

# Block Granting Food Assistance: An Unnecessary Change That Would Hurt Michigan Families



The Supplemental Nutrition Assistance Program (SNAP), formerly called Food Stamps, is an important federal program that helps families and individuals put food on their tables. In place nationwide since 1964, it is

available to households that are below 130% of the federal poverty level (\$24,842 for a family of three). In February 2017, nearly 737,000 households in Michigan received SNAP benefits.

There are currently efforts to convert SNAP from a federal entitlement program (in which eligibility and benefit levels, work requirements and other rules are set by the federal government and benefits go to all applicants who are eligible) to a block grant (in which states receive federal funding to set up their own food assistance programs with their own eligibility standards and program rules). This is a “solution looking for a problem” that would harm a program that is currently doing what it is intended to do and doing it well.

## SNAP IS WORKING WELL IN ITS CURRENT FORM

In Michigan and across the country, SNAP is the federal means-tested program most responsive to poverty and unemployment, expanding to meet need during economic downturns and contracting when the need recedes.<sup>1</sup> As shown in Figures 1 and 2, since 1994 (when underemployment data became available), the percentage of the Michigan population receiving food assistance has closely mirrored the percentage of workers who are underemployed.<sup>2</sup> Likewise, since 2005 (when poverty data from the American Community Survey became available), the

number of people receiving food assistance has generally responded to the number who are in poverty.

In addition to effectively targeting those most in need and responding to economic downturns, SNAP has one of the most rigorous payment accuracy systems of any public benefit program and devotes substantial resources to combatting fraud. The result is that in recent years, less than 4% of SNAP benefits were issued to ineligible households or in improper amounts.<sup>3</sup> By ensuring that the money is distributed in the proper amounts only to those who qualify, the current SNAP system preserves the integrity of the program and of the public funds used to support it.

## BLOCK GRANTING SNAP WOULD COMPROMISE ITS INTEGRITY AND EFFECTIVENESS

The 1996 federal “welfare reform” legislation converted cash assistance from the federally administered Aid to Families with Dependent Children program to the Temporary Assistance for Needy Families (TANF) block grant to states. States used their allocated TANF funds and their required state-matching dollars (called “maintenance of effort” or MOE) to set up their own cash assistance programs with their own eligibility standards, benefit amounts, time limits, sanctions, family caps and work requirements (within federal guidelines). In Michigan, the TANF cash assistance program is the Family Independence Program (FIP). In addition to providing cash assistance, states are allowed to use the funds for other programs as long as they fit into four general purposes of TANF.<sup>4</sup>

Lessons learned from federal and state TANF policy decisions, and the nature of block granting itself, raise

serious concern that block granting SNAP would lead to lower benefits, fewer struggling families receiving assistance and compromised program integrity. Here are several ways in which SNAP could be harmed:

- Reductions in Overall Funding:** Block granting is almost always accompanied by funding erosion if not outright cuts. In 1997, the first year of TANF, Michigan received a block grant of \$775 million to provide cash assistance and fund other poverty-reducing programs. The federal government has not increased the basic block grant funding level to Michigan or other states in the 20 years since 1997. As a result, due to inflation, Michigan’s block grant value has eroded to \$510.6 million in 1997 dollars, leaving Michigan with much less money with which to help families in need.<sup>5</sup> SNAP funds, on the other hand, come to Michigan based on the number of households that qualify rather than on a fixed amount that erodes with time. Block granting SNAP will likely be accompanied by severe cuts and a general erosion of the block grant over time.<sup>6</sup> The most recent U.S. House Republican budget resolution assumed a SNAP block grant beginning in 2021 with \$125 billion in cuts through 2026.

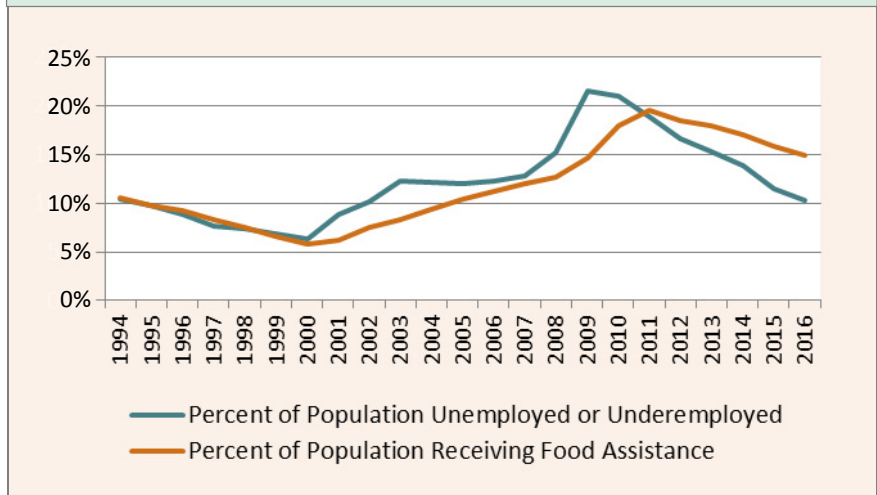
- Prioritization of State Budget Fixes Over Direct Assistance:** The ability to use TANF funds for purposes other than direct cash assistance encouraged Michigan (and other states) to fill budget holes by funding existing programs with TANF and MOE dollars instead of the state’s General Fund. While some of these programs target families with low incomes, others tend to help middle-income families and individuals, such as college financial aid. With the flexibility to supplant TANF dollars in this way, providing direct assistance becomes a low priority. This is in contrast to SNAP dollars, which go entirely to

