



# How to End Poverty? The Answer Isn't Block Grants or Merged Funding Streams

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On Tuesday June 7, Speaker of the House Paul Ryan (WI) plans to release a broad plan to overhaul programs designed to address poverty. We expect this proposal to include a plan to combine core safety net programs into a grant given to the states. Called "merged funding streams" or "block grants," these are bad policies. Evidence shows they leave the most vulnerable people in the most dire straits.

## **First, the basics: what does it mean to “block grant” a program or “merge funding streams?”**

These terms mean essentially the same thing: setting aside a certain amount of funding for one or more safety net programs, and giving that money to state or local governments to use to address a problem. Usually, the amount of money that each state gets is set by a formula. States have broad discretion on how they spend the funding, and there's little oversight from the federal government.

## **Block grants and merged funding streams are bad policy. Here are the 3 reasons why.**

### **1. The safety net can't automatically respond to recessions, natural disasters, and spikes in need.**

The funding for most major low-income entitlement programs, such as SNAP (food stamps), Medicaid, and child nutrition programs, is determined by preset eligibility standards and benefit amounts. Anyone who meets the requirements of the program gets help. In a recession or other period where need is greater, more people become eligible. As the economy grows and more people find jobs with higher wages, caseloads fall and the programs automatically shrink. This allows the programs to serve as a true safety net, catching anyone who, for whatever reason, suddenly can't meet basic needs.

That safety net breaks with block grants and merged funding streams. In these cases, the federal government sets aside only a certain amount of money for the program and hands that money over to the states. If need grows, too bad. The overall amount of funding available doesn't change – unless Congress, not the most fast-acting body, affirmatively gives the states more money. Even formulas

devised to help these programs be more responsive to economic conditions often rely on data that significantly lags the reality on the ground.

## **2. Assistance can vary dramatically state to state.**

Federal entitlement programs are a promise to everyone in the U.S. that there's a threshold below which they can't fall. Block grants and merged funding streams break that promise, with states having the freedom to set their own eligibility requirements with no accountability to the federal government.

What's more, under these funding mechanisms states have an incentive to restrict eligibility. Block grant funds are given for general purposes, so if states have fewer people receiving assistance they free up money for other purposes – which may benefit people not living in poverty.

## **3. These programs become much more likely to lose funding in the future.**

Historically, block-granting a program is the first step in long-term budget cuts. Since 1996, when Congress converted Aid to Dependent Families and Children (welfare), a need-based entitlement program, into a block grant called Temporary Assistance for Needy Families (TANF), the amount of cash assistance provided to families has fallen in nearly every state.

- Welfare reform shows the pitfalls of block-granting a basic safety net program.
- In 35 states and DC, the amount of assistance has fallen by 20 percent or more, adjusting for inflation.
- The program was ineffective at responding to the increased need in the recent Great Recession. In this period, as unemployment climbed and families struggled, case loads actually went down.
- The percentage of families living in poverty who receive TANF assistance has steadily fallen each year since TANF was first enacted. In 1996, 68 percent of families living in poverty received benefits. In 2014, the program helped just 23 percent of families living in poverty. In 12 states, fewer than 10 percent of families living in poverty receive TANF.
- Many states have imposed eligibility and application restrictions, making it difficult for families to qualify for and access benefits.

- Even as TANF caseloads have fallen, the number of people in the U.S. living on less than \$2 a day has climbed, nearly doubling between 1995 and 2011 (from 636,000 to 1.46 million households.)

**Block grants and merged funding streams won't help end poverty. So what will?**

Here are some suggestions of where Congress should be focusing if alleviating poverty is its goal:

- Jobs that pay and a strong economy.
- Work supports, such as affordable child care and paid sick leave, so people can keep their jobs.
- Removing barriers to work such as benefit bans and other restrictions for people with criminal records.
- Access to education and training so people can build the necessary skills and move up the economic ladder.
- Adequately funded core safety net programs such as food assistance, housing assistance, and health care so that when people fall on hard times, they can stabilize their lives and get back on track.
- Innovative strategies and pilot projects so we can find out and implement the methods and services most effective at helping those with serious barriers to stable employment, such as serious mental and physical health issues, get the assistance they need to successfully maintain jobs where possible, reach their full potential and live with dignity.

**Tell Congress: make ending poverty a top priority. Ensure the essential safety net programs are adequately funded and as effective as possible. Oppose any effort to merge low-income entitlement programs into a general grant to states.**