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Funding for Housing, Health, and Social Services Block Grants Has Fallen Markedly Over Time

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Funding for housing, health, and social services block grants has fallen significantly over time, an examination of several decades of budget data demonstrates. These data provide a cautionary tale for proposals to merge large numbers of additional programs — especially programs serving families and individuals who are low income or otherwise vulnerable — into block grants, as would occur, for example, under a proposal that House Speaker Paul Ryan made in 2014 to merge 11 low-income programs into a mega-block grant in an unspecified number of states.

Policymakers advancing these proposals often accompany them, as Mr. Ryan did, with assurances that the new block grant would get the same overall amount of funding as currently goes to the individual programs that it would replace. This new analysis of several decades of budget data strongly suggests, however, that even if the funding a new block grant received in its initial year matched the prior funding for the programs merged into the block grant, the initial level likely wouldn't be sustained. The analysis shows that when social programs are merged into (or created as) broad block grants, funding typically contracts — often sharply — in subsequent years and decades, with the funding reductions growing deeper over time.

Budget Data Show Dramatic Funding Decline

Table 1 details current and historic funding for all 13 of the major housing, health, and social services block grant programs that have been created in recent decades. (The programs selected are those contained in a Congressional Research Service compilation of block grant programs.[1]) This CBPP analysis is a comprehensive examination of funding levels for all housing, health, and social services block-grant programs that receive annual funding of more than $100 million.

Funding for all but one of these programs has shrunk in inflation-adjusted terms since their inception, in some cases dramatically. (In this paper, all figures are for fiscal years, not calendar years, and unless indicated otherwise, are adjusted for inflation.) For the 13 block grants, the median

[1] Robert Jay Dilger and Eugene Boyd, "Block Grants: Perspectives and Controversies," Congressional Research Service, July 15, 2014, http://fas.org/sgp/crs/misc/R40486.pdf. Table 2 of this CRS report contains a list of block-grant programs. This analysis examines all the block-grant programs focused on housing, health, and social services for low-income people, except for those funded at levels below $100 million according to CRS.

change in a block grant's funding between its inception and 2015 is a decline of one-quarter, or 25 percent. For four of the block grants, funding plunged by more than 60 percent. For example, funding for the job training block grant, focused on improving employment and earnings prospects, has fallen 70 percent since it was adopted in 1982.

Table 1 also shows how funding for each of the 13 block grants has changed since a common point in time, the year 2000. The combined funding for the 13 block grants declined by 27 percent[2] — or $15 billion in 2015 dollars — from 2000 to 2015.

Only funding for the child care block grant has increased both since inception (in 1991) and since 2000. Even that program has witnessed a funding decline since 2002. Funding for this block grant increased significantly from 2000 to 2002, but has deteriorated by 17 percent since then.

This general downward funding trend has occurred while need has increased. The overall U.S. population has grown by 14 percent since 2000. In fact, overall funding for the 13 block grants has fallen by 37 percent since 2000, when adjusted for population growth as well as inflation. The number of Americans living in poverty increased as well over this period. Moreover, costs in some areas such as housing have risen faster than the general inflation rate, as rents have increased at a rate faster than overall inflation.[3]

These large funding declines actually understate the drop in funding for these services, because states often substitute some federal block-grant dollars for state dollars they previously spent in these areas, thereby shrinking the total pool of federal *plus* state resources used for these purposes. (The freed-up state dollars are then often used for unrelated purposes or to plug state budget holes.) For example, the Government Accountability Office documented such substitution under the Temporary Assistance for Needy Families (TANF) block grant. This substitution effect can be especially significant for block grants under which states can use the block-grant funds for a broad array of purposes.[4]

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[2] Since 2000, the median, or typical, funding decline for block grants has been 24 percent.

[3] The funding reductions have also occurred even though the economy has grown by 31 percent since 2000. In 2000, block-grant funding equaled 0.37 percent of the economy. By 2015, this share had dropped to 0.21 percent, a decline of two-fifths.