the provision of direct food assistance to households. Block granting SNAP may similarly result in state lawmakers diverting food assistance dollars to fill miscellaneous budget holes instead of supporting families who are most in need.

- A Perverse Incentive to Cut Families Off Assistance:** Enabling states to supplant state budget dollars with TANF dollars creates a perverse incentive to reduce cash assistance to free up money for other uses. Even as Michigan’s poverty and jobless rates during the past 10 years reached record highs, Michigan’s

FIGURE 1

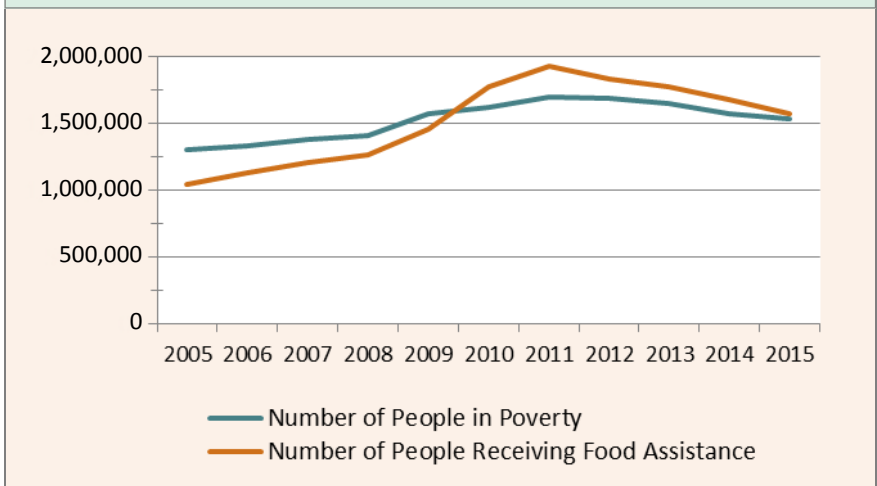
### The Responsiveness of SNAP to Underemployment in Michigan



Sources: Population: U.S. Census Bureau, Employment: Economic Policy Institute analysis of Current Population Survey data, Food Assistance: Michigan Department of Health and Human Services

FIGURE 2

### The Responsiveness of SNAP to Poverty in Michigan



Sources: Poverty: American Community Survey 1-Year Estimates, Food Assistance: Michigan Department of Health and Human Services

Legislature enacted policies to reduce FIP cases, including keeping the initial eligibility level low (a family's income must now be at half the federal poverty level to begin receiving FIP) and establishing stricter sanctions and time limits. As a result, in 2015 only 4.5% of Michigan residents in poverty received cash assistance. There are now fewer families receiving cash assistance in Michigan than at any time since the early 1960s, despite the fact that many families continue to struggle. Because all SNAP funds coming into Michigan are currently used for benefits that go directly to recipients, or the administration of those benefits, there is no financial incentive for the state to cut families off assistance—which will change if SNAP funding is block granted.

