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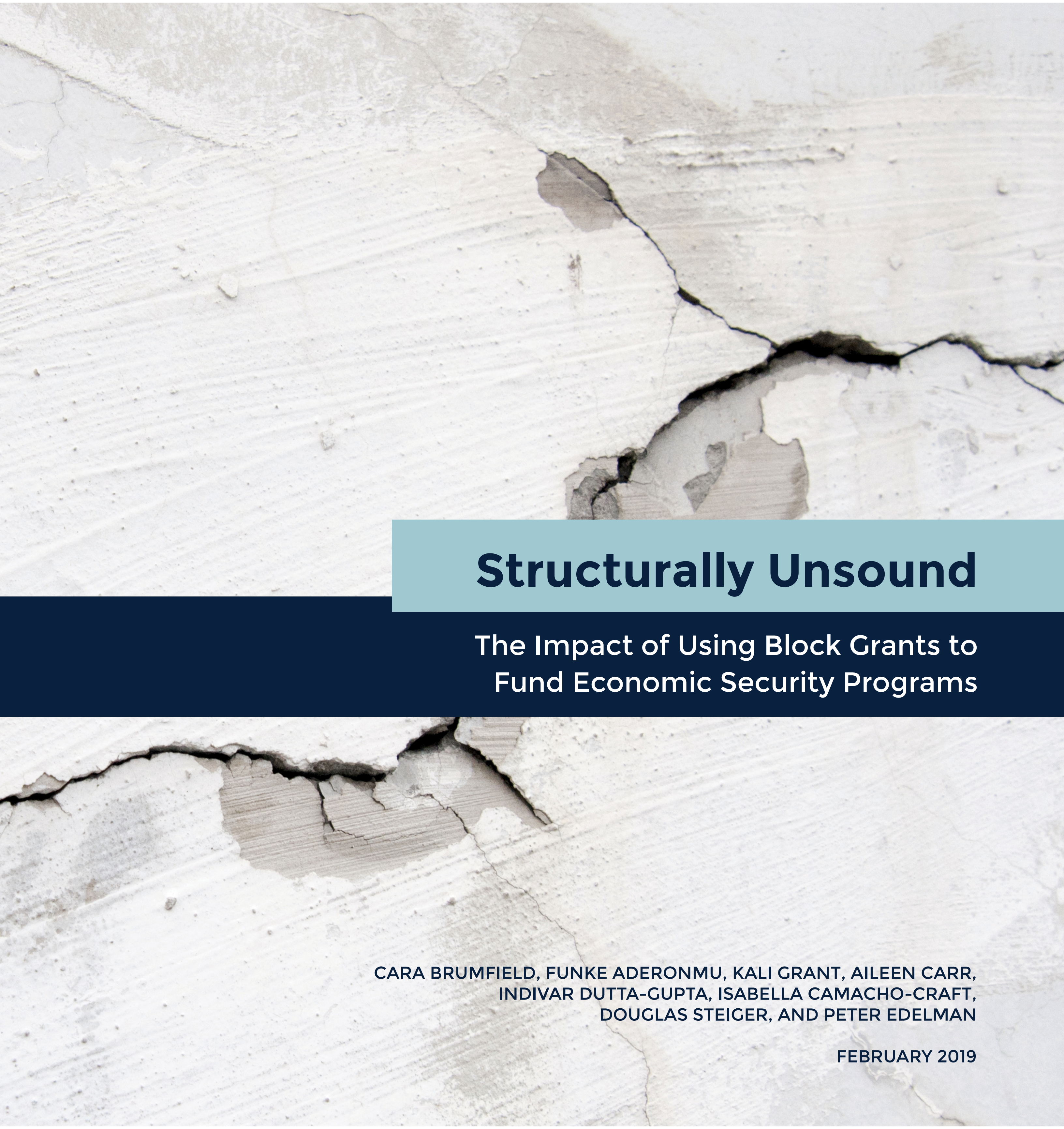

Structurally Unsound

The Impact of Using Block Grants to Fund Economic Security Programs

CARA BRUMFIELD, FUNKE ADERONMU, KALI GRANT, AILEEN CARR, INDIVAR DUTTA-GUPTA, ISABELLA CAMACHO-CRAFT, DOUGLAS STEIGER, AND PETER EDELMAN

FEBRUARY 2019

Georgetown Center on Poverty and Inequality

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Abbreviations, Acronyms, & Initializations

AAP—Adoption Assistance Program

ACA—Affordable Care Act (Patient Protection and Affordable Care Act)

AFDC—Aid to Families with Dependent Children

AHCA—American Health Care Act of 2017

BCRA—Better Care Reconciliation Act of 2017

CBO—Congressional Budget Office

CCDBG—Child Care and Development Block Grant

CDBG—Community Development Block Grant

CHIP—Children's Health Insurance Program

CMS—Centers for Medicare & Medicaid Services

CSBG—Community Services Block Grant

EITC—Earned Income Tax Credit

EPSDT—Early Periodic Screening, Diagnostic, and Treatment

FLSA—Fair Labor Standards Act

FMAP—Federal Medical Assistance Percentage

FSP—Food Stamp Program (now SNAP)

GAO—Government Accountability Office

HHS—U.S. Department of Health and Human Services

HTF—Housing Trust Fund

HUD—U.S. Department of Housing and Urban Development

IPPS—Inpatient Prospective Payment System

LIHEAP—Low Income Home Energy Assistance Program

LTSS—Long Term Services & Supports

MHBG—Community Mental Health Services Block Grant

MIECHV—Maternal, Infant, and Early Childhood Home Visiting Program

MOE—Maintenance-of-Effort

NAHBG—Native American Housing Block Grants

NAP—Puerto Rico's Nutrition Assistance Program

OMB—U.S. Office of Management and Budget

PHHS—Preventive Health and Health Services Block Grant

PRWORA—Personal Responsibility and Work Opportunity Reconciliation Act

SNAP—Supplemental Nutrition Assistance Program

SSA—Social Security Administration

SSBG—Social Services Block Grant

SSDI—Social Security Disability Insurance

TANF—Temporary Assistance for Needy Families

USDA—U.S. Department of Agriculture

WIC—Special Supplemental Nutrition Program for Women, Infants, and Children

Introduction & Summary

In 2017, nearly 45 million people in the U.S. experienced poverty, including 16 million who experienced deep poverty. An additional 50 million people lived between 100 and 150 percent of the federal poverty threshold.[1] Social protection programs such as the Supplemental Nutrition Assistance Program (SNAP) and Medicaid help people experiencing poverty keep food on the table, put a roof over their heads, and gain access to medical care, ensuring a basic standard of living for tens of millions of people with low incomes. With childhood poverty alone likely costing the United States more than $1 trillion annually,[2] these programs benefit us all.

Some programs are more effective than others, and much of their relative success or failure can be traced to their fundamental structure. In particular, the basic funding structure significantly affects the extent to which the programs adequately meet the needs of people they intend to support.

In recent years, some policymakers have proposed fundamentally changing the structures of both SNAP[3] and Medicaid to block grants for states—essentially providing states capped federal funding to achieve broad purposes with relatively few federal requirements and weakened eligibility and benefit guarantees. SNAP and Medicaid are structured as federal-state partnerships with uncapped federal funding focused on relatively well-defined purposes, with strong baselines for participant eligibility, services, and benefits. As of January 2019, news reports indicated that the Trump Administration plans to offer states the option (through a waiver) to receive Medicaid funding as a lump-sum based on the current uncapped state-federal match for some or all of its Medicaid-eligible population.[4] (This reporting has raised questions on whether the administration has the legal authority to institute block grants through a waiver.) The House Budget Committee's fiscal year 2018 budget resolution proposed $150 billion in cuts to SNAP over 10 years by converting it to a block grant.[5]

Because block grants and similar ideas are proposed over and over as an alternative to the existing structures for many social protection programs, this paper attempts to answer the seemingly abstract question, "Is capped federal funding to states (or localities) with expansive flexibility for spending a strong structure for directly supporting basic living standards?" Our extensive exploration of this question leads us to conclude that block grants are unsuitable for directly supporting living standards, and our findings cast doubt on related structures that address one or more, but not all, of the shortcomings of this approach. We base this conclusion on an analysis of relevant programs, including key block grants (which most clearly embody the capped, flexible structure). We review the evidence from the experiences of converting two non-block grants into block grants, and compare them to current structures of programs that have been suggested for conversion into block grants—Medicaid and SNAP. A clear pattern emerges from these experiences: if policymakers want meaningful benefit guarantees that respond promptly to changes in need and, where appropriate, offer states and localities accountable flexibility, some structures, especially block grants, are ill-suited to meet these goals when compared to alternative structures.

BOX 1.

BLOCK GRANTS ARE DIFFICULT TO DEFINE, BUT SHARE KEY CHARACTERISTICS

Block grants are not easily defined.[6] In general, they are a program funding structure that transfers a capped amount of federal resources to another government entity for a broadly defined purpose, such as supporting human services or community development.[7] States, cities, counties, territories, and tribal entities typically receive them. Each grant includes a relatively limited number of requirements for using the funds but offers wide discretion in how the grant's goals are met by the institution receiving and spending federal dollars.[8] Block grants may require state contributions, such as a funding match (as is the case for child and family welfare services provided under title IV-B) or a Maintenance-of-Effort (MOE) requirement (as is the case for the Temporary Assistance for Needy Families program [TANF] and the Maternal, Infant, and Early Childhood Home Visiting program [MIECHV]).[9] As of 2017, there were 20 federally-funded block grants to state and local governments.[10] The largest block grant supporting basic living standards is TANF, which has federal funding of more than $16.5 billion annually.[11, 12]

This paper also illustrates how converting the mainstays of our nation's economic security system like Medicaid and SNAP into block grants would result in a predictable and significant increase in hardship in this country.[13, 14]

To be sure, comparing federal program structures is an issue of degree; there are few bright lines or clear definitions. No two programs—even two block grants—share all their key structural features. (See Box 1.) Even a block grant can be relatively focused or have contingency provisions for funding beyond its cap. Because the shortcomings of block grants stem from capped funding, from state (or local) flexibility without accountability, and from the interaction between these two defining features, this analysis of flaws of the block grant structure raises concerns about distinct but related per capita caps,[15] superwaivers,[16] opportunity grants,[17] and the Trump Administration's 2018 "Welfare to Work Projects" proposal.[18]

This paper focuses on programs that directly support basic living standards. We define basic living standards as the necessities that meet widely-lived experiences in our country, including access to health care, housing, food, and income supports. (We consider them directly supported even if funding flows through providers of these goods and services, such as in the case of Medicaid where government funds pay medical providers for services rendered to patients.)

The Structure of Economic Security Programs Strongly Influences Their Impacts on People

The tangible impacts of federal programs on the lives of people struggling with poverty depend heavily on program structure. Though imperfect, SNAP and Medicaid offer powerful examples of what programs with clear goals, responsive funding that guarantees benefits for all who meet broad eligibility standards, and accountability[19] for states can do to reduce hardship and improve outcomes for people.[20] In contrast, the Temporary Assistance for Needy Families (TANF) program and other block grants fall short on each of these dimensions, making it hard to ensure that adequate benefits are available to all who need them and rendering them ill-suited for supporting basic living standards.

Block Grants Struggle to Meet Need

Past experiences with block grants demonstrate that their funding tends to decrease over time relative to need as well as relative to programs with stronger funding sources. Funding for programs with stronger structures like Medicaid and SNAP can more easily respond to increased need, [21] such as during economic downturns or in response to extreme weather events. The converse is also true, as evidenced by SNAP spending shrinking as the economy recovered from the Great Recession (see Figure 3). By handing enormous authority to states (or other entities) for programs ensuring basic living standards while incentivizing them to use the funds to fill budget holes, block grants can result in harmful cuts that disparately impact people of color,[22] women,[23] and people with disabilities.[24] Generally, block grants are subject to less federal accountability, and funds can be (and often are) spent by states on activities that may be worthwhile but are somewhat distant from primary program goals.[25] Ultimately, the block grant funding structure is relatively less effective at reducing poverty and improving long-term outcomes for people it is intended to serve when compared to alternative structures.

TANF—designed to provide temporary support to families with children experiencing poverty—is the largest and most recent experiment with turning a program with federally-guaranteed benefits for people and families into a block grant for states.[26] The results are clear: the reach of TANF cash assistance relative to need has declined dramatically, especially in states with large African American populations.[27] Further, TANF cash assistance lifts far fewer children out of deep poverty than its predecessor, Aid to Families with Dependent Children (AFDC).[28] Experts representing a range of political views[29, 30] have long pointed to TANF as evidence of the serious shortcomings of the block grant funding structure.[31]

Key Findings

Block grants are less well-equipped to support living standards for people with low incomes than other funding structures—especially structures that guarantee adequate benefits for all who meet well-defined federal eligibility standards.[32] Block grants often experience flat funding[33] and harmful cuts,[34] are less responsive to extreme weather events and other crises,[35] and have limited capacity to quickly stabilize families and communities in tough economic times.[36] They incentivize states to restrict access to benefits and ration services independent of need.[37] They also lack basic safeguards[38] to ensure transparency, accountability, and equity,[39] and appear to be no more effective than alternative structures[40] at encouraging development and scaling of effective innovations.[41]

- **Block grants respond poorly to changing need.** Block grants are less responsive to changing need than other structures. Funding is constrained by often ill-determined caps rather than automatically expanding and contracting with need. Block grants are less able to respond quickly to extreme weather events, recessions, and other crises than other programs. Attempts to make block grants more responsive to economic downturns have fallen short,[42] and states often cannot make up the difference on their own.[43]
- **Block grants are unaccountable.** Wide flexibility for states paired with modest oversight and little corrective action is characteristic of block grants—and makes them less accountable to program goals and to the people who rely on the programs to help meet their basic needs. Appropriate data collection and reporting requirements are often limited or low quality in block grants. As a result, too little can be discerned about their effectiveness—which makes them an easier target for cuts.[44] Unsurprisingly, block grants often become attractive funding sources for states to spend on purposes distant from core program goals, tangentially or tenuously connected to the greatest need.[45] In practice, this means that states can creatively use block grant funding to plug budget holes or supplant their own spending. Additionally, the limited data and reporting mechanisms tied to block grants widen the distance between agencies that fund programs and the people supported by them.
- **Block grants can exacerbate inequality.** Block grants can worsen racial disparities. Converting Medicaid or SNAP into a block grant likely would exacerbate racial inequalities and disproportionately harm women and people with disabilities. When TANF devolved substantial authority to states for setting eligibility and benefits, states disproportionately sanctioned African Americans, and states with more African American residents developed less generous and more restrictive TANF programs.[46, 47] (Converting Medicaid or SNAP into a block grant likely would exacerbate racial inequalities and disproportionately harm women and people with disabilities.) Under a Medicaid block grant, states could have substantial power to determine eligibility and/or services.[48] To reduce costs, states could limit enrollment, which would disproportionately harm women, who make up almost three-fifths of Medicaid enrollees.[49] States also could choose to reduce the quality of care, opting to reduce the availability of prescription drugs, rehabilitative services, or home and community-based care programs, which can serve as lifelines for people with disabilities.[50]
- **Shortcomings of block grants suggest flaws in related structures.** Proposals for per capita caps, superwaivers, and other policy ideas similar to block grants, such as "Opportunity Grants,"[51] retain some of the fundamental flaws of block grants. Per capita caps proposed in Medicaid likely would respond poorly to changing need and would lead to underfunding over time.[52] The overly expansive flexibility of superwaivers likely would undermine accountability and protections for program applicants and participants.

Summary of Recommendations

Even the strongest block grant will fall short of what can be accomplished through alternative structures. **Policymakers should focus on transitioning existing block grant structures for programs supporting basic living standards into stronger structures.** Until then, policymakers should preserve the strong funding structures of Medicaid, SNAP, and other programs with designs that align resources and activities with need.

