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BLOCK GRANTS:

PAST, PRESENT, AND PROSPECTS

PANEL ONE: FEDERAL, STATE, AND LOCAL PERSPECTIVES

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P R O C E E D I N G S

MS. SAWHILL: Good morning. I'm so pleased to see so many people come out from this event. The event, as you know, is on Block Grants, but, as one of my colleagues just said, if you ask the average person on the street what a block grant was, they'd say, well, it's just down to the next block 18th and Massachusetts Avenue. So this is an interesting topic to have such a wonderful turnout for.

The event is being jointly sponsored by the Brookings Center for Urban and Metropolitan Police and the Welfare Reform & Beyond Initiative. It's been organized with the very energetic efforts of Ron Haskins and Andrea Kane and various other staff here.

We are very pleased to have such a distinguished panel and the one that's up here to begin with. That panel is going to be followed by several others. And I think we are going to have a very full agenda and for that reason, we are not going to do lengthy introductions. The bios of all of the presenters are in your packets. We're also not going to take any breaks. So, if you need to leave the room, that's fine, but we're going to go from panel to panel without any formal breaks.

Block grants, of course, are not new, they have a long history. And one of the papers in your packet by Margy Waller, traces that history. They are front-and-center today, we think, because the Bush Administration has proposed to block grant or quasi-block grant a number of human service programs serving low-income families, including Medicaid, housing, job training, child protection, transportation access, and Head Start.

There's also a proposal that's part of the welfare reform reauthorization that would allow states to apply for waivers from the federal government and use those waivers to better coordinate a variety of these social service programs.

Our goal today is simply to provide a forum where people from a variety of perspectives--state, local, federal, and research and advocacy communities can address some of the issues raised by block grants.

Obviously, they raise at the most fundamental level, questions about the roles and responsibility of different levels of government; what the federal government should do; and what's better left to states and localities.

Proponents view them as a way to eliminate some of the inconsistencies amongst programs serving similar populations and as a way to really empower states and provide them with far more flexibility.

Opponents, I think, worry that block grants will lead to cutbacks in funding for need populations; to a lack of uniform standards at the federal level; and to inadequate accountability for the federal dollars being spent.

Let me just say, quickly, that this first panel is going to focus on federal, local and state policy issues. The second panel will include researchers who have different perspectives on the merits of block grants and some research to share about that. The third panel will include Assistant Secretary of HHS, Wade Horn, to provide some overview of the Administration's rationale for having proposed some block grants; and, also, three people who have more in-depth knowledge of three specific block grant areas: health care, child protection, and housing.

Let me now turn this over to Juan Williams, who I'm very, very delighted was willing to be here today and moderate this panel. Juan, as you know, is a

commentator on NPR, had a long and distinguished life before that as a reporter for The Washington Post and I see him frequently now on television talk shows. And we want to--I want to welcome him. I also want to especially thank Senator Talent for taking the time to be here today. And, finally, you may have noticed on your program that we were planning to have Angela Monson, head of the National Conference--former head of the National Conference of State Legislatures be here today. At the last minute, she could not here because of an airplane difficulty and Jack Tweedie, also with NCSL, has agreed to fill in at the very last minute and, Jack, we're very grateful to you for doing that. Thank you very much and, Juan, over to you.

MR. WILLIAMS: Thank you very much. The emphasis, today, is going to be on an exchange between those of you in the audience and those of the experts her on the panel. I'm going to try to facilitate that. And the first step in that direction is that the panelists agreed that they would cut their remarks short to about five to seven minutes, instead of ten minutes, so that we would have more time for that exchange to take place. The Senator, because of a vote that's been called in the Senate will have to leave around 10:15/10:20. But let me ask the Senator to begin with his remarks on block grants.

SENATOR TALENT: Thank you, Juan. Thanks to Brookings, Belle, all of you for inviting me and to Brookings for its good work on welfare reform and in general. I heard Belle say that we were going to discuss the general policy considerations regarding block grants. Which is another way of saying that this panel has decided it wants to go off in whatever direction it wants as long as it mentions the word block grants.

And I'm kind of going to do that, but it's because I think what we've learned in, roughly, the last ten years has really made the issues that we originally thought were the ones behind the block grant question a lot more marginal to what's really going on.

And when we started welfare reform, of course, the concerns of people on both sides, traditionally focused on what their traditional concerns about welfare had been. And, so, you had one side said, well, what's block grants going to do to funding, which was a traditional concern? The other side saying, well, block grants is good for federalism--from a federalism perspective.

Those of us actually involved in the bill, what we tried to do was to ask ourselves what will work? What is the proper apportionment of responsibility discretion over these programs to make them better serve the people who are involved in the programs?

Indeed, one of the things I've pointed out to conservatives over the years on this, is that the whole federalism issue--if you could ask the framers about it, they would have said it's a practical, not an ideological issue. Which level of government is best positioned to do which particular thing? And that may change over time.

So, in my own mind, these considerations were re-enforced over the years as I worked on community renewal, which was a kind of aspect of welfare reform, but different, with J.C. Watts and Floyd Flake, and we visited around the country. Of course, Floyd, Congressman Flake, those of you who know him, is an expert, a leader in community renewal.

And to cut it short because I only have five to seven minutes--what I became convinced of is that "the" model for providing services to people, whether it's

health care or social service or, I would suggest, even education, is the community-based model; the community-based organization, has a number of advantages over any kind of a bureaucratic model from above; whether the state or the federal level, it doesn't really make any difference.

