



COALITION ON HUMAN NEEDS

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Block Grant Proposals That Threaten Services for Families and Communities *Shifting Responsibility for Programs Without the Resources to Pay for Them*

A common theme has been emerging among Bush Administration initiatives in human needs programs: a variety of strategies are being proposed to shrink the federal role. Block grants are one of those strategies, usually combined with funding cuts and reduced standards or protections. These proposals transfer authority to states, but frequently they do not increase local control. In fact, many of the proposals reduce the role of cities, counties, and local service providers. The transfer of authority in these proposals is not accompanied by the funding needed to carry out adequate services, leaving states and localities with fewer resources even as they face record-breaking budget shortfalls. The Coalition on Human Needs is tracking the progress and projected impact of these proposals on people, states, and communities. To receive or share more information about this project, contact Deborah Weinstein at dweinstein@chn.org, or (202) 223-2532. ****UPDATED OCTOBER 2004****

Program	Current Structure	Bush Administration Proposed Changes	Current Status (Oct 2004)	Impact
Head Start	Federal Head Start funds are allocated to local Head Start grantees, with performance standards, quality controls, and comprehensive service requirements set by the federal government. Head Start programs are administered, coordinated, and monitored by ten regional offices.	Federal Head Start dollars would go directly to states to be coordinated with existing and new preschool programs, rather than straight to local Head Start programs as under current law. Cash-strapped states, not the federal government, would be responsible for administrative costs, comprehensive service standards, quality control, and monitoring, with no explicit guarantee that current comprehensive services and standards will be maintained.	Administration's proposed nationwide block grant was reduced to 8 demonstration states in House bill (HR 2210), which passed the full House by one vote. Senate HELP Committee bill does not include a block grant provision. No further action is expected in the 108 th session.	Federal funds likely to be diverted by cash-strapped states to fill gaps in other preschool programs and to pay for administrative costs. House bill adds \$203m over FY03; barely enough to cover current enrollment, much less higher educational standards required for Head Start teachers (all must have AA degrees within 3 years). Comprehensive cognitive, health, nutrition, and other services and quality control would suffer due to lack of guaranteed standards – these are an important part of Head Start's proven success for poor children. Although the House bill starts as a demonstration in 8 states, advocates see this as a major step towards dismantling Head Start.
Unemployment Insurance	Benefits funded by two separate state and federal payroll taxes. States pay basic benefits to	Transfer to the states of financing of UI administration. Federal funding would phase out over 3 years, with temporary	No Congressional action took place in 2003 and nor is there pending	The burden of the majority of the administrative costs would be shifted to the states.