- **Transition existing economic security block grant programs into stronger structures.** Medicaid and SNAP are examples of highly successful programs with clear purposes and guaranteed access. Block grant programs directly supporting the living standards of individuals and families should be converted into stronger funding structures without arbitrary funding caps and counterproductive flexibility that disconnect spending from need. For example, Congress should consider restoring SNAP in Puerto Rico and introducing a Medicaid program with guaranteed benefits in place of the block grants that are currently failing Puerto Rico.
- **Protect the structures of Medicaid and SNAP.** SNAP and Medicaid are demonstrably effective at supporting economic security and health.[53] Medicaid prevents devastating financial hardship for millions of families.[54] Access to Medicaid in childhood has been shown to increase high school and college completion rates,[55] lead to higher tax payments as adults,[56] and lower rates of health conditions like obesity and diabetes in adulthood.[57] Similarly, SNAP keeps millions of people out of poverty annually.[58]

Current block grants can be improved by aligning them better with need and strengthening accountability.

- **Align block grant funding with need.** While the block grant funding structure carries inherent limitations, policymakers can make changes that would align funding with need. Block grant funding should respond automatically to annual growth in both costs and participant populations. Well-designed contingency measures can help block grants respond more promptly throughout the year to state-specific and even national changes in need, whether due to recessions, extreme weather, or other disasters (e.g., earthquakes, volcanic eruptions, and wildfires) and crises (e.g., disease epidemics).
- **Strengthen accountability in block grants.** Accountability measures are critical in ensuring that federal funds are both accountable to the federal government and to people who are struggling and intended to benefit from federal funds. Creating stronger performance and outcome measurement systems can help hold programs accountable for program access—including equitable access regardless of race—and adequacy of benefits and services. Federal policymakers could set a standard for the minimum share of program spending that should go to specified core purposes.[59] Appropriate funding levels must be accompanied by stronger accountability measures to limit states' ability to divert funds toward other purposes. Reporting and evaluation are also key to ensuring program effectiveness.

Learning From Experience: Converting Guaranteed Benefit Programs to Blocks Grants Has Limited Their Ability to Support Basic Living Standards

The conversion of AFDC to Temporary Assistance for Needy Families (TANF) in 1996 is the largest and most recent experiment with turning a program with federally-guaranteed benefits for people and families into a block grant for states. A substantial body of research examining the last two decades with TANF demonstrates the inherent structural limitations of this approach. As a result, experts representing a range of political views[60, 61, 62] have long pointed to TANF as evidence of the serious shortcomings of the block grant funding structure.[63] Puerto Rico's Nutrition Assistance Program (NAP) is another striking example of this flawed approach.[64] Rather than being allowed to participate in SNAP, which can respond quickly to economic downturns and disasters, Puerto Rico has received a capped block grant for food assistance since the Omnibus Budget Reconciliation Act of 1981.

The results are clear: the reach of these programs relative to need has **DECLINED DRAMATICALLY** since their conversion to block grants.

The results are clear: the reach of these programs relative to need has declined dramatically since their conversion to block grants. As primary examples of programs that were converted to block grants after previously offering guaranteed benefits for all who qualify, TANF and Puerto Rico's NAP illustrate many of the flaws of block grants as a program structure. An overview of these programs is presented here, and they are referred to as illustrations of the fundamental flaws of the block grant structure throughout this paper.

TANF's Block Grant Structure Has Contributed to Its Poor Performance

TANF was established through the 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) and replaced AFDC.[65] TANF provides temporary support to families with children experiencing relatively deep poverty. It is structured as a block grant, meaning the federal government provides a fixed amount of funding to states (or other entitites) to operate the program, with states contributing their minimum share of funding through a Maintenance-of-Effort requirement, or MOE. The block grant is flat-funded, declining relative to price and population growth, which then limits the program's reach and effectiveness.[66] The reach is further limited because the block grant ended any meaningful guarantee of benefits.[67] Combined with the incentives states face to repurpose federal funding under the block grant to fill budget holes, benefits access for families with clear need shrunk precipitously, and the processes for eligibility determinations became more inconsistent and inequitable across states.[68] It is important to note that the program changed in other harmful ways unrelated to the block grant structure that contributed to the poor outcomes of TANF. For example, new labor market engagement mandates within TANF likely contributed to a rise in deep poverty.[69]

FIXED FUNDING LEVELS HAVE LED TO A DECLINE IN THE VALUE OF TANF OVER TIME

Since the program's advent in 1996, TANF funding has experienced a 40 percent decline when adjusting for inflation (see Figure 5). Block grants tend to decline in real value over time because their caps typically do not grow with need, including that reflected by growing prices.[70] TANF exemplifies this phenomenon. Federal TANF funding levels for states are determined using a state's 1994 (AFDC) participation[71, 72] and the funds have been frozen at their 1996 levels for more than 20 years.[73] The formula provided many states with an initial increase in funding, since 1994 participation was particularly high. However, the initial funding increases were modest and short-lived and came at the expense of accountability. Furthermore, the initial funding increase, combined with an unusually tight labor market and federal child care and earnings supplement expansions for very low-income families with children, meant that some states could be relatively generous if they chose to with work supports, like TANF-funded child care and employment programs.[74] Those favorable conditions have long since vanished, while the federal grant dollar amounts remained unchanged.[75] As a result, fixed TANF funding for states reflects increasingly irrelevant historic funding levels rather than reflecting more than two decades of demographic and cost of living changes.[76] Between 1997 and 2016, average real federal TANF dollars spent have dropped from $1,860 per child in poverty to $1,273 per child in poverty (in 2016 dollars),[77] a 32 percent decrease. [78] From 1997 to 2015, states with the greatest rise in child poverty had the largest *drop* in inflation-adjusted TANF grants per eligible child.[79] In Alaska, where the number of children in poverty rose by about 57 percent, there has been an almost 71 percent drop in the inflation-adjusted block grant amount per child, more than double the national average decrease.[80]

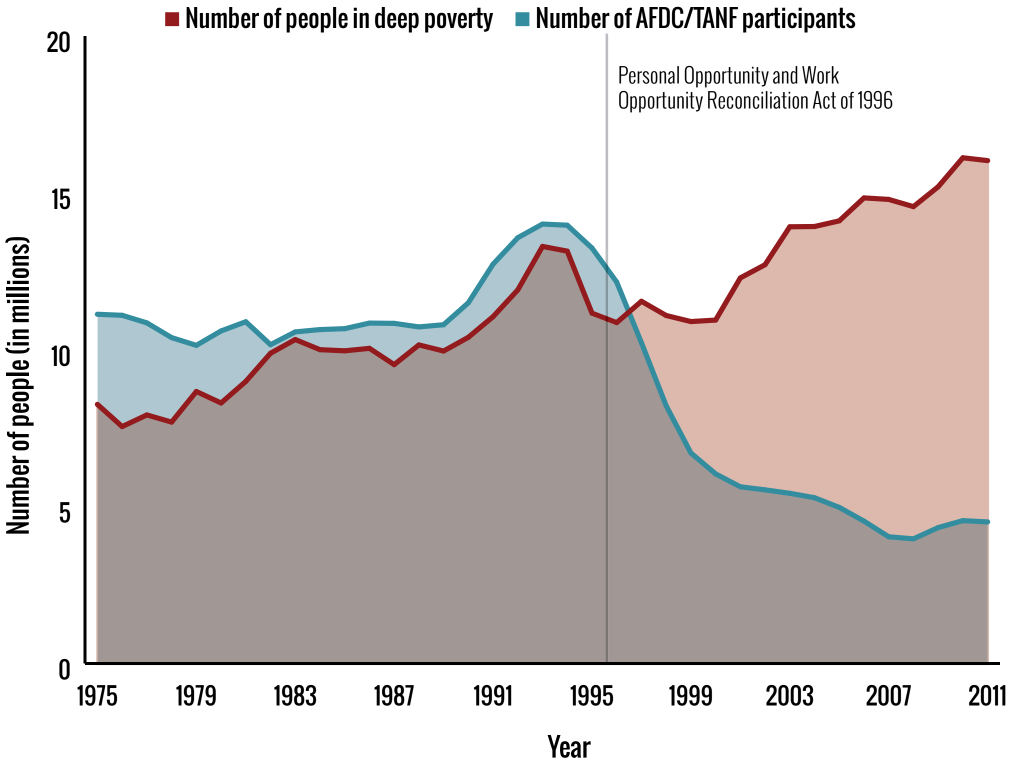
Block grants were essentially sold to states as an increase in funds with enormous flexibility, but the initial funding **INCREASES WERE MODEST AND SHORT-LIVED** and came at the expense of accountability.

AS A BLOCK GRANT, TANF HAS LIMITED & DECLINING REACH

Due to the fixed nature of the program's block grant funding and the accompanying loss of guaranteed benefits, TANF is structurally limited in its ability to meet need (see Figure 1). In fact, over the last 20 years, average monthly participation has fallen by nearly two-thirds[81] —while deep poverty and extreme cash poverty among households with children rose substantially (when comparing similar points in the business cycle).[82, 83, 84] Capped and declining funding means there is less money to go around and the program is less responsive to need. At TANF's start, the program reached 68 out of every 100 families experiencing poverty. Today, TANF reaches just 23 out of every 100 families experiencing poverty.[85] SNAP, a guaranteed benefits program, reached 85 percent of eligible people in 2016.[86] Under AFDC, the majority of funds were used to provide low-income families with cash assistance to support them in meeting their basic needs.[87] Effectively guaranteeing benefits for all eligible applicants meant that AFDC was also relatively responsive to economic downturns—participation rose and fell as poverty increased and decreased.[88] The federal government also matched state contributions, which encouraged states to invest in the program.[89] That all changed when the program was converted to a block grant under TANF.

FIGURE 1. The number of people in deep poverty has increasingly exceeded the number of people served by TANF following the 1996 welfare law

Number of Aid to Families with Dependent Children (AFDC)/Temporary Assistance for Needy Families (TANF) participants vs. number of people with family incomes below 50% of poverty level, 1975-2011



Note: From 2000 onward, the data for TANF participants includes Separate State Program (SSP) participants. Includes data for all 50 states and the District of Columbia. Deep poverty estimates use the Supplemental Poverty Measure (SPM). Expansive Allowable Uses of TANF Funding Encourages Supplantation and Limits TANF's Ability to Meet Basic Needs

Source: Georgetown Center on Poverty and Inequality, 2019. Data from Chris Wimer et al. "Historical Supplemental Poverty Measure Data." Columbia Population Research Center. 2017. Available at https://www.povertycenter.columbia.edu; "Table 6. People Below 125 Percent of Poverty Level and the Near Poor" U.S. Census Bureau, retrieved 29 January 2019; and "Welfare Indicators and Risk Factors: Thirteenth Report to Congress." U.S. Department of Health & Human Services, 1 March 2014.

EXPANSIVE ALLOWABLE USES OF TANF FUNDING ENCOURAGES SUPPLANTATION & LIMITS TANF'S ABILITY TO MEET BASIC NEEDS

Flexibility in allowable uses of block grant funding is expansive in TANF. The overly flexible funding, paired with limited oversight and reporting requirements for states, has led to states using TANF funds for purposes that arguably fall outside of core program goals or to supplant state funding in other areas—at the expense of meeting the basic needs of families with very little income.

Under AFDC, funds were primarily used for cash assistance directly to families.[90] Now, however, TANF funds can be used for a wide variety of activities. In federal fiscal year 2017, only 23 percent of federal and state MOE TANF funds, or $7.1 billion, were used on basic assistance, usually through providing cash to recipients. The range of activities that states are allowed to spend TANF funds on also make it difficult to evaluate TANF's outcomes.[91] TANF lacks meaningful performance measures that could help policymakers better evaluate its effectiveness.[92]

Despite the challenges of evaluating block grants like TANF, research has shown that the transition from AFDC appears to have contributed substantially to the rise in the number of children experiencing deep poverty.[93] In 2015, TANF kept 349,000 children from experiencing deep poverty, whereas, 20 years prior to that, AFDC kept nearly 2.8 million children out of deep poverty.[94] Similarly, since TANF's establishment, the number of households with children reporting cash incomes of less than $2 per person per day has risen sharply.[95] In 2012, roughly 1.3 million children in families with limited assets spent at least seven months in a calendar year living on less than $2 in cash per day.[96]

The NAP Block Grant Undermines Effectiveness of Food Assistance in Puerto Rico

Puerto Rico has received a capped block grant for food assistance (NAP) since the Omnibus Budget Reconciliation Act of 1981. The rest of the nation participates in SNAP, a highly effective nutrition assistance program that guarantees modest benefits for all who qualify with no funding cap.[97] In addition to Puerto Rico, American Samoa and the Northern Mariana Islands are funded through block grants; other territories like Guam and the United States Virgin Island have access to SNAP.[98, 99] Beginning in 1982, the federal government capped food assistance spending in Puerto Rico at $825 million,[100] a significant decrease from its pre-block grant spending of $1.1 billion per year.[101] The funding cap is adjusted annually to reflect national food price growth.[102]

After the transition, the number of Puerto Rico residents receiving food assistance declined from **1.84 MILLION PERSONS** under FSP in June 1982 to **1.69 MILLION PERSONS** under NAP only one month later.

Before receiving capped block grant funding, Puerto Rico participated in SNAP's predecessor, the Food Stamp Program (FSP). Concerned about the size and expense of FSP in Puerto Rico, Congress capped nutrition funding by replacing FSP with NAP in 1982.[103] To maintain the program with constrained funds, Puerto Rico restricted benefits and eligibility for the program.[104] After the transition, the number of Puerto Rico residents receiving food assistance declined from 1.84 million persons under FSP in June 1982 to 1.69 million people under NAP only one month later. By 1990, the average number of people participating in NAP declined to 1.47 million, a 20 percent decrease.[105] There is evidence that the conversion from FSP to NAP worsened undernutrition for those with the lowest incomes in Puerto Rico.[106]

The block grant structure of NAP contributes fewer federal food assistance resources for Puerto Ricans than they would receive under SNAP.[107] Under the block grant, funding for basic food assistance is misaligned with the level of need in Puerto Rico, which has a poverty rate of 44 percent[108] (compared to the national average of 12 percent)[109] and a high cost of living in metropolitan areas.[110] Recognizing the gap in unmet need, former Congressional Rep. Pedro Pierluisi introduced the Puerto Rico Supplemental Nutrition Assistance Program Restoration Act of 2012, which would have replaced NAP with SNAP, thereby restoring more adequate and responsive food assistance for households in Puerto Rico.[111] While Congress has yet to take action on the proposal, a U.S. Department of Agriculture (USDA) report estimates that converting NAP into SNAP would add $457 million in federal spending for food assistance and would serve an additional 85,000 households in Puerto Rico.[112]

Due, in part, to its block grant structure, NAP lacks the flexibility of SNAP to respond in times of economic downturn or extreme weather events. Instead, the Commonwealth government in Puerto Rico keeps costs under the cap by restricting eligibility and reducing benefits.[113] In the aftermath of the 2017 Hurricane Maria, NAP's limited responsiveness created barriers to providing adequate food assistance in Puerto Rico.[114] Congress authorized a $1.27 billion increase in funding for NAP to address the high levels of need in communities affected by the hurricane.[115] However, funding is expected to run out in March 2019, and Congress has yet to authorize additional funding, creating uncertainty for households still in need of food assistance.[116]

BOX 2.