In the first place, there are several distinct advantages: they're on-the-scene; generally with people who know and really care about the local areas and have a sense of vocation with regard to providing the service. I guess that's not always true, but it's usually true.

They can assemble different pots of money. In a community-based organization, there's a number of them in Missouri I visited, you know, health care clinics, the Link Program in Kansas City, which is a social service; Operation Breakthrough, in Kansas City, which does day care. They assemble different pots of money; they're highly visible in the community.

One of the things I like about community-based organizations is they don't make the poor and vulnerable invisible. They're right out there in the open for everybody to see. They treat people as people in the sense that they understand somebody who needs day care or somebody who needs housing or somebody who needs health care is not a health care problem or a housing problem or a day care problem, they are a person who has a number of different challenges, one of which may be day care or housing or health care.

And because they're like a one-stop center, they either--over time, you always see the community-based organizations, they either develop a capacity to provide these different services themselves or they partner with other organizations that do, in the community.

And so, somebody walks in because--to a health clinic, say to Swope Health Clinic in Kansas City, because their kid has a sinus infection and they find out that it's a mom who has come in and maybe there's a--she's having concerns with domestic abuse or there's a housing problem and they've got a desk there and a desk there and a partnership here and they care for people as people.

So they're one-stop centers that take care of the whole needs of the person; they're visible; they draw on different pots of money and they work.

And so this whole grant block issue to me is an issue of how we empower community-based organizations. Now, I'll--I'm going to raise two issues I think are very relevant in all these discussions, but I don't know that they surface enough actually in the process.

One of them is: Okay, if we agree with this--that what we want to do to provide these services is to empower and get funds to these kinds of community-based models--what is the role the states play? Now, I'll just say this and, Jack, is from the National Conference of State Legislatures, but when I talk to people who are in these organizations--and, indeed, not just them, but, you know, first responders and law enforcement--I don't usually get good feedback in terms of the role the states are playing.

Now, sometimes that's not true, but what I constantly are and a big objection to block grants is they'll take a piece of the money and they're not going to add any value to the process. I mean, it's the concerns that people also have expressed when the federal government dominates too much of a process. Because the idea is to get the money back locally to community-based organizations. So, what role do the states play?

And then the second, which is a concern for me, as somebody who is here spending these taxpayer dollars and it's very important is: How do you get accountability?

One of the things I'd argue is that, intuitively, community-based models are--it's easier--for example, it's easier to measure accountability in health care if you're providing the service through a community health centers than it is through the traditional Medicaid model where you're actually expecting people to go to a bunch of different providers or an HMO or something like that.

So, intuitively, I think this is better, but, what are the right standards for measure accountability in any particular case? Because what you have to do--you've got to make certain that the money is used wisely. But you don't want to micromanage. The whole point is to empower these organizations. So you don't want to measure inputs. You want to measure performance. You don't want to micromanage, but what are the right performance indexes in a particular case?

One of the things I like to do, for example, is to help deal with the problem the kids who need periodontal care, which, as many of you know, is, like, the big problem out there for, I mean, it's the number one disease afflicting kids is periodontal disease. But we would have a grant program where what we do is empower the community health centers. So this isn't a federal--I mean, you get money to them, but what's the standard for measuring performance? How many kids you treat for periodontal disease? Is there some kind of peer-reviewed medical standard for, you know, for improvement or health care we could put in place?

That, to me, is a challenge as we do these various programs. We're considering, for example, now Head Start. These kinds of issues are pushing me in the

direction of something Senator Alexander is talking about, you know, not so much block granting through states, but centers of excellence that we have out there, which to me look a lot like these community-based models and how do we empower and fund them?

So, I just--those to me are the issues, less so than funding or some abstract issue of federalism. That's almost a contradiction in terms because federalism is, again, a practical concern. It's what I'm looking at as we consider these different pieces of legislation. Nobody flashed the five-minute at me. I didn't even do five minutes?

MR. JOHNSON : No, you did seven minutes.

SENATOR TALENT: Oh, I did seven minutes, I didn't see the five-minute thing.

MR. WILLIAMS: Anyway, thank you very much, Senator.

SENATOR TALENT: Usually, they get a cane and just pull me off, you know.

MR. WILLIAMS: Our second speaker's going to be Margy Waller, who served as Senior Advisor for Welfare and Working Families at the White House Domestic Policy Council, under President Clinton. Margy.

MS. WALLER: Thank you. My primary assignment here, I think, this morning is to try to view this topic through the lens of local officials and local administrators. So, I found the senator's comments very interesting, because I think a lot of the people I talk to in cities and in community-based organizations, would agree. I mean, they find that sometimes the state makes things more difficult for them and they are putting together all different sources of funding to provide a set of services primarily to low-income and working families.

And that can be difficult to do. And, so they look at the block grant proposals and the superwaiver proposals as something that might help to solve some of those problems; make it easier to administer; sort of more seamless from the consumer's perspective, therefore, easier for the working families to access some of these work-support benefits.

However, my sense, and this is from a review of the literature and the history of block grants, is that there is a tension between some of those goals and what has happened and what we have observed over time to block grant funds--how Congress reacts after they create these block grants.

