THE SACRAMENTO BEE sacbee.com

What welfare cutbacks say about the wisdom of block grants

Stateline.org

Published Sunday, Jun. 26, 2011

WASHINGTON -- Welfare advocates in Oregon were confounded this spring when they discovered that Gov. John Kitzhaber wanted to limit to 18 the number of months welfare families could get cash benefits over their lifetimes - a stricter limit than existed anywhere in the country.

Part of their disappointment stemmed from the fact that the idea came from Kitzhaber, a Democrat and one-time emergency room physician who had been viewed over two earlier terms as a supporter of generous help for the needy. "We were surprised that the governor had such an extreme proposal," says Charles Sheketoff, executive director of the Oregon Center for Public Policy.

Kitzhaber, in Sheketoff's view, "went after welfare programs with amputation in mind. We are pleased the legislature did more precise surgery and saved limbs."

As lawmakers in Salem wrap up their session for the year, Oregon is on track to keep its five-year lifetime limit on cash benefits, the maximum allowed under federal law. But the same cannot be said for other states. California and Michigan shortened their welfare time limits to four years. Arizona reduced its limit to two years, and that was after scaling it back to 36 months only last year. And many of the states that kept the five-year provision began enforcing it more strictly: In Washington state, more than 5,000 families were dropped from the rolls after they reached the 60-month mark and the state opted not to give them extensions.

Nationwide, changes like these and other cuts to welfare programs will affect some 700,000 poor families and 1.3 million children who are losing help just when many need it most, says the Center on Budget and Policy Priorities, a liberal Washington, D.C., think tank. Under federal law, "states can set their own benefit levels and their time-limit policies," says Liz Schott, a senior fellow at the center. "This is one of the consequences of a block grant."

A handful of states are still hammering out their budgets for the year that begins July 1, but all across the country, welfare and other social programs are getting hit.

Welfare is not a big budget item for most states, taking up less than 2 percent of all state spending, according to the National Association of State Budget Officers (NASBO). But states have a great deal of flexibility in making cuts to welfare, particularly when compared with Medicaid, the joint state and federal health insurance program that makes up the single largest portion of total state spending (22 percent). While states are reducing some optional Medicaid services, federal health law prohibits states from cutting Medicaid eligibility or making it harder for people to apply for coverage.

States aren't as hamstrung when it comes to welfare. When Congress overhauled that system in 1996, it changed welfare from an "entitlement program" guaranteeing coverage to everyone who was eligible and instead created the Temporary Assistance for Needy Families (TANF) block grant that hands out lump-sum payments for welfare. States are essentially given a set amount of money and allowed to use it as they wish. The amount has stayed level since 1996.

Congress and the Clinton administration considered making Medicaid a block grant along the lines of TANF. But President Bill Clinton ultimately rejected the idea, and it was defeated again in 2003. The idea hasn't gone away - block-granting Medicaid is a key plank in the budget plan that the Republican-controlled U.S. House approved this year - but the proposal has little chance of approval in the Democratic-controlled U.S. Senate, and President Barack Obama would veto it in any case.

The time limit was one of the most controversial - and crucial - features of the 1996 law that overhauled welfare. The law prohibits states from using federal TANF funds to assist most families for more than 60 months. Otherwise, states have wide latitude in setting policies. They may use the 60-month time limit or set a shorter one of their own. If they wish, they may establish different policies for families than for single adults.

Although no one is talking about time limits for Medicaid, Republican governors are lobbying for the flexibility of a Medicaid block grant system and pointing to welfare as a model.

"We know from more than a decade of experience with welfare reform that switching from open-ended entitlements to block grants pushes both individuals and states to behave more responsibly," Florida Gov. Rick Scott wrote in an editorial earlier this year.

The TANF system is believed by many to have saved governments a considerable amount of money. Nationwide, the average monthly number of welfare recipients fell from 12.8 million prior to the enactment of TANF to 4.4 million by September 2010, a decrease of more than two-thirds, according to NASBO.

A recent editorial by Peter Ferrara of the Carleson Center for Public Policy and Phil Kerpen of Americans for Prosperity claimed that in real dollars, total federal and state spending on welfare dropped 31 percent from 1995 to 2006. They called block-granting welfare "wildly successful" and argued that applying block grants to Medicaid "portends huge potential gains for taxpayers and the poor."

Welfare advocates warn, however, that the TANF experience should raise red flags to those who want to make Medicaid into a block grant. They say the reason government is saving money is because families who need help are not being served.

The Center on Budget and Policy Priorities says that before TANF, the federal government and states were helping 75 out of every 100 families with children who lived in poverty. That number, the center says, dropped to 28 families for every 100 in poverty in 2008-09. In seven states, according to the center, TANF served fewer than 10 families for every 100 in poverty.

Tad DeHaven, a budget analyst at the libertarian Cato Institute, thinks that TANF is evidence that all responsibility for anti-poverty programs should be handed to the states. He notes that California, which offers more generous benefits than most other states, has seen its TANF rolls increase by almost 25 percent since the recent recession started. Michigan and Rhode Island, which have seen a respective 2 percent increase and 10 percent decrease in their welfare rolls, offer less generous TANF benefits.

For DeHaven, block grants really aren't the issue. "The federal government," he argues, "should get out of welfare entirely and let states and charities address their particular issues within their own states - without federal funds."

Meanwhile, in Oregon, anti-poverty advocates are glad the 60-month limit survived but worry that all the attention on that debate overshadows other welfare cuts. For example, Oregon eliminated a second year of funding for a program that helps newly employed families with other expenses, such as gas to get to work or paying for a work uniform. The state would have to find $1.45 million to restore funding for the second year. And a scholarship program to help single moms pay for a post-secondary degree was closed, saving the state $1.5 million, although those who are already enrolled will be able to continue with their education.

"It's going to be a rough two years for those who continue to struggle with the effects of a faltering economy," says Jessica Chanay, deputy director of Partners for a Hunger-Free Oregon. "We'll continue to advocate during the interim to get additional dollars back into TANF before the biennium ends."