EVEN A SEEMINGLY SUCCESSFUL BLOCK GRANT, CHIP, UNDERSCORES FLAWS WITH CAPPED FUNDING

The Children's Health Insurance Program (CHIP) is a block grant whose apparent success has depended on historic bipartisan support and unique funding and structural decisions that have kept the program well-focused and well-funded to align roughly with need.[117] CHIP provides comprehensive health coverage to children whose families exceed Medicaid income thresholds; depending on the state, pregnant women may also qualify for CHIP.[118] The federal government pays for a certain percentage of a state's CHIP spending, similar to Medicaid.[119] Like other block grants, overall CHIP funding is capped each year.[120] Historically, Congress has ensured that states are funded to sustain and expand the program through the Enhanced Federal Matching Assistance Percentage (E-FMAP) rate, which provides federal funding averaging 71 percent of state CHIP expenditures.[121] In fiscal year 2016, the median enhanced matching rate for CHIP (69 percent) was approximately 13 percentage points higher than the median state's Medicaid FMAP (55 percent).[122] The E-FMAP was later raised to 88 percent in 2014 under Affordable Care Act (ACA) provisions.[123]

CHIP's unique funding structure is in many ways unlike other block grants as it enables states to effectively operate without a binding spending cap. During CHIP's first 10 years, Congress set an adequately high funding cap that allowed states to administer the program without exhausting federal funds. Between 1998 and 2007, Congress allocated $40 billion in CHIP funding, of which states spent $35 billion.[124] Under CHIP, if a state does not spend all its funds within a two-year period, the excess funds are pooled and redistributed to other states' programs.[125] Additionally, Congress has authorized supplemental funding for CHIP in cases where states were projected to face funding deficits.[126] Since 2009, CHIP has been overfunded deliberately. When reauthorized in 2009, Congress set federal funding high enough to sustain current programs and expand them significantly.[127] The Congressional Budget Office (CBO) estimated that, with new funds, no state would see federal funding shortfalls.[128] Starting in 2023, total state funding allotments will equal such sums as necessary.[129] In deep contrast, states would not receive sufficient funding to administer Medicaid at their current or projected levels under proposed block grants.[130, 131] Analyses of Medicaid block grant proposals indicate that they would reduce federal spending, and result in cuts to the program that would leave millions of people uninsured.[132]

It is unclear whether CHIP will continue to receive from Congress the active, bipartisan, and preferential treatment it has received historically. In recent years CHIP has seen a number of short-term extensions result in uncertainty for families and for states. Many states lack contingency funds to deal with even a brief lapse in program funding or a modest funding shortfall—which puts health care for children on the line.[133] In 2017, CHIP's budget authorization expired due to prolonged negotiations over proposals to cut spending for the program.[134, 135] Eventually, the program was for extended for 10 years (until 2027).[136] However, during the unprecedented 114 day expiration, states scrambled to figure out how they would deal with a funding shortfall—leaving families confused and uncertain about the future of their children's care.[137]

Ultimately, the experience of CHIP shows that a block grant structure's funding cap can be rendered effectively non-binding. That outcome likely requires political and policy decisions and agreements that have proven themselves unlikely in other contexts and increasingly fragile where they remain. In other words, CHIP's block grant structure is not a strength, but something that policymakers have worked to overcome.

Block Grants Respond Poorly to Changing Need

Block grants often fail to respond swiftly to economic downturns,[144] extreme weather,[145] and other crises. Mandatory, or automatically funded, block grants like TANF provide funding at a pre-established level, year in and year out.[146] Discretionary block grants, like the Low Income Home Energy Assistance Program (LIHEAP) and the Community Services Block Grant (CSBG), have funding levels set each year as part of the appropriations process.[147] Appropriated block grants are subject to overall spending caps set in congressional budget resolutions along with additional statutory and annually set limits that further reduce their potential to meet, and expand with, need.

Whether automatically funded or annually appropriated, block grants disconnect funding from need to varying degrees. Failing to align funding with need is particularly harmful when the programs are intended to support basic living standards. Economic security programs with stronger designs like SNAP and Medicaid that generally guarantee eligibility and funding for somewhat adequate benefits and services, on the other hand, are effective at helping people endure tough times because the funding levels rise as need does.[148]

Block Grants Respond Poorly to Demographic Change

As states and localities experience changing needs due to population growth or demographic shifts, block grants are slow or unable to respond. The fixed funding structure of block grants is also ill-suited to adjust to changes in income distribution across the country, particularly for state-by-state changes in poverty.

The projected rise in health care costs associated with an aging population would **STRAIN THE SPENDING CAPS** that would accompany a Medicaid block grant.

BLOCK GRANTS RESPOND POORLY TO POPULATION & DEMOGRAPHIC CHANGES

Federal funding for block programs typically is capped arbitrarily, such that block grants do not respond with more funding as a state's population increases—or shrink when populations decline. States with faster population growth are particularly impacted, as the federal share of their funding does not grow as need does, and reallocation between states is politically complex and uncommon.

In an attempt to preempt inequitable TANF funding across states, Congress created TANF supplemental grants of almost $800 million over four years to states with fast-growing populations, among others.[149] While the supplemental grants provided additional funds, they did little to adequately address these states' needs.[150] In 2011, the supplemental grants were allowed to expire and have not been revived since.[151]

The capped funding structure of block grants also responds poorly to demographic shifts. In particular, the projected rise in health care costs associated with an aging population would strain the spending caps that would accompany a Medicaid block grant.[152] Notably, 32 states project their share of adults over age 85 to increase significantly between 2025 and 2035.[153] This share of aging adults will include seniors enrolled in Medicaid whose health care costs on average are five times greater than children and younger adults without disabilities.[154] A Medicaid block grant likely would leave these states ill-equipped to cover the increases in health care needs and costs associated with an aging population.

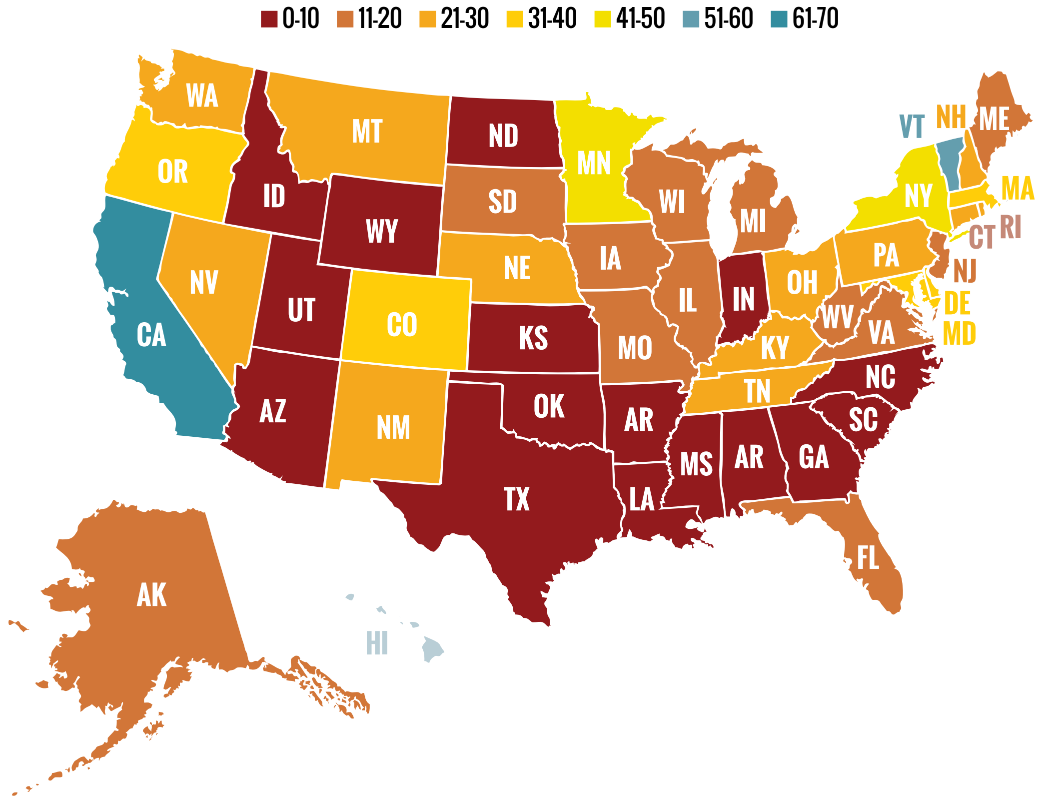
BLOCK GRANTS RESPOND POORLY TO CHANGES IN THE DISTRIBUTION OF POVERTY ACROSS AMERICA

Funding for block grants generally fails to adjust accordingly to changes in the state-by-state distribution of poverty over time, a problem that Medicaid and SNAP might also face if they were turned into block grants.[155] For example, since its establishment in 1996, TANF has seen virtually no change in state-by-state funding levels even as poverty and deep poverty have increased in some states and decreased in others.[156] From the outset, federal TANF funding was allocated to states on the basis of historical funding for AFDC and related programs,[157] which was highly unequal when considering the distribution of poverty across states.[158] For example, some states spent less per low-income child under AFDC, causing them to have a low federal funding level under TANF. [159] Many of these states then saw increases in child poverty.[160]

The number of children experiencing deep poverty has grown since TANF was established as a block grant. [161] TANF's fixed funding formula does not accommodate the growing needs of states with the largest increases in child poverty (see Figure 2). For example, Nevada's child poverty rate more than doubled between 1997 and 2015 and the inflation-adjusted block grant funding per child experiencing poverty fell by 68 percent. Indiana saw more modest child and general population growth, and a 60 percent increase in child poverty. Indiana's inflation-adjusted funding per child in poverty fell by 60 percent. New York saw a 25 percent decrease in poverty between 1997 and 2015, but its federal block grant amount remained unchanged (in inflation-adjusted terms).[162]

FIGURE 2. In 40 out of 50 states, TANF reaches less than 1/3 of families with children experiencing poverty

Number of families receiving Temporary Assistance for Needy Families (TANF) divided by the number of families with children in poverty in each state



Note: TANF participation calculated using 2-year estimates to improve reliability.

Source: Georgetown Center on Poverty and Inequality, 2019. Data from Floyd, Ife et al. “TANF Reaching Few Poor Families.” Center on Budget and Policy Priorities, November 28, 2018. Available at https://www.cbpp.org/research/family-income-support/tanf-reaching-few-poor-families.

Block Grants Respond Poorly to Economic Downturns

The capped or fixed funding of block grants makes them unable to respond quickly to economic downturns, when need rises as people struggle to find work and the number of people experiencing poverty grows, in marked contrast to countercyclical programs like SNAP and Medicaid.

When federal funding fails to grow with need, states generally cannot make up the difference during a recession as their own revenues are declining, and states typically cannot run deficits. Unlike the federal government, states generally lack any mechanisms that would allow them to spend more than their revenues and reserves (if any). In fact, most (39) states have a requirement that the state legislature pass a balanced budget.[163] In the event of an economic downturn, extreme weather, or other crisis when states’ funds are likely to be exhausted, block grants generally cannot adequately respond robustly. This lack of responsiveness in programs that support basic living standards exacerbates economic insecurity and puts already struggling people and communities at risk of serious harm.[164]

BLOCK GRANTS DISCOURAGE SPENDING IN GOOD & BAD ECONOMIC TIMES

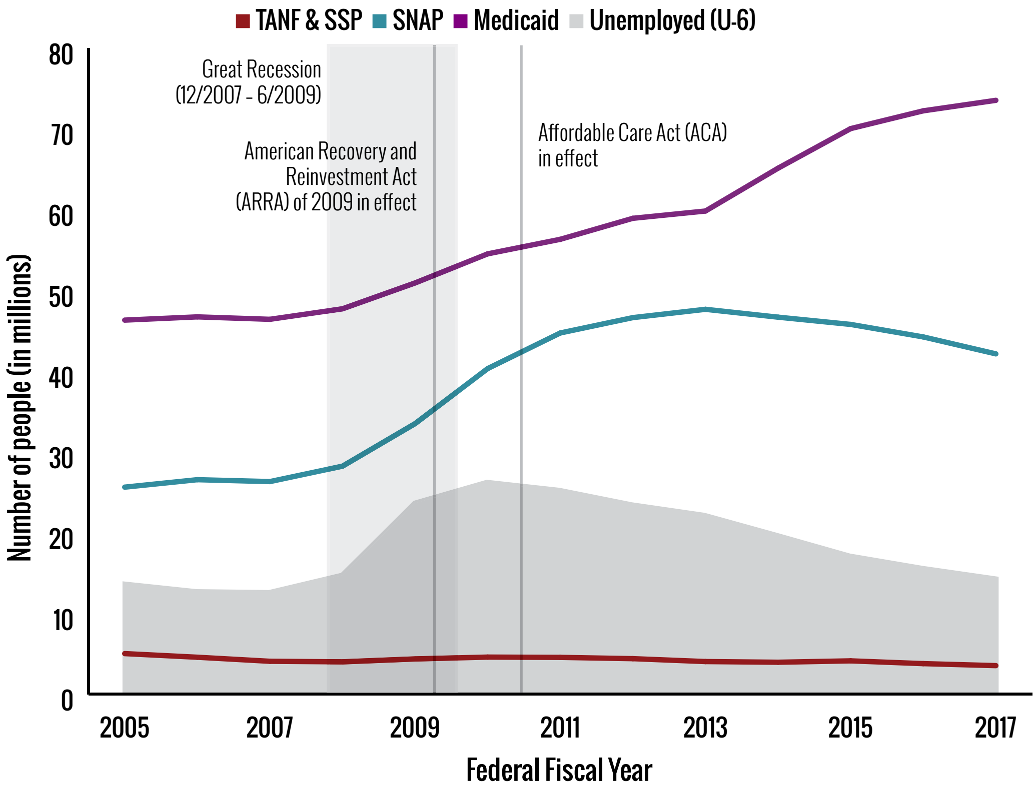
The non-responsiveness of block grants affects the ability of states to meet need even in better economic times. The basic structure of block grants incentivizes states to hold back resources in anticipation of future economic problems.[165] As a result, during economic expansions and downturns alike, states may withhold spending under a block grant in a way they would not with programs like SNAP or Medicaid, which provide states additional federal support as need rises.[166, 167]

When federal funding fails to grow with need, **STATES CANNOT MAKE UP THE DIFFERENCE.**

The Housing Trust Fund (HTF), a block grant that supports affordable housing, particularly among extremely low-income households,[168] is arguably pro-cyclical. The funding structures for Medicaid and SNAP, on the other hand, are far more effective than a block grant structure because they automatically adjust and quickly provide greater support to the affected states.[169] SNAP worked as intended during the Great Recession, for example (see Figure 3). SNAP participation grew by 81 percent between 2007 and 2013 and gradually fell afterward.[170] SNAP has been shown to act as a fast-acting economic stimulus. When participants spend their SNAP benefits at grocers in their communities, local and state economies also benefit from the boost.[171] Medicaid enrollment increases during economic downturns, and has countercyclical economic benefits as enrollment has historically driven growth in Medicaid spending.[172] A detailed analysis by the Center on Budget and Policy Priorities shows how SNAP funding levels would have differed under a block grant in 2013. According to the study, there would have been deep funding cuts in every U.S. state ranging from a 34 percent cut in North Dakota to a 74 percent cut in Florida.[173]

FIGURE 3. Medicaid & SNAP responded more robustly to the Great Recession & its aftermath than TANF

Number of participants for Medicaid, Supplemental Nutrition Assistance Program (SNAP), and Temporary Assistance for Needy Families (TANF), and number of people unemployed, FYs 2005–2017



Note: 12-month averages are presented for each federal fiscal year (October - September). TANF participation includes participants in Separate State Programs (SSP).

Source: Georgetown Center on Poverty and Inequality, 2019. TANF & SSP combined participation data from U.S. Department of Health and Human Services; SNAP participation data from U.S. Department of Agriculture; Medicaid enrollment data from Centers for Medicare & Medicaid Services' 2017 Actuarial Report; and U-6 unemployment level data based on authors' calculations using data from Bureau of Labor Statistics for federal fiscal years 2005-2017.

Block Grants Respond Poorly to Extreme Weather Events & Other Crises

When extreme weather events and other crises occur, communities need programs to provide relief fast. Unfortunately, block grants are often slow to respond if they respond at all—largely because of funding caps that are difficult to adjust according to need. For example, both the NAP and the Medicaid block grants failed to provide timely and adequate support during and after Hurricane Maria and the Zika crisis in Puerto Rico. Programs with different structures, such as Medicaid for D.C. and the 50 states, can provide life-saving supports during crises.