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Unemployment Insurance <i>(cont.)</i>	unemployed workers while Federal government pays states for administration of UI program. The federal government funds extended benefits beyond the basic state-funded 26 weeks in times of high unemployment.	continued help if costs increase. Eventually, states will take on full funding responsibility. 75 percent phase-out of the Federal Unemployment Tax.	legislation for 2004.	States trying to minimize state unemployment taxes paid by employers will have increased incentive to reduce eligibility for UI and/or reduce the amount of benefits. Even under current law, more unemployed workers are ineligible for UI benefits than qualify.
Medicaid, State Children's Health Insurance Program (SCHIP)	<p>Medicaid: Federal funding is guaranteed to state governments at a matching rate that is higher for states with lower per capita income (but not less than about half of total expenditures). Federal funding is uncapped, so states can count on a federal share if caseloads or costs rise.</p> <p>States are required to provide basic medical services to eligible individuals or families with very low incomes; if states choose to provide additional services and/or to cover those with higher incomes, the federal government will pay its share. Once states select optional services or higher income levels, everyone eligible must be covered for the same package of benefits.</p> <p>Medicaid is the largest source of federal funds to the states and covers 47 million people (including 22 million children).</p> <p>SCHIP: a capped block grant program to states covering children in families with incomes too high to qualify for Medicaid. It was funded at \$40b over 10 years. The federal government pays at least 65% of a state's costs, up to the maximum allotment; states contribute the rest. States must offer a minimum package of benefits, but may offer more. They may enroll eligible</p>	<p>In 2003, the Administration proposed giving a fixed allotment of funds to states that opt into a block grant program that combines Medicaid and SCHIP. States that choose this option</p> <ol style="list-style-type: none"> (1) may reduce coverage and/or impose or increase cost-sharing for families or individuals above minimum income levels; (2) may spend less to receive federal dollars; and (3) can receive more in federal funding (a total of \$12.7b is offered for all states) through 2010. BUT the states' allotments in 2011 – 2013 will be reduced by \$12.7b – that is, the extra funding in the earlier years is really an advance on the state's allotment for the later years. <p>It appears that this year the Bush Administration will pursue a block grant strategy on a state-by-state basis (see next column.)</p>	<p>The Bush Administration announced its original proposal on January 31, 2003. Later that year, a Governors' Task Force was unable to support block grant proposal. In its FY05 budget, the Administration said it would work with Congress to build on last year's proposal. It appears that the Administration will pursue a block grant strategy on a state-by-state basis. New Hampshire, Florida and California are pursuing Medicaid waivers.</p>	<p>An analysis of last year's proposal by Families USA estimated that if every state opted into the Medicaid/SCHIP block grant and took advantage of the reduced match requirements, combined state and federal funding for these programs would be cut by more than \$492 billion over ten years.</p> <p>These funding cuts will mean loss of benefits and/or increased costs for millions of vulnerable people. States will be forced to choose among methods of cutting. They can opt to cap enrollment in Medicaid and SCHIP, refusing to enroll eligible individuals or families over a certain number, leading to an increase in the uninsured. States can also reduce the benefits package for some or all of those remaining in the program, or increase co-payments and premiums for enrollees.</p>

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Medicaid, State Children's Health Insurance Program (SCHIP) <i>(cont.)</i>	children in their state Medicaid program, create a separate SCHIP program, or a combination of both. There are federal limits to cost sharing allowed for SCHIP-eligible families.			
Child Welfare	<p>Title IV-E of the Social Security Act guarantees open-ended funding to states for foster care services – payments for foster care, administrative costs and training funds – based on the number of eligible children and families. States pay a share of these costs.</p> <p>Eligibility of children is linked to standards in place under the 1996 AFDC (welfare) law.</p>	<p>Creates an optional block grant for foster care services. States that opt in would receive capped foster care funding over a 5-year period, limiting increase over prior funding to about 4-5 percent nationally over the 5 years, regardless of increased caseloads or service costs. States are limited to 20 percent of their 5-year allotment each year, but can choose to spend less in a given year in order to spend more later.</p> <p>Allows states to spend funds for prevention services (not now allowed with IV-E funds), and to spend federal funds on children from higher income families than current law allows. (But funding is based on caseload projections using the current restrictive eligibility standards.)</p> <p>If states experience an unanticipated increase in their foster care caseload, they can receive funds from an emergency fund set up for Temporary Assistance for Needy Families (TANF) – the federal welfare to work program.</p>	<p>The proposal was in the President's FY04 and FY05 budget. In July 2004 Rep. Herger (R-CA) circulated a discussion draft of a child welfare block grant bill that</p> <ul style="list-style-type: none"> - caps funding for foster care maintenance payments; adoption assistance is not capped; - relaxes eligibility requirements for foster care assistance, but lowers federal match by 35%. - caps and does not guarantee funds for adoption administration and training. - relaxes eligibility requirements for adoption assistance, but lowers federal match by 15%. 	<p>If all states take the block grant option as outlined in the President's plan, and draw down 20 percent of their allocation each year, states would receive more federal funding in the first 3 years than projected under current law; in the 4th and 5th years, states will receive less. In FY 2008, the last year of the proposed block grant, the cut to states will rise to \$275m. If the block grant were to be extended for another 5 years, losses to states would grow each year, reaching \$997m in cuts for FY 2013 compared to projections under current law (<i>from Child Welfare League of America analysis</i>).</p> <p>Although it is highly desirable to provide funding for services to prevent abuse or neglect, and so avoid the need for out-of-home placement, this plan does not provide enough funding to cover prevention and reasonable assumptions of foster care needs. If states run out of federal foster care funding, they will have to spend more of their own funds to ensure that children are protected.</p> <p>Using the TANF emergency fund for foster care services means it may not be available to help states serve families if caseloads rise in an economic downturn.</p> <p>The proposal has no requirement that state allocations are distributed equitably to cities or counties. Although a city or county may have the majority of a state's foster care population, it may not be included in a state's decision to choose the block grant option.</p>