So, as I was reviewing the Administration's budget proposals this year, I was struck by the number of recommendations that Belle mentioned for various block grant or block grant-like proposals. And some of them, from a local perspective, are particularly interesting, because, for example, with the Workforce Investment Act Funds, Head Start, Section 8, even the Job Access Low-income Transportation program, would remove the current local administration, whether it's through the government or a nonprofit or quasi-public agency and move it up to the state level.

So, actually, we're not just talking about devolution from federal to state, but actually taking the current authority that locals have and moving it up to the state, which is of great concern to many local officials.

The other thing that I noticed about these proposals was that many of them do impact low-income families; needy populations; working-poor households.

When I decided to start taking a look at the research on this, I found that a lot of this tension between the desire to better administer funds against what happens to funding over time and, as the Senator mentioned, real issues about how to monitor what

the dollars are doing at the local level so that there can be some accountability. Since these are federal funds, what is the federal government's role when funds are block granted and there's a lot more flexibility?

The research suggests the following--and this was primarily looking at the block grants in the '80s under President Reagan, although, I will say that you'll see this in the history paper that's in your materials--block grant proposals seem to come up in almost kind of 10-year cycles. They just come up again and again. And we're doing it this year and they usually seem to happen at the beginning of the decade, too.

The block grants in the past have been more vulnerable to funding cuts than categorical programs have. Congress, over time, tends to cut strings--to add strings, or to add set-asides, where they take some of those flexible dollars and give them a specific purpose.

As the funds are blended with state money, they seem to sort of lose their reason for being; people seem to forget exactly what the block grant was created to do. Services that were previously administered by the state or that were targeted primarily to cities or metropolitan areas, differ in how they are treated by the state. So that if they were previously administered by the state or were statewide, then they seem to do well. If they were mainly located in cities, then the state administering the program changes the use of those funds and moves them away from cities. Cities tend to be losers in reallocation of funds when dollars of block grants are to states.

Income targeting also seems to change. Where income targeting is tightened, oftentimes it leaves behind the working poor and targets it to the most needy.

Despite the promises made in the debates over the block grants in the early '80s, there really wasn't much in the way of administrative savings. So that, while

those block grants cut funds, and it was supposed to be made-up through administrative savings, that really didn't happen.

States also reduced standards in order to save money. And this was particularly true in some of the child care programs. But most of all, what happened then and has traditionally and pretty much always happened, is that block grants lose their value over time.

The current set of block grant proposals includes, as Belle mentioned a number of programs but, also, there is a proposal for a superwaiver as part of the welfare reauthorization conversation.

Superwaivers might impact, many programs: food stamps; child care; public housing; employment and job-training services under the Workforce Investment Act; Social Services Block Grant and others. The sort of basic premise is, we'll let states who choose to, request a waiver; change the rules in these programs; shift the funds between programs, potentially; and while they would have to request permission from the state agency, it's possible that local actors would be left out of that conversation. Which is also a real concern to local elected officials and other administrators. There's some question about whether the superwaiver is the same as a block grant.

I just wanted to make two points before I wrap up about that. One is sort of minor, but I think kind of interesting, and that is that this is not the first time we've seen a proposal for devolution and more state flexibility that uses the word "super." It came up both in the Reagan Administration and then in the first Bush Administration. In both administrations there were proposals for something called super block grants. And they actually have a lot of similarity to the current super waiver proposals.

But, secondly, let's review just quickly what happened with the Welfare Bill. We had, in the early '90s, under both the Bush Administration and the Clinton Administration a real willingness to grant waivers to states with their old AFDC, the old welfare program.

And so there was lots of state experimentation going on. What followed all of those state waivers? A block grant--a welfare block grant. That's what happened in 1996. And now, what's happened, now that we're talking about reauthorization of that block grant? We have level funding, which really amounts to a loss in purchasing power in that block grant. That's proposed and, in fact, there's really not much debate about whether to keep that block grant at the same level that it was passed at now, six, seven years ago.

And then, secondly, we have, in addition that sort of loss of purchasing power, a number of new strings that have been proposed; new federal mandates that would sort of Congress directing--imposing its will on the states and the local administrators by requiring new work obligations, potentially costly work obligations.

So, in addition to the funding cuts that we've come to expect from block grants, we also see a proposal to take away a flexibility.

And I would just suggest that anyone who's paying attention to these patterns over time, has real reason to be concerned about the many block grant proposals that have been proposed by this Administration.

Real care should be given to the goals that Senator Talent mentioned juxtaposed against the loss of accountability and the potential loss of funding. Thank you.

MR. WILLIAMS: Thank you very much, Margy. And now, Jack Tweedie, who is director of the Children and Families Programs of the National Conference of State Legislatures. And, Jack, thanks for pinch-hitting in the crunch here.

MR. TWEEDIE: Thank you. I want to speak from the perspective of someone--my primary job has been to work with states in using the flexibility that they have under federal law, particularly in the TANF program. And so let me talk a little bit about how states view block grants.

States like flexibility. They like the chance to adapt social programs to the circumstances in their states; the needs of their citizens; and the concerns of the policy makers in those states. And I think a great example has been what states of done with TANF program.

They've transformed the AFDC cash assistance program to a variety of different programs that serve low-income, working families. If you look at the series of services that states have adopted and the variety of what states have done with the flexibility in terms of creating new programs or expanding new programs, on using TANF money to fund after-school programs, and fatherhood programs; to expand child care tremendously; and to extend that child care into working poor families. You can see what states can do when they have that flexibility.

