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ABSTRACT

The Senate Appropriations Committee recently approved a $1.1 billion reduction in the Social Services Block Grant (SSBG), a decrease of almost two-thirds of funding. This program has provided a flexible source of funding that enables states to meet the needs of their most vulnerable populations, low- and moderate-income children, and people who are elderly or disabled. Cuts in the SSBG could reduce funds that allow the elderly and disabled to remain in their own homes rather than being institutionalized, and such cuts could weaken welfare reform efforts by reducing funding for child care services and other supports for families that have moved from welfare to work. In addition, the SSBG helps fund services for people with mental retardation and other disabilities. Some states may be able to compensate for some of the reduction in SSBG through Temporary Assistance to Needy Families (TANF) funds, but overall, only 11 states could offset even one-fourth of the SSBG cut if they increased the portion of TANF funds to transfer to the SSBG to 4.25%, the maximum amount of transfer allowed in fiscal year 2001. Cutting the SSBG is also likely to weaken states' confidence in federal block grants. (SLD)

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SENATE APPROPRIATIONS BILL CONTAINS SEVERE REDUCTIONS IN SOCIAL SERVICES BLOCK GRANT

Program Funds Services for Vulnerable Low-Income Children and People Who are Elderly or Disabled

by Wendell Primus and Kristina Daugirdas

The Senate Appropriations Committee recently approved a dramatic $1.1 billion reduction in the Social Services Block Grant (SSBG) — from $1.7 billion to $600 million for fiscal year 2001, a decrease of almost two-thirds.[1] This program provides a flexible source of funding that enables states to meet the unique needs of their most vulnerable populations, primarily low- and moderate-income children and people who are elderly or disabled.

In spite of its status as a mandatory program, the SSBG has been a frequent target of budget cuts. As part of the welfare reform law enacted in 1996, the SSBG was cut by 15 percent — from $2.8 billion to $2.38 billion — for fiscal years 1997 through 2002, after which point its budget authority was set to return to $2.8 billion for fiscal year 2003 and thereafter. The highway bill passed in 1998,[2] however, cut the SSBG further to $1.7 billion for fiscal year 2001 and each year thereafter. If the pending reduction to $600 million is enacted, SSBG funding will be almost 80 percent lower in 2001 than it was in 1995.

This large reduction in the program, which is included in the fiscal year 2001 Labor-HHS-Education appropriations bill that the Senate Appropriations Committee has approved, is likely to have adverse consequences for millions of children and people who are elderly or disabled. Among other things, the Social Services Block Grant funds services that enable individuals who are elderly or disabled to remain in their homes rather than being placed in nursing homes or other institutions, as well as services to protect children from child abuse. Furthermore, these cuts in the SSBG could weaken welfare reform efforts by reducing funding for child care services and other supports for families that have moved from welfare to work.

In recognition of the importance of adequately funding the SSBG, a bipartisan group of Senators and Representatives recently introduced bills in both houses to restore SSBG funding to $2.38 billion, the level initially authorized in the 1996 welfare law. In the Senate, Senators Bob

[1] The Labor-HHS-Education bill for fiscal year 2001 that the House Appropriations Committee has approved funds SSBG at its authorized level of $1.7 billion. This is $75 million below the level for fiscal year 2000 and the President's budget request for 2001.

[2] The Building Efficient Surface Transportation and Equity Act (BESTEA).

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Graham, James Jeffords, Charles Grassley, and Jay Rockefeller have introduced such legislation (S. 2585), while Representatives Nancy Johnson, Ben Cardin, Clay Shaw, Sander Levin, Philip English, Robert Matsui, David Camp, and William Coyne have introduced parallel legislation (H.R. 4481) in the House.

