

Margy Waller:

My job today is to expand somewhat on what Bob said about the TANF block grants and what's happened since 1996 as a kind of indicator of what tends to happen with block grants.


I work at Brookings. We're a research institution. We really don't do advocacy; it's a significant difference between us and CSS, and maybe a way in which we complement each other. But I took the time to do a kind of literature review about block grants with a particular focus on the Reagan block grants that Bob described. I think what I'm about to do is to show you just how hard it will be to do what a number of you have suggested we need to do, which is develop a simple message on this issue. Because it is actually not simple, although I do think we need to - at some point - get back to that discussion of how we describe this in a simple and understandable way.

The First Block Grant

- Legislation proposed to give states the option of combining some federal public assistance programs -with state flexibility to use the funds to design general programs of public welfare.

79th Congress
1945 - 46

June 2003
Margy Waller



So when do you think this was? You're going to be surprised. 1945-46, the first block grant proposals. It sounds a lot like the TANF block grant proposal, doesn't it?


Reagan block grants in the 1982 budget ended up including nine block grants. It wasn't exactly his original proposal, but it did consolidate about 57 programs that had been very targeted to meet specific needs of specific populations. It also explicitly cut funding levels which is something we are not seeing this time around. The original 1981 programs, when they were still in categories, had about \$11.1 billion in them. As it ended up, the funding levels of those block grants were cut to about \$9.7 billion.

There was an argument made - and you'll see this in arguments about block grants in general - that we would have some savings administratively with reduced paperwork that would take care of that cut. The kinds of things that were included are still around today, many of them. But they were primarily programs that targeted low-income communities and low-income people, like HEAP, the social services block grant, community services block grant, community development block grant, some health and education programs.

Reagan Block Grants

- 1982 budget included 9 block grants consolidating 57 programs
- Cut funding levels: block grants - \$9.7 billion, 1981 programs - \$11.1 b
- Included LIHEAP, SSBG, CSBG, CDBG, health, and education

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I did a little bit of a literature review. I looked at some of the lessons from the Reagan block grants that research by the Urban Institute, people at Brookings, as well as the General Accounting Office and others did both in the 1980s and then again in the 1990s, looking at what had happened after the block grants were implemented.

One thing is that block grants are more vulnerable to funding cuts than categorical programs. This sort of goes back to a conversation that we just started in the last session I think, with Comptroller Hevesi, about how Congress likes to have these categorical programs because then they have specific things that they are providing to specific people in specific places, including in their own district. So they'll protect them. But when it is a block grant and you don't know exactly where it is going or where it is going to, it tends to be more vulnerable to a funding cut. That was proven to be the case after the Reagan block grants were implemented.


Congress tends also, out of some concern for where is this money going and how is it being used and whether it is really meeting the needs that we think exist nationally, to add strings and set asides over time, ultimately reducing the very flexibility that was often part of the argument for creating the block grant in the first place.

Also as states start to blend the block grant funds with their own funds, it just becomes part of the state budget. They sort of lose their identity as federally funded programs, and therefore, their reason for being a federally funded programs.

Lessons from the Reagan Block Grants

- Block grants are more vulnerable to funding cuts than categorical programs
- Congress tends to add strings and set-asides over time, reducing flexibility
- As states blend funds with state funds, block grants lose their reason for being

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Margo Waller



A few more lessons: after the 1982 block grants were implemented, it became clear that services that states have been managing as statewide programs (where they were used to managing and

where everybody in the state got a benefit from them) were the services that tended to get protected as more flexibility made it possible to change priorities between different kinds of - what had been - categorical targeted program.

Also, cities were major losers of reallocation of those dollars, partly because some of the programs that were folded into the block grants were programs that went directly from the Federal government to cities and states were not accustomed to managing those dollars. Where they were accustomed to managing the programs, where the dollars historically went from the Federal government to the state, they were maintained and then folded into the existing state program

Also, frankly, some of these programs were not priorities. As you can see across the country now, state legislatures are dominated by suburban and rural elected officials and often times the cities have to work hard to build coalitions to protect things that are benefiting their constituents. Where there was income targeting in some of the categorical programs, and states have the option of maintaining that income targeting, they tended to tighten the eligibility, targeting it to the very poorest families, but that also meant leaving out the working poor which in some cases can lead to less public support for the resource.