Both Senator Talent and Margy Waller talked about concerns about what happens at the local level. Well, what you see in a lot of states is expanded responsibility at the local levels for their programs in the TANF program, so that, in a number of states, local communities, both governments and community-based organizations have an expanded role that states have given them in this program. So, I think we see a nice example of what states can do if they have flexibility.

This appreciation of flexibilities does not automatically translate into a love for block grants. States approach block grants with some concerns. What states want in block grants is real flexibility, the chance to adapt the programs to the circumstances in their states; to the goals of their state policy makers. But they look at what's happened with block grants and they see a real concern over sufficient funding. Particularly sufficient funding over time and when circumstances change.

We look at the Social Services Block Grant and that is not a great example of, we see that dropping and there being changes made in it that have reduced the resources that go to states. And this is particularly important for states now in the tough-budget circumstances they're in. We all know about the tight fiscal circumstances of states; how almost all states have had declining revenues and have had to make budget cuts in response to that.

We're continuing in that tough fiscal circumstances and we're having to look at tough revenue projections maybe in most states continued reductions in programs on top of continued reductions in the past, which reminds us of the difficult circumstances states often face when circumstances change. When the economy declines in their states, we have this double circumstances in programs serving low-income families where the economy declines, revenues go down, states have less money to work with and needs go up. So that it's important that a block grant proposal, states will look hard at what will happen if the economy goes down and circumstances get tougher in the states.

We looked at the history of block grants that Margy talked about. And the history of block grants is flat-funding, they don't go up; and increasing restrictions over time. And we're concerned about that because the desire here is flexibility.

Of course, there are needs for accountability at the federal government's--states accountable to the federal government. But we look at it focusing on outcomes, rather than the federal government, over time, telling us more and more how we should be running these block grant programs.

So, block grants make sense to states if they give broad flexibility; if they give states a chance to adapt the programs in their circumstances. That we look with real skepticism at block grants that look like they will be saving federal money; particularly where we have increasing spending trends where the spending in a program is going up and the block grant sets it at a certain level and doesn't really allow that spending to increase if the needs increase.

And that we want protections for the state if circumstances change; if the states are running programs and then circumstances change, the economy declines, we want to be protected to make sure that we're still able to run those programs if that happens.

MR. WILLIAMS: Thanks very much, Jack. Senator Talent, let me begin with you. I'm just going to do a quick back and forth here. You are a supporter and advocate of the idea of block grants. You like that idea, is that right?

SENATOR TALENT: Yeah, I mean, I like the idea of getting control over the provision of services as close as we can to the people who are receiving the services. This makes sense to me that it's going to be provided better in this model that I talked about before. So, yeah, it depends on what you mean, exactly by block grant.

MR. WILLIAMS: Okay.

SENATOR TALENT: How's that for a political answer?

MR. WILLIAMS: Well, I was--that made sense to me. Now one of the things that we heard from Jack and Margy was this notion that if you had block grants in place, the record, the history would indicate that there is less flexibility and, in fact--

SENATOR TALENT: No.

MR. WILLIAMS: --reduced funding over time.

SENATOR TALENT: A couple of points. I was just writing down as I was listening. First of all, there's a difference between attaching strings to something and having accountability or measuring performance. When you talk about, for example, increased work standards, the point of the welfare reform was to move the states in the direction of getting able-bodied people off welfare into lives of self-sufficiency, which I believe means a 40-hour work week, so you can't confuse strings with the very accountability standards that I said we should be searching for with regard to these social programs.

Margy also mentioned local government. I think it's very important to distinguish between the community-based providers and I'm talking about and local officials or local government. The same people I talk to in the community-based organizations who don't particularly like the states, have even less good things to say about their local municipalities. Which isn't to say--they partner with everybody, but this is not a government-dominated type model of providing services. It is a community-based model that is usually nonprofit that partners with different levels of government and with private sector and foundations drawing funds down from all of them. That's the one that tends to work.

And then the third thing that I want to say with regard to--I think I need to inject this from the other standpoint: I'm a huge believer that, you know, if people of

good will sit down and work together, they can make almost anything better. And one of the things I have, I mean, block grants are a proposal that, at least, might plausibly make the provision of these services better.

And I do get frustrated with people who are involved in an establishment, say, the social services establishment and in-between authorization cycles which are about every five years, complain to me about how the service isn't working or this is bad and this is bad. And then the cycle comes up and they don't want, you know, they don't want to pursue any means of changing it.

And, you know, I don't think, originally, these things started and people pushing them were the champions of changing the status quo for better and I don't want them to become, now, people who never want to--are so afraid of changing anything because it might hurt that we never pursue anything.

I think block grants are a useful idea, but I think it's like anything else, you can't just stick with where they were ten years ago. You've got to adapt them to what you're learning about the provision of services.

MR. WILLIAMS: And the reason that they're afraid to change is because they're afraid it might be wiped out in total?

SENATOR TALENT: Well, I think there's a lot of reasons. Change is difficult, when it confronts any establishment confronting change tends to react. They're very concerned. When you're dealing every day with people who are vulnerable and needy, you tend to be concerned about change because you feel like you're just holding on by your fingernails as it is. I mean there's a lot of very understandable reasons. But I want people to be open to this because I--what I've seen in the last five to seven years is so encouraging; I think the model is out there, not just to cope with these problems, but

to actually solve them. And I look at what community health centers are doing in urban areas; and if we can get the funding behind them and not attach--I want to say one other thing about the states, because I dumped on them a little bit.

