Max Sawicky of the Economic Policy Institute comments that "states do not seem to have the capacity to follow through and find out how well contractors are doing in terms of fulfilling their commitments."[54]

- Because information about large private contractors is not centralized, it is not unusual for a company in hot water in one place to pick up new contracts at the same time in another state – or in another county in the same state.

- Ultimately, for-profit corporations are accountable to their shareholders, not to the communities they are hired to serve. Their real job is to make money for the people who own them, not to provide services for the people who need them.

"The increased privatization of state aid programs... has revealed that some for-profit corporations have mishandled welfare funds."

Spurred by revelations of Maximus' questionable activities, Milwaukee-area Democratic Congressmen Jerry Kleczka and Tom Barrett have appealed to the federal General Accounting Office for a full inquiry into the practices of private companies hired to manage welfare services. "The increased privatization of state aid programs for the poor has revealed that some for-profit corporations have mishandled welfare funds and contracts," Kleczka said. "Hopefully the GAO can shed some light on just how widespread these problems are and provide Congress with some insight as to how to prevent future misuse and abuse of public funds."[55]

Whether the GAO decides to take up this request and the content of any ensuing investigative report may well depend on which way the political winds are blowing in the new Bush administration. In the meantime, corporations continue prospecting for gold among the poor.

RESOURCES:

The American Federation of State, County and Municipal Employees, AFL-CIO (AFSCME): 1625 L Street, NW, Washington, DC 20036-5687, (202) 429-1000, Website: http://www.afscme.org especially "Private Profits/Public Needs – The Administration of W-2 in Milwaukee" June 2000, and "Safety Net for Sale."

The Urban Institute, 2100 M Street, Washington, DC 20037, (202) 833-7200, Website: http://www.urban.org, Email: paffairs@ui.urban.org

Welfare Information Network, 1000 Vermont Avenue, Washington, DC 20005, (202) 628-5790, Website: http://www.welfareinfo.org, Email: welfino@welfarein-fo.org

9to5, National Association of Working Women, 231 West Wisconsin Avenue, Suite 900, Milwaukee, WI 53203, (414) 274-0920.

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[26] "No Job Too Big for Welfare-to-Work Giant" *The Ethnic NewsWatch,* November 10, 1999.

[27] "Lawmakers want Maximus fired" *The Milwaukee Journal Sentinel*, October 26, 2000.

[28] "Maximus to pay back $500,000" *The Milwaukee Journal Sentinel*, October 13, 2000.

[29] "Good intentions aside, Maximus pimps the poor" *The Milwaukee Journal Sentinel,* August 1, 2000.

[30] "Company with Iowa contract being investigated in other states" Kathie Obradovich, *The Mason City Iowa Globe-Gazette*, May 18, 2000.
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