

BRIEF

# Structurally Unsound

## The Impact of Using Block Grants to Fund Economic Security Programs

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### KEY TAKEAWAYS

- Block grants (capped federal funding with flexibility for how funding is spent) are ill-equipped to support basic living standards compared to other structures.
- 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.
- Policymakers should transition existing economic security block grants into stronger structures.

Our social protection system helps ensure that everyone in our country has access to a basic standard of living—a roof over their heads, healthy food on the table, health coverage, and income support. Some programs within that system are more effective than others, and much of their relative success or failure can be traced to their funding structure.

The block grant funding structure is fundamentally **ill-equipped to support basic living standards** for people with low incomes—especially as compared to structures that guarantee benefits for all who are eligible. Policymakers can mitigate harm from block grants, but they will always be building upon something structurally unsound.

### BLOCK GRANTS RESPOND POORLY TO CHANGING NEED

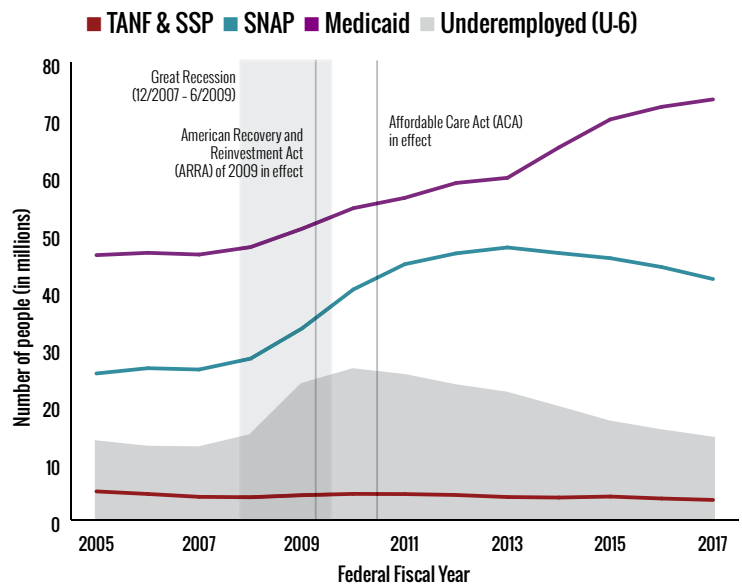
Block grants tend to have arbitrary funding caps that fail to adequately meet need and do not keep up with inflation. Block grants are slow to respond to extreme weather, economic downturns, and other crises—largely because their funding caps do not respond to need.

- In Puerto Rico, block granted nutrition assistance and health care programs limited and slowed the

responses to public health and other crises like the [Zika virus](#) and [Hurricane Maria](#). Even in non-crisis times, Puerto Rico’s Nutrition Assistance Program (NAP) struggles to meet need because of its funding cap.

- Attempts to make block grants more responsive to economic downturns have **fallen short**, as evidenced by the TANF program (see Figure 1), and states **cannot make up the difference**.
- Programs with stronger structures like Medicaid and SNAP can and do respond more easily to increased need.

**Figure 1. Medicaid & SNAP responded more robustly to the Great Recession & its aftermath than TANF**



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.

## BLOCK GRANTS PROVIDE ONE TYPE OF FLEXIBILITY AT THE EXPENSE OF ACCOUNTABILITY

Block grants typically pair expansive flexibility for how states (or other entities) can spend federal dollars with modest oversight. This combination makes block grants less accountable to program goals and to the people who rely on the programs to help maintain their basic living standards.

- The overly-expansive flexibility in how federal dollars can be spent and weak federal oversight can allow states to divert federal resources away from core purposes, resulting in a reduction in the funding available to meet people’s basic needs.
- Minimal reporting requirements and nonspecific goals limit policymakers’ ability to evaluate the effectiveness of block grants.
- Without evidence of impact, block grants are easily targeted for substantial cuts or outright elimination, placing families at risk of losing whatever basic supports block grants do provide.

## BLOCK GRANTS CAN EXACERBATE INEQUITIES

Block grants can **amplify** rather than push back against **America’s long and ongoing history of racism**. Evidence from block grants has revealed racial discrimination in state policy design and implementation. Block granting programs such as SNAP and Medicaid likely would result in racially disparate impacts as well.

- With TANF’s overly-expansive flexibility, states **disproportionately sanctioned African Americans**, and **states with more African American residents** developed less generous and more restrictive TANF programs.
- Puerto Rico has a Medicaid block grant and a food assistance block grant. The funding caps that are in place make it impossible to meet need in Puerto Rico—which is majority Latinx.
- Under proposed Medicaid block grants, states could be forced to limit enrollment, which would have a

**disproportionate impact on women**, who make up almost three-fifths of Medicaid enrollees.

- Under a Medicaid block grant, states may opt to constrain costs by reducing the quality of care or limiting access to prescription drugs, rehabilitative services, or home and community-based care, which serve as **lifelines for people with disabilities**.

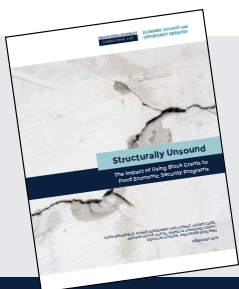
## RELATED FUNDING STRUCTURES SHARE FLAWS OF BLOCK GRANTS

Shortcomings of block grants suggest flaws in related structures such as per capita caps (that limit the total amount of federal spending states receive per program enrollee) in Medicaid, superwaivers (provisions that give states the power to waive or change fundamental aspects of federal programs), and “Opportunity Grants” that similarly **undermine access and adequacy**.

- One Medicaid per capita cap proposal would reduce federal spending by \$457 billion over ten years—and **reduce overall Medicaid spending by \$734 billion** over the same period if states reduce their contributions along with the federal government.
- Under Medicaid per capita caps, states would face an ultimatum: either **cut benefits** or **reduce access** to care, treatment, and services.
- The overly-expansive flexibility of superwaivers likely would make spending under them relatively unaccountable and undermine benefit guarantees.

## RECOMMENDATIONS

- Policymakers should **transition existing block grant structures** for programs supporting basic living standards **into stronger structures** without arbitrary funding caps and counterproductive spending flexibility for allowable spending.
- Policymakers should **preserve the strong structures of Medicaid, SNAP**, and other programs that align resources with need.
- Current block grants can be improved by **tying them to annual growth**, creating **contingency measures**, and **strengthening accountability**. Still, even a strong block grant will fall short of what can be accomplished through alternative structures.



*This document is a summary adaptation of “Structurally Unsound The Impact of Using Block Grants to Fund Economic Security Programs” by Cara Brumfield, Funke Aderonmu, Kali Grant, Aileen Carr, Indivar Dutta-Gupta, Isabella Camacho-Craft, Douglas Steiger, and Peter Edelman, Georgetown Center on Poverty and Inequality, February 2019.*