Tight Budget Constraints Cited

Senate appropriators have cited two reasons for cutting SSBG so drastically. The first is "extremely tight budget constraints." Such constraints, however, are not a result of the current budgetary situation, but rather are an artificial product of the Congressional budget resolution. This year's budget resolution imposes unrealistic limits on funding for non-defense discretionary programs, while authorizing large tax cuts. The budget resolution calls for reducing non-defense discretionary appropriations for fiscal year 2001 by more than $19 billion — or 6.3 percent — below the fiscal year 2000 level, adjusted for inflation, and by $29 billion below the amount the Clinton Administration budget seeks.[3] (While the SSBG is a mandatory, not a discretionary, program, cutting it yields savings that can be used to moderate the degree to which other discretionary programs have to be reduced to fit within the budget resolution's tight limits on discretionary funding.)

While calling for substantial cuts in non-defense discretionary funding, the budget resolution makes room for at least $150 billion in tax cuts over five years, without any offsets. Moreover, the tax cuts the Senate and House have passed so far this year are oriented to a large degree toward high-income individuals. Congress thus is moving to provide substantial tax cuts for some of the most affluent members of society while slicing more than $1 billion from programs that serve vulnerable low- and moderate-income children and people who are elderly and disabled.[4]

The second justification the Senate Appropriations Committee has cited for cutting the SSBG is that the reduction in SSBG funding can be made up with money that states will receive from tobacco settlements. It is highly uncertain, however, that many states would use that money to offset this reduction in social services funding, especially since Congress decided last year to allow states complete flexibility in how to use the tobacco funds. In some states, anti-smoking and other health needs will receive first priority for use of the tobacco monies, not unanticipated reductions in SSBG funding. Furthermore, a number of states already have enacted legislation committing the tobacco funds for other purposes.

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[3] See James Horney, Budget Resolution Would Use at Least 98 Percent of Projected Non-Social-Security Surpluses for Tax Cuts, Center on Budget and Policy Priorities, April 14, 2000, available online at www.cbpp.org/4-14-00bud.htm.

[4] See James Horney, *Cost of Tax Cuts the House or Senate Has Passed Or Are Expected to Pass Soon Total $649 Billion*, Center on Budget and Policy Priorities, June 2, 2000, available online at www.cbpp.org/6-2-00tax.htm.

Services Provided with SSBG Funds

Congress combined funding for an array of social services programs into the Social Services Block Grant in 1975. SSBG provides funds to states to address the social service needs they see as most pressing. States have broad flexibility in determining which services to provide, who should deliver the services, and which families and individuals to serve. The types of services funded by SSBG are detailed in Table 1.

The SSBG funds services for millions of recipients, more than half of whom are children.[5] For example, in fiscal year 1998, some 10 percent of SSBG funds supported programs providing child care for low- and moderate-income children, while an additional 18 percent of the funds were spent on services to protect children from abuse and provide foster care to children.

Other SSBG funding goes for services for vulnerable, low- and moderate-income elderly people. Services for this population include home-based services that enable frail seniors to stay out of institutions. In many cases, the costs the federal government would incur (primarily through Medicaid) if these SSBG-funded services were withdrawn and the individuals had to be placed in nursing homes would exceed the costs of the services that SSBG provides. SSBG also funds the provision of protective services to prevent abuse, neglect, and exploitation of vulnerable seniors. No other program provides significant funding for those services.

Table 1

Social Services Block Grant Expenditures by Service Category in FY 1998
(dollars in thousands)

SSBG Service Categories	SSBG Funds	Proportion
Adoption Services	$21,306	0.7%
Case Management	$99,673	3.5%
Congregate Meals	$2,545	0.1%
Counseling Services	$44,171	1.5%
Day Care (Adults)	$14,593	0.5%
Day Care (Children)	$238,849	8.3%
Education and Training Services	$9,388	0.3%
Employment Services	$66,373	2.3%
Family Planning Services	$42,396	1.5%
Foster Care Services (Adults)	$4,919	0.2%
Foster Care Services (Children)	$231,412	8.1%
Health Related Services	$11,477	0.4%
Home Based Services	$274,461	9.6%
Home Delivered Meals	$16,655	0.6%
Housing Services	$3,714	0.1%
Independent/Transitional Living Services	$20,192	0.7%
Information and Referral	$17,935	0.6%
Legal Services	$9,564	0.3%
Pregnancy and Parenting	$10,540	0.4%
Prevention/Intervention (At-Risk Families)	$142,199	5.0%
Protective Services (Adult)	$82,813	2.9%
Protective services (Child)	$205,860	7.2%
Recreation Services	$1,734	0.1%
Residential Treatment	$111,234	3.9%
Special Services (Disabled)	$247,247	8.6%
Special Services (Youth)	$35,881	1.3%
Substance Abuse Services	$8,005	0.3%
Transportation	$18,232	0.6%
Other Services	$160,422	5.6%
Administrative Costs*	$343,008	12.0%
Uncategorized TANF Transfer Expenditures**	$368,782	12.9%
Total SSBG Expenditures	$2,865,579	100.0%