More Lessons

- Services with pre-existing "statewideness" benefited
- Cities were losers in reallocation of \$
- Where income targeting was maintained, eligibility tightened leaving out working poor
- States reduced standards to save \$

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States also, in some cases, reduce standards to save money. You saw this particularly in child care. There had been some effort to establish Federal standards for child care and when that was wiped out, as the block grants were implemented and some of the funding for those programs were folded into the block grants, states reduced standards in order to save money. Particularly they did that by reducing the number of staff that were working in the child care center so that ratios changed and there were more children per staff member. There are some very striking examples of this.

So how do these lessons compare to the TANF block grant and the 1996 welfare reform?

1996 Welfare Reform

- The Personal Responsibility and Work Opportunity and Reconciliation Act (PRWORA)
- Created Temporary Assistance for Needy Families (TANF) Block Grants and eliminated the Aid for Families with Dependent Children (AFDC) program and related programs

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There are some differences. The change in the law that created the TANF block grant really gave so much flexibility to states that we don't see the same kind of programs being implemented over time. And Bob described this some. But the major change of the 1996 bill was that we ended entitlement. That was a significant change in the way the funding worked. It is now a funding stream; it is no longer a program. As Bob described, Congress level funded block grants for a period of years to each of the states. There were some strings added: legal immigrants were not eligible. States could not use those funds to provide benefits to legal immigrants. Work requirements were added for both states and individuals, as well as time limits. Federal dollars cannot be spent on those families for more than five years.

Then as caseloads decline, spending shifted. States now spend more on their work supports than they do on cash assistance. This was a major change, and one that surprised many people and is probably for the good.

Major Changes in 1996 Bill


Funding

- End of entitlement
- Funding stream, not a program
- Flat funding to states

Strings

- Legal immigrants not eligible
- Work requirements
- Time limits

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You can see the significant difference between 1996 and 2001 spending. Really this means we've changed priorities in a way.

State Spending Changes

- As caseloads declined, spending shifted
- States now spend more on work supports than cash assistance
- 1996: 76 percent of block grant on cash assistance
- 2001: 38 percent on cash

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TANF is not just a cash assistance block grant. It is not like the old AFDC program. It's really a block grant that funds work support services and other services to help families move from welfare to work, in addition to the temporary cash assistance.

Changing Priorities

- TANF is not just a cash assistance block grant
- TANF is also (and mostly) a block grant states use to fund services for families moving from welfare to work and other working poor families

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So how does the Administration's proposal compare to some of the changes that were made? Some of the things that we've come to expect now that we know more about what happened in 1982.

Administration Reauthorization Proposal

- Level funding, no inflation increase
- New work requirements
- Cuts in services for working poor families
- Reduced state flexibility
- Set-aside for marriage proposal
- "Superwaivers"

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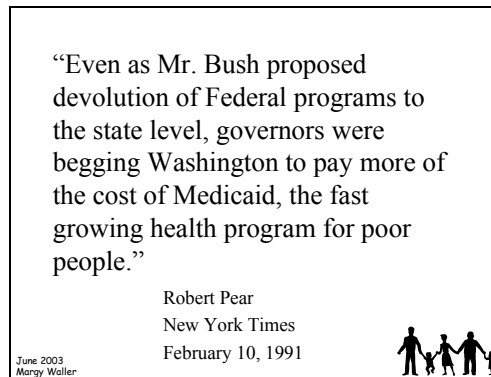



As Bob points out, level funding, no increase to adjust for inflation, so we're seeing in effect a lowering of purchasing power. And we're seeing new strings being attached with new work requirements being added, which the combination of those two things probably means a reduction in existing services - those dollars that are now being spent on working poor families, as we're already seeing are being cut back - and reduce state flexibility. Just as in 1982 we see these strings, we see Congress trying to tell states "here's what we think you should be doing

with the money.” There is also a set-aside for a marriage proposal that is in the Administration's recommendation. There are other set-asides that passed as part of the Senate finance bill last year, some of which we might like. But again, it cuts into the flexible dollars and changes the dynamic of the block grant.

Finally, as Bob notes, the Administration's proposal has this super-waivers recommendation, which is very much like a block grant proposal, and we can talk more about that in the Q&A if you like.

This is a newspaper quote. I raise it just to emphasize the point that I think we should all remember, which is as my first slide showed, these are not new ideas. They come up again and again. When was this?



Thank you.