

Converting Medicaid, SNAP, and SSI to Block Grants Would Harm Pennsylvania Families

Congress is considering converting the federal Medicaid program to a block grant. It is also weighing a proposal from House Speaker Paul Ryan to package eleven federal human services programs, like Supplemental Nutritional Assistance Program (SNAP, formerly food stamps) benefits and child care subsidies, into one “mega block grant” in a number of states. Members of Congress also may introduce a bill to convert Supplemental Security Income (SSI) to a block grant. SSI is a type of Social Security benefit that helps children and adults with serious disabilities, as well as seniors.

Through block grants, the federal government makes fixed payments to states for public benefits programs based on a formula. The block grant funding remains unchanged over time, or increases are capped at low, fixed rates. In 1996, Congress converted cash assistance for the neediest families to the Temporary Assistance for Needy Families (TANF) block grant. The results have been disastrous for Pennsylvania families, and TANF should serve as a cautionary tale for officials who are considering converting other benefits programs to block grants.

Converting Medicaid, SNAP, and/or SSI to block grants would hurt Pennsylvania families. This fact sheet summarizes the four most harmful aspects of block grants.

- 1. Block grants decrease in value over time, leaving states with fewer federal dollars to spend on families who need help most.** Federal block grant proposals are designed to save federal dollars, by giving states less federal funding than they would receive under current program rules. Over time, states would lose billions of dollars in federal funding, forcing them to spend more state funding, slash program benefits, and/or make eligibility rules stricter.

The TANF program illustrates block grants’ declining purchasing power over time. Since 1996, TANF block grants have stayed at the same level. After adjusting for inflation, federal TANF funding to states has fallen by 32 percent, even as the U.S. population has grown.¹ This stagnation means that less help is available for families who are struggling: nationally, cash assistance offered a safety net for 68 families for every 100 families living in poverty in 1996, but now reaches just 23 families for every 100 families in poverty. The decline in block grants’ purchasing power has also had an impact on the incomes of struggling families, with the maximum monthly grant amount for TANF remaining unchanged in Pennsylvania since 1990.

- 2. Block grant “flexibility” prompts states to limit benefits for needy families.** Because block grants give flexibility to states while cutting federal funding, states have incentive and authority to limit benefits for families in need. Currently, states must enroll all eligible families in the Medicaid and SNAP programs, with the federal government reimbursing them for most or all of the cost. The federal government currently funds SSI benefits directly, using uniform national standards.

Under block grants, states could make income eligibility limits more stringent; establish waiting lists or cap enrollment; limit lifesaving benefits; or create administrative barriers to coverage that are not currently allowed, like unaffordable Medicaid premiums or work requirements for even the sickest



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recipients. In short, states would have incentives to be as stingy as possible to stretch block grant dollars further.

These skewed incentives have had a devastating effect on Pennsylvania's TANF cash assistance program. The number of families on TANF has declined significantly in Pennsylvania over the last twenty years, from 487,000 adults and children in 1996 to 152,000 in November 2016, without an increase in families leaving cash assistance for work. In 2014, at least 35,000 Pennsylvania families with children receiving SNAP were poor enough to qualify for TANF, but did not receive it.ⁱⁱ

3. **Block grants allow states to divert funds from the families with the most urgent needs.** The “flexibility” offered with block grants allows states to direct limited block grant funds to plug budget holes or fund pet projects, even if they are only tangentially related to the needs of the families they are supposed to serve. For example, Pennsylvania spends less than a quarter of its TANF funds on cash assistance for struggling families. In Michigan, TANF funds provide college scholarships to higher-income families.ⁱⁱⁱ Once these new programs are established, it can be difficult politically to redirect block grant funds back to their core purposes. And Congress has found it very hard to restrict state spending abuses.
4. **Block grants prevent states from responding to economic crises.** With block grants, states do not get needed additional federal funding if demand rises during a recession or other economic crisis. Families who face job loss or other financial emergencies are not guaranteed access to block granted benefits while they get back on their feet. Although some federal proposals would allow block grants to increase if unemployment rates rise, experts say that these proposals do not include workable formulas that are certain to help families in need.^{iv}

The failure of Pennsylvania's TANF program to provide a safety net during the Great Recession illustrates this problem. Between February 2008 and February 2010, Pennsylvania's unemployment rate climbed from 4.8% to 8.7%, yet TANF enrollment grew by less than 5%. During the same period, Medicaid enrollment grew by 13% and SNAP enrollment grew by 33%^v – and Pennsylvania received federal matching funds for all new Medicaid and SNAP enrollees, boosting its economy.

ⁱ Isaac Shapiro et al., Ctr. on Budget & Policy Priorities, *Funding for Housing, Health, and Social Services Block Grants Has Fallen Markedly Over Time* (Mar. 2016), available at <http://www.cbpp.org/research/federal-budget/funding-for-housing-health-and-social-services-block-grants-has-fallen>.

ⁱⁱ For an extensive discussion of Pennsylvania's TANF caseload decline and recommendations for reversing it, please see Louise Hayes et al., Cmty Legal Servs., *Mending the Safety Net: Why Pennsylvania Must Restore its TANF Program to Protect its Neediest Families* (Aug. 2016), available at <https://clsphila.org/mendingthesafetynet>.

ⁱⁱⁱ Marketplace.org, *Your State on Welfare* (June 2016), available at <http://features.marketplace.org/yourstateonwelfare/>.

^{iv} See, e.g., Robert Greenstein, Ctr. on Budget & Policy Priorities, *Commentary: Ryan “Opportunity Grant” Proposal Would Likely Increase Poverty and Shrink Resources for Poverty Programs over Time* (July 2014), available at <http://www.cbpp.org/commentary-ryan-opportunity-grant-proposal-would-likely-increase-poverty-and-shrink-resources-for>.

^v Pa. Dep't of Human Servs., MA-FOOD-STAMPS-AND-CASH-STATS Archives, available at <http://listserv.dpw.state.pa.us/Scripts/wa.exe?A1=ind16&L=ma-food-stamps-and-cash-stats>.

