

The Danger of Block Grants



Reject Block Grants of Child Welfare and Other Vital Human Services. It is argued that block grants are about innovation and state flexibility but we believe block grants are not about results but about cutting federal spending on children and families.

The current political debates in Washington DC have raised the possibility of converting federal funding into block grants. The possibility has been raised during the debate over the Affordable Care Act regarding Medicaid and in the overall early debates over the federal budget and entitlements including some vital children's programs such as SNAP and Title IV-E Foster Care and Adoption Assistance.

We know how this turns out because of the history of the Social Services Block Grant (SSBG), which was converted from an entitlement to a block grant in 1981, and the Temporary Assistance for Needy Families (TANF) block grant, converted from an entitlement in 1996, and because of an attempted effort to turn all child welfare and child protection into a child welfare block grant in 1995. This paper focuses on the child welfare block grant proposal and the Social Services Block Grant, and we refer to the work of others regarding the third block grant, Temporary Assistance for Needy Families (TANF) 1996.

In brief, we know:

- The 1995 *child welfare block grant would have left states with \$3 billion less* by 2016, that is \$5 billion instead of the approximate \$8 billion states drew down during the current opioid epidemic.
- SSBG was funded for a short time at \$2.8 billion but was cut several times in subsequent years and has been *targeted for elimination because it is a block grant*. While cuts to SSBG were promoted to advance deficit reductions, the most lasting cuts took place while federal spending increased along with the deficit early in the century.
- TANF has lost over 32 percent of its value due to inflation. A supplemental grant of approximately \$300 million was cut-out and by 2016 **TANF assistance covered only 23 out of 100 poor families compared to 68 of 100 poor families in 1996, when it was first created.**

The Child Protection Block Grant

The 1995 Child Protection Block Grant as passed by the House of Representatives would have left states with \$5.1 billion in funding in 2016 when caseloads were increasing again.

This funding compares to the \$8.6 billion states drew in 2016 largely through two funding sources, Title IV-B and the Title IV-E entitlement. That total does not count other programs that were included in the 1995 block grant such as the Child Abuse Prevention and Treatment Act (CAPTA) and the Adoption Opportunities Act.

In March 1995, the House of Representatives passed H.R. 4, the "Personal Responsibility Act of 1995." That legislation contained eight different titles and converted several programs into state block grants. Title II of H.R. 4 contained the Child Protection Block Grant Program. The legislation included funding for federal fiscal years 1996 through 2000. The proposal ultimately was not adopted.

CWLA did an analysis of this block grant in 2002 to determine how states would have fared in the fifth year of that block grant. What we found then was that if Congress had followed through with the “Title II, Child Protection” block grant, states would have been denied more than \$1.2 billion in federal fiscal year 2000. HR 4, like other block grant designs, provided annual increases in federal funding for the five years of 1996 through 2000.

The funding losses varied among the states. Forty-seven states and Washington DC would have lost anywhere from 57 percent to 2.5 percent of funds. Only three states would have gained funds under the block grant in FY 2000. (New York state, for example, would have benefited in 2002 and 2016 because in the late 1990s New York had more than 53,000 children in foster care compared to approximately 21,000 in foster care by 2015 a decrease of 60 percent). Today the number of losing states is at 45 plus the District of Columbia, with some states like Nevada and Arizona getting only approximately one-fifth and one-tenth, respectively, under the 1995 block grant compared to actual funding under Title IV-E and IV-B in 2015.

The entitlement funding was left intact after the Senate rejected it and without the “flexibility” and “innovation” of a block grant. Foster care numbers decreased from a high of 567,000 in 1999 to a low of 397,000 in 2012 before increasing again to 427,000 in 2015.

Without a block grant, Congress adopted the 1997 Adoption and Safe Families Act, (ASFA, PL 105-89) which directed states to place greater emphasis on child health and safety, and permanence and permanency hearings. It also added new funds for family preservation and support, created adoption incentives, and extended certain adoption benefits including greater access to health care for adopted children. Two years later-absent that block grant—Congress passed the Foster Care Independence Act (PL 106-169) that doubled funding for transitioning youth in foster care and created other supports. These actions likely would not have happened in a flexible and innovative block grant world.

Some might argue Congress could have increased a child protection block grant again above the 2000 funding of \$5.1 billion. The legislation did allow an appropriation of an additional \$400 million. But history suggests a limit on how much Congress will appropriate or authorize for child welfare unless funding comes from the automatic guarantees and increases that are part of an entitlement or mandatory funding structure. In the past decade, much of the appropriations for child welfare programs have stagnated or been reduced including CAPTA, Adoption Incentives, Child Welfare Services and the appropriated part of Promoting Safe and Stable Families.

Recent reauthorizations of the child welfare block grants (Title IV-B parts 1 and part 2) have resulted in cuts. In 2011, the reauthorization of the Title IV-B programs (PL 112-34, the Child and Family Services Improvement and Innovations Act) continued \$20 million in Court Improvement Program funds by cutting services by \$20 million. The reauthorization of the two funds in the Preventing Sex Trafficking and Strengthening Families Act (PL 113-83) also let lapse \$15 million a year in funding for kinship navigator and family finding due to not having any offsets.