[4] So-called "maintenance-of-effort" requirements can constrain the size of such funding shifts, but such requirements are notoriously difficult to enforce, and experience has shown they are not fully successful. The Government Accountability Office study referred to in the text documented, for example, how some states substituted federal TANF funding for other state costs, despite a maintenance-of-effort requirement. (See "Welfare Reform: Challenges to Maintaining a Federal-State Fiscal Partnership," August 2001, http://www.gao.gov/assets/240/232403.pdf.) Maintenance-of-effort requirements also can be compromised when states can count spending by third parties toward the requirements. For example, under the maintenance-of-effort requirement in the federal TANF law, Georgia has a $173 million maintenance-of-effort obligation. But Georgia has used maneuvers that are not barred by federal law to count non-government spending toward this obligation and to shift $99 million a year in state funding to other areas of the state budget unrelated to helping low-income families become self-sufficient or meet basic needs. See Melissa Johnson, "Pending TANF Changes Could Send Georgia Budget Writers Scrambling," Georgia Budget and Policy Institute, August 21, 2015, http://gbpi.org/pending-tanf-changes-could-send-georgia-budget-writers-scrambling.

TABLE 1

Funding for Many Major Block Grants Has Fallen Over Time

Program	Year of inception	Obligations in 2015 (in millions of dollars)	% change since 2000*	% change since inception*
HOME Investment Partnership Program	1992	$935	-59%	-61%
Community Development Block Grant	1982	3,000	-49%	-63%
Job Training Formula Grants to States (Youth, Adult, and Dislocated Workers)	1982	2,624	-46%	-70%
Social Services Block Grant	1982	1,576	-36%	-73%
Maternal and Child Health Block Grant	1982	637	-36%	-29%
Temporary Assistance for Needy Families (TANF) block grant	1998	16,486	-28%	-32%
Native American Housing Block Grant	1998	659	-24%	-24%
Substance Abuse Prevention and Treatment Block Grant	1994	1,741	-22%	-7%
Preventive Health and Health Services Block Grant	1982	160	-15%	-19%
Community Mental Health Services Block Grant	1994	462	-7%	-1%
Community Services Block Grant	1982	674	-7%	-18%
Child Care and Development Block Grant (discretionary and mandatory components)	1991	5,277	8%	319%
Low Income Home Energy Assistance Block Grant	1982	3,391	32%	-25%
Total		**$37,622**	**-27%**	

* adjusted for inflation

Job Training Formula Grants to States and Community Development Block Grant figures reflect budget authority. The figures for the Community Development Block Grant represent the funding levels for CDBG formula grants. The TANF figures are those for State Family Assistance Grants.

Source: CBPP analysis of data from the Office Management and Budget, Congressional Research Service reports, and appropriations legislation.

Declining Funding for TANF and Housing Block Grants Underscores Concerns

The largest block grant discussed here is the Temporary Assistance for Needy Families (TANF) program. Congress replaced the Aid to Families with Dependent Children program (AFDC), which was not a block grant, with TANF in 1996. TANF's current funding level is essentially the same dollar amount in nominal terms as the level at its inception. After adjusting for inflation, federal TANF funding has fallen by 32 percent, even as the U.S. population has grown.

Partly for this reason, TANF today provides substantially less protection against poverty than AFDC did. In 1996, for every 100 poor families with children, 68 families received AFDC cash assistance. By 1998, TANF's first full year of implementation, this ratio had fallen to 51. By 2014, only 23 families with children received TANF cash assistance benefits for every 100 poor families. (The decline in this ratio reflects not only the erosion of TANF funding but also state actions to shift TANF funds to other purposes; in 2014, only 26 percent of federal and state TANF funds were used for cash assistance to low-income families, and only half of TANF funds went for cash assistance, work programs or activities, or child care, as states diverted TANF funds to a wide array of other uses.)[5]

The experience of block grants for low-income housing programs provides another example. As Table 1 shows, funding for the three housing-related block grants established in recent decades has fallen very substantially. Since 2000, funding for the HOME Investment Partnership Program and the Native American Housing Block Grant have fallen by 59 percent and 24 percent, respectively. Funding for the Community Development Block Grant (CDBG) program, which supports housing and other community development purposes, has dropped 49 percent over the same time period.[6]

Revenue Sharing Program Started Strong — and Then Was Zeroed Out

General Revenue Sharing is not on the list of block grants examined here because the money it distributed to states and local jurisdictions was not restricted to housing, health, or social services. In some respects, however, it was the purest block grant ever established. As its name implies, the program shared federal revenue with states and localities, and the funds were provided in quarterly lump sums with extraordinarily few restrictions on how they could be used. The program started in 1972 with robust funding of $27 billion, in 2015 dollars. Congress eliminated the grants to *states* in 1980 and eliminated the remainder of the program in 1986.