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<p>Section 8 Housing</p>	<p>Federal funds go directly to local housing authorities, and provide funding for rental vouchers for eligible low-income households. The value of the voucher is based on current local fair market rental costs. Congress sets funding annually for renewing existing vouchers based on actual costs, and for new vouchers, if any. Federal standards set the share of rent tenants are required to pay.</p> <p>Federal standards in rent, payments and housing quality are maintained with yearly inspections.</p>	<p>Proposes the Flexible Voucher Program, to be administered by local housing authorities. The President's FY 2005 budget includes \$1.6 billion less than the amount needed to continue the current number of vouchers (requiring a cut of up to 250,000 vouchers); the cut grows to \$6.1 billion in FY 2009 (slashing up to 800,000 vouchers out of a total 2 million.)</p> <p>Allows Congress to fund a block grant without having to consider actual voucher costs, making it probable that funding will not keep pace with the cost of housing;</p> <p>Lets housing authorities increase or reduce the tenants' share of the rent;</p> <p>Allows housing authorities to terminate vouchers;</p> <p>Ends current targeting of housing vouchers to families with very low incomes;</p> <p>Bonuses available to encourage housing authorities to make vouchers transitional, rather than open-ended;</p> <p>Allows states to establish time limits for housing assistance.</p>	<p>Housing Assistance for Needy Families (HANF, HR 1841 and S 947) was introduced in April 2003 in the House and Senate. No other legislative action took place in 2003 on these bills. These bills were based on the Administration's housing block grant proposal for FY04, which would have provided funding through the states. The Administration revised the proposal in its FY05 budget (see previous column).</p> <p>On 4/22/04 HUD announced a new policy on funding the voucher program. Local housing authorities will no longer be reimbursed based on actual current voucher costs and the policy is retroactive to the beginning of 2004.</p>	<p>Under the Flexible Voucher Program, the number of overall vouchers would likely decrease because block grants would not keep pace with rising housing costs.</p> <p>States could require families to pay more for rent and/or set time limits on the use of housing vouchers. States would have incentives to give preference to families with higher incomes, since they will pay a greater share of the rent and thus require a smaller subsidy, in order to stay within the federal funding cap.</p> <p>Even now, only about one out of four eligible households receive housing vouchers. The HANF block grant will likely worsen that situation.</p> <p>If the value of vouchers declines, as is likely under this proposal, households will be less likely to secure housing in mixed income neighborhoods with better schools and services, thus undermining one of the benefits of the voucher program.</p> <p>Under HUD's new policy changes for 2004 (see previous column), thousands of families could lose their vouchers – the first time in the 30-year history of the program that current recipients could lose their vouchers. Since the policy change was announced, a housing authority in Oregon sent termination letters for some tenants and Massachusetts narrowly avoided a similar situation. Other states are at risk.</p> <p>The House and Senate versions of the FY05 HUD appropriations bill do not contain block grant proposals. The Senate version attempts to roll back the new HUD policy on reimbursement of housing authorities.</p>