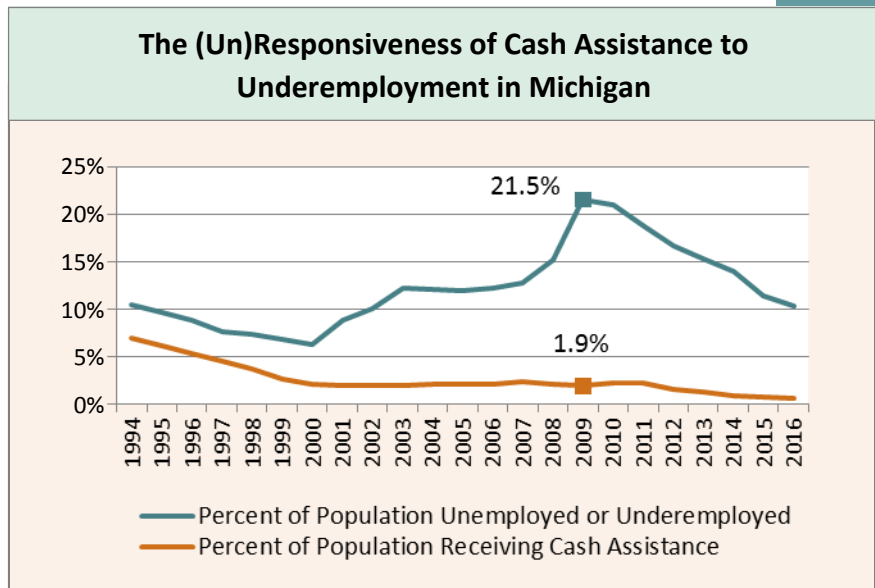
- Compromised Accuracy and Oversight:** The federal SNAP program has an extremely low rate of error and fraud due to diligent federal investment and effort to build up program integrity and efficiency over the decades. Block granting SNAP could shift much of the error and fraud reduction responsibility to states, which do not have needed infrastructure and financial resources comparable to the federal government, resulting in misdirected funds and compromising the ability to effectively provide benefits to those who are supposed to receive them.

Michigan's experience with TANF and cash assistance illustrates why block granting TANF has been harmful to families with low incomes and to the cash assistance program itself. As seen in Figure 3, while Michigan's underemployment rate shot up during the 2000s to as high as 21.5% in 2009, the Family Independence Program remained disengaged from the hardship as caseloads remained flat. Likewise, Figure 4 illustrates how FIP was

unresponsive to changes in the poverty rate during the past 10 years.

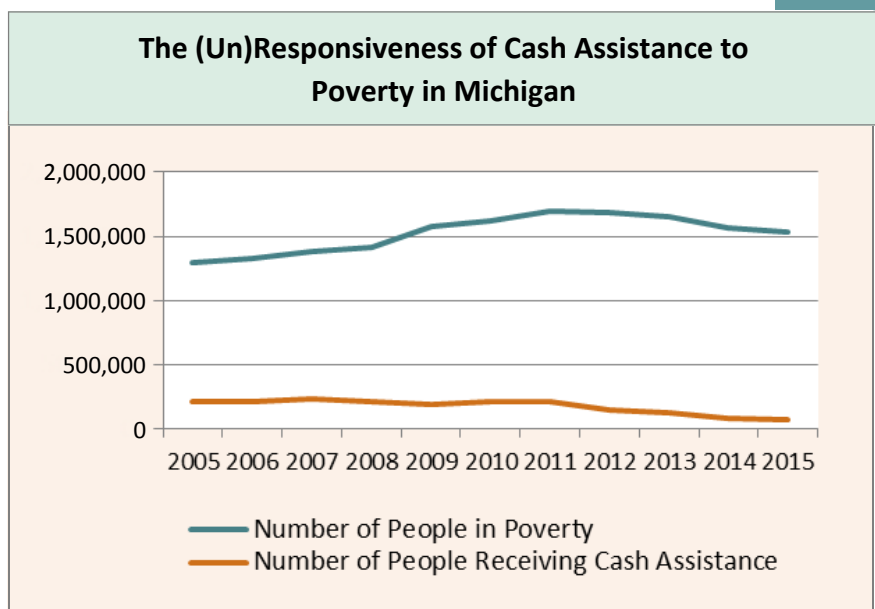
Rather than enact legislation that would harm a program that is working well and hurt struggling families in the process, Congress should build on SNAP's success by updating household benefit levels to reflect current food prices and providing more support for food assistance recipients to participate in education and training that would increase their earnings.

FIGURE 3



Sources: **Population:** U.S. Census Bureau, **Employment:** Economic Policy Institute analysis of Current Population Survey data, **Cash Assistance:** Michigan Department of Health and Human Services

FIGURE 4



Sources: **Poverty:** American Community Survey 1-Year Estimates, **Cash Assistance:** Michigan Department of Health and Human Services

## ENDNOTES

1. Rosenbaum, D., *Block-Granting SNAP Would Abandon Decades-Long Federal Commitment to Reducing Hunger*, Center on Budget and Policy Priorities, March 2017.
2. The underemployment rate is the number of workers who are unemployed, who involuntarily work part time for economic reasons, and who are marginally attached to the labor force (not in labor force but have looked for a job in the past 12 months), divided by the total in the labor force and marginally attached to the labor force.
3. Rosenbaum, op. cit.
4. The four purposes of the TANF program are to: 1) provide assistance to needy families so that children can be cared for in their own homes; 2) reduce the dependency of needy parents by promoting job preparation, work and marriage; 3) prevent and reduce the incidence of out-of-wedlock pregnancies; and 4) encourage the formation and maintenance of two-parent families.
5. Calculated using the online Bureau of Labor Statistics CPI Inflation Calculator on April 4, 2017.
6. Rosenbaum, op. cit.