* "Administrative costs" is a broad catchall category which includes expenditures besides the costs of simply administering the programs. It also includes costs for training of personnel, planning activities, licensing activities, technical assistance and public information campaigns.

** $221,000,000, or 70 percent of these expenditures, were reported by New York.

Source : Table based on unpublished data from Social Services Block Grant post-expenditure annual reports submitted to the Department of Health and Human Services by 49 states and the District of Columbia. (New Hampshire is not included.) The totals include funds from other block grants transferred into SSBG, and exclude amounts carried forward to subsequent fiscal years or transferred out of SSBG.

In addition, the SSBG also helps to fund services for nearly half a million people with mental retardation and other physical or mental disabilities. These services include transportation, adult day care programs, early intervention, crisis intervention, respite care, and

[5] *Social Services Block Grant Program: Analysis of Expenditure and Recipient Data 1995-1997*, Office of Community Services, Administration for Children and Families, U.S. Department of Health and Human Services, July, 1999.

employment and independent living services. These services help such individuals remain at home and out of expensive and often inappropriate institutions. These services also help some people with disabilities to work.

The SSBG also helps to fund a number of mental health and related social services to meet the special needs of children and adults who are mentally or emotionally disabled. The cuts in the SSBG in recent years have weakened these mental health services in some states.

The SSBG Has Absorbed Deep Funding Reductions

Between 1977 and 1995, SSBG funding remained essentially frozen in the $2.7 billion to $2.8 billion dollar range. During this period, SSBG funding fell 61 percent after adjusting for inflation. SSBG funding declined further between 1995 and 1999. Under the 1996 welfare law, the SSBG funding level was reduced from $2.8 billion to $2.38 billion, with the understanding that SSBG funding would be guaranteed at this level through fiscal year 2002. The 1998 transportation law, however, further cut SSBG budget authority to $1.7 billion for fiscal year 2001 and beyond. This represents an overall reduction of more than $1 billion from the 1995 level, even before inflation is taken into account. Slicing the SSBG an additional $1.1 billion to $600 million, as the Senate

Table 2

SSBG Funding for FY 2001 Under Current Law and Under Proposal to Cut SSBG to $600 Million (in millions of 2001 dollars)

