

# WebMemo



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## Congress Should Not Block Welfare Modernization in Indiana

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Indiana's bureaucracy does a poor job of serving the state's welfare recipients. The system relies on outdated, error-prone processes that leave caseworkers little time to actually help their clients. The system also massively inconveniences aid recipients by forcing them to take time off work to apply for benefits in person.

To better serve welfare recipients, Indiana has modernized the eligibility process by contracting out the paperwork and allowing welfare recipients to apply for benefits online and over the phone. The modernization, which will transfer 1,500 jobs from the state government to the private sector, has attracted intense union opposition. Congress is now considering legislation that would prevent states from contracting out any portion of the Food Stamp Program. This restriction would benefit politically-connected government unions at the expense of welfare recipients. Congress should remove this provision from the legislation. If it does not, President Bush should veto the bill.

**Broken Welfare Bureaucracy.** When Indiana residents apply to welfare programs such as Medicaid, Food Stamps, or Temporary Aid to Needy Families (TANF), they encounter a complex bureaucratic system. Caseworkers use paper and manual processes to collect data on applicants and verify their eligibility, spending more time on paperwork than on using their experience and training to help clients.<sup>1</sup>

Indiana's application procedures further burden welfare applicants. To apply for welfare or to re-verify eligibility, recipients must meet their caseworker

in person during work hours (8:00 a.m.–4:30 p.m.).<sup>2</sup> Applicants must also visit multiple offices on different days to apply for aid from different programs, often having to present the same documents.<sup>3</sup>

The system suffers from high error rates. Caseworkers commit errors in 12 percent of Food Stamp and 26 percent of TANF applications—either denying benefits to an applicant who should have received them, or giving handouts to residents who did not qualify for them.<sup>4</sup> The bureaucracy has also failed to make welfare recipients less dependent on government aid. Since the passage of the landmark 1996 welfare reform bill, Indiana has had the smallest reduction in welfare rolls of any state.<sup>5</sup> Most welfare recipients are frustrated by the program. Two-thirds report below-average service, while 48 percent say they have difficulty contacting a caseworker.<sup>6</sup> The bureaucracy has failed Indiana's most disadvantaged residents.

**Modernizing to Improve Services.** The Indiana Family and Social Services Administration has undertaken a modernization project to fix these problems. The new system will allow applicants to apply at any time of day, during weekends, either over the phone or online. It will also allow clients to apply for all aid programs at one office. Records will be kept electron-

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ically, and the system will place greater emphasis on moving clients to self-sufficiency.<sup>7</sup>

Indiana is contracting with IBM to design a more convenient system that will reduce error rates. Since processing paperwork is not a core government function, but one which IBM excels at, the company can handle the modernization more efficiently than if the state tried to do it on its own. The IBM contract will both improve service for recipients and save Indiana taxpayers \$500 million dollars over the next ten years.<sup>8</sup>

**Putting Special Interests First.** The American Federation of State and County Municipal Employees wants to stop the modernization effort, and not just because of an ideological opposition to contracting out government services. The contract will transfer 1,500 jobs from the state government to the private sector. State caseworkers will be responsible for making eligibility decisions, but private sector workers would handle data collection and processing. This would mean fewer potential dues-paying members should a future governor force state employees to unionize.<sup>9</sup> In other words, welfare modernization helps vulnerable and low-income residents, but potentially reduces union membership.

Unfortunately, unions have far more political clout than welfare recipients. Organized labor spent more than \$100 million to help elect the current Democratic Congress. In legislation to reauthorize the Food Stamp Program, they have lobbied for the inclusion of a provision that would bar private sector workers from representing a state government in communications with a food stamp applicant. Sec. 952 of H.R. 2401 states that “only State employees ... shall represent the State agency in any communications with a prospective applicant, applicant, or recipient household.” Since Indiana administers Food Stamps, TANF, and Medicaid in parallel, the provision would prevent Indiana from carrying out its welfare modernization plan.

**Conclusion.** Indiana’s welfare bureaucracy is expensive, outdated, error-ridden, and inconvenient. Contracting out data processing will allow social workers to focus on moving clients toward self-sufficiency. Congress should not stop Indiana, or any other state, from reaping the benefits of private contracting. If Congress includes Sec. 952 in the final version of H.R. 2401, President Bush should veto the measure.

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1. Indiana Family and Social Services Administration, “Eligibility Modernization: The Need for Change,” August 18, 2006, pp. 16-18, at [www.in.gov/fssa/transformations/edp/edp/index.html](http://www.in.gov/fssa/transformations/edp/edp/index.html).
2. *Ibid*, pp. 20 – 23.
3. *Ibid*, pp. 22-23.
4. *Ibid*, p. 17.
5. *Ibid*, p. 9.
6. *Ibid*, p. 18.
7. Indiana Family and Social Services Administration, “Eligibility Modernization: An Indiana Solution,” at [www.in.gov/fssa/transformations/pdf/Eligibility%20Modernization\\_%20An%20Indiana%20Solution.pdf](http://www.in.gov/fssa/transformations/pdf/Eligibility%20Modernization_%20An%20Indiana%20Solution.pdf).
8. *Ibid*.
9. Gov. Daniels ended collective bargaining with state employees via an executive order shortly after he took office. The three previous Democratic Governors required many state employees to belong to a public sector union and pay substantial union dues as a condition of employment.