I think a key is a state establishment, particularly the governors, really interested in doing something. I much more like the idea of pilots so you say, we're going to experiment in a few states and so that the governors who really are interested can come forward and say, we would like to do that. That to me is much more promising than just saying we're going to block grant, we're going to give it to you whether you care about this area or not.

MR. WILLIAMS: Very quickly, Margy, you said that oftentimes block grants lead to a reduction of standards. I was interested in that, why is that?

MS. WALLER: Well, it's a way of saving money. If your funding level is going down, and I'll use the child care example. Some states reduced, for example, the ratio between teachers and children, you know, as a way of saving money. So that they could spread the more limited funding that they were getting across a broader number of children. So, that would be why you might reduce standards.

If I could just quickly respond to what the senator said about strings. I mean, I think the history of block grants shows that, in fact, Congress does tend to add strings over time and I think it's either because, just as in welfare states or whoever is on the receiving end of the block grant isn't doing what they expected them to do or isn't responding to whatever changes are occurring.

But strings do get added and I think good people might differ about whether, say, for example, the proposed 40-hour work week is really just insisting on something that was intended in the past or, as is actually telling the states how to achieve

outcomes that were agreed upon, which is--you know, we did agree that work was the goal. But I think states have different ideas of how to get there and the 40-hour work week is potentially just one way.

And so it does reduce the flexibility that they've had to achieve that goal.

MR. WILLIAMS: And, Jack, very quickly, are there any protections that you could imagine that we put in place in the course of legislating block grants that would protect them against, you know, reductions in funding so that they wouldn't be left holding the bag?

MR. TWEEDIE: Just a couple of things, and, of course, I'm going to respond to a few other points. One, if we look at the states, what we've seen is governors and legislatures have played great roles in innovating and making new changes. So I think it's important to recognize the legislative role that was built into the TANF program, they control the appropriations and we can really see the innovations coming from both of those places. I think that's important.

I think it's important to think in terms of what states did with the TANF program is they took as the purpose of the TANF program to move families off welfare into jobs and towards self-sufficiency. And they took a variety of different paths to do that. Some of them emphasized work very hard and very quickly. Others took other approaches which took longer and didn't have the effect of increasing work participation rates.

And what we've seen is success along all those different paths. So that we think of the outcomes that, say, should be--that states have chosen to focus on have been off of welfare, into jobs, towards self-sufficiency and in telling them how to

achieve those, states want to resist that because a lot of states have chosen different paths.

In terms of protections, it's important that as we look at block grants that they respond to the circumstances, the change that--flat funding, keeping the block grant about the same, you know, we know the cost of living goes up, but it's important to have a real contingency for changing economic circumstances.

The one that was adopted in 1996, in 1996 may have looked reasonable, but by 1997, didn't and so it really wasn't very effective. So we need to think hard about a contingency plan which would result in increased funding to states when those states need it to maintain the program.

MR. WILLIAMS: When it's possible?

MR. TWEEDIE: Yes.

MR. WILLIAMS: Senator Talent, as I mentioned earlier, is going to have to depart shortly. So, as we open the floor to questions from the audience, we'd ask that the questions be pointed, not statements, but really questions, and--

SENATOR TALENT: I don't know if we agree to the pointed question.

MR. WILLIAMS: Okay. Especially pointed--

SENATOR TALENT: Nice soft--

MR. WILLIAMS: --hard questions for our conservative senator. And then we--I'm going to ask also, that if you possibly--if you have questions for Senator Talent, that we sort of front-load them since he does have to depart. Who would like to ask the first question? Please go right ahead.

SENATOR TALENT: Pointed and loaded question.

MR. MILLER: Rick Miller, Federal Funds Information for States. Block grants separate the demand for government services from the funding mechanisms and one of the things that happens in the creation of block grants is the freezing of the allocation of funds among the states. We're still distributing a lot of block grant money based on the 1981 OBRA/Reagan Reconciliation Act. The same percentage goes to states today that went then. The basic structure of block grants, not all of them, many of them is to freeze at the set rate. It seems to me that that really does create problems for states like California, for example, which are growing states and don't get an increasing share of the program over time. Anyone like to comment to that?

MR. WILLIAMS: Let me see if I can--the point is that it would freeze over time and that, therefore, this is what Jack was talking about and the states would be left with added funding responsibility.

MR. MILLER: The relative distribution among the states--

MS. WALLER: Across the states.

MR. WILLIAMS: Across the states.

SENATOR TALENT: Well, any formula for allotting funds--when you allot funds on a formulaic basis among states, whether it's in this area or transportation, has to be updated and it's very difficult and, of course, it's extremely political. I would just tell you. I learned this when I went in the legislature 20 years ago is, when it's a question of how much are my people getting, every possible neutral consideration goes completely out the window and it doesn't matter what philosophical approach you usually have for that area of policy.

I mean, I was in the legislature and there was a new education funding formula being proposed. They distributed first thing is sheets all over, what is your

school district getting? And that's how you vote and it doesn't matter whether you think that's fair overall or not. And it's both a strength and a weakness of the congressional process. I think it is very important to keep working on these things and to keep updating them.