State	Funding Level Under Current Law	Allocation if Cut to $600M	Amount of Reduction
Alabama	$27.2	$9.6	($17.6)
Alaska	$3.8	$1.4	($2.5)
Arizona	$29.1	$10.3	($18.9)
Arkansas	$15.8	$5.6	($10.2)
California	$203.8	$71.9	($131.9)
Colorado	$24.8	$8.7	($16.0)
Connecticut	$20.4	$7.2	($13.2)
Delaware	$4.6	$1.6	($3.0)
District of Columbia	$3.3	$1.2	($2.1)
Florida	$93.1	$32.9	($60.2)
Georgia	$47.7	$16.8	($30.9)
Hawaii	$7.4	$2.6	($4.8)
Idaho	$7.7	$2.7	($5.0)
Illinois	$75.2	$26.5	($48.6)
Indiana	$36.8	$13.0	($23.8)
Iowa	$17.9	$6.3	($11.6)
Kansas	$16.4	$5.8	($10.6)
Kentucky	$24.6	$8.7	($15.9)
Louisiana	$27.3	$9.6	($17.6)
Maine	$7.8	$2.7	($5.0)
Maryland	$32.0	$11.3	($20.7)
Massachusetts	$38.4	$13.5	($24.8)
Michigan	$61.3	$21.6	($39.6)
Minnesota	$29.5	$10.4	($19.1)
Mississippi	$17.2	$6.1	($11.1)
Missouri	$33.9	$12.0	($22.0)
Montana	$5.5	$1.9	($3.6)
Nebraska	$10.4	$3.7	($6.7)
Nevada	$10.9	$3.8	($7.1)
New Hampshire	$7.4	$2.6	($4.8)
New Jersey	$50.6	$17.9	($32.8)
New Mexico	$10.8	$3.8	($7.0)
New York	$113.4	$40.0	($73.4)
North Carolina	$47.1	$16.6	($30.5)
North Dakota	$4.0	$1.4	($2.6)
Ohio	$69.9	$24.7	($45.3)
Oklahoma	$20.9	$7.4	($13.5)
Oregon	$20.5	$7.2	($13.3)
Pennsylvania	$74.9	$26.4	($48.5)
Rhode Island	$6.2	$2.2	($4.0)
Sourth Carolina	$23.9	$8.4	($15.5)
South Dakota	$4.6	$1.6	($3.0)
Tennessee	$33.9	$12.0	($21.9)
Texas	$123.3	$43.5	($79.8)
Utah	$13.1	$4.6	($8.5)
Vermont	$3.7	$1.3	($2.4)
Virginia	$42.4	$15.0	($27.4)
Washington	$35.5	$12.5	($23.0)
West Virginia	$11.3	$4.0	($7.3)
Wisconsin	$32.6	$11.5	($21.1)
Wyoming	$3.0	$1.1	($1.9)
Territories	$13.3	$4.7	($8.6)
Total	$1,700.0	$600.0	($1,100.0)

Appropriations Committee bill would do, would result in an overall cut of approximately 80 percent since 1995. (It would constitute a cut of 79 percent before adjusting for inflation, and 81 percent after adjusting for inflation.)

Table 2 (on page 4) shows the amount that each state would receive in fiscal year 2001 if the statute that authorizes the SSBG is followed and SSBG funding equals $1.7 billion. This table also shows the amount that each state would receive under the Senate Appropriations Committee bill. For example, Alabama will receive $27.2 million in fiscal year 2001 if the authorized level is provided. It would receive only $9.6 million, or slightly more than one-third of its current allocation, if SSBG funding is cut to $600 million, as the Senate bill proposes.

Table 3

Social Services Block Grant Funding Levels for Selected Years
(In millions of dollars)

Fiscal Year	*Block Grant Funding (Nominal Dollars)*	*Block Grant Funding Adjusted for Inflation (in 2001 dollars)*
1977	$2,796	$8,154
1980	$2,791	$6,070
1985	$2,725	$4,444
1990	$2,762	$3,732
1995	$2,800	$3,216
1996	$2,381	$2,660
1997	$2,500	$2,721
1998	$2,299	$2,461
1999	$1,909	$2,005
2000	$1,775	$1,819
2001	$1,700	$1,700
Percentage Cut Under Current Law (Adjusted for Inflation):		
1977 to 2001		79%
1995 to 2001		47%
Percentage Cut if Funding Is Reduced to $600 Million (Adjusted for Inflation):		
1977 to 2001		93%
1995 to 2001		81%

An SSBG cut of this magnitude would substantially reduce states' ability to provide services to vulnerable children and people who are elderly or disabled. Because of the dimensions of such a cut, most states would be unlikely to offset it with additional state funds.

Can States Compensate for These Cuts with TANF Money?

In fiscal year 2000, states were allowed to transfer 10 percent of their federal TANF block grant amount to SSBG. This percentage will decline to 4.25 percent in fiscal year 2001.[6] In addition to this limitation on TANF transfer authority to SSBG, there is an overall cap of 30 percent on total TANF transfers to SSBG and the Child Care Development Fund combined.