THE CAPPED NAP BLOCK GRANT LIMITS RESPONSE TO DISASTERS IN PUERTO RICO

Puerto Rico's nutrition assistance program, NAP, has a funding cap which created barriers to providing adequate food assistance to Puerto Ricans in the aftermath of Hurricane Maria. Though Congress provided additional NAP funding in 2017 after Hurricane Maria, Puerto Rico expects funding to run out by March 2019, when NAP benefits will revert to pre-disaster levels.[174] If Congress does not increase NAP's funding cap sufficiently, 1.4 million Puerto Rican residents face deep cuts to food assistance.[175]

Disaster-SNAP (D-SNAP), which has different eligibility requirements than SNAP, provides food aid (or additional food aid, for those who already participate in SNAP) to people who have experienced food insecurity due to an extreme weather event or disaster.[176] With USDA approval, states can use D-SNAP flexibly and quickly, but Puerto Rico is not eligible for the program.[177]

PUERTO RICO'S CAPPED MEDICAID BLOCK GRANT SLOWS RESPONSE TO CRISES

Medicaid has consistently responded quickly and effectively to hurricanes,[178] tornadoes, and other public health emergencies like Zika[179]—but not in the case of Puerto Rico. Puerto Rico's Medicaid program is funded through a capped block grant.[180]

In early 2018, through the Bipartisan Budget Act of 2018, Congress had to step in and provide additional federal Medicaid funding to Puerto Rico, as the program is a key component of the post-hurricane recovery in the region.[181] Anticipating higher post-hurricane spending demands in the region, Congress provided Puerto Rico with an additional $4.8 billion for Medicaid through the bill.[182] If Medicaid operated normally in Puerto Rico, rather than as a block grant, Puerto Rico could respond faster and more effectively to public health crises or extreme weather events rather than wait for Congress to step in.[183]

At the start of the Zika virus outbreak in the U.S. in 2016, as pregnant women in particular were at risk of serious birth defects and pregnancy complications, Medicaid acted as intended in affected states by responding swiftly to need.[184, 185] Puerto Rico was the place most impacted by Zika in the United States.[186, 187] As the virus spread, Puerto Rico grew dangerously close to hitting its cap on Medicaid block grant funding and cutting people off of Medicaid—likely people affected by Zika.[188]

MEDICAID PROVIDES SWIFT RELIEF FROM A VARIETY OF CRISES

Medicaid plays an important role in helping states respond to public health crises that result from disasters. In 2018 alone, the program provided immediate relief after Hurricane Michael in Florida, during the wildfires in Northern and Southern California, and after a 7.0 earthquake in Anchorage, Alaska.[189, 190, 191]

Medicaid also responds well to infectious disease public health crises. Medicaid was critical during the devastating onset of the AIDS epidemic in the 1980s and 1990s.[192] Since then, overall HIV/AIDS incidence and mortality rates have decreased.[193] Today, Medicaid covers more than 40 percent of people with HIV.[194] More recently, states implemented highly effective Zika virus prevention strategies, like screening and provider education, using Medicaid funds.[195] Medicaid is currently responding to the opioid crisis by facilitating access to treatment services and necessary care.[196]

Efforts to Make Block Grants More Economically Responsive Fall Short

Attempts to make block grants more responsive to economic downturns have been limited. Congress can provide additional one-time funding—like the additional resources for programs like TANF, child care, and Community Development Block Grant (CDBG) that were included in the 2009 American Recovery and Reinvestment Act.[197] However, such legislative activity has been rare and is less likely to occur during a less severe but still consequential economic downturn.[198] It is also especially unlikely that Congress would provide more funding promptly to respond to cases of regional economic difficulties that affect only a handful of states. Keeping this reality in mind, the unemployment insurance program includes automatic state triggers for extended benefits.[199]

TANF CONTINGENCY FUND FAILED TO ADDRESS NEED DURING THE GREAT RECESSION

A TANF Contingency Fund was established to address increased need for cash aid during recessions.[200] However, the TANF Contingency Fund has rarely operated as an effective counter-cyclical mechanism.[201] In fact, the economic recovery legislation enacted in 2009 created a one-time pot of separate additional funding that states could draw from to support the sharp increase in need during the worst of the Great Recession, rather than simply expanding the TANF Contingency Fund.[202] Known as the TANF Emergency Fund, the additional funding was dedicated for cash transfers and non-cash basic assistance; temporary benefits of under four months to support activities such as rent payments; and subsidized employment.[203] Because this additional funding had a fast-approaching end date, states were reluctant to provide more cash assistance in case they would have to pay for it themselves when the funding expired.[204] Contingency funds are also vulnerable to cuts—the Trump fiscal year 2018 Budget proposed eliminating the permanent Contingency Fund altogether.[205] Contingency funds should be made more effective, but nothing will be as rapid, automatic, and effective as guaranteed benefits backed by federal funding without an arbitrary cap.

Block Grants Provide One Type of Flexibility at the Expense of Accountability

The combination of overly expansive flexibility for types of allowable spending and limited federal oversight and reporting requirements in block grants leads to a number of serious problems. Block grants with wide flexibility for how funding is spent at the state level also can encourage states to divert funding to fill budget holes left by insufficient funding for other programs.[206] Sometimes this spending serves worthy goals. However, it would be more appropriate and effective to sufficiently fund programs that are designed to address specific problems, rather than use block grant funds for a wide variety of uses.

Because block grants often lack sufficient monitoring and performance measurement safeguards, evaluating a program's effectiveness and adherence to core program goals becomes difficult. The wide variety of allowed uses for block grants funds also can make evaluation difficult. Without evidence, these programs become easy targets for cuts—regardless of their impact.

Further, the structure of block grants does disappointingly little to encourage the kind of productive innovation *and* scaling that would allow programs to better meet need. People's lives and needs change, as do their communities and the economy. New approaches and methods to supporting people and families experiencing poverty should be developed, tested, and scaled—if successful. This is not possible without strong reporting and evaluation.

The Overly-Expansive Flexibility of Block Grant Spending Can Lead to Less Overall Funding Available for Meeting Basic Needs

The overly expansive flexibility for types of allowable spending and weak federal oversight typical of block grants allow states to divert federal resources to fund unrelated activities or to fill state budget holes left behind by other, insufficiently funded programs.[207] Sometimes block grant funds are diverted toward worthwhile activities, but diversion nevertheless undermines the ability of the block grants to effectively meet need.

One way that states shrink overall funding is through supplantation—or the replacement of existing state funding for programs and activities with federal block grant funding.[208] When a state or local government withdraws its own support for programs that serve low-income families and replaces it with funding from a flexible block grant, it can lead to a reduction in total resources for responding to poverty in some communities. The more effective approach would be to adequately fund programs with specific goals and dedicated funding streams that ensure sufficient state or local contributions where appropriate for guaranteeing access to adequate benefits and services.

BLOCK GRANT FUNDING IS VULNERABLE TO SUPPLANTATION & DIVERSION

Block grants tend to combine expansive flexibility for allowable spending with limited accountability. These characteristics mean that states can easily use block grant funds to supplant their own spending or divert block grant funding to non-care activities. Michigan used TANF funds—intended to help low-income families meet their basic needs—for college scholarships that go to middle class families. Since 2007, Michigan spent about $100 million annually in TANF funds on scholarships, including millions to cover tuition at private colleges for families with annual incomes of more than $100,000.[209] The state was still using the funds to provide scholarships to students from middle- and upper-middle class families as of the fiscal year 2018 budget.[210] In comparison, fewer than 12 families with children living in poverty for every 100 such families in Michigan—generally families with incomes less than $25,000—received cash assistance through TANF in 2017.[211] In Maine, over $1.7 million of TANF funds were recently spent on after school programs for one school year rather than on supporting families with the cash assistance they need to maintain a basic standard of living.[212] States spent only 22.7 percent of TANF funding (including both federal and states' shares of TANF spending) on basic assistance in 2017.[213]

Tennessee provides another example of how expansive flexibility for allowable spending can allow diversion of funds. The state legislature there has pushed to restrict access to Medicaid, and has sought to use TANF reserve funds to pay for the new policy.[214] If the federal government approves

BOX 3.

BLOCK GRANTS DO NOT INCUR SUBSTANTIALLY FEWER ADMINISTRATIVE COSTS THAN ALTERNATIVES

Advocates of block grants argue that block grants incentivize administrative efficiency since states often can, in effect, keep any savings they achieve.[138] In reality, they do not fare substantially better than other program structures, as demonstrated by available data on administrative expenses for key programs.[139] Medicaid administrative costs are a relatively small portion of total Medicaid spending (5 percent or less).[140] About 93 percent of SNAP's fiscal year 2015 budget went directly to benefits that helped households buy food. Less than 1 percent of federal SNAP funding was for federal administrative costs and 6.5 percent of federal SNAP funding went to state administrative costs.[141] The federal Earned Income Tax Credit (EITC), an earnings supplement for low- to middle-income families that is administered by the Internal Revenue Service, had administrative costs of just 1 percent in 2017.[142] Meanwhile, 6.4 percent of total state and federal TANF spending in fiscal year 2017 was on administrative costs.[143]

Tennessee's proposal, up to $400 million in TANF reserves could be siphoned off towards implementing a policy that reduces health coverage for people with very low incomes.[215] The loss in funding could severely limit the state's ability to provide assistance.

Observing these patterns, conservative TANF expert Peter Germanis writes:

> *"TANF is a massive policy failure and should not be held out as an example of 'conservatism' or a model to be replicated... TANF replaced [AFDC] with a blank check to states. TANF has become a form of revenue sharing—welfare for state politicians' wish lists rather than needy families."*[216]

MOES DO LITTLE TO PREVENT SUPPLANTATION AND DIVERSION

Maintenance-of-Effort requirements (provisions requiring states to continue to put their own funds toward a program) can be helpful to limit supplantation, but they are imperfect. The TANF experience indicates that states face powerful incentives to supplant other funding—and the limited accountability of the program has allowed them to do so.

The 1996 law that created TANF included an MOE (states' shares of TANF spending) requirement intended to ensure that states continue to put their own resources towards helping low-income families.[217] However, MOEs are difficult to monitor,[218] and states have used these funds to help either plug budget holes or "free up funds for purposes unrelated to low-income families and children."[219] Supplantation is expressly prohibited in TANF statute for state MOE funds, but evidence shows that states find ways to engage in the practice anyway.[220]

At TANF's onset, 70 percent of TANF MOE expenditures were for basic support for low-income families; by 2017, it had fallen to less than a quarter (see Figure 4).[221] Eventually, states began to use a substantial portion of their TANF and MOE funds to supplant existing state spending.[222] After the Great Recession began in late 2007 many states did not shift back those dollars despite the growing numbers of families experiencing poverty and the increasing need for cash assistance.[223] States faced budget shortfalls which led instead to further cuts to already-low TANF benefit amounts, shortening TANF time limits, or taking other counterproductive actions.[224]

FIGURE 4. Over TANF's lifetime, spending has been diverted from basic assistance

Federal and state Temporary Assistance for Needy Families (TANF) program spending by purpose, in FYs 1997 & 2017

Note: TANF funds are also spent on child care, work activities, pre-kindergarten programs, and refundable tax credits, among other programs.

Source: Georgetown Center on Poverty and Inequality, 2019. Data from "Table F - Combined Spending of Federal and States Funds Expended in FY 1997 through the Fourth Quarter." Administration for Children and Families, Retrieved 1 February 2019. Available at https://archive.acf.hhs.gov/programs/ofs/data/tableF_1997.html.; "FY 2017 Federal TANF & State MOE Financial Data." Administration for Children and Families, Retrieved 1 February 2019. Available at https://www.acf.hhs.gov/sites/default/files/ofa/tanf_financial_data_fy_2017_81518.pdf.

DIVERSION REFLECTS POLICY FAILURE EVEN WHEN TARGETTING IMPORTANT USES

Sometimes block grant funds are diverted toward worthwhile programs and activities that are priorities for states. However, there is little rationale for this policy when it comes to supporting basic living standards. Instead of using overly flexible block grant funding for other priorities, policymakers should adequately fund programs with clear goals, benefit guarantees, and dedicated funding streams. This would allow states to maximize the resources available for supporting low-income families living standards ***and*** to satisfy their other important priorities, rather than taking money from one source to give to the other.

Policymakers should adequately fund programs with **CLEAR GOALS, BENEFIT GUARANTEES,** and dedicated **FUNDING STREAMS.**

For example, child welfare is a vital and worthy priority for states—and many states increasingly use the expansive flexibility of TANF to cover the costs of the child welfare system. Titles IV-B and IV-E of the Social Security Act dictate how child welfare programs are funded. The federal government has disinvested significantly in child welfare programs overall because the programs that are focused on child welfare are either block grants (IV-B) or perpetually diminishing entitlements (IV-E). The historic link between child welfare and AFDC is part of the problem. Only those children who would have been eligible for AFDC under the 1996 rules in effect at the time the program was replaced with TANF (in 1996) are able to receive Title IV-E support today. One exception is the federal Adoption Assistance Program (AAP),[225] which has been delinked from AFDC (and the 2018 Family First Prevention Act delinks access to some foster care prevention services). [226] That link is part of the reason why, increasingly, states have relied on more flexible programs like TANF to fill in the growing gap created by freezing IV-E eligibility.[227] With every year, fewer children are eligible for federal foster care benefits through Title IV-E and states have to look for other sources of funds to support children who come into foster care.[228]

Because of this flexibility in how TANF funds can be spent, and the need to fill funding shortfalls that sometimes result from other, underfunded programs (such as those that fund the child welfare system), access to TANF cash assistance has become so difficult in some communities that some potential applicants believe it no longer exists.[229] In 2017, Mississippi spent 9.8 percent of its combined state and federal TANF funds on child welfare services and only 6.5 percent on cash payments;[230] Texas spent 30.6 percent on child welfare services and 5.5 percent of funds on cash assistance.[231] However, sufficiently funding child welfare would allow states to support child welfare without shrinking TANF spending on core purposes—resulting in more total resources for low-income families. Notably, greater TANF funding without strong accountability would not reduce state incentives to continue making these decisions.

Block Grants Do Disappointingly Little to Support Developement & Scaling of Productive Innovation

Minimal reporting requirements and nonspecific goals limit the ability of policymakers to evaluate block grants' effectiveness—and make it difficult to defend the programs against cuts. This, along with weak incentives to innovate in block grants, makes it less likely that states will carefully test new ideas that support living standards *and* bring effective approaches to scale.

WEAK REPORTING REQUIREMENTS MAKE EVALUATION DIFFICULT

In a 2008 Bush Administration assessment of all seven federal grant program types, block grants received the lowest average effectiveness scores, mostly due to their low accountability ratings.[232] Without a clear understanding of the impact programs are having on families and communities, policymakers may reasonably question their effectiveness and participants and advocates may have little research and data to defend them.[233]

Reporting requirements can be quite limited in block grants.[234] As a result, it can be difficult to discern the impact of these programs. For example, for TANF funds spent on child care, the only data available are the dollar amount spent; no information exists about the number of children served or the type of care received.[235] This provides policymakers with little understanding of how our country benefits from TANF child care spending. Congressional frustration with the lack of information on state TANF spending resulted in 2010 legislation requiring a one-time round of additional, more in-depth data gathering.[236]

The "work participation rates" that TANF requires states to meet are process measures, tracking the number of cash aid beneficiaries who participate in a limited set of federally countable work-related activities.[237] They do not measure how effective the state programs are in raising employment and earnings for those experiencing poverty. GAO states that "the [work participation] rate's usefulness as an indicator of TANF performance is limited."[238] Because states are not required to track the outcomes of such participation, such as the number of participants finding and maintaining employment;[239] growth in earnings, educational enrollment and attainment for children[240] and younger parents[241] or the reduction in child and adult poverty in the short- and long-run; little information exists to determine to what extent the program actually helps participants find and keep jobs or meets the families' needs.[242] Without such critical information, it is difficult to assess TANF's full impact on economic security and opportunity.