And, again, if it's a message to the social service community, it's don't be afraid of that in and of itself. I mean, it is possible to make the system better. In any event, we can't just let it lapse, let it just continue the way it is.

But, yeah, it's a danger, you have to keep updating it.

MR. WILLIAMS: Jack, Margy, pop in on this or--

Mr. TWEEDIE: Real quickly, I think you can build into the contingency idea that if the circumstances change in a state, if needs grow; if the low-income population grows; if the economy declines, you can adapt that and add-in money to those states. It's one of the basic rules of working for states is I would never comment on the division of money between states. That's something we stay away from. But in terms of--but you can build in a response in the system that allows states to get additional money where their circumstances change.

MR. WILLIAMS: Okay.

SENATOR TALENT: Those factors you build in which are better than not building them in, those become outdated, too, or the measurement isn't necessarily correct and people begin complaining about that. Can I have one thing here?

MR. WILLIAMS: Sure.

SENATOR TALENT: I'm sorry, I'm guess, I'm here the person, I guess you maybe to some degree are defending block grants. I was heavily involved in welfare reform. And it's funny because one of the things I was involved in trying to do

was to change the lexicon of welfare reform away from the existing system encouraged fraud and the existing system wasn't right from a federalism standpoint. To, rather, changing the system that I thought punished work and marriage and, therefore, hurt poor people into one that encouraged those things.

And, in the context of doing that, pushed more control back to service providers, because I thought that that would help.

So, for me, the block grant issue is a practical issue. Is it a better way and under what circumstances is it a better way of accomplishing the goals and helping the people you're trying to help?

MR. WILLIAMS: All right. There's a question in the back?

MR. FREMSTAD: Shawn Fremstad, Center on Budget. A question for Senator Talent: And it kind of picks up on something Jack mentioned, you talked about outcomes and performance really measuring that. I'm wondering how you would feel, Senator Talent, about basically getting rid of the whole TANF participation rate structure that we have around work; replacing it with something that's outcome-based and really looks at the success states have in placing welfare recipients in employment. And, then, if states don't meet some fairly high standard, we go default back to a participation rate structure for that particular state and that would really catch the states that are really kind of doing nothing?

SENATOR TALENT: Well, the idea is to catch them doing nothing. Well, see, I think the point of welfare reform was to reverse the way we were treating work and family, you know, marriage, to a lesser extent and treat those things as good things, rather than as burdens or bad things.

When we were talking about able-bodied people, it's very important in talking about able-bodied people. And so, I guess it would depend on what exactly you meant by that. I do think it would be good to have indexes that measure long-term placement. One of the things, looking at what is happening to the caseload, year-by-year-by-year which is another index that we put in there is one way of doing that.

So, yeah, you know, I do want to make certain that states are engaged in helping people. That's to some extent helping people get off welfare and to some extent trying to make certain that people don't get on welfare.

One of the problems, you always have to look with regard to welfare is, when you're funding, which we need to do, the states in providing services to people on welfare, the other statement that you are making to people out there is that if you want these services you have to go on welfare. And you have to be careful to avoid the situation where the one person is working next to the--two people are working next to each other at some establishment. The one who is was on welfare and is now getting all this other stuff and the one person who never went on welfare and is just getting--now, you know, these are tensions that are built into the system.

I'm intrigued by it, but I want to know exactly what you meant by it.

MR. WILLIAMS: Well, hang on a second, though, but what he was talking about was participation--the way we measure outcomes. Should it be outcome--he--I think you favor an outcome-based model?

SENATOR TALENT: Yeah. Work is the outcome, though?

MR. WILLIAMS: Work is the outcome?

SENATOR TALENT: Yeah.

MR. WILLIAMS: And so if they don't do work then you go back to participation, you buy into that model.

SENATOR TALENT: You mean, lowering the participation rates?

MR. WILLIAMS: No, that they have met a certain level of participation.

SENATOR TALENT: In what?

MR. FREMSTAD: I think the notion would be that we just scrap the current participation rate structure and really measure states on their success in placing welfare recipients in employment so it's less about what somebody's doing on welfare and more about what happens, you know, is the state able to get them off of welfare and into something--

SENATOR TALENT: You're talking about scraping participation, are you talking about work participation rates or--

MR. FREMSTAD: Yeah.

SENATOR TALENT: --welfare participation?

MR. FREMSTAD: The current work participation rate structure in TANF.

SENATOR TALENT: Well, I don't think I'd want to scrap that until I was very certain about what this new performance standard was. Because I think the thing has worked pretty well in moving the system in a much healthier and more constructive direction. It's one of the things we wanted to do.

I mean, we considered at the time, whether just to do block granting, just to get give all the money back to the states and not have any performance standards and rejected that, because this was federal money and the idea was to try and get an outcome

that we thought would be good for people, which was help, which we defined in terms of self-sufficiency and participation in work, family, that sort of thing.

MR. WILLIAMS: Margy, I just wanted to ask you to pop in since you know so much about this welfare reform.

MS. WALLER: Well, I was just going to say, I mean, one of the things that struck me about what you were saying is that, in fact, the current set of proposals sort of push us back to the old way of doing things which is, you know, by having the real focus on people who are getting cash assistance. It forces back into that position of saying, well the only way I can get services is to go on cash assistance. Whereas, right now, if we don't make those changes, we really move in a different direction, which is about supporting people who are working whether they've been on welfare recently or not, if they're poor and doing the right things--going to work--we are trying to provide them with child support. And we're so far from--or child care--we're so far from meeting the needs in that area that it just seems strange to add the strings that have been proposed when we've had pretty much success with putting people to work.