[6] To cover a funding gap in the 1998 highway bill, Congress cut total funding for the SSBG; it also reduced the percentage of TANF funds that states could transfer to SSBG from 10 percent to 4.25 percent, effective in fiscal year 2000. This transfer authority was reduced to ensure that CBO "scored" the SSBG funding reduction as generating outlay savings. Without the reduction in the transfer authority, CBO would have assumed that substantially more dollars would have been transferred to SSBG from the TANF block grant to make up for the loss in SSBG funds, thus eliminating a significant portion of the federal budget savings from the SSBG funding cut. To compensate for the reduction in SSBG funding in last year's appropriation bill, however, Congress raised the transfer authority from 4.25 percent to 10 percent for fiscal year 2000.

Currently, of the 50 states and the District of Columbia, 33 are transferring at least 4.25 percent of their TANF allocation— the maximum amount allowed in fiscal year 2001 — to the SSBG. (See Table 4.) Some lawmakers may assume that states can use their TANF surpluses to make up for the lost SSBG funds, but this is not the case. Many states have little or no ability to compensate for the funding loss with TANF funds.

Table 4 provides an analysis of each state's ability to compensate for the reduction in SSBG funding with TANF funds. The second column in the table shows the percentage of TANF funds that each state transferred to the SSBG in fiscal year 1999. The table also indicates the ability of each state to increase the amount that it transfers to the SSBG to the fiscal year 2001 limit of 4.25 percent. The table shows the following results:

- A substantial majority of states cannot increase transfers to the SSBG because they already are transferring at least 4.25 percent of their TANF allocation to the SSBG.

- A number of other states also cannot make additional transfers from TANF to the SSBG because they have no unspent TANF funds to transfer or because they are using all, or nearly all, of their TANF transfer authority to supplement the child care block grant. As mentioned earlier, there is a combined cap of 30 percent on the total amount of TANF funds that a state can transfer to the SSBG and the Child Care Development Fund.

- Overall, only 11 states could offset even one-fourth of the SSBG cut if they increased the portion of TANF funds they transfer to the SSBG to 4.25 percent. Even if states were able to transfer 10 percent of TANF funds to the SSBG, as they could do in fiscal year 2000, only 15 states could offset more than one-fourth of the SSBG cut in this manner.

Moreover, the ability of the states to compensate for part of the SSBG funding loss is likely to be somewhat overstated in the table. The table assumes that state TANF expenditures have not increased significantly in fiscal year 2000.

Many states, however, have been spending their TANF dollars at increased rates recently and consequently have fewer dollars available to transfer to other block grants, including the SSBG.[7] The increased rates of TANF spending across the country are reflected in the budget projection that the Congressional Budget Office released in January 2000.

Many demands already are made of TANF funds. In the limited number of states where it might be possible to make up for a significant portion of the SSBG cut with TANF funds, doing so would entail shifting TANF dollars away from their principal purpose — assisting parents in securing and retaining employment — and consequently could weaken the ability of these states to address the needs of parents with greater barriers to employment and to provide the types of supports that low-income working parents need to stabilize and maintain their often-tenuous

[7] For a more detailed discussion of TANF spending, see Ed Lazere, *Welfare Balances After Three Years of TANF Block Grants: Unspent TANF Funds at the End of Federal Fiscal Year 1999*, Center on Budget and Policy Priorities, January 2000, available online at www.cbpp.org/1-11-00wel.pdf.

holds on employment. Compelling states to use TANF funds to fill a significant portion of a gap in SSBG funding is likely to compromise welfare reform efforts.

