

# **State Fiscal Changes, Social Program Spending, and Faith Based Organizations**

**Presented by**

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**Roundtable on Religion & Social Welfare Policy**

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# Questions

**What's happened to funding streams for social programs used by faith-based organizations (FBOs)?**

- 1. What have been the effects of**
  - state fiscal crises,**
  - long-run trends in social service spending, and**
  - federal budgets?**
- 2. How have these effects varied across states?**
- 3. What are the prospects for the future?**

# Conclusions

1. Funding streams differ in FBO access
2. Fiscal problems differ between rich & poor states
3. Long run trends in spending show greater growth in spending for programs not accessible to many FBOs
4. Long run trends also show a squeeze, especially in poor states, on funding streams accessible to FBOs
5. State budget crises continued, even accelerated these trends
6. Tighter state budgets hurt programs that did not serve core constituencies and performance requirements—including many programs operated by FBOs
7. Recent federal funding decisions and proposals do not compensate for these problems and may exacerbate them
8. Greater flexibility for FBOs—but in places where there's less \$

## **Sources of information**

- **Administrative spending data for programs**
- **Census Bureau spending data**
- **Field research studies on social welfare spending (forthcoming ASPE report)**
- **Study of role of FBOs in Medicaid**
- **Analyses of federal budgets & initiatives**

# What funding streams do FBOs rely on?

## Estimates of FBO involvement

- **Higher levels of involvement:**
  - Temporary Assistance for Needy Families & State MOE programs
  - National & Community Service Programs
  - Social Services Block Grant
  - Emergency Food and Shelter Program
  - Substance Abuse and Mental Health
  - Community Development Block Grant
- **Lower levels of involvement:**
  - Child Care Development Block Grant
  - Foster care and adoption
  - Child nutrition programs
  - Training and employment programs (e.g., WIA)
- **Lowest levels of FBO involvement:**
  - Medicaid
  - SCHIP (except outreach)

# **FBO Reliance on Medicaid**

- **Largest involvement through institutional providers– hospitals, nursing homes**
  - **Catholic Health System: full range of institutional providers**
  - **Lutherans, Presbyterians: few hospitals, sizeable long term care**
  - **Smaller involvement in mental health, home care**
  - **Somewhat greater in Medicaid/CHIP outreach**
- **But most of these institutions are usually little different from secular institutions**