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Transportation	<p>The Job Access and Reverse Commute program (JARC) authorizes up to \$150 million annually for transit programs to enable parents who have received public assistance and other low-income workers to get to jobs. A competitive selection process is administered by the U.S. Department of Transportation, with 60 percent of funds going to urban areas with populations over 200,000; 20 percent to smaller urban areas; and 20 percent to rural areas. However, JARC funds have been largely distributed through the appropriations process, rather than through a competitive process, as intended.</p>	<p>President's budget request for 2004 is for the full, authorized amount of \$150 million, not adjusted for inflation.</p> <p>Devolves administration of the program to states, eliminating the national competition for funds, with no standards to guide state distribution of funds to localities.</p> <p>Adds the requirement that states administer transportation funds for the elderly and persons with disabilities.</p>	<p>The Transportation Equity Act for the 21st Century (TEA-21), the law that includes JARC, expired in September 2003. Congress has passed a "clean" extension of TEA-21 that expires May 31, 2005 (PL 108-310).</p> <p>The Senate-passed bill to reauthorize the transportation law (S 1072) maintains the JARC program as a stand-alone program. However, the House measure (HR 3550) turns JARC into a formula grant disbursed to the states. Disagreements over the cost of the bill have stalled negotiations between the House and Senate.</p>	<p>Without adequate funding, states will have additional administrative duties without the capacity to provide transportation help to more people. Combining administrative responsibility for transportation projects for low-income workers, the elderly, and disabled may pit one inadequately funded program against another.</p> <p>Turning the JARC program into a state-run grant program without significant increases in funding will likely spread the money so thin that the JARC program would no longer have the significant, albeit limited or targeted impact that has made the program a success in helping people move from welfare to work.</p> <p>Furthermore, access to JARC funds will be less certain for cities and rural areas if current guidelines targeting services to low-income people, rather than reverse commute projects that are more broadly defined, are eliminated.</p>
Food Stamps	<p>The Food Stamp program provides open-ended federal funding for monthly payments for food items for eligible families or individuals. The federal government pays 100 percent of the direct food stamp costs; administrative costs are shared by states or localities. Employment and training services are also funded for food stamp-eligible</p>	<p>The House-approved TANF legislation would block grant food stamp programs in 5 demonstration states. States would receive a fixed amount based on food stamp benefits and federal administrative funding paid either in 2003 or averaged over 2001-2003,</p>	<p>The House approved its TANF legislation, including this block grant provision (HR 4), on February 13, 2003. The Senate Finance</p>	<p>The Food Stamp program is a vital protection for low-income families and individuals that under a fixed block grant would no longer be able to respond to increased need during economic downturns. If states had received Food Stamp funding in 2002 and 2003 based on 2000 expenditures, they would have received 17 percent less in 2002 and 25 percent less in 2003 than was actually spent.</p>

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Food Stamps <i>(cont.)</i>	<p>individuals. If states opt to spend more than the federal funding provided for this purpose, these additional expenditures receive a 50 percent federal match.</p>	<p>whichever is higher. States could spend funds for food assistance, employment and training, and administrative costs. They would be free to shift funding among these three functions. States could also expand or restrict current eligibility levels and/or benefits, but would be prohibited from expanding eligibility to legal immigrants not now receiving food stamps.</p> <p>Although these are called demonstration projects, there is no requirement for any evaluation or data collection.</p>	<p>Committee did not include the Food Stamps block grant in its version of the TANF legislation. The full Senate briefly debated TANF at the end of March but has not completed its work on it.</p> <p>No further action is expected in the 108th session.</p>	<p><i>From Center on Budget and Policy Priorities analysis:</i> Faced with increasing need, states would be forced either to restrict eligibility, reduce or deny benefits, or replace federal dollars with state or local funds.</p> <p>When Food Stamp spending rises in bad times, it helps families and communities, improving nutrition and increasing business in local food stores. Without this counter-cyclical help, a weak economy will hurt localities and states more deeply.</p> <p>After the 1996 welfare law was enacted, there was a large reduction in the number of eligible people receiving Food Stamps. In recent years, outreach and simplification efforts have been made that increased the number of eligible people served. (Participation rates for eligible individuals rose from 59 percent to 62 percent from September 1999 to September 2001.) More work remains to restore the participation rates to the mid 1990s levels. If funding were frozen, however, there would be no money to provide food assistance to these eligible individuals and families.</p>