So, I think that illustrates, in fact, this tension that seems to come with block grants where, over time, congress adds strings that states don't like.

MR. WILLIAMS: So you like this model of looking at outcomes of getting people to work?

MS. WALLER: I do think that we should focus on helping people work. I don't think that that means that we have to focus so specifically on people who are getting cash assistance and what they're doing. When states are already doing so much to move those families into work, un-subsidized work.

MR. WILLIAMS: One last question for Senator Talent before he departs.

MS. REESE: My name is Susan Reese and, Senator, I generally tend to agree with your bias towards community-based organizations and that model. But I wonder what you would think of the categorical type grant program where these kinds of organizations or consortia of them, as in the homeless programs, submit a proposal, documenting the need and that way, you know, the federal funds can be targeted to where the real need is or the greatest concern.

SENATOR TALENT: I like that.

MS. REESE: And then propose, you know, and show their capabilities in responding.

SENATOR TALENT: I like it, in fact, health care, which is an area I've gotten heavily involved in, I really want to move towards that model and use the community health centers and invite them, either individually or in alliances to submit grant proposals on things like asthma, for kids or periodontal disease. And see how they're doing.

Now you always have the issues, then, as part of the grant proposal. How do you measure accountability, you know, there's all these detail-type questions you've got, but I like that very much. And I think that we have a real potential for solving problems and helping people. And they way they tend to leverage money and make it go further--I mean, we've all talked about funding here and it's an issue, but one of the reasons there's pressure on funding is there's just pressure on funding. I mean, there's just never enough money, no matter how you spend it.

And these groups tend to make dollars go further through partnerships and that sort of thing, very exceptionally. And, so, I like that idea.

MR. WILLIAMS: Before you depart, do you have any final thoughts that you want to leave us with, or--

SENATOR TALENT: Well, I'd love to respond to Margy's cogent and pointed remarks, but I'm afraid I have to go. It's a pleasure to be here. And it's a real important discussion and I just--I'm glad to see it. Brookings is so effective over the years in helping thinking evolve and opening people's minds. So, thank you.

MR. WILLIAMS: Thank you very much, Senator Talent. [Applause.] We're just going to continue for a few minutes with questions from the audience for Jack and Margy, so if there are any questions, please go right ahead.

MS. CLONES: My name is Daphne Clones and I'm with the Joint Economic Committee. But this question actually comes from my previous life doing state and local economic development. And it goes to the--I guess what in policy work would be best-practice and sharing information. Moving--on one hand there's a tension from the block grant, moving the money down to the people in the field who have the best sense of what the needs are locally.

But they don't always know what's worked best. I remember when we did economic development, we would go from community to community and there would--we would repeat a lot of the same stories and a lot of the same ideas. So how do you get an information system in there where communities learn from each other so you don't have thousands of communities experimenting and innovating and re-inventing the wheel over again? It seems to me, I think, to require some kind of funding for requiring some kind of information clearing house in economic development we had nonprofits

and foundations funding that role. Is that a role for the federal government or is it someplace else?

MR. WILLIAMS: Well, Jack is that a role for the National Conference of State Legislatures?

MR. TWEEDIE: It is, to some extent. Though, more importantly, it's what states are doing. And if you look, states have passed on a lot of their responsibilities and the funding from the state level down to the local level. Again, local governments and community-based organizations.

And one responsibility that they have recognized is that these local entities have to learn how to do what they're trying to do. And there's a lot of technical assistance, meetings, bringing people together, talking about what's working and what's not working. And one of the good things I get to do is, I work a lot in states. And I get to participate in that and what I can do is sometimes bring national lessons.

So I think that states have recognized that, as they've passed on responsibility, they also have to find effective ways to help these new entities, local governments and community-based organizations learn how to conduct these new activities effectively.

MR. WILLIAMS: Margy.

MS. WALLER: I think that illustrates, again, this point of we need information about how dollars are being spent. If they're coming from the federal government, we need to have a way of tracking what's happening and providing that information back to Congress or back to an intermediary that shares information about best practices. And that's something we haven't always done well and I think it probably

contributes to funding cuts over time or adding strings over time, because nobody really knows how the money's being spent.

And SSBG, which is kind of an example of this, because I used to work for a local United Way, I'm a big proponent of community-based organizations and community-driven solutions and planning. But, you know, SSBG is very important to the local United Way-funded agencies and they're been one of the strongest supporters of trying to get the SSBG funding back up to where it had been and, yet, it is a real struggle because we don't have a share, adequate information about what's being done with those dollars; even though if you're in a local community, you know, it's great stuff.

MR. WILLIAMS: Another question?

MS. WEINSTEIN: Debbie Weinstein with the Coalition on Human Needs. I--my question is--in a way there seems to be kind of a disjunct between what we're seeing that's going on in states and what we know about the history of block grants, we see huge cutbacks, just painful cutbacks happening because of the shortfalls that states are experiencing.

And the current--many of the current block grant proposals are almost bait-and-switch kind of approaches that may offer a little more money in the short-term, but less in the long-term, making me, at least, fearful that states might, because they are desperate right now, take what is a very bad deal for them in the long-term.