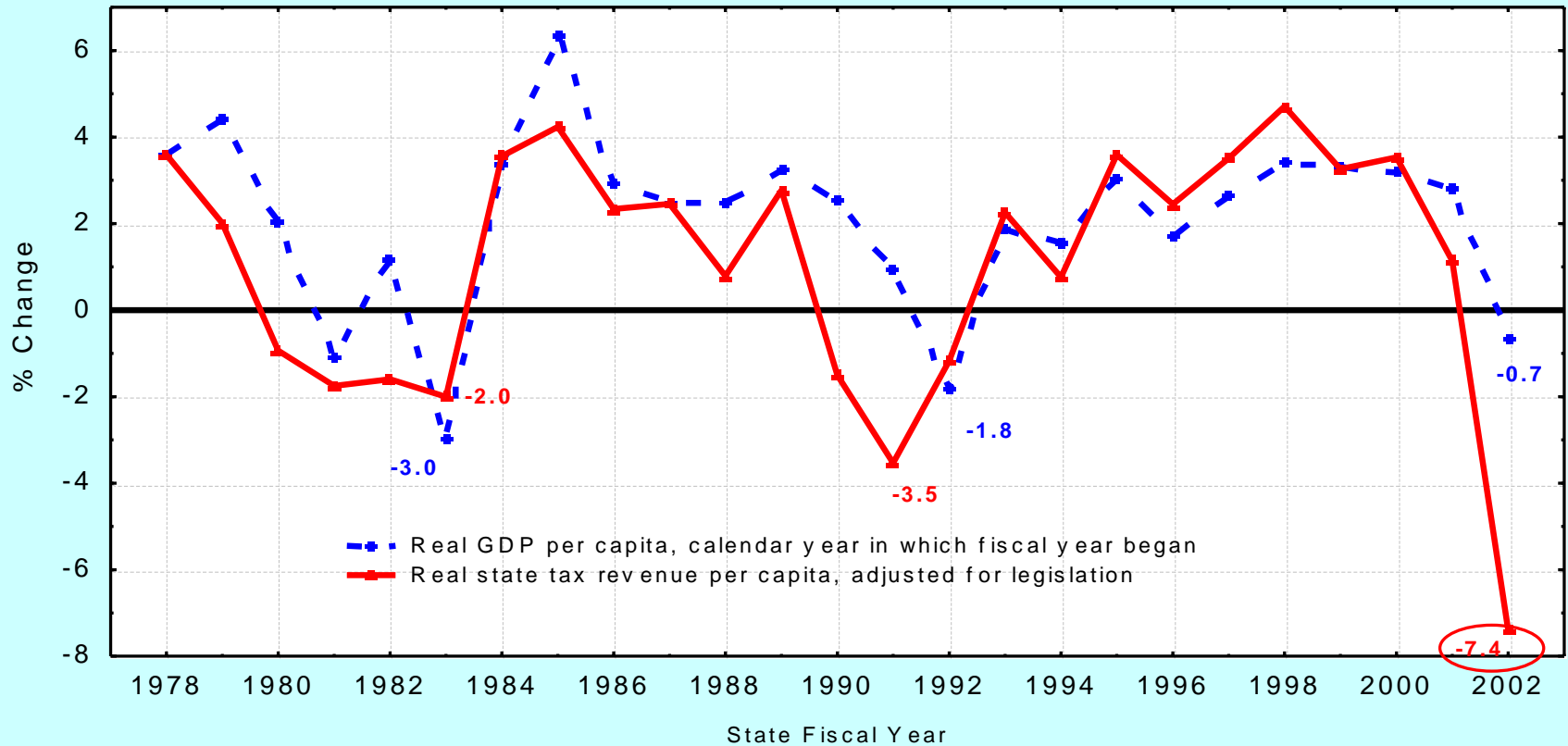
# Barriers to Medicaid participation

- **High sunk costs:**
  - Facility license required
  - Expensive, professional personnel required: physicians, nurses, psychologists, social workers
