



## BUDGET 101:

# Block Grants, Flexibility, and Per Capita Caps

Recent congressional budget proposals and plans to reduce poverty include options for changing the structure of current social programs from “entitlements,” which provide sufficient funding to address the needs of everyone who meets the eligibility requirements to “block grants,” which provide lump sums to states to meet residents’ needs only until the money runs out.

## What is a block grant?<sup>1</sup>

- A block grant is a fixed amount of funding allocated by the federal government to state and local governments to address a general problem.
- Block grant funding for each state is usually distributed according to a formula that is often based on current levels of state spending.
- States usually have great latitude as to how to spend the allocated funds, often with little oversight from the federal government.
- Block grant funding does not increase when need rises or decrease when need falls.

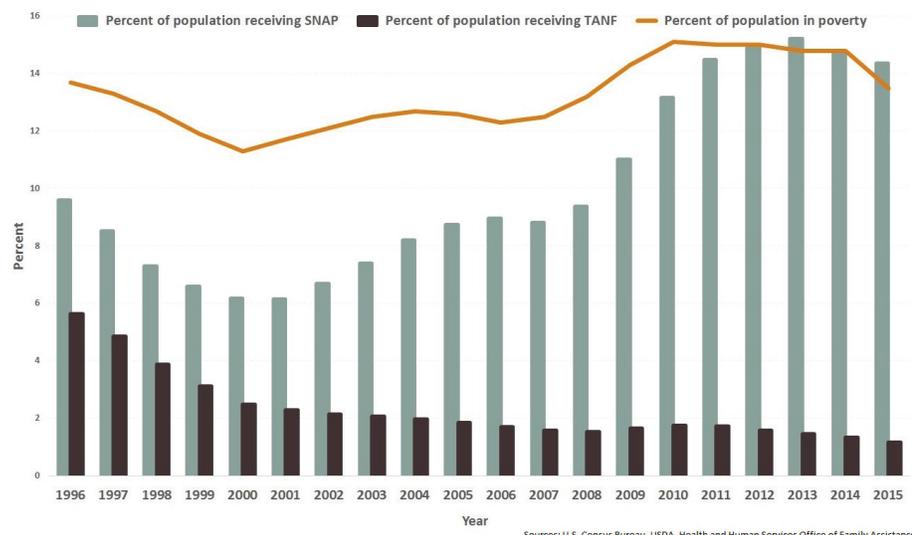
## TANF: A block grant case study<sup>2</sup>

- The Temporary Assistance for Needy Families (TANF) block grant replaced the Aid to Families with Dependent Children (AFDC) entitlement in 1996.
  - In 1996, under AFDC, for every 100 poor families with children, 68 families received cash assistance.
  - By 1998, TANF’s first full year of implementation, participation had fallen to 51 families in 100.
  - By 2014, even though poverty rates increased during the Great Recession, only 23 families received TANF cash assistance benefits for every 100 poor families with children.

## A BLOCK GRANT BY ANY OTHER NAME?

- Some congressional plans to change the structure of current programs do not contain the term “block grant.” Instead, the proposals use other words that could be used to describe block grants, such as:
  - improve coordination
  - streamline funding
  - greater flexibility
  - reduce redundancy
  - per capita caps
  - restore decision-making to state and local communities
- No matter what terms are used, a block grant-like structure:
  - often loses congressional support over time
  - is especially vulnerable to cuts in funding
  - due to states’ latitude in how funds are used makes documenting expenditures and impact at the national level difficult
  - ultimately provides less support to people in need of services and makes them more vulnerable
- Many states have taken significant steps under the current structure to streamline the application process for programs, tailor services to meet local needs, and improve service delivery. It is not necessary to jeopardize access to programs, such as SNAP and Medicaid, by changing them to a block grant or similar structure in order to increase state flexibility or local decision-making.

## SNAP RESPONDED WHEN POVERTY ROSE. TANF DID NOT.



- TANF’s annual funding has remained essentially unchanged since 1996. It is not indexed to inflation, so the value of the funds allocated has now fallen by 32 percent. At the same time, the U.S. population has grown. Because of these two factors, states simply have fewer resources available to help families in need.
- When poverty increased as a result of the Great Recession in 2008, TANF participation remained low because states did not automatically get additional funding to enable them to respond to the increases in need. In contrast, participation in SNAP, which is still an entitlement, grew,

as the funding responded quickly to the increases in need. As the economy improved, the SNAP caseload declined and as a result SNAP expenditures decreased. However, due to the unevenness in the economic recovery for people at different income levels, even though the rates of poverty and food insecurity have begun to decline, they remain higher than their pre-recession levels.

### What if SNAP was turned into a block grant?

- If Congress revived previous proposals to turn the Supplemental Nutrition Assistance Program (SNAP) into a block grant, funding would remain the same at best, but would more likely decrease.
- If states chose to reduce benefit levels to stay within the funding limit of a block grant, families would receive fewer SNAP dollars. The current average benefit is \$1.40 per person per meal<sup>3</sup>, which provides calories but is often not enough to regularly meet a person's nutritional needs.
- If SNAP enrollment were capped under a block grant system, many people struggling with hunger would be denied access to the program. The lack of financial support would increase the levels of hunger and food insecurity, along with the health consequences—and healthcare costs—that stem from an inability to purchase the food needed for a nutritious diet.



Joseph Molieri/Bread for the World

### Could a block grant end Medicaid as we know it?

- Congressional proposals to eliminate the current entitlement structure of Medicaid and replace it with a block grant or a program using per capita caps would **end the current guarantee of health care coverage for everyone who is eligible.**
- The proposed changes are designed to significantly reduce federal spending—by as much as \$1 trillion over 10 years. But this could only be done by shifting substantial costs to the states. With less federal funding and insufficient funding of their own, states would have little choice but to restrict eligibility, cut benefits, and make it more difficult for people to enroll in the program.
- Families who lose their Medicaid coverage will find it more difficult to meet their basic needs. It will become more common for people to have to “choose” between buying medicine or food. To put it simply, more people will face hunger and food insecurity.

### Ending Hunger by 2030

- Nutrition and healthcare programs are critical supports for families in need and as such must maintain their ability to provide assistance to all who are eligible. Congress must protect the current structure of SNAP and Medicaid—first, do no harm—and then make other critical investments if we are to meet the goal of ending hunger in the United States and around the world by 2030.

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### Endnotes

<sup>1</sup> Congressional Research Service, “Block Grants: Perspectives and Controversies,” July 15, 2014, <https://fas.org/sgp/crs/misc/R40486.pdf>

<sup>2</sup> Center on Budget and Policy Priorities, “Chart Book: TANF at 20,” Updated August 5, 2016, [http://www.cbpp.org/sites/default/files/atoms/files/8-22-12tanf\\_0.pdf](http://www.cbpp.org/sites/default/files/atoms/files/8-22-12tanf_0.pdf)

<sup>3</sup> Calculation based on USDA's average monthly benefit per person data for FY 2017: <https://www.fns.usda.gov/sites/default/files/pd/34SNAPmonthly.pdf>