In contrast, SNAP has a rigorous system in place to make sure benefits are disbursed accurately to participants.[243] States are penalized by the federal government if their error rates are consistently above average. However, if SNAP were turned into a block grant, the Center on Budget and Policy Priorities writes, "much of this activity to reduce errors and combat fraud could shift to states, but few states could match the capacity and resources of the federal government to retain this rigorous oversight of federal dollars."[244]

NONSPECIFIC GOALS & LARGE NUMBER OF ALLOWED USES FOR FUNDS MAKE EVALUATION DIFFICULT

Many block grants have broad missions, which allows their funding to be used for many purposes and makes it harder to evaluate if the programs are meeting their goals. One example is the Social Services Block Grant (SSBG). The SSBG was created in 1981 and combined several smaller programs in an effort to "reduce wasteful administrative overhead," according to then President Ronald Reagan.[245] SSBG was designed to provide substantial flexibility for states in how they use the funding, ranging from adult protective services to day care for children, to support for people with disabilities.[246] States report on SSBG spending in no fewer than 29 categories of services.[247] According to the Center on Budget and Policy Priorities, SSBG provides full or partial funding for services that reach approximately 28 million people—about half of whom are children.[248] Yet, the diversity of services SSBG funds makes it difficult to demonstrate the harm that proposed funding cuts would have. Programs like SSBG can appear duplicative because those who want to eliminate the program often can point to some other source of funding for the activities funded by SSBG. For example, House Republicans voted to terminate SSBG in 2012, with the House Budget Committee arguing that it was too duplicative of other funding streams (along with lacking evidence of effectiveness).[249] More recently, the Trump Administration proposed to eliminate SSBG in its 2019 budget.[250]

The CDBG faces a parallel challenge around measuring effectiveness. The U.S. Department of Housing and Urban Development (HUD) program, created in 1974, has been a source of flexible resources for more than 1,200 state and local governments to support affordable housing, infrastructure investment, and other anti-poverty work, such as homelessness prevention programs.[251] It is designed to be a flexible, "bottom-up" funding source that allows local leaders to determine priorities.[252] Yet, the fiscal year 2018 Trump Budget proposed eliminating the program entirely, and U.S. Office of Management and Budget (OMB) Director Mulvaney stated that the program was "not showing any results."[253, 254] To be clear, the *New York Times* has documented, CDBG funding has "helped tens of thousands of people find jobs," and "helped rehabilitate more than one million homes."[255] Overall, the diversity of uses for the funds makes an evaluation of CDBG as a whole, rather than individual activities within it, "a fool's errand," according to experts on evidence-based policymaking.[256] To properly assess the effectiveness of CDBG and other block grants would require careful data collection and rigorous evaluation. However, the programs supported by CDBG are too diverse for this excercise.[257]

ALTERNATIVE STRUCTURES BETTER ENCOURAGE DEVELOPMENT & SCALING OF EFFECTIVE POLICY & PROGRAM INNOVATIONS

Sufficient resources and strong incentives for innovation initiatives exist within guaranteed benefits programs such as Medicare, Medicaid, and nutrition programs. To take one example, in 2012, the Centers for Medicare and Medicaid Services (CMS) launched the Health Care Innovation Awards, which provide up to $1 billion in awards and evaluation for organizations developing "the most compelling new ideas to deliver better health, improved care and lower costs."[258] These programs were later rigorously evaluated.[259] If states received federal Medicaid funding as a block grant, they would face strong incentives to pursue cuts to eligibility and benefits to reduce costs as the federal funding cap became tighter, rather than to invest in service delivery innovation.[260, 261]

The U.S. Department of Agriculture offers special grants and awards for innovations in SNAP and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) program delivery.[262] The structures of these innovation programs facilitate rigorous evaluation of their outcomes,[263, 264] which can promote learning and scaling up of evidence-based reforms.

Innovations with significant upfront costs are less likely under a block grant since the state or local government would bear the full weight of the cost—or must ensure cost-neutrality—even though experiments involving sizable initial investments may be the ones with the most potential for positive impact.[265, 266] In part because it lacks meaningful eligibility guarantees or outcome measures with accountability, the block grant structure offers limited financial reward for states improving outcomes.

Under TANF, states largely have not leveraged their flexibility to test *and* scale innovative strategies to increase earnings or employment outcomes.[267] Additionally, there have been few rigorous evaluations to date on the effectiveness of TANF services and labor market activity participation requirements, further limiting understanding of the program's impact.[268, 269]

The Structure of Block Grants Makes Them Susceptible to Cuts, Flat Funding, & Program Restrictions

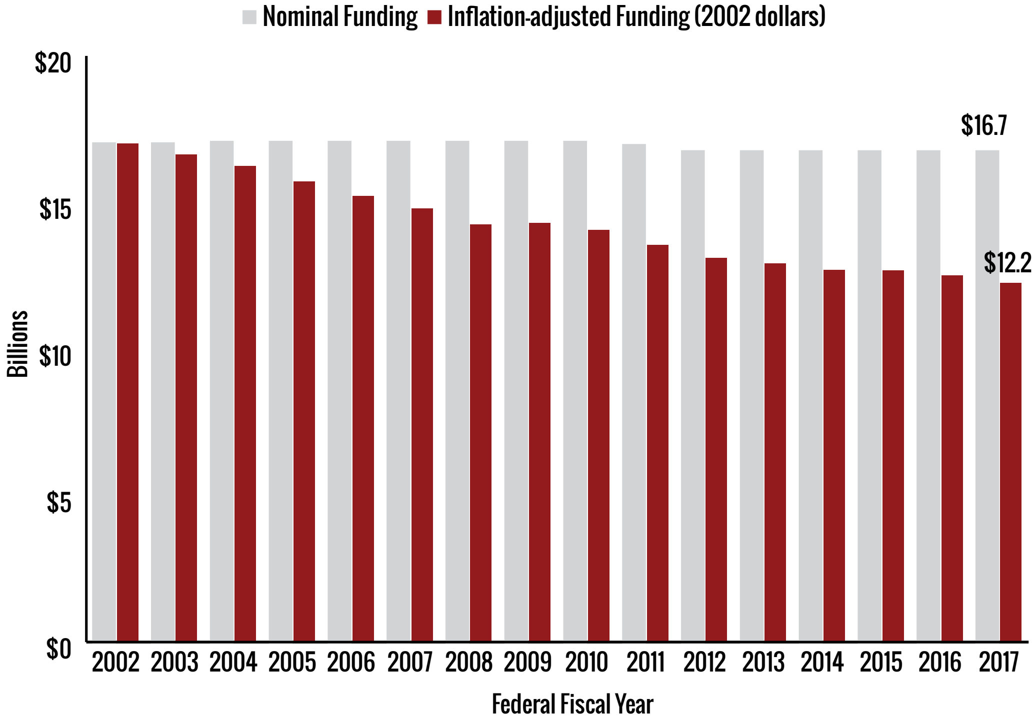
As demonstrated above, the difficulty of evaluating block grants and the resulting limited evidence of impact makes them more susceptible to detrimental cuts than programs with narrow goals, guaranteed benefits, and uncapped funding streams—like SNAP. Indeed, SNAP is backed by an abundance of evidence showing its effectiveness, which likely has helped protect it from policymakers' proposals for cuts time and time again.[270, 271] On the other hand, the very structure of block grants, and the accompanying of evaluating them and lack of appropriate reporting and monitoring, limits an understanding of their effectiveness that would enable sound policymaking. That dynamic creates a political problem; it makes them the target of substantial cuts or outright elimination, placing families who rely on these programs at risk of losing whatever support they do receive.

The Trump Administration proposed significant cuts to block grants in its fiscal year 2018 budget. The administration proposed cutting funding for the top 13 major block grants by more than 30 percent, which would have affected 6 million low-income households.[272] The proposal also included the outright elimination of six block grants. These included the CDBG; LIHEAP; the HOME program that supports affordable housing; SSBG;[273] Preventive Health and Health Services (PHHS)[274] Block Grant, which helps fund initiatives to address local health issues of high importance; and CSBG which funds the work of community action agencies.[275] TANF,[276] the Community Mental Health Services Block Grant (MHBG), Native American Housing Block Grants (NAHBG),[277] and Job Training Formula Grants to states also faced substantial cuts.[278]

Historically, federal funding for block grants has tended to shrink over time,[279] often exacerbating the effects of capped funding (see Figure 5). Even if initially capped at a sufficient level, block grants tend to see a persistent erosion of their value as funding it fails to keep up with inflation.[280] An analysis of 13 block grants for social services, housing, and health programs found that inflation-adjusted federal funding decreased by 27 percent since the year 2000.[281] This pattern stands in stark contrast with SNAP and Medicaid which generally have grown to match the growth of costs and the eligible population.[282]

FIGURE 5. TANF funding has declined in value over time

Real and nominal Temporary Assistance to Needy Families (TANF) funding, FYs 2002-2017



Note: Total budget authority includes State Family Assistance Grants, Family Assistance Grants to Territories, Matching Grants to Territories, Supplemental Grants, Healthy Marriage Grants, and the Tribal Works Program. It excludes the Contingency Fund and Emergency Contingency Fund. Real 2002 dollars adjusted using Consumer Price Index Research Series Using Current Methods (CPI-U-RS), not seasonally adjusted.

Source: Updated and adapted from Schott, Liz et al. "How States Have Spent Federal and State Funds Under the TANF Block Grant." Center for Budget and Policy Priorities, 8 August 2012. Available at https://www.cbpp.org/research/how-states-have-spent-federal-and-state-funds-underthe-tanf-block-grant. Data from "Justification of Estimates for Appropriations Committees." Administration of Children and Families, Fedearal Fiscal Years 2005-2019. Available at https://www.acf.hhs.gov/olab/budget; "CPI Research Series Using Current Methods (CPI-U-RS)." Bureau of Labor Statistics, U.S. Department of Labor, Retrieved 1 February 2019. Available at https://www.bls.gov/cpi/research-series/home.htm.

Funding declines, including through inflation, have led to insufficient block grant funding. Funding gaps shrink program participation and benefit adequacy, or both, due to the strong incentives states face. This is because states alone bear fully any costs after exhausting their capped federal funding. Similarly, block granting Medicaid or SNAP likely would limit program responsiveness, eventually forcing people eligible for Medicaid or SNAP onto waitlists or reducing participants' benefits—or both.

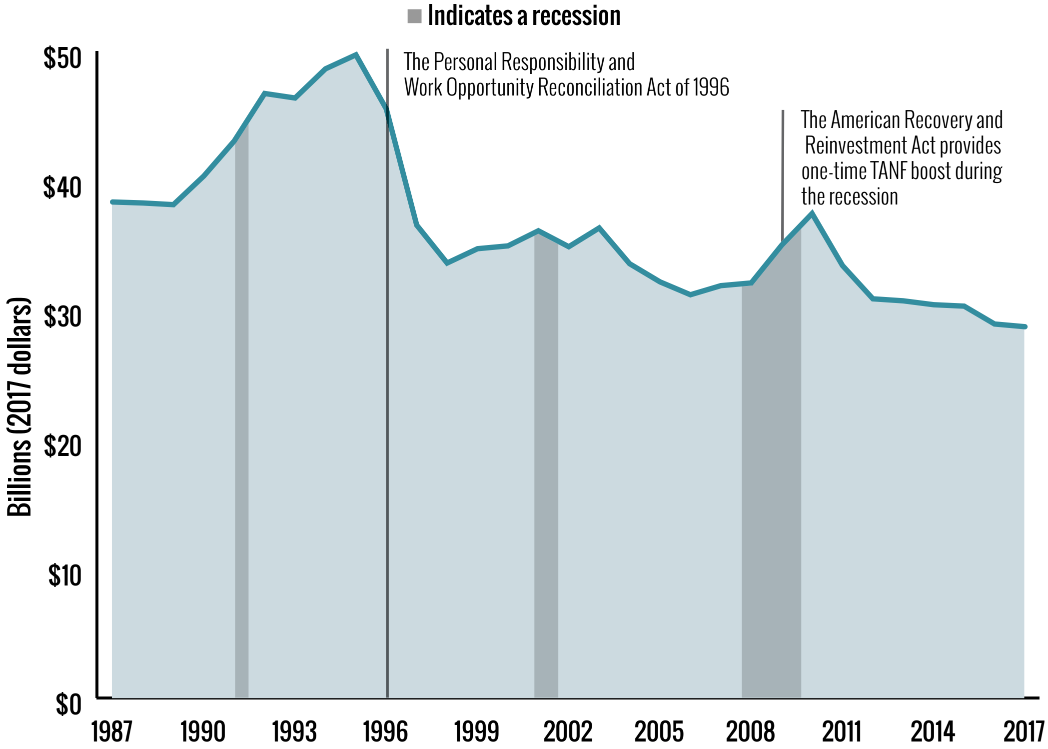
CUTS AND INFLATION SHRINK BLOCK GRANT FUNDING

Several block grant programs, including TANF (see Figure 6),[283, 284] have seen harmful cuts and stagnant funding over lengthy periods—which has led to the programs failing to meet growing needs. SSBG, in particular, illustrates how legislated cuts and inflation combine to diminish federal funding for block grants. Established in 1981, SSBG consolidated the funding streams of several programs that provided targeted, and in some cases guaranteed, benefits for human services and training for human service professionals.[285, 286] SSBG—which provides critical services such as child care and home care—reduced funding for social services by 20 percent in its first year and has been the target of numerous elimination attempts.[287, 288] As of 2016, SSBG had lost 73 percent of its real value since 1982 due to legislated cuts and its otherwise flat funding structure.[289] Were

SSBG fully eliminated, it would reduce overall funding for services that protect children who have experienced or are at risk of abuse and neglect and for home-based care services for older adults.[290] CSBG has seen similar funding cuts. In fiscal year 2017, CSBG received $742 million, a reduction of nearly $30 million relative to fiscal year 2016 appropriations.[291]

FIGURE 6. Converting cash assistance to a block grant led to a substantial and lasting cut in funding

Temporary Assistance for Needy Families (TANF)/predecessor programs total federal & state expenditures, FYs 1987–2017



Note: Pre-TANF expenditures from 1987 to 1996 include Aid to Families with Dependent Children (AFDC), Emergency Assistance, and the Job Opportunity and Basic Skills (JOBS) program. Total expenditures in a given year following 1996 include federal expenditures spent from previous years' funds and state expenditures from State Maintenance of Effort (MOE) in TANF funds and Separate State Programs (SSP). It excludes transfers to the Child Care and Development Fund (CCDF) and the Social Security Block Grant (SSBG). Real 2017 dollars adjusted using Consumer Price Index Research Series Using Current Methods (CPI-U-RS), not seasonally adjusted.

Source: Georgetown Center on Poverty and Inequality, 2019. Data from "Financial Data for fiscal years 1997-2016." Administration of Children and Families, Retrieved 1 February 2019. Available at https://archive.acf.hhs.gov/programs/ofa/data-reports/index.htm; "Data and Reports." Administration of Children and Families, Retrieved 1 February 2019. Available at https://www.acf.hhs.gov/ofa/programs/tanf/data-reports; "Table B-1. Federal and State Expenditures and Transfers from TANF and Predecessor Programs, FY1987-FY2014." Congressional Research Service, 8 September 2015. Available at https://digital.library.unt.edu/ ark:/67531/metadc795456/m1/1/high_res_d/R44188_2015Sep08.pdf; and "CPI Research Series Using Current Methods (CPI-U-RS)." Bureau of Labor Statistics, Retrieved 1 February 2019. Available at https://www.bls.gov/cpi/research-series/home.htm.

INSUFFICIENT BLOCK GRANT FUNDING, PAIRED WITH EXPANSIVE FLEXIBILITY, ENCOURAGES STATES TO RESTRICT PARTICIPATION & BENEFITS

States often respond to underfunded block grants by restricting access to benefits, both directly through program rules and indirectly by reducing spending that facilitates participation. For example, in TANF, states have restricted eligibility and limited the number of caseworkers in an office processing applications such that wait times for potential beneficiaries increased to several hours or even days.[292]

Another example is funding for child care, which also has fallen far short of need,[293] resulting in fewer people receiving assistance than otherwise eligible—and long waiting lists. The U.S. Departement of Health and Human Services (HHS) estimated that only 15 percent of 13.6 million children eligible under federal rules accessed the program in 2015. Only 25 percent of the 8.4 million children eligible under the more restrictive state-set standards were receiving assistance.[294] In 2018, 19 states had child care waitlists or had stopped taking new applications, making it harder—or impossible—for some low-income parents in those states to work.[295] Other states avoid waitlists by setting income eligibility criteria so low that few families qualify. State participation rates also vary along racial lines. For example, among eligible children in 2016, the Child Care and Development Block Grant (CCDBG) participation rate for black children was three percent as compared to six percent for all children in Maine.[296] As in the case with TANF, the structure of the CCDBG program has resulted in limited program reach and ultimately, lack of access to resources for eligible low-income families.