- **No front end support; reimbursement for services rendered**

**What was the state fiscal crisis? How did it affect different states? And is it over?**

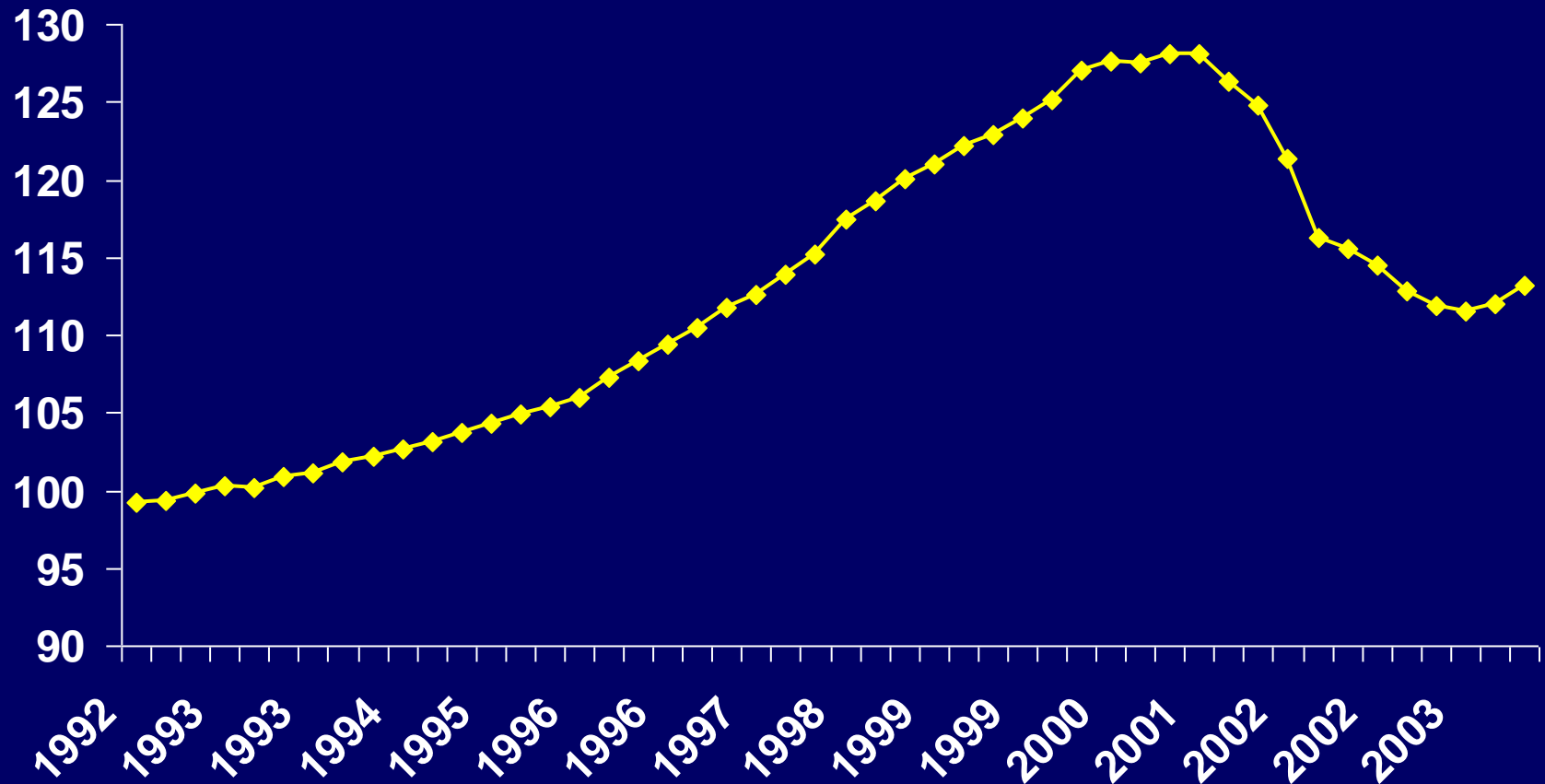
# Fiscal crisis: very large drop in state revenues, beginning in 2002