[5] Ife Floyd, LaDonna Pavetti, and Liz Schott, "TANF Continues to Weaken as a Safety Net," Center on Budget and Policy Priorities, updated October 27, 2015, http://www.cbpp.org/research/family-income-support/tanf-continues-to-weaken-as-a-safety-net; Liz Schott, LaDonna Pavetti, and Ife Floyd, "How States Use Federal and State Funds Under the TANF Block Grant," Center on Budget and Policy Priorities, updated October 15, 2015, http://www.cbpp.org/research/family-income-support/how-states-use-federal-and-state-funds-under-the-tanf-block-grant.

[6] The funding levels for CDBG reflected in this analysis represent CDBG's formula-based funding. These figures don't include, for example, funding channeled through CDBG for disaster relief.

Year-by-Year Analysis Shows Falling Funding Since 2000

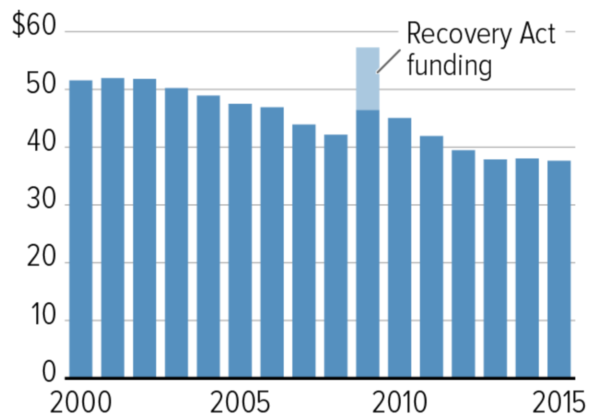
A year-by-year analysis of funding for these block grants since 2000 shows that overall funding for the 13 health, housing, and social services block grants deteriorated or remained stagnant in virtually every year (see Figure 1). In 2015, combined funding for these block grants fell to its lowest level during this period, with the block grants receiving $15 billion less than they did in 2000, in inflation-adjusted dollars.

Total funding for the block grants rose by a significant margin in just one of the last 15 years — 2009. Some of this increase was due to a boost in the Low Income Home Energy Assistance Program in response to a sharp rise in energy prices in the summer of 2008, but most of it was due to funding boosts for several block grants in the 2009 Recovery Act (ARRA), as part of the response to the Great Recession. Policymakers intended ARRA to be temporary — to counter the recession and ameliorate its effects — and declines in block-grant funding then quickly resumed.

FIGURE 1

Total Funding of Housing, Health, and Human Services Block Grants

Billions of 2015 dollars



Source: CBPP based on Office of Management and Budget

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Putting the one-time nature of the ARRA funding levels aside, a detailed examination shows the trend of funding-level deterioration. Overall funding for the block-grant programs remained essentially unchanged from 2000 to 2002 despite the 2001 recession and then declined steadily through 2008. After its significant rise in 2009, block-grant funding fell off rather sharply in 2010, at a time when the economy continued to struggle and need for many of these programs remained elevated.

The marked deterioration in block-grant funding over time controverts a claim that block grant proponents often make, that if funding levels prove inadequate, Congress can and will step in to provide appropriate additional funding. The general lack of responsiveness of block grant funding to changes in need stands in contrast to the high degree of responsiveness of entitlement programs such as SNAP (formerly known as the Food Stamp Program). Programs like SNAP increase immediately and automatically when need rises, which is of critical importance during recessions to people hit by the economic downturn and which also benefits the economy by helping to restrain the drop in consumer purchasing power that makes recessions deeper. Programs like SNAP would lose this responsiveness if merged into block grants.

Funding Erosion Is Intrinsic to the Block Grant Structure

Block grants' basic structure makes them especially vulnerable to funding reductions over time. Block grants generally give state and local governments very broad flexibility in how to use federal funds, resulting in the funds being used in diffuse ways and thereby making the impact of the funds hard to measure and document. Often, it is difficult even to track in detail how the money is being used. That, in turn, makes it easier for policymakers looking for resources for their own priorities to look to block grants for savings, and has made block grants particularly vulnerable to funding freezes for years on end. It should come as no surprise that block grants in general have fared very poorly in the competition for resources.

Policymakers should keep this in mind when considering new block-grant proposals and claims that merging programs into broad block grants will improve results for the families the programs serve. Experience suggests, to the contrary, that the most predictable result of merging social programs into broad block grants is substantial erosion in funding over time, with negative consequences for efforts to assist people in need.