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<p>Job Training</p>	<p>The Workforce Investment Act (WIA) provides funding for and streamlines the provision of job placement and training services.</p> <p>85 percent of WIA Adult Worker funding is distributed by the U.S. Department of Labor to localities; 15 percent goes to Governors. Governors receive 40 percent of Dislocated Worker program funds to run statewide programs.</p> <p>WIA requires the creation of local “one-stop” centers for streamlined services. Workforce Investment Boards oversee the one-stops. Businesspeople must make up a majority of these Boards; various government agencies must be represented to encourage greater cooperation.</p> <p>A “sequence of services” is spelled out: with all receiving core services (job placement help, for example); some receiving intensive services (for those harder to place), and fewer enrolling in training.</p>	<p>Would consolidate three distinct programs - the WIA Adult program, the WIA Dislocated Worker program, and Employment Service state funding streams into one large block grant to states.</p> <p>Provides Governors with more authority over WIA funds (with less to localities). 50 percent of funds will be distributed to Governors for statewide programs; another 10 percent will go to Governors to distribute to localities.</p> <p>Governors would have more authority to set priorities. Federal standards are reduced. States do not have to follow the “sequence of services” usually applied under current law. The Boards no longer need businesspeople majorities, and government agency representation is no longer required.</p> <p>Reduces and eliminates some funding for youth employment services and training.</p> <p>Governors can apply to the federal government for broad waiver authority to change or scrap the current WIA system in their states.</p>	<p>The consolidation of WIA was part of the Bush Administration’s FY 04 and FY 05 budget proposals.</p> <p>The WIA reauthorization bill was introduced in the House on March 13, 2003 and passed on May 9, 2003 (HR 1261)</p> <p>The Senate passed WIA reauthorization bill on Nov. 14, 2003. The bills are awaiting conference, but no further action is expected in the 108th Congress.</p>	<p>The House bill largely reflects the White House proposal. It treats three different types of workers the same, thus making it more difficult and costly to provide services under WIA specifically designed to help different types of people. Senate version would not change current structure of WIAs largest three programs and would leave them independently funded.</p> <p>House version would give more power to the governors to determine allocation of funds, range of services, and eligibility. Local control of WIA programs would be curtailed, with far less emphasis on tailoring programs to changing local conditions & workforce needs.</p> <p>House version gives states more flexibility to change the “sequence of services,” with the benefit of providing services appropriately based on individual differences. Senate version does not do enough to address this problem in the original WIA language. Without adequate funding, states will not be able to provide appropriate services.</p> <p>Both versions allow for funds intended for job training services to be shifted to non-training accounts by preference of the Governor.</p> <p>Both versions include the waiver authority proposed by the Administration, and it is far too broad, allowing Governors to take control of WIA programs at the expense of local authority. This would undermine the original goal of encouraging job placement and training responsive to the needs of local businesses and communities. Scrapping the local systems now being implemented after extensive investment and planning would be wasteful and will get in the way of effective job preparation.</p>

