

Block Grants: An Old Mistake Masquerading as a New Solution

A **block grant** is a way for the federal government to send money to states with minimal requirements for how it is used or distributed. Proponents say block grants bring flexibility. They are often proposed as a way to make budget cuts somehow matter less. That's what's happening in Congress right now. But the track record for block grants shows they create three outcomes: 1) less funding for public services, 2) a shift in the distribution of funds from less-advantaged communities to those with more power, and 3) the displacement of those funds from their intended purposes toward other uses.

Less Funding for Public Services. This is the clearest lesson from decades of experience with block grants. In 2017, the Center on Budget and Policy Priorities examined the track record for 13 different block grants. They found that since 2000, overall funding for these programs had fallen by 37 percent after adjusting for inflation and population growth.¹

A major experiment in block grants was the conversion of Aid to Families with Dependent Children into the Temporary Assistance for Needy Families block grant. AFDC was the main program providing financial assistance to those in need. While TANF started at the same funding level as AFDC, it then was flat-funded for 20 years, losing 34 percent of its value per poor child because of inflation and growth in the numbers of poor children.²

Medicaid is one of the targets for block grants. The 50 states' Medicaid funding uses a formula that drives more federal dollars to states whose populations have lower incomes. But Puerto Rico's Medicaid program is already funded via block grant. If Puerto Rico received funding as if it were a state, the formula would provide for 55 percent of its Medicaid costs. But between 2012 and 2019, under the block grant, the average federal

contribution for Puerto Rico was 15 percent. Worse, that contribution declined from 17.9 percent in 2012 to 13.9 percent in 2019. The result was fewer people receiving healthcare, leading to documented adverse health outcomes like more diabetes, asthma and high blood pressure.³

Block grants have been particularly hard on schools. In 1982, the Reagan administration consolidated 28 separate programs into the Chapter 2 block grant. Those programs had previously been funded at \$713.9 million. Under Chapter 2 that funding was reduced to \$418 million and then systematically reduced until it was zeroed out in 2008. In 2002, Congress consolidated the federal grant for class-size reduction with the Title II Teacher Quality program, turning it into a block grant. Since then, funding has dropped from \$2.8 billion to \$2.2 billion before accounting for inflation.

Shifts from Vulnerable Communities. Federal grants like Medicaid and Title I for K-12 education are often based on formulas that send funds broadly but provide extra funding to high-need communities. Block grants, by allowing for more "flexibility," often undermine that commitment.

TANF is an example how block grants create inequality as well as austerity. Because funding was fixed, those states with growing numbers of poor children suffered more austerity. From 1997 to 2015, Nevada's number of poor children more than doubled, leading to the real value of its grant falling by 68 percent per poor child. But because Missouri's number of poor children decreased, the real value of its grant declined by only 7 percent per poor child.⁴ And states have allowed TANF funds to be used for programs like college scholarships that are available to families who are well above the poverty line, despite the program ostensibly being to support the "needy."⁵

The Community Development Block Grant program has a subgrant that is one of the main vehicles Congress has to provide funding for communities that have experienced a natural disaster. But research shows that “counties with a higher percentage of Black populations receive less aid from this program,” and that counties whose federal legislators served on CDBG oversight committees get more funding.⁶ A study of the broader CDBG finds that communities with greater administrative capacity are more likely to receive funding, and that some localities “most in need are least equipped” to access funding.⁷

Displacement of Funds from Intended Purposes.

Block granting leads to money being diverted from Congress’ original purposes. This can be touted as positive (i.e., “flexibility”), but for programs intended to help those without healthcare or children in poverty, displacement

should only be seen as damaging. Again, the conversion of AFDC to TANF is a chief example. AFDC’s formula supplied a federal match to states based on their spending. Block granting let states lower their contributions and divert funding to support other priorities. This led to only about 25 percent of TANF funds going directly to those in need.⁸

When the federal government created the Title II education block grant described above, we saw not only cuts to funding but the movement of the limited remaining dollars away from the originally intended purposes. That’s particularly so for class-size reduction.⁹ In 2000-01, about 25,000 teachers were hired with federal class-size reduction funds. By 2022, only 14 percent of Title II funds were used for class-size reduction.¹⁰

- 1 David Reich et al., “Block-Granting Low-Income Programs Leads to Large Funding Declines Over Time, History Shows,” Center on Budget and Policy Priorities, 2017, <https://www.cbpp.org/sites/default/files/atoms/files/2-22-17bud.pdf>.
- 2 Ife Floyd, LaDonna Pavetti, and Liz Schott, “Lessons from TANF: Initial Unequal State Block-Grant Funding Formula Grew More Unequal Over Time,” Center on Budget and Policy Priorities, 2017, <https://www.cbpp.org/research/income-security/lessons-from-tanf-initial-unequal-state-block-grant-funding-formula-grew>.
- 3 Edwin Park, “How States Would Fare Under Medicaid Block Grants or Per Capita Caps: Lessons from Puerto Rico,” Commonwealth Fund, 2021, https://www.commonwealthfund.org/sites/default/files/2021-01/Park_Medicaid_block_grants_per_capita_caps_lessons_Puerto_Rico_ib.pdf.
- 4 Floyd, “Lessons from TANF: Initial Unequal State Block-Grant Funding.”
- 5 Aditi Shrivastava, “To Strengthen Economic Security and Advance Equity, States Should Invest More TANF Dollars in Basic Assistance,” Center on Budget and Policy Priorities, 2023, <https://www.cbpp.org/research/income-security/to-strengthen-economic-security-and-advance-equity-states-should-invest>.
- 6 Qing Miao et al., “Where Did the Money Go? Assessing the Distribution of the Community Development Block Grant - Disasters Recovery Funds,” *The American Review of Public Administration* (2025), <https://journals.sagepub.com/doi/abs/10.1177/02750740241308272>.
- 7 Brian Collins and Brian Gerber, “Redistributive Policy and Devolution: Is State Administration a Road Block (Grant) to Equitable Access to Federal Funds?” *Journal of Public Administration Research and Theory* 116, no. 4 (October 2006): 613–632, <https://academic.oup.com/jpart/article-abstract/16/4/613/923274>.
- 8 Liz Schott, “Lessons from TANF: Block-Granting a Safety-Net Program Has Significantly Reduced Its Effectiveness,” Center on Budget and Policy Priorities, 2017, <https://www.cbpp.org/sites/default/files/atoms/files/2-22-17tanf.pdf>.
- 9 Mary Ann Millsap et al., “A Descriptive Evaluation of the Federal Class-Size Reduction Program,” U.S. Department of Education, 2004, <https://www.ed.gov/sites/ed/files/rschstat/eval/other/class-size/highlights.pdf>.
- 10 Ann Webber et al., “State and District Use of Title II, Part A Funds in 2021–22,” U.S. Department of Education, 2023, <https://www.ed.gov/sites/ed/files/2023/08/Title-IIA-UseOfFunds-2021-22.pdf>.