I guess my question is: Whether either of you think that--what are the prospects for getting--if there were to be block grants--for them to be in this sort of favorable possible arrangement that we've discussed as opposed to the actual proposals which seem to limit funding in a very adverse time for states?

MR. TWEEDIE: First, states are very concerned about mandatory block grants that get--they want to look very hard at the structure of that to see that it gives them real flexibility and protects them with funding.

With optional block grants, there's a more willingness to accept that because states would be able to opt into that depending on the circumstances. And then the question turns to our advising the states about the circumstances which they might want to think about that. And it's the same two key things.

Does it give you real flexibility to change the program, to adapt it so it's better in your state? And, are you protected, financially, in the future? I think states are not going to be so short-sighted that they have a one-year budget crisis and they see this as the answer to that. They need to and do think long-term about their program. And does this give us a real chance to make these programs better in our state long-term?

MR. WILLIAMS: So, her question was, can the states build in protections, I think?

MR. TWEEDIE: It depends on the structure of the block grant. If, you know, if we have a funding stream, as foster care's been in the past, that is steadily increasing? That states would look very skeptically at the idea of capping that. That we'd have to have some option that would show--or some contingency plan that if the need grows in the states that the federal funding would respond to that, as it does under the current system.

MR. WILLIAMS: But under the current proposal, it's not in there.

MR. TWEEDIE: That's a concern for us.

MS. WALLER: I've been listening to this conversation about the idea of adding, you know, building in some kind of, you know, link to inflation increases or

something in these block grants. And I think that would be better than what we have now. On the other hand, I would still be concerned, because I think the problem you have is that Congress, over time, loses interest. They don't feel like they're controlling these funds.

Some other level of government is deciding how to spend them. And they just don't have that kind of, you know, ownership of these resources. So, I think that's part of the reason that you see the funds go down. And I'm not sure that building in all of those contingencies would ultimately really get you what you need. If you don't have the kind of information that Congress desires, in order to be excited about and feel ownership of and keep continued funding adequately these programs. So--

MR. WILLIAMS: So, it's not in Congress's interest to build in the safeguards because the safeguards benefit the states?

MS. WALLER: Well, I don't think Congress dislikes the states, exactly. I think it's sometimes not in their interest because one of the goals is to cut funding. And so, if you build in those increases, you don't achieve the goal of cutting funding. That's not usually explicitly discussed, but it is almost always one of somebody's goal.

But, secondly, it's not so much that it's not in their interest, it's just I think over time, it may not work. And that's what worries me.

MR. WILLIAMS: Well, wait, that's a different issue. I thought what you were saying was it's not in their interest because, clearly, then the dollars that control the dollars and the authority would shift from the federal to the locals, but you're saying something else now. You're saying it's just not--

MS. WALLER: What I meant about--they lose interest in block grants because they're not deciding how to spend the dollars.

MR. WILLIAMS: Right.

MS. WALLER: The very thing that states like about it is what later, I think contributes to the loss of funding.

MR. WILLIAMS: But your argument seems to be premised on the idea that people really are just trying to cut money. They just want to spend less money.

MS. WALLER: I wouldn't attribute that to everyone, but I think that is the goal of some people, yes.

MR. WILLIAMS: We're just about out of time. I think we have a minute left. I'm going to let one last question, but it's got to be brief, because I've been given the get out of here sign.

PARTICIPANT: Many of the phrases or criticisms also belong to the categorical grant program. I would like to hear what's probably a very short list of criticism peculiar to block grants.

MR. WILLIAMS: Criticism specific to block grants?

PARTICIPANT: Yeah, I think much of this discussion also left [inaudible] categorical.

MR. WILLIAMS: All right, let me just do that very quickly. Jack.

MR. TWEEDIE: The concern is that--the concern we have is with funding adequacy over time. We talked a little bit about how a block grant proposal at one particular time freezes things to some extent. Now we can build in some contingencies that will allow that amount to change. Though, for the most part, that is hard to do. And I don't want to suggest it can be done effectively in all cases.

But there are some protections about that. But I think the concern is that it freezes things where needs change in the country and in the states, the program doesn't

adapt as it does in matching spending programs. And so that is the general concern about that. Those states are willing to take flexibility to run the program their way in return for a little bit of that, but not too great of a risk.

MR. WILLIAMS: So, but Jack his point--his larger point was, you seem to be comfortable with the idea of block grants rather than an outright critic of them.

MR. TWEEDIE: Properly structured, yes.

MR. WILLIAMS: And Margy?

MS. WALLER: Am I a critic?

MR. WILLIAMS: Well, you can answer that, but I want to speak to his point in general, which was criticisms of block grants.

MS. WALLER: Yeah, and I think, part of our problem is what's the definition of block grant? And I think the findings that I cited earlier is particularly true when you take a large number of categoricals and turn them into one--

MS. WALLER: --lot of uses and then you see more of a difference between them. But, today, we're seeing some categoricals that where we're just basically shifting the administration from the federal government to the state government. And that may have different outcomes, it's hard to say.

MR. WILLIAMS: And are you--where do you come down, in favor or opposed to block grants?

MS. WALLER: I would say, overall, looking at the slate of proposals that we have right now, I would--I'm more of a critic.

MR. WILLIAMS: All right. I want to thank, very much, Margy Weller and Jack Tweedie. And, of course, thanks very much to Senator Jim Talent for joining us this morning. Thank you all very much.