State Tax Revenue Has Fallen Far More Sharply Relative to Economy Than in 1980-82 and 1990-91 Recessions



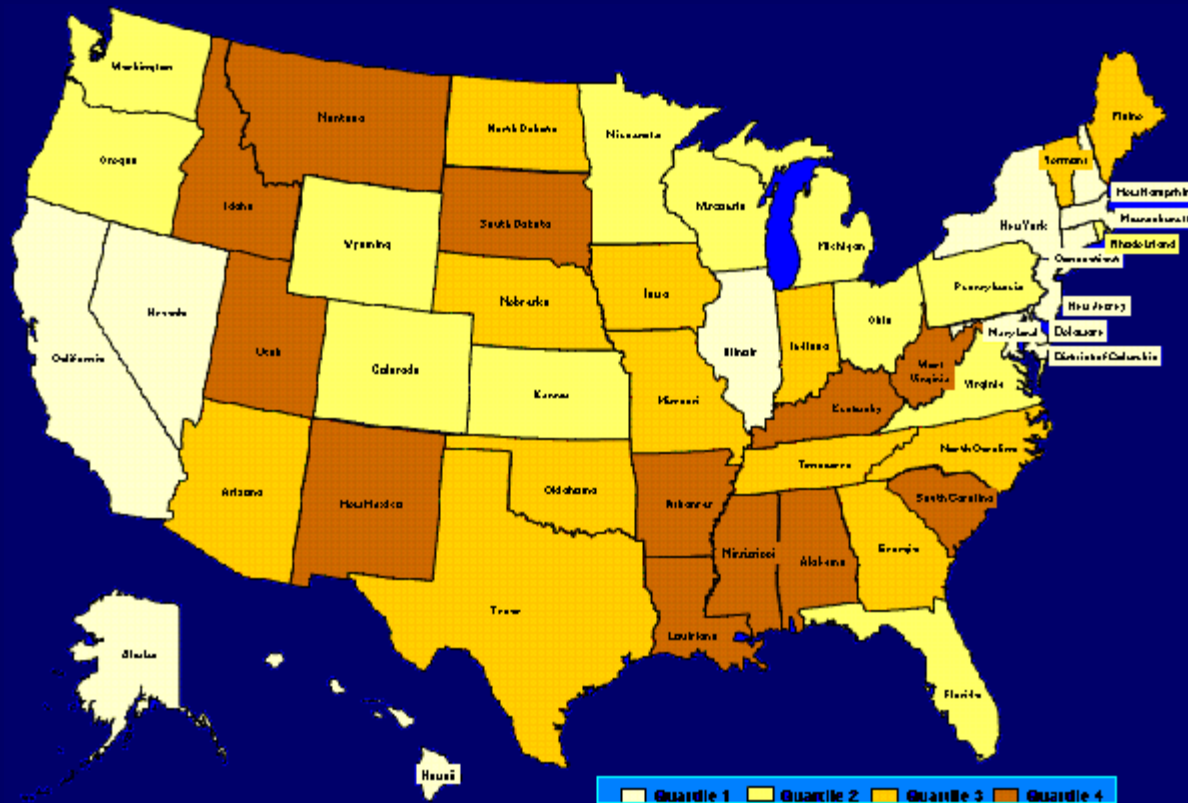
Sources: U.S. Bureau of Economic Analysis, U.S. Bureau of the Census, *Significant Features of Fiscal Federalism* - 1984 (ACIR), *Fiscal Survey of the States* (NGA), Rockefeller Institute of Government