Table 4

Ability of States to Compensate for SSBG Funding Reduction with TANF Funds

	Percent of TANF Funds Transferred to SSBG in FY 1999	Share of proposed SSBG cut that could be offset if state increases its transfer to 4.25%*	Reason Why Ability is Limited		
			Transfer Amount Exceeds 4.25%	*No Unspent TANF Funds*	*State is Using Most/All Transfers for Child Care***
Alabama	10.0%	0%	X		
Alaska	8.6%	0%	X		
Arizona	10.0%	0%	X		
Arkansas	6.9%	0%	X		
California	0.0%	100%			
Colorado	10.0%	0%	X		
Connecticut	9.0%	0%	X		
Delaware	0.0%	46%			
District of Columbia	8.2%	0%	X		
Florida	10.0%	0%	X		
Georgia	10.0%	0%	X		
Hawaii	1.0%	67%			
Idaho	10.0%	0%	X		
Illinois	10.0%	0%	X	X	
Indiana	2.9%	0%			X
Iowa	9.7%	0%	X		
Kansas	10.0%	0%	X	X	
Kentucky	10.0%	0%	X	X	
Louisiana	0.0%	15%			X
Maine	3.2%	0%		X	
Maryland	10.0%	0%	X		
Massachusetts	10.0%	0%	X		
Michigan	10.0%	0%	X		
Minnesota	10.0%	0%	X		
Mississippi	9.5%	0%	X		
Missouri	10.0%	0%	X		
Montana	0.0%	54%			
Nebraska	0.0%	37%			
Nevada	0.9%	23%			
New Hampshire	0.0%	34%			
New Jersey	10.0%	0%	X		
New Mexico	0.0%	80%			
New York	10.0%	0%	X		
North Carolina	2.4%	22%			X
North Dakota	0.0%	44%			
Ohio	10.0%	0%	X		
Oklahoma	10.0%	0%	X		
Oregon	0.0%	53%			
Pennsylvania	0.0%	63%			
Rhode Island	2.3%	0%		X	
South Carolina	10.0%	0%	X		
South Dakota	10.0%	0%	X		
Tennessee	0.0%	41%			X
Texas	10.0%	0%	X		
Utah	6.0%	0%	X		
Vermont	10.0%	0%	X		
Virginia	10.0%	0%	X		
Washington	0.0%	0%			X
West Virginia	10.0%	0%	X		
Wisconsin	10.0%	0%	X		
Wyoming	10.0%	0%	X		

* Some states cannot increase the transfer amount to 4.25% because they have a limited amount of unspent TANF funds or because they are using most of their transfer authority for child care. This is factored into this column.

** The state can make up little or none of the cut because it has transferred close to the maximum amount of its TANF funds (30 percent) to the child care development fund.

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One final point should be noted. Funds transferred from TANF to the SSBG can be used only for services for families with children. In states where SSBG funds are used primarily for services for people who are elderly and disabled, such transfers cannot be used to avert cuts in such services.

Cutting the SSBG Would Likely Weaken States' Confidence in Federal Block Grant Funding

Many states are becoming increasingly concerned that federal block grant funds are frequent targets when Congressional appropriators need to "make the numbers fit" for their budgets.[8] SSBG is not the only mandatory block grant program that would be cut under the Labor-HHS-Education bill that the Senate Appropriations Committee approved. That bill also reduces the State Children's Health Insurance Program (SCHIP) and TANF.

In addition to affecting current funding for these programs, these reductions may weaken states' confidence in whether promised federal funding levels for these programs actually will be provided. That lack of confidence can make state policymakers quite wary of undertaking promising initiatives in these programs. A growing number of state policymakers worry that if they increase the amount of TANF funds used to provide supports and services to low-income working families and families with serious barriers to employment, Congress may subsequently reduce TANF funding, with the result that these states would be forced to choose between scaling back their new programs and replacing the lost federal funds with state funds.

These fears are beginning to impede state actions on welfare reform. The cuts in mandatory block grant programs that are contained in the pending Labor-HHS-Education appropriations bill are almost certain to exacerbate this problem.

[8] See, for example, the letter from the National Governor's Association (NGA) to Senate Appropriations Committee Chairman Stevens and Ranking Member Senator Byrd dated May 11, 2000, describing NGA's highest funding priorities. The text of the letter is available online at http://www.nga.org.

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