BOX 4.

CCDBG'S FOCUSED SPENDING MAY HAVE HELPED ADVOCATES ACHIEVE THE RECENT FUNDING BOOST

CCDBG, authorized in 1990, provides child care assistance for those who have access to it. The program received $2.1 billion in fiscal year 2002.[297, 298] Though funding has increased since then, it failed to keep up with the cost of living for many years.[299] But in March 2018, the CCDBG received its largest increase in history; $5.3 billion for fiscal years 2018 and 2019.[300] Though the increase is still far below what is needed to meet need for child care assistance, states will now will be able to expand access to child care assistance after years of declining access; an additional 230,000 children are estimated to gain child care as a result.[301] This is a necessary investment that should be protected and strengthened going forward.

The relatively singular focus of CCDBG, unlike TANF and some other block grants supporting living standards, might have helped achieve this boost.[302] With a narrow focus, CCDBG's funding can be used for a targeted purpose—child care—which can make it easier to evaluate if the program is meeting its goal.

Policymakers Have Better Ways to Ensure Flexibility With Accountability

The downsides of using block grants to provide flexibility to states for the purpose of improving programs and adapting them to local conditions is clear. Other demonstrated approaches can advance flexibility without accepting the structural flaws of block grants. Carefully-designed demonstration authority, waivers, and state policy options geared to expanding access and improving service-delivery can be integrated into stronger program structures. Examples of such policy features can be found in Medicaid, SNAP, Medicare, and Social Security Disability Insurance (SSDI). Those well-constructed provisions can provide valuable information about the impact of policy changes—without the funding, benefits, or eligibility cuts and loss of accountability that accompany block grants.[303]

MEDICAID CAN PROMOTE INNOVATIVE HEALTH CARE DELIVERY

In Medicaid, Section 1115 of the Social Security Act provides for testing innovative approaches[304] while Section 1915(b) provides for waivers to implement managed care,[305] and 1915(c) provides for waivers to improve home- and community-based services to help beneficiaries avoid institutional care.[306] Most states have one or more waivers,[307] and CMS requires evaluations of programs undertaken under such authority,[308] though the Trump Administration appears to be falling short of its evaluation obligations in several instances.[309]

Medicaid may cross the boundaries of appropriately balancing flexibility with accountability. Misuse of waivers can result in benefit reductions and harm to children and families.[310] An example of such misuse is the waiver authority granted by the Trump Administration to several states in 2018 to take away Medicaid coverage from those who do not document meeting new work and community engagement requirements.[311] Lawsuits, such as those filed against states who have put forth waivers under the work requirement rule,[312] may constrain the effects of such policies.

SNAP PROTECTS ELIGIBLE HOUSEHOLDS WHILE ALLOWING CONSTRUCTIVE STATE FLEXIBILITY

SNAP has a waiver authority for proposals that would make program administration more efficient without compromising the effectiveness of the program.[313] SNAP also has a host of policy options to give states flexibility in how they operate the program.[314] In 2017, states could choose from up to 28 options in how they administer SNAP.[315] For example, state agencies can opt to process SNAP, TANF, or Medicaid eligibility applications jointly; decide whether to factor child support payments in determining SNAP income eligibility; or use a Standard Utility Allowance rather than actual household utility costs to help determine a household's shelter costs, and ultimately how much it receives in SNAP benefits.[316] (Some SNAP state options are more appropriately nationalized, such as the option for states to *not* discriminate based on drug-related convictions,[317] as there is no compelling state-specific policy rationale for such discrimination in basic nutrition assistance.) While SNAP options and waivers provide flexibility for states in administering the program, they do not compromise state accountability in meeting federal regulatory standards that undergird SNAP. Indeed, federal regulations prevent states from using waivers to cut SNAP benefits or eligibility.[318]

MEDICARE CONTINUOUSLY PROMOTES HEALTH CARE INNOVATION

CMS has run hundreds of experiments with Medicare since 1967 on different policy ideas ranging from innovative mechanisms for health care delivery to new payment models, including efforts to increase the utilization of electronic health records.[319] Such projects allow the government to test Medicare reforms in a controlled environment but are large enough—often affecting hundreds of thousands of beneficiaries and millions of dollars in spending—to deliver informative results.[320] For example, the inpatient prospective payment system (IPPS), the method Medicare uses to pay hospitals for inpatient care, was originally an experimental demonstration.[321] Now, IPPS is used by many insurers to pay for inpatient hospital services.[322]

SSDI PROMOTES INNOVATION THAT PROTECTS PARTICIPANTS

The Social Security Administration (SSA) has conducted a series of demonstration projects over the past 25 years that are designed to raise employment among Disability Insurance (DI) beneficiaries.[323] These projects have taken a variety of approaches, including providing job training and other employment services to beneficiaries and reducing the "cash cliff" so that beneficiaries face a gradual reduction in benefits as they return to the workforce.[324] Such projects have largely failed to deliver any significant gains in employment among DI beneficiaries, but other projects have shown modest improvements on health-related measures.[325] Congress has kept a close eye on these efforts: SSA is required to report to Congress annually on its current projects and lawmakers recently extended the SSA's authority to conduct such projects until 2022.[326]

Block Grants Can Exacerbate Existing Inequities, Especially Racial Inequities

Limited oversight and accountability within block grant structures can disproportionately harm women, people of color, and people with disabilities. Evidence from TANF and other block grants has clearly shown racial discrimination in state policies and implementation; block granting other economic security programs, such as SNAP and Medicaid is likely to result in racially disparate impacts. Analyses show that women and people with disabilities also would be particularly likely to be harmed by block granting Medicaid and SNAP. [327, 328, 329]

Block Grants Can Exacerbate Racial Disparities

Block grants can amplify rather than push back against America's long and ongoing history of racism. Block grants can lead to differential access to economic opportunity based on race due to three separate but related factors:

1. Broad state discretion means few checks against effectively racially discriminatory policies;
2. Ending meaningful eligibility guarantees facilitates effectively racially discriminatory local decisions and practices; and
3. Tying block grant funding to historic funding can reproduce and exacerbate regional disparities,[330] including patterns that reflect racial prejudice.[331]

RACIAL DISCRIMINATION HAS BEEN ENDEMIC IN THE STRUCTURE & ADMINISTRATION OF SOCIAL PROTECTION PROGRAMS

Racial discrimination, intended or not, was built into the original structures of government social protection programs at the federal, state, and local levels. For example, due to administrative challenges, the assistance provisions under the Social Security Act of 1935 initially did not extend to agricultural and domestic workers, who were predominantly black or of Mexican origin.[332] Research on state and local assistance programs during the 1920-1930s have found that regions with large African American and Mexican American immigrant populations were more likely to provide less generous benefits and rely more heavily on private funding for benefits (i.e. charitable organizations), relative to areas with largely European immigrant populations.[333, 334] In the 1940s, "the average relief payment per person in the southern region was about half the average elsewhere, and black families received less than white families."[335] States also enforced "employable mother" rules in AFDC—as well as "suitable home" policies which were routinely used to deny support to unmarried mothers and their children (who were disproportionately African American).[336] And programs such as Aid to Dependent Children (later changed to AFDC) were administered with racially discriminatory policies by state and local agencies.[337] For example, before 1970, local officials operating the Aid to Dependent Children and Mothers' Pensions disqualified Mexican and black women by categorizing them as "employable mothers," and at times by stating that they should not be permitted to avoid working for white people.[338]

Block grants can **AMPLIFY RATHER THAN PUSH BACK** against America's long & ongoing history of racism.

Racial discrimination was built into the Fair Labor Standards Act (FLSA), a foundational workforce protection law. Under the FLSA, certain categories of working people can be paid less than the standard federal minimum wage by their employers—these exceptions are a legacy of the unquestionably racist compromise that produced the nation's first wages and hours legislation. When Congress originally debated the FLSA, southern Democrats balked at the idea of guaranteeing African Americans a wage floor. Texas Democrat Martin Dies stated openly in hearings that "you cannot prescribe the same wages for the Black man as the White man."[339] In addition, FLSA did not protect agricultural and domestic workers, the principal occupational categories of African Americans in the South.[340] Domestic workers were not mentioned explicitly in the bill, but were effectively excluded because the bill limited its application to workers "engaged in commerce or the production of goods for commerce."[341]

MEANINGFUL RIGHTS TO BENEFITS & INCREASED FEDERAL OVERSIGHT HAVE REDUCED DISCRIMINATION IN SOCIAL PROGRAMS

Social movements during the first half of the 20th century, including civil rights and welfare rights movements, helped fuel a push for a stronger federal role in social programs.[342, 343] In 1960, after states such as Florida, Mississippi, and Louisiana expelled thousands of children (most of them African American) from AFDC based on discriminatory "suitable home" policies, the federal government issued the Flemming Rule to end the practice and set federal standards for due process.[344, 345, 346] From the mid-1960s through early 1970s, welfare rights activists and lawyers who supported them helped establish AFDC as a guaranteed benefits program.[347]

Benefit guarantees built into the structure of AFDC, Medicaid,[348] and SNAP (then known as the Food Stamp Program) introduced a legal right to benefits under wide eligibility rules. Although not fool-proof, the guaranteed benefits provisions provided legal recourse for pervasive discrimination in state administration of benefits and, over time, made access to government economic security programs more equitable among all racial groups.[349] Further, broader civil rights legislation and U.S. Supreme Court cases pushing back against racial discrimination in the 1960s and 1970s significantly expanded federal oversight and administration of anti-poverty programs (which took benefits away from participants if they were unmarried and living with a partner).[350, 351, 352] For example, statutes such as the “suitable home” and “cohabitation” policies in AFDC were legally challenged in hundreds of court cases that were generally successful in eliminating some of the harshest and most racist provisions in the program.[353]

OVERLY-FLEXIBLE BLOCK GRANTS DO NOT DO ENOUGH TO PREVENT STATE DISCRIMINATION

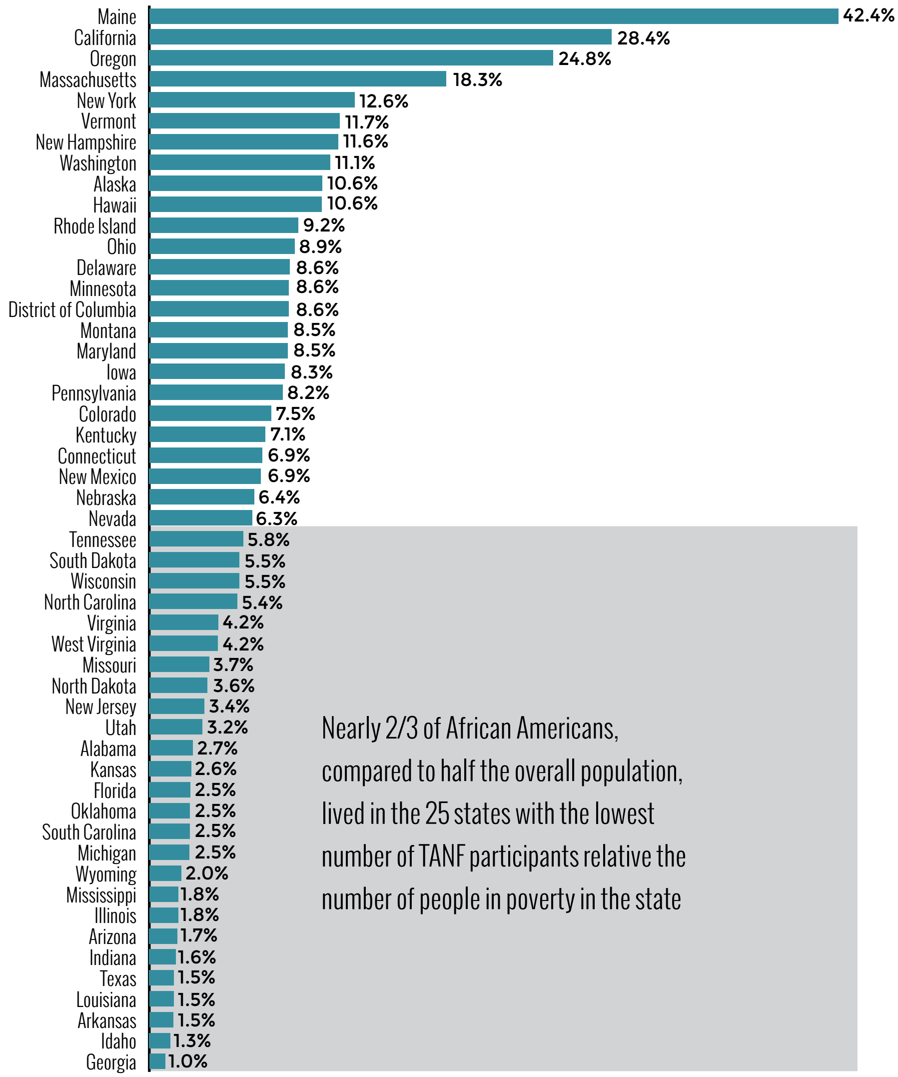
The conversion of AFDC into the TANF block grant offers a cautionary tale of how states’ control of crucial federal resources with limited oversight can enable racial discrimination and fuel racial disparities. Evidence from many studies on state TANF policies over the last 15 years has shown the return of significant racial and regional disparities in both design[354] and administration.[355]

TANF has been implemented in multiple ways that particularly disadvantage African Americans, in part due to the program’s block grant structure. TANF allows states to determine the number and duration of sanctions given to recipients for failing to meet labor market activity requirements.[356] States with higher percentages of black TANF participants tend to have harsher work requirements, lower benefit levels, and tougher sanctions.[357, 358] Multiple studies of TANF sanctions that compare racial groups find that African American participants are significantly more likely to be sanctioned.[359] An Urban Institute study in 2017 found additional evidence of differences in state TANF policies along racial lines.[360] According to the study, TANF programs in states with African American populations were more likely to have more modest benefits, more restrictive in terms of income eligibility limits and sanctions, and more likely to have lower participation rates.[361]

Together, these findings reveal how race and ethnicity can interact with expansive state flexibility to undermine racial equity.

FIGURE 7. African Americans are disproportionately affected by inadequate access to Temporary Assistance for Needy Families (TANF)

TANF-to-poverty ratios in 50 states and the District of Columbia, 2017



Note: TANF-to-poverty ratios are the average number of TANF & SSP-MOE recipients divided by the number of people living below the poverty level for the calendar year of 2017 for each of the 50 states. Poverty estimates are based on the Official Poverty Measure.

Source: Georgetown Center on Poverty and Inequality, 2019. Updated and adapted from Hahn, H. et al. 2017. "Why Does Cash Welfare Depend on Where You Live?" The Urban Institute. Available at https://www.urban.org/sites/default/files/ publication/90761/tanf_cash_welfare_final2_1.pdf. Data are from authors' calculations using TANF caseload data from U.S. Department of Health and Human Services and population data from the 2017 American Community Survey 1-Year Estimates.