# Per capita state tax revenues, adjusted for inflation, 1992-2004



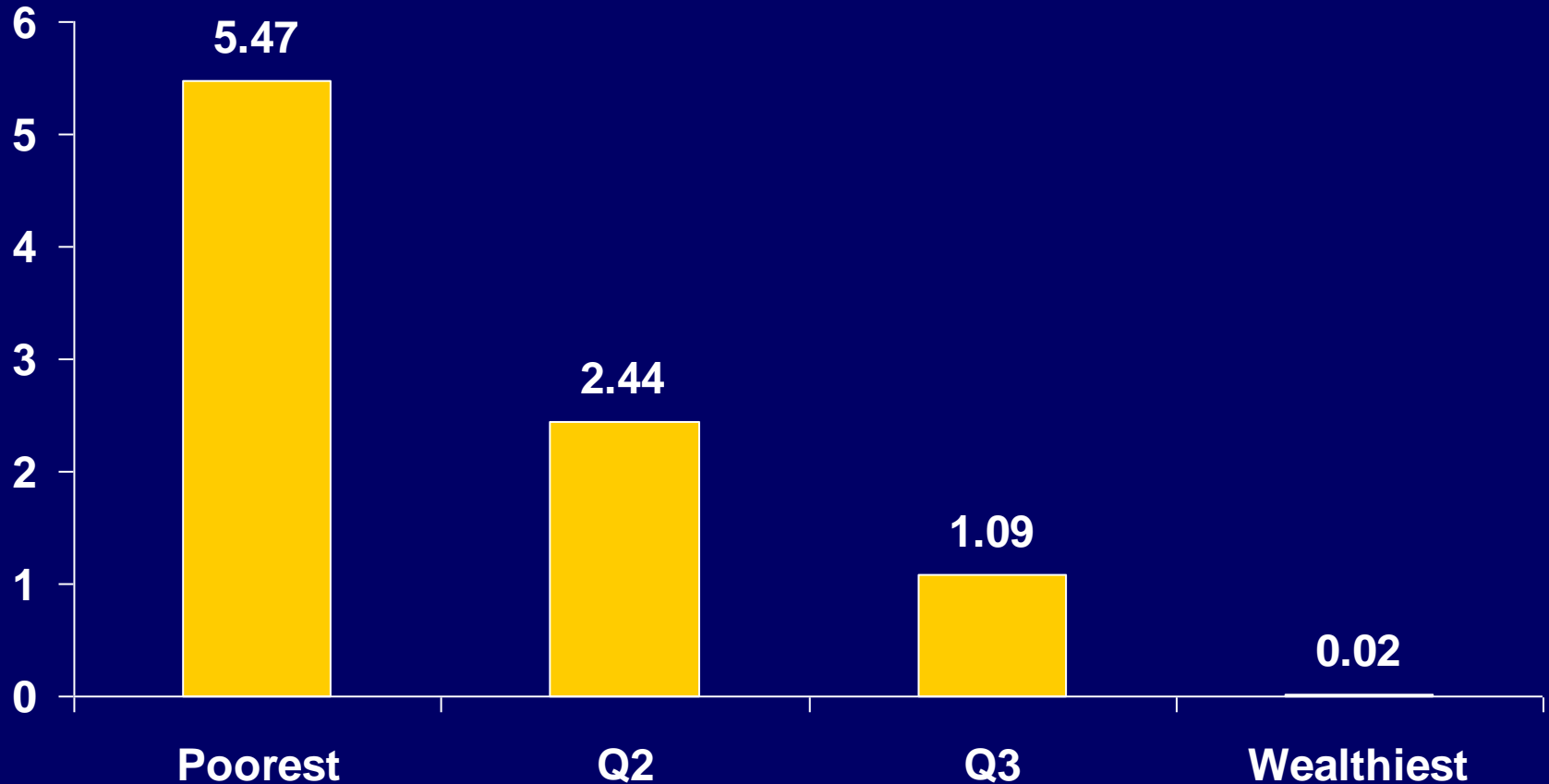
# States by fiscal capacity

(Based on per capita personal income, mean 1977-2000)



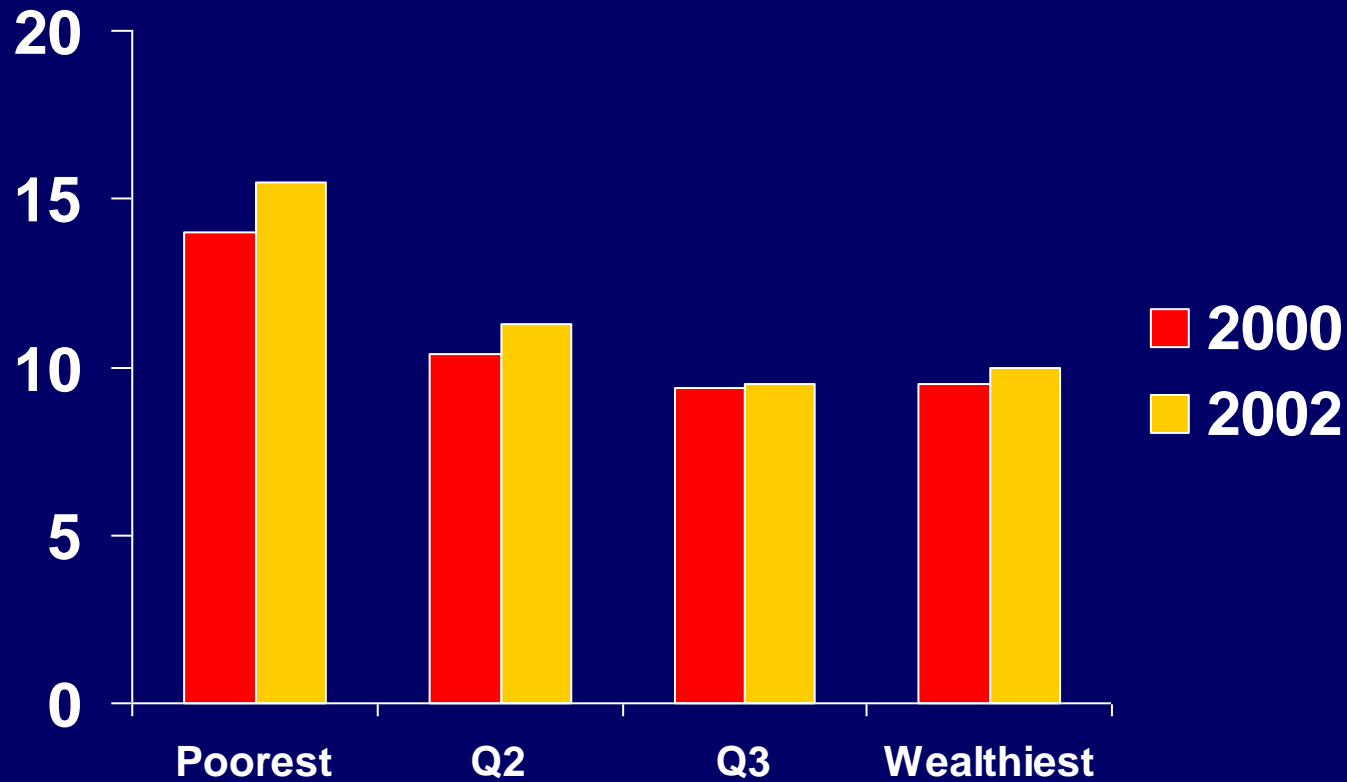
# State Tax Revenues:

Average percentage change in state tax revenues, by state fiscal capacity, 2001-2003