One of the few exceptions to this history however was the 2008 Fostering Connections to Success and Improving Adoptions Act (PL 110-351) that did increase funding significantly. It did this by expanding the Adoption Assistance program by removing the link to the 1996 eligibility standard, giving states the option to extend foster care funding to some kin placements and providing the option to extend foster care to age 21. All these items would not have happened in a block grant world because the entitlement funding would have been gone.

In the last five years, some states have had great flexibility through waivers, that in some instances, operated as block grant funding. Despite this flexibility some of these same states have not been able to prevent increases in foster care caseloads due to increased substance use problems.

Social Services Block Grant (SSBG)

As we have documented over the years, SSBG is a prime example of what happens to entitlement funding once they are converted to a fixed block grant designed to give states more flexibility and allow for innovation. In his 2014 House Budget Proposal, Speaker Ryan's budget blue print proposal, called for the elimination of SSBG arguing "States are given wide discretion to determine how to spend this money and are not required to demonstrate the outcomes of this spending, so there is no evidence of its effectiveness. The budget recommends eliminating this duplicative spending."

In 1981 Congress and the Reagan Administration converted a "capped" entitlement in Social Services Funding into a block grant. SSBG topped out at \$2.8 billion. The 1981 conversion resulted in capped funding below projected costs, dropped eligibility requirements and reporting by states, and states receiving increased flexibility to spend the funds on 29 services as part of the deal

By 1996 SSBG was used as a temporary offset for the 1996 welfare reform/TANF legislation. It was cut from \$2.8 billion down to \$2.3 billion with legislative language that would restore it back to \$2.8 billion. Instead, in 1998 the cut to \$2.3 billion was made permanent and then in 2003 it was cut further to \$1.7 billion, to help pay for the transportation reauthorization, ISTEA (PL 102-240, Intermodal Surface Transportation Efficiency Act).

Now its status as a mandatory fund that is an entitlement to the states means that the elimination of the \$1.7 billion would count as immediate budget savings for those on Capitol Hill looking to expand tax cuts, defense spending or other priorities. As a block grant it is difficult to directly tie the individuals who will be cut-off but it's very easy to count the revenue for other things.

Temporary Assistance for Needy Families (TANF)

TANF is another prime example of what happens when an entitlement is converted into a block grant. In the first years there was a great deal of success associated with TANF as the number of families on assistance dropped, workforce participation increased, and states allocated surplus funds into human services, particularly child care. In recent years, however TANF has been tested by a deep recession and has lost funding.

As the TANF block grant aged, states stretched out the ways in which they used the \$16.5 billion. New data published in 2016 shows 25 states spent less than half of their funds on the combination of basic assistance; work, education, and training activities; and child care. Seven states spent less than 10 percent of their TANF on basic assistance.

As a recent paper by the Center on Budget and Policy Priority pointed out,

"Due largely to this block grant approach, states now use only about one-quarter of their TANF funds for cash assistance. In 2015, for every 100 poor families with children, just 23 families received TANF cash assistance. That's down from the 68 families with children that received cash assistance for every 100 in poverty in 1996, the last year of AFDC. This sharp erosion in TANF cash aid, in turn, has contributed to a rise in deep poverty among families with children."

The paper highlights:

- TANF funding has lost much of its value over time, with its funding falling by more than a third since it was created, after adjusting for inflation.
- States have used their flexibility to ease state budget shortfalls and fund other priorities, shifting funds away from helping poor families meet basic needs or prepare for work.
- Only half of funding goes for TANF's basic purposes of cash assistance for poor families, work or employment preparation programs, or child care so parents can work.
- TANF failed badly to respond to the Great Recession, reflecting the lack of quick and automatic response that occurs automatically through entitlement programs.

The farther away from the original regulations, guidance, and practice, state spending has loosened up. Again, citing the *Center* paper: "*States used the diverted funds to fill budget holes, fund services for families above the poverty level (sometimes far above), bolster child welfare systems, and support early education and higher education, among other things. In some cases, they used the funds to expand programs; in others, they substituted federal TANF funds for existing state funds, which enabled them to shift the freed-up state funds to other uses, such as tax cuts and filling state budget gaps.*"

One of the benefits of the 1996 law might have been the requirement to re-evaluate the program every five years through the reauthorization process. A reauthorization and accompanying debate would have provided an opportunity to refocus the mission, adjust the outcomes, and allowed for increases in the funding level to at least address inflation.

TANF has been reauthorized only once as part of the Deficit Reduction Act of 2005 (PL 109-171). It has received a series of annual/monthly extensions with few changes. Inflation eats away at the value of the original \$16.5 billion block grant, which has not been adjusted to address population, economic, cultural and educational changes that have evolved over two decades.

Conclusion

There are lessons to be learned. With SSBG we have a block grant that has been very difficult to defend because it is not tied to specific people and not limited to one mission. It is a favorite target for legislators in search of a "pay-for" for their priorities (tax cuts, defense spending, etc.).

The 1995 "child protection block grant" tells us what could have happened but also what did happen because we maintained the entitlement. Congress paid attention. The entitlement provided additional funding when the authorization and appropriation process failed.

TANF provides a view of what initial flexibility in a strong economy could do but it also fell victim to mission creep, expanded use of funds beyond the initial goals and congressional indifference once the spending was frozen in place. And like other block grants, as we move further away from the original intent of the legislation at both the state and federal levels it too could fall victim to further and larger cuts.