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July 24, 2014

Commentary: Ryan "Opportunity Grant" Proposal Would Likely Increase Poverty and Shrink Resources for Poverty Programs Over Time

By Robert Greenstein

A centerpiece of House Budget Committee Chairman Paul Ryan's new poverty plan would consolidate 11 safety-net and related programs — from food stamps to housing vouchers, child care, and the Community Development Block Grant (CDBG) — into a single block grant to states. This new "Opportunity Grant" would operate initially in an unspecified number of states. While some other elements of the Ryan poverty plan deserve serious consideration, such as those relating to the Earned Income Tax Credit and criminal justice reform, his "Opportunity Grant" would likely increase poverty and hardship, and is therefore ill-advised, for several reasons:

- While Chairman Ryan describes the proposal as maintaining the same overall funding as the current system for each participating state, that would be a practical impossibility. His proposal would convert the nation's basic food assistance safety net — the Supplemental Nutrition Assistance Program (SNAP), formerly known as food stamps — from an entitlement that responds automatically to increased need into part of a sweeping block grant that gives each state fixed funding for the year and, thus, cannot respond in the same way. This would be a particularly serious problem when need rises, such as in recessions. (See box.)

- All ten programs *other than SNAP* that would merge into the block grant serve only small percentages of those eligible, and federal funding for them (other than low-income rental assistance programs) is comparatively modest. As my colleague Donna Pavetti points out,[1] this means that if some people receive more services under the proposal, as Chairman Ryan envisions, those services will likely be paid for by cutting assistance that helps poor families put food on the table or a roof over their head. Some of the service programs to which funds would likely be shifted have higher administrative costs than programs like SNAP and rental vouchers, so less would remain for basic assistance to needy families. And, in some cases, more powerful state and local political forces may seek to corral more of the funding. For example, many state and local officials likely would try to shift part of the former SNAP benefit dollars to CDBG-type "development" proposals that politically powerful local developers (who often make large campaign contributions) often favor.

- While Chairman Ryan says he's driven by evidence and research, his plan would jeopardize basic nutrition assistance for poor children, which research has shown is highly effective not only in reducing child malnutrition, but also in improving children's long-term prospects. A path-breaking recent study examined what occurred after food stamps gradually expanded nationwide in the late 1960s and early 1970s. It found that poor children with access to food stamps in early childhood (and whose mothers had access during pregnancy) had an 18-percentage-point higher high school graduation rate — and were less likely as adults to have stunted growth or heart disease or to be obese — than comparable children who lacked access to food stamps because their counties hadn't yet implemented the program. By eliminating poor families' entitlement to SNAP and placing funds for basic food assistance at risk of being diverted, the Ryan plan would jeopardize these crucial gains.

- *Total* funding to assist low-income families — from federal, state, and local levels *combined* — likely would *decline*, because the block grant would afford state and local officials tantalizing opportunities to use some block grant funds to *replace* state and local funds now going for similar services. Chairman Ryan says that the federal block grant funds would have to be used for the poor. But that wouldn't prevent states and localities from *substituting* some of these funds for existing state and local funds that they now use for some of the same purposes. That's what happened under the Temporary Assistance for Needy Families (TANF) block grant, even though Congress tried to forestall that through a maintenance-of-effort requirement and non-supplantation provisions. With broad block grants of this nature, some substitution by state and local governments is almost impossible to prevent.

- History clearly shows that when policymakers combine a number of programs into a block grant, federal funding typically declines over time, often dramatically. That has occurred in most broad-based block grants of recent decades. When a broad array of programs are merged into a block grant, policymakers find it virtually impossible to identify a specific level of needed federal funding — or the likely human impact of program cuts. As a result, the broad block grant often becomes easy to squeeze in the competition for federal budget dollars.

Chairman Ryan describes the "Opportunity Grant" proposal as providing the same level of resources for low-income families and individuals, not cutting them. For the reasons stated above, however, that's very unlikely to end up occurring. And that is why Chairman Ryan's plan would likely boost poverty and hardship over time and would prove particularly problematic in recessions.

Lest we forget, the nation has made enormous strides in reducing hunger and malnutrition, especially among children, since the late 1960s, when child malnutrition and nutrition-related diseases in some parts of the United States were similar to those in some Third World countries. SNAP's entitlement nature lies at the heart of this success. The single most troubling aspect of the Opportunity Grant proposal is its removal of that essential feature from one of the biggest successes in American social policy. For that reason, as well as others noted here, the Ryan Opportunity Grant proposal would likely make conditions for America's poor families and children worse overall rather than better.

Proposal Would Perform Especially Poorly in Recessions

As noted, Chairman Ryan's "Opportunity Grant" would convert SNAP, which helps both poor families and the economy by responding automatically when need increases, such as in recessions, into part of a large block grant under which states would receive fixed funding for the year. If need increased during the year, such as due to a downturn in the state or national economy, that could pose serious problems for low-income families.

In the 73-page booklet that Chairman Ryan released today, he says that if the Opportunity Grant were adopted nationally, this problem could be addressed by adjusting annual state grant amounts to reflect changes in state unemployment rates. That, however, is not an adequate solution.

First, the block grant levels would be set at the beginning of the year, likely using several months of state unemployment data that already would be several months old and would become dated quickly. (Similarly, mechanisms to try to adjust state grant amounts to changes *during* the year would always be behind actual changes in need and would complicate state administration of the grants.) Moreover, poverty and need rise or fall for reasons that go well beyond the unemployment rate, including changes in wages and demographic changes. Adjusting the block grant each year and during the course of the year through a formula to try to keep pace with actual need in each state will inevitably fail to allocate resources correctly; some states will get too little, particularly when circumstances change quickly.

The Ryan document's other ideas for adjusting the block grant amount to reflect changes in the economy are equally problematic. For example, it suggests using as a model (perhaps with some tweaking) the contingency fund under the Temporary Assistance for Needy Families (TANF) block grant. Virtually all analysts agree that the fund failed dismally during the recent recession. Ironically, Ryan also points to the TANF Emergency Fund that Congress enacted as part of the 2009 Recovery Act as an example of how policymakers could address rising need. The TANF Emergency Fund was a major success, but it expired in September 2010, long before unemployment and poverty returned to pre-recession levels — and Republican lawmakers blocked efforts to extend it.

Chairman Ryan's treatment of this issue isn't new. Proponents of converting low-income entitlement programs (like SNAP) into block grants have said at various times over the past several decades that block-grant levels could be adjusted to reflect changes in need. They almost always make such statements in the abstract, however. No one has ever designed a workable formula to achieve that goal, and no experience or evidence supports the notion it can be done successfully. Designing a block-grant formula that would effectively adjust for changes in need *as the changes actually occur* appears virtually impossible.

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[1] Donna Pavetti, "Ryan's Rhetoric Doesn't Match His Proposal's Reality," Off the Charts blog, July 24, 2014.