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Superwaiver Proposal	There is no superwaiver provision in current law. However, some programs (such as Food Stamps) do give states waiver authority over some provisions of the program.	Proposes granting states wide-ranging authority to waive provisions and rules in more than a dozen programs serving low-income individuals.	<p>The House-passed Temporary Assistance for Needy Families (TANF) reauthorization bill (HR 4) includes a superwaiver provision giving federal agencies authority to waive (at the request of the Governor) laws and regulations under TANF, Food Stamps, SSBG, child care, WIA, adult basic education and most homelessness programs. The more narrow provision in the Senate Finance Committee bill would give ten states waiver authority over rules related to TANF, SSBG & CCDBG. The Senate briefly began debating TANF in March but has not completed its work.</p> <p>No further action is expected in the 108th Congress.</p>	<p>States could use waivers to divert funds from low-income programs and services to other purposes, including non-low-income populations. States could replace state spending for low-income programs with federal funds. States could also waive important federal protections for low-income families, such as requirements that states provide families with adequate choices for child care.</p> <p>States already have flexibility to waive certain rules in many some low-income programs, such as Food Stamps. But the waiver authority in Food Stamps has important restrictions and protections that the broader superwaiver authority would not have.</p> <p>A broadly framed superwaiver provision would also weaken the power of Congress to legislate while granting much more power to the executive branch. Federal agencies would have the ability to waive the laws that Congressional authorizing committees developed through the legislative process.</p>

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<p>Carl D. Perkins Vocational and Technical Education Act</p>	<p>The purpose of Perkins is to provide individuals with academic and technical skills need to succeed in a knowledge- and skills-based economy.</p> <p>Perkins funds are provided to states that allocate funds by formula to secondary and post secondary schools. States receive two main grants under Perkins – Basic State Grants and Tech Prep. States have control over the split of the funds between secondary and postsecondary levels. After this decision is made, states must distribute at least 85 percent of the Basic State Grant funds to local programs using either the needs-based formula included in the law or an alternate formula that targets resources to disadvantaged students and schools. States may reserve up to ten percent for leadership activities and five percent for administrative activities. States also receive money from Section 188 of the Act, which funds career guidance and academic counseling.</p> <p>States must meet a “maintenance of effort” provision. The federal contribution (almost \$1.4 billion per year) supports innovation and expands access to quality programs. State and local funding supports the career and technical education infrastructure and pays teachers’ salaries and operating expenses.</p>	<p>Last year, the Administration’s budget included a blueprint for Perkins reauthorization, requesting significant changes along with a drastic cut in funding. The President proposes a complete program overhaul including a block grant, possible transfer of funds to No Child Left Behind activities, competitive funding and a shift away from career and technical skill achievement.</p> <p>In its FY 05 budget, the Administration signals that it may modify its original Perkins proposal. However, the 2005 budget includes a 25 percent cut in funding for 2005.</p>	<p>The House Committee on Education and the Workforce approved a bill (HR 4496) on Sept. 7, 2004.</p> <p>Among other changes, the bill consolidates the Basic State Grant and Tech-Prep into one grant and establishes “incentive grants” for states that exceed their own standards. Local organizations will develop their own standards, and states may sanction organizations that under perform. The bill limits administrative costs. House and Sen. appropriators rejected the President’s proposed funding cuts, but there is not yet a final spending bill. No further action is expected in the 108th Congress.</p>	<p>The impact of the Administration’s <i>original</i> proposal (now being revised) would have decimated career and technical education by eliminating the bulk of existing Perkins programs and creating a new, competitive \$1 billion Secondary and Technical Education State Grants Programs. States could roll these funds into a block grant with Title I of No Child Left Behind. The program appeared to be designed solely to improve student academic achievement, with accountability systems to monitor and report on student performance and resources for states to create high-stakes, end-of-course high school exams.</p> <p>Transforming career and technical education funding into a block grant program ignores the reality that students perform better and stay in school when they believe their course work is relevant to their future endeavors. It is unclear how much of this funding would reach the community and technical colleges because states have the options of sending these funds to local education agencies for Title I activities without competition. This is a no-win situation for the entire career and technical education community.</p> <p>Furthermore, if states decide not to use these funds for Title I and instead award competitive grants to local education agencies and community and technical colleges, the amount of resources required to administer this vast program would be substantial, robbing students of program improvements. In addition, the program would disadvantage small and rural areas.</p>