As noted earlier, similar disparities in access exist within CCDBG, where state participation rates vary along racial lines.[362] The U.S. Commission on Civil Rights called upon Mississippi in recent years to make changes to its child care program to rectify racially discriminatory policies.[363] The commission's report cites state use of administrative discretion to implement practices that were found to primarily harm low-income black communities seeking to access CCDBG funds.[364] These practices included burdensome reporting and documentation requirements to prove eligibility, and diversion of funds for child care services to fraud prevention measures; as well as reviewer bias in child care provider ratings which disproportionately and negatively impacted care providers in largely African American communities.[365]

CONVERTING MEDICAID AND SNAP TO BLOCK GRANTS LIKELY WOULD RESULT IN RACIALLY DISPARATE IMPACTS

Converting more programs ensuring a basic living standard, such as SNAP and Medicaid, to block grants will likely worsen racial disparities in similar ways. As mentioned above, a meaningful right to benefits and federal oversight are key factors that reduce racial disparities in access to benefits. Block grants tend to undermine both factors. Block grants also tend to lock in racially disparate funding and decisions. This is particularly clear in the case of Medicaid as of 2019. Medicaid block grants now would lock in lack of funding for non-expansion states[366] — which are disproportionately southern[367] and have higher populations of African Americans relative to the states that have expanded Medicaid since the ACA.[368]

A Medicaid Block Grant Would Harm the Health of Women and People With Disabilities

Limited oversight and accountability within block grants structures can harm women and people with disabilities. Medicaid covers the health care costs of a disproportionate share of women in vulnerable situations and is a primary source of health care for more than 23 million people. Legislators in Congress have tried to turn Medicaid into a block grant on multiple occasions, but have yet to succeed.[369] If Medicaid were converted to a block grant, health care access and benefits likely would be curtailed in ways that disparately impact women and people with disabilities.

Under a Medicaid block grant, states would have discretionary power to determine some aspects of eligibility and services.[370] Unlike with the current open-ended federal match, under a block grant a state would be ineligible for additional federal support if its costs exceed block grant funding.[371] With fewer federal resources, a block grant would shift costs from the federal government to the states, and likely from states to patients and health care providers.[372] As a result, programs would cover fewer people, lack services and patient protections, and fail to respond to rising costs and changing health care needs.[373] To reduce costs, states could restrict coverage for people who are currently entitled to Medicaid under law—including, pregnant women living in or near poverty and people with disabilities who do not meet the income criteria.[374, 375]

MEDICAID'S SUPPORT FOR WOMEN'S HEALTH WOULD BE UNDERMINED BY A BLOCK GRANT

The lack of oversight and accountability in block grants can lead to significant barriers to health care access for women and people with disabilities. Women disproportionately rely on federal social protection programs because they are more likely than men to bear the responsibility of caring for children alone,[376] and are more likely to experience poverty at all stages of life.[377] In 2017, women comprised 57 percent of nonelderly adult Medicaid beneficiaries.[378]

Block grants also may restrict access to reproductive health care.[379] Cutting Medicaid enrollment might leave one in five women of reproductive age underinsured or uninsured, rendering essential reproductive health services inaccessible to many low-income, African American, and Latinx patients.[380] In addition, recent proposals to reduce health coverage include legislation that would require states to ban abortion coverage in any program receiving block grant funds, putting women at significant risk for economic insecurity and making safe abortions much more difficult to access.[381, 382, 383]

A MEDICAID BLOCK GRANT JEOPARDIZES THE WELLBEING OF PEOPLE WITH DISABILITIES

People with disabilities likely would lose access to health services and long-term supports under a Medicaid block grant. Cuts to Medicaid likely would leave many people with disabilities uninsured and reduce the quality of services received by those who remain insured.[384] With the reduced accountability of a block grant, states could choose to eliminate or decrease the availability of prescription drugs, rehabilitative services, or home and community-based care programs, which serve as lifelines for people with disabilities.[385] Turning Medicaid into a block grant could also lead to children in some states losing access to vital Early Periodic Screening, Diagnostic, and Treatment (EPSDT).[386] This service helps children in low-income families receive appropriate preventive, dental, developmental, mental health, and specialty services.[387]

Shortcomings of Block Grants Suggest Flaws in Related Structures

Evidence from block grants suggests that similar funding structures that have been proposed in the name of state and local flexibility likely would be harmful for people in need of services and supports. Proposals for per capita caps, superwaivers, and similar policy ideas, such as "Opportunity Grants,"[388] that have been proposed in recent years generally share key characteristics of block grants, with some variation, and they do not address all the fundamental flaws of block grants. In particular, Medicaid per capita caps likely would respond poorly to changing need and would lead to underfunding over time.[389] And the overly-expansive flexibility of superwaivers would likely cause serious accountability problems.

Per Capita Caps Would Misalign Economic Security Programs With Need

Per capita caps (or per participant caps) are limits on the total amount of federal spending that states receive per program enrollee.[390] Per capita caps would cap funding on a per-beneficiary basis, allowing funding to adjust for changes in enrollment. Legislators in Congress have proposed a number of per capita caps for Medicaid.[391] Per capita caps have been proposed as a way to cap federal funding while responding to state-by-state population growth. Yet, a per capita cap still would remain unresponsive to changing need not driven solely by participant growth. In addition, under proposed per capita caps, funding caps would grow more slowly than without a cap, and shift remaining costs to states.[392, 393]

PER CAPITA CAPS WOULD SHRINK HEALTH COVERAGE

With a Medicaid per capita cap—such as that proposed in the American Health Care Act (AHCA)—states would receive federal funding at a fixed amount per Medicaid enrollee, with no limit on the number of people who could enroll.[394] Currently, the federal government pays 50 to 93 percent of the full cost of care for all Medicaid beneficiaries.[395] Proposals to implement per capita caps in Medicaid cap funding well below projected spending under current law and would reduce the federal government's share of Medicaid spending relative to states.[396] This funding cut for states would incentivize states to keep Medicaid spending low despite growing need because they would have to make up the difference.[397] With constrained funding, states could choose to shrink access for people who would otherwise be eligible, reduce covered services or treatment, such as prescription drugs or rehabilitation services, or both.[398, 399] Notably, Medicaid spending is extraordinarily efficient. It faces modest administrative costs, in part because it does not spend heavily on marketing and creaming when compared to private health insurance. It is already far less costly than private health coverage and its per-participant costs have *grown* more slowly than for private coverage.[400] In many ways, per capita caps, like block grants, are a solution in search of a problem.

PER CAPITA CAPS WOULD RESPOND POORLY TO CHANGING NEEDS

Per capita caps also would fail to respond to need due to variable and unexpected costs. Under a Medicaid per capita cap, the federal government would provide states with a fixed dollar amount per participant, regardless of the person's actual need for health care. Any meaningful cap would be set such that health care cost growth would outstrip the growth of a per capita cap.[401] Although proposals have allowed for Medicaid block grants or per capita caps to grow over time, the growth rate would be less than the projected growth rate of health care costs,[402] which is higher than overall inflation.[403] This would result in insufficient federal funding, and states would have to decide how to make up for lost federal funding, likely by cutting eligibility, quality of services or treatment, or both. Additionally, the per capita caps still would not address increases in per enrollee spending due to higher health costs, including due to advances in technology.[404]

In many ways, per capita caps, like block grants, are a **SOLUTION IN SEARCH OF A PROBLEM.**

If federal funding cannot keep pace with growing health care costs, whatever their driver, states will feel pressure to reduce Medicaid spending. States may be incentivized to limit or eliminate coverage for high-cost enrollees or to reduce the quality of care, which would affect 11 million people with disabilities and older adults, who account for a disproportionate share of Medicaid spending.[405] Many coverage pathways for older adults and people with disabilities are provided as a state option, making them particularly susceptible to cuts.[406] States also could choose to reduce the quality of care by reducing the availability of prescription drugs, rehabilitative services, or home and community-based care programs, which would disproportionately affect people with disabilities.[407] While some Medicaid per capita cap proposals have included funding distinctions between older adults and younger eligible groups, the age-adjusted spending caps would not account for changes within these groups.[408] In particular, as baby boomers grow older, the projected rise in health care costs would significantly strain the adequacy of spending caps in Medicaid.[409] About 32 states project their share of adults over age 85 to increase significantly between 2025 and 2035.[410] This share of aging adults will include seniors on Medicaid whose health care costs are five times greater than children and younger adults without disabilities.[411] Given the projected growth in aging, block grants or per-capita caps in Medicaid would likely result in states ill-equipped to cover the increases in health care needs and costs associated with an aging population.

Superwaivers' Overly-Expansive Flexibility Sacrifices Accountability & Equity

Superwaivers are provisions that would give states the power to waive or significantly change fundamental aspects of federal programs that serve people with low incomes, but do not typically include new caps on spending.[412] They could have the effect of restructuring programs and their spending. Like block grants, superwaivers grant states overly expansive flexibility in administering federal funds with relatively few constraints.[413] With a superwaiver, states could combine funding and consolidate administration for any number of assistance programs.[414] Superwaivers differ from traditional waivers, which the federal government allows on a case-by-case basis for targeted aspects of many programs, such as Medicaid.[415] Traditional waivers can encourage time-limited innovation with accountability to meet program purposes, ideally with rigorous reporting and evaluation requirements to document the impact and use that information to scale up successes or identify harms.[416]

SUPERWAIVERS WOULD UNDERMINE GUARANTEES TO PARTICIPANTS

Superwaivers are worrisome for a number of reasons that recall the challenges of block grants. In particular, superwaivers provide states with overly expansive flexibility, largely by relaxing or removing established constraints on state waiver requests.[417] Current restrictions prevent state waivers from sharply cutting SNAP benefits or curtailing child care assistance—proposed superwaivers could lack such protections.[418] Superwaivers also could allow states to evaluate their own programs rather than require outside agencies review, which could undermine state transparency and accountability.[419] As is the case with block grants, superwaivers would provide states with the incentives and flexibility to shift funds previously dedicated to specific assistance programs in order to meet other priorities or fill budget holes.[420, 421]

Superwaiver proposals have come forth through both the executive and legislative branches. In 2002, the Bush Administration proposed superwaivers for TANF, the CCDBG, and other programs, but the proposal was ultimately rejected by Congress.[422] Senator Joni Ernst of Iowa authored the EMPOWERS Act of 2017, which would create a superwaiver enabling states to "consolidate, replace, or alter" eligibility requirements for two or more federal assistance programs in areas such as nutrition, health, and income assistance or other human services.[423]

SUPERWAIVERS RISK EXACERBATING RACIAL INEQUITIES

Similar to block grants, the overly-expansive flexibility of superwaivers, combined with minimal federal oversight, is likely to disproportionately harm people of color. As discussed earlier in this report, evidence from block grants has clearly shown racial discrimination in policy design and implementation.[424] The expansive flexibility of superwaivers likely would allow states to determine the number and duration of sanctions given to recipients for failing to meet a work and documentation requirement.[425] In TANF, this has resulted in harsher requirements, lower benefit levels, and more harmful sanctions in states with higher percentages of black TANF participants.[426, 427]

Medicaid and SNAP Block Grants Would Shrink Food Assistance & Access to Health Care

Over 70 million people rely on Medicaid for health care.[428] The program keeps millions of families above the poverty line and helps people avoid bankruptcies.[429] Medicaid is also the largest funder of Long Term Services & Supports (LTSS), nursing home care, and home- and community-based services that are critical for people with disabilities.[430, 431, 432] Similarly, SNAP helps ensure that 40 million people have enough food to eat and keeps millions of people out of poverty annually.[433] SNAP has also contributed to the significant reduction in child poverty the U.S. has seen since 1967.[434, 435] These programs are effective in part because their structures align with their goals; they have meaningful benefit guarantees that allow them to respond to changing need and they have strong federal standards and oversight to ensure accountability and equity. Converting these important programs to block grants likely would strip them of the features that make them successful at supporting basic living standards.

Converting Medicaid Into a Block Grant or Per Capita Cap Would Result in Benefit Cuts

Medicaid is a federal-state partnership that provides health coverage for more than 1 in 5 people in the United States, including millions of low-paid workers and their families[436] and people in need of long-term support and services.[437] Medicaid coverage also provides economic security and the loss of such coverage would increase poverty, economic hardship, and debt.[438]

A MEDICAID BLOCK GRANT WOULD SHRINK HEALTH COVERAGE

Proposals to “repeal and replace” the ACA have included dramatic structural changes to Medicaid made by limiting federal payments to states through block grants or per capita caps. In 2017, Republicans in Congress made several attempts at converting Medicaid to a block grant, instituting per capita caps, and repealing its expansion through bills such as the AHCA and Better Care Reconciliation Act (BCRA). The CBO scores for those bills calculated that they would cut federal Medicaid spending between $649 billion and $834 billion, and leave millions of people uninsured.[439, 440, 441]

In January 2019, news outlets reported that the Trump Administration was planning to use waivers to overhaul Medicaid's funding structure, offering states the option of block grants instead of receiving open-ended federal matching dollars that can rise and fall with need. [442] The block grant funding option would assumedly cap federal Medicaid funding, giving states a fixed dollar amount to provide health coverage for low-income people in their state. An analysis of former House Speaker Paul Ryan's radical 2016 proposal to fully block grant Medicaid estimated that the move could cause 14 to 21 million people to lose their health coverage.[443] The Trump Administration proposal likely would have far smaller, but still harmful impacts, with damage limited by the relative size and speed of the cuts and the reality that many states would not seek the waiver.[444]

PER CAPITA CAPS ARE POORLY SUITED FOR MEDICAID

As discussed earlier in this paper, proposals for per capita caps share many of the key features of block grants, ultimately falling far short of addressing the fundamental flaws of block grants. In particular, per capita caps would likely respond poorly to changes in need aside from population growth and would harm beneficiaries.[445] The Urban Institute modeled the impact of per capita caps like the one in AHCA and found that they would reduce federal spending by $457 billion over ten years—and reduce overall Medicaid spending by $734 billion over the same period if states reduced their contributions along with the federal government.[446] The cost burden states would take on with per capita caps would be significant, with federal cuts in payments to states ranging from 14.4 percent in Texas to 58.5 percent in Kentucky.[447] In fact, the Kaiser Family Foundation estimates that states would have to spend an additional $218 billion from 2020 to 2029 to offset the federal cuts.[448]

STATES WOULD FACE AN ULTIMATUM:
either cut benefits or the content of the care, treatment, and supports available to participants.

States would be unlikely to be able to absorb the hefty costs and would likely have to restrict eligibility or ration care to balance their budgets.[449] States would face an ultimatum: either cut benefits or the content of the care, treatment, and supports available to participants.[450] The former would unequivocally lower both state spending and federal reimbursement by restricting eligibility. The latter also would be damaging but likely significantly harder to accomplish given the political power of hospitals and physicians, and the demand for long-term supports and services, prescription drugs, and behavioral health care.[451] The Urban Institute estimated that about 8 million people would lose Medicaid from cuts like these.[452]

Converting SNAP to a Block Grant Would Restrict Eligibility & Cut Food Assistance

A summary of the first 20 years of research on the national Food Stamp Program (now SNAP) found that "evidence of severe malnutrition-related health problems has almost disappeared in this country" primarily due to Food Stamps.[453] Today, its uncapped funding and guaranteed benefits allow SNAP to support families with low incomes, reduce poverty, and operate as a community-wide anti-recession tool.[454] During economic downturns, SNAP automatically increases to meet need, meeting demand for food and helping local economies (see Figure 8).[455] Notably, SNAP spending also automatically declines during economic expansions. Finally, the Disaster Supplemental Nutrition Assistance Program (D-SNAP) issues benefits to eligible families suffering in the wake of a disaster within 72 hours.[456]

A SNAP BLOCK GRANT WOULD INCREASE HARDSHIP

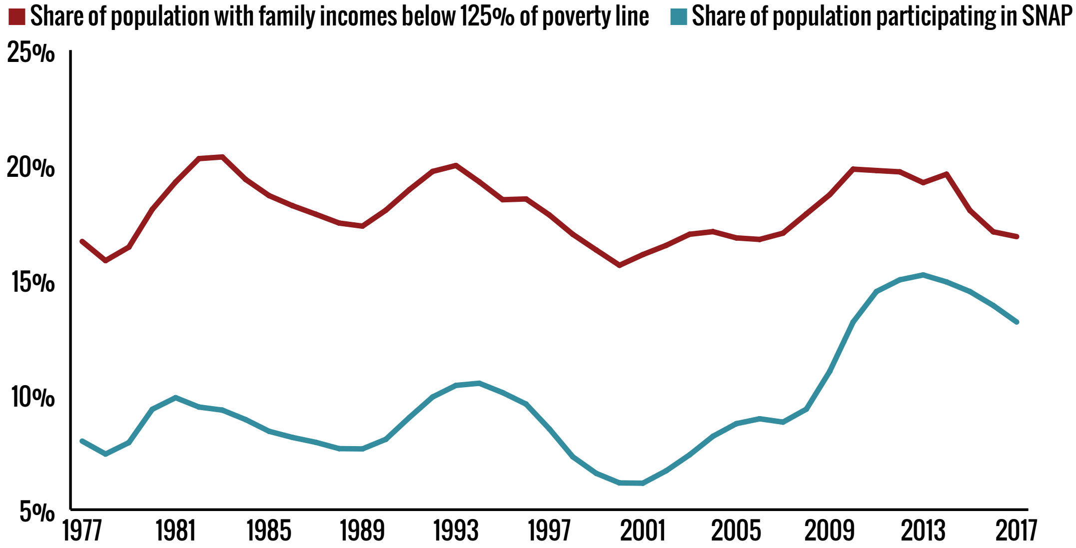
Proposals turning SNAP into a block grant are introduced frequently and analyses consistently indicate their harmful consequences. One proposal in 2015 would have cut the program by over $150 billion over 10 years—a spending reduction of more than 20 percent.[457] The Trump Administration's fiscal year 2018 budget proposal called for restructuring SNAP into a block grant and cutting 25 percent of its funding.[458] One House Republican budget resolution to convert SNAP to a block grant called for $125 billion in cuts over the 2021–2026 period and could mean an average of 10 million fewer people getting support to keep food on the table each year.[459] Or, if states instead choose not to restrict eligibility, they likely would have to reduce benefits. An across-the-board benefit cut could mean a reduction of more than $40 per person per month in benefits—a 32 percent decrease from the average $126 per person per month SNAP benefit.[460] An increase in food insecurity and hunger would be inevitable and the associated costs to children, families, schools, communities, and the national economy would be extensive.[461]

UNDERMINING SNAP THROUGH A BLOCK GRANT COULD REPEAT TANF'S SHORTCOMINGS

The funding cuts and structural changes that would accompany a SNAP block grant would damage its ability to reduce hardship. TANF is instructive here. Research on TANF participation rates during the Great Recession shows that the block grant structure undermined the effectiveness of many states' TANF programs to respond to the increased need.[462]

FIGURE 8. SNAP enrollment responds to fluctuations in U.S. economic security

Share of U.S. population near or in poverty and share receiving SNAP benefits



Note: SNAP participation data is in fiscal years, whereas the poverty data is in calendar years.

Source: Updated and adapted from Rosenbaum, Dottie and Brynne Keith-Jennings. "SNAP Caseload and Spending Declines Accelerated in 2016." Center on Budget and Policy Priorities, updated 27 January 2017. Available at https://www.cbpp.org/research/food-assistance/snap-caseload-and-spending-declines- accelerated-in-2016; Poverty data is based on the Official Poverty Measure and is obtained from the U.S. Census Bureau (2018); SNAP participation data from the Food and Nutrition Service (2018).

Converting SNAP to a block grant also could lead to diversion of funds. States are likely to discover a host of activities they can fund that ostensibly help meet the nutrition goals of SNAP but offer families less direct assistance purchasing food.[463] For example, states might try to use the expansive flexibility of a block grant to divert funds away from direct benefits to households to pay instead for the administration of new work requirement policies within SNAP. As noted, similar attempts were made recently in Tennessee where the state legislature sought to use TANF reserve funds to pay for newly instituted work requirement rules in Medicaid.[464]

Recommendations: Supporting Living Standards Requires Program Structures Aligned With Goals

Tying economic security programs to a block grant structure is foreseeably harmful. Policymakers can work to mitigate that harm, but they will always be building upon something structurally unsound. To improve living standards and increase security and opportunity for all, policymakers should prioritize transitioning existing block grant structures for programs supporting basic living standards into stronger structures, and continue to preserve the strong funding structures of non-block grant programs such as Medicaid and SNAP. Until they are converted to stronger structures, current block grant programs should be strengthened by better aligning funding with need and strengthening accountability.

Transition Existing Block Grant Programs into Stronger Structures

Block grant programs directly supporting people's living standards, like TANF, CCDBG, and NAP, among others, should be converted into stronger funding structures without arbitrary funding caps and counterproductive flexibility that disconnect funding and spending from need. In Puerto Rico, block granting Medicaid and block granting nutrition assistance through NAP have limited the area's ability to respond to increased need during extreme weather events and other crises.[465, 466] A solution is to return Puerto Rico's nutrition assistance to SNAP and convert the Medicaid block grant there to the uncapped funding structure Medicaid has in the states and D.C.[467]

Protect the Structures of Medicaid & SNAP

Proposals to convert Medicaid and SNAP to block grants are ill-advised. Though far from perfect, Medicaid and SNAP are already effective at supporting basic living standards, financial stability, and health.[468] Medicaid prevents devastating financial hardship for millions of families.[469] Access to Medicaid in childhood has been shown to increase high school and college completion rates,[470] lead to higher tax payments as adults,[471] and lower rates of health conditions like obesity and diabetes in adulthood.[472] Similarly, SNAP keeps millions of people out of poverty annually.[473] Converting Medicaid and SNAP into block grants would undermine the success of these programs and make them less effective at ensuring basic living standards and promoting economic security and opportunity.

BOX 5.

EARNED INCOME TAX CREDIT

The federal Earned Income Tax Credit (EITC) was created in 1975 to increase families' take-home pay while encouraging work.[474] Qualification for the EITC is relatively straightforward, as it requires an individual to work, verify earnings, and file taxes, including a special form for the credit, once a year.[475] The value of the tax credit increases as an family's income rises until it plateaus, before phasing out gradually for moderate- to middle-income families. The EITC is also "refundable," which means that it can exceed an individual's federal income tax liability.[476] The refundable structure of the EITC is important for workers and families with low-incomes as they often owe little in federal income taxes, but substantial federal payroll, state, and local taxes.[477] In 2018, 25 million Americans received approximately $63 billion in EITC payments—approximately $2,500 on average for eligible households.[478] The Center on Budget and Policy Priorities found that in 2016, the EITC kept approximately 5.8 million people out of poverty, and reduced the severity of poverty for an additional 18.7 million people, including 6.9 million children.[479] The EITC reduces hardship in the short-term by helping families pay for necessities (e.g., repairing homes, maintaining vehicles that are needed to commute to work),[480] and has long-term positive effects on health and education, including improving children's test scores and their likelihood of attending college.[481]

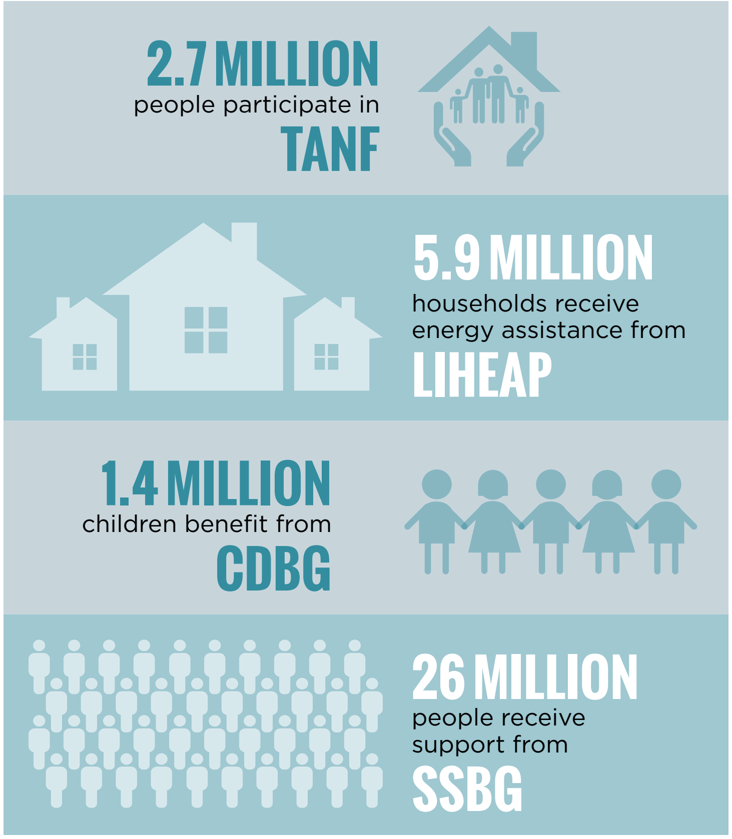
The structure of the EITC allows for it to be highly effective at reaching workers and families. If you qualify for the EITC and file for it, then you are automatically able to receive the payments.[482] The relative ease of application for the tax credit (though it warrants simplification) has led to a high participation rate, four out of five eligible workers claim and receive their EITC, and low administrative costs (less than 1 percent of overall program spending).[483] The structure of the EITC certainly could be improved. The credit is only paid out in a lump-sum during tax-time, which likely does less than other payment structures to help meet families' needs throughout the year (especially families raising children). Due to part of the EITC growing based on income from work, it is less counter-cyclical than some other programs, including SNAP. For example, during the Great Recession, some families lost both earnings and part or all of their EITC when they needed these distributions the most.[484, 485]

Refundable tax credits are not an appropriate structure for delivering some benefits, but they can be a highly effective structure, especially in raising incomes. Utilizing the administrative infrastructure of the tax code to support working families represents one stronger, efficient, and more effective structure than block grants.

Strengthen Block Grants Until They Are Converted to More Robust Structures

Flawed as block grants are, existing block grant programs should be preserved until they can be eventually transitioned into stronger structures—not eliminated. Existing block grants, although generally underfunded, do provide important support for people with low incomes. Indeed, taken together, they represent a substantial federal commitment to promoting economic security and opportunity (see Figure 9). The elimination of programs like CCDBG, LIHEAP, and SSBG, as proposed by the Trump Administration's fiscal year 2018 budget proposal, [486] would increase hardship and inflict harm on struggling people. For example, terminating SSBG would end the single largest source of federal funding for preventing elder abuse, for which it provides nearly $200 million per year.[487] Current block grant structures can be improved by better aligning funding with need and strengthening accountability.

FIGURE 9. The stakes are high: Millions of people rely on these major block grants



Note: All data are from FY 2016.

Source: Georgetown Center on Poverty and Inequality, 2019. Data from "TANF: Total Number of Recipients." Administration for Children and Families, 18 April 2017. Available at https://www.acf.hhs. gov/ sites/default/files/ofa/2016_recipient_tan.pdf; "Advanced Data & Analytics." Administration for Children and Families, retrieved 1 February 2019. Available at https://liheappm.acf.hhs.gov/data_warehouse/index.php?report=adHocQueries; "Table 1: Average Monthly Adjusted Number of Families and Children Served." Administration for Children and Families. 12 March 2018. Available at https://www.acf.hhs.gov/occ/resource/fy-2016-preliminary-data-table-1; and "Social Services Block Grant: Fiscal Year 2016 Annual Report." Administration for Children and Families, retrieved 1 February 2019. Available at https://www.acf.hhs.gov/sites/default/files/ocs/rpt_ssbg_ annual_report_fy2016.pdf.

BETTER ALIGN EXISTING BLOCK GRANT FUNDING WITH NEED

Until converted to stronger structures, current block grant structures can be improved by better aligning funding with need. At a minimum, inflation adjustments are crucial when planning for future funding needs. For block grants subject to annual appropriations, such as LIHEAP and CDBG, congressional appropriators should factor in the impact of inflation on funding—something that would be easier if the overall discretionary funding caps were rising to reflect inflation as well. State funding allocations must also reflect population change.

Efforts to bolster block grant funding during economic downturns are also needed. A more responsive TANF Contingency Fund would contain automatic triggers that increase TANF funding under conditions of high or rising state and national unemployment, like those we have proposed elsewhere for Unemployment Insurance.[488] If Congress returned to the practice of providing contingency funding in LIHEAP,[489] the program could respond more appropriately to the next severe round of weather. Congress has used the flexibility of SSBG to channel social service funding to states hard hit by an extreme weather event, such as for Hurricane Sandy relief in 2012.[490] However, this is rare and not tied to broader economic conditions. An SSBG contingency fund would help states meet the increased need for human services during recessions and other major disruptions. Though improving contingency funds will allow block granted programs to become more responsive during crises than they currently are, converting the block grant itself to stronger structures would make them the most responsive.

STRENGTHEN ACCOUNTABILITY IN EXISTING BLOCK GRANTS

Accountability measures are critical to ensure that federal funds are both accountable to the federal government and to the people who rely on the federally-funded programs. Evaluating a program's effectiveness and adherence to program goals could limit states ability to divert additional funding toward other purposes and provide additional tools to help fight discrimination, particularly racial discrimination. Until converted to stronger structures, existing block grants can be made more accountable by strengthening outcome and access measures and supporting greater data collection.

For programs like TANF without a narrow, specific focus, stronger performance measurement systems or stronger monitoring regimes would provide a greater assurance that federal funds are making an impact.[491] These measurement systems should focus on capturing key outcomes such as employment, educational enrollment, child wellbeing, and poverty reduction. Spending a significant share of TANF funds as a requirement on core cash assistance and employment-supporting activities likely would help reduce the diversion of resources to other activities and increase the share of disadvantaged families who benefit.[492]

Specific data collection can help evaluate a program's effectiveness and adherence to program goals. LIHEAP has performance measures and collects data intended to gauge the program's effectiveness in reaching households with seniors and those with children under the age of five.[493] It also now includes measures to track number of clients who have had their heating or cooling service restored with LIHEAP funding.[494] These indicators can be helpful to program administrators and provide more evidence of impact and possibly greater program integrity protections. Other block grant programs should support greater data collection that tracks specific performance measures to evaluate a program's effectiveness.

Stronger standards must be accompanied by appropriate funding to be effective, however. The 2014 reauthorization of CCDBG increased the focus on the quality of care with the creation of health and safety standards and greater transparency about the quality of care providers.[495] States were also encouraged to use quality-rating systems that would help parents find higher quality care providers.[496] Quality ratings are an important tool, but must be paired with adequate funding to ensure that all eligible children have access to high rated programs.

Finally, for some block grants like TANF, additional efforts to fight discrimination—such as HHS Inspector General or HHS Office of Civil Rights investigations and tools to inflict penalties—would be beneficial. In 2010, the HHS Office of Civil Rights entered into a settlement with the state of Wisconsin to resolve its problems with the state's TANF program regarding how it implemented sanctions on families in a discriminatory manner.[497] Efforts like this can increase the effectiveness and equity of block grant programs.

Conclusion

The extent to which a program can support basic living standards for people depends, in large part, on how the program is structured. Block grants are fundamentally ill-suited for the task. Indeed, block grants have been shown to be unresponsive, unaccountable, and inequitable, failing to meet the need of people whose basic well-being depends upon social protection programs. On the other hand, federal programs with structures that guarantee somewhat adequate benefits for all who meet reasonable, well-defined federal eligibility standards, like SNAP and Medicaid, reflect the United States' commitment to protecting access to basic living standards.

Research indicates that programs funded by block grants respond more slowly (if at all) to changes in need, allow states to divert federal funding away from core purposes, and increase barriers that people of color, women, and people with disabilities face when attempting to access health care, food, and other basic needs. Evidence from block grants suggests that proposals for similar funding structures such as superwaivers, per capita caps, and "Opportunity Grants" would likely have similar consequences.

Converting economic security programs to block grants or pursuing proposals for similar funding structures would likely harm people already struggling with poverty. Policymakers can work to mitigate that harm, but rather than devoting energy and resources solely to addressing flaws in block grants, policymakers would do well to focus on establishing program structures that are better suited to support basic living standards. Models like Medicaid, SNAP, the EITC (see Box 5), and others that align structure with need are readily available to policymakers. By directing resources using responsive, accountable, and effective funding structures that guarantee benefits for all who qualify, policymakers can support access to the basics necessities of life—like food on the table and a roof overhead. Well-structured federal programs reduce hardship and increase opportunity and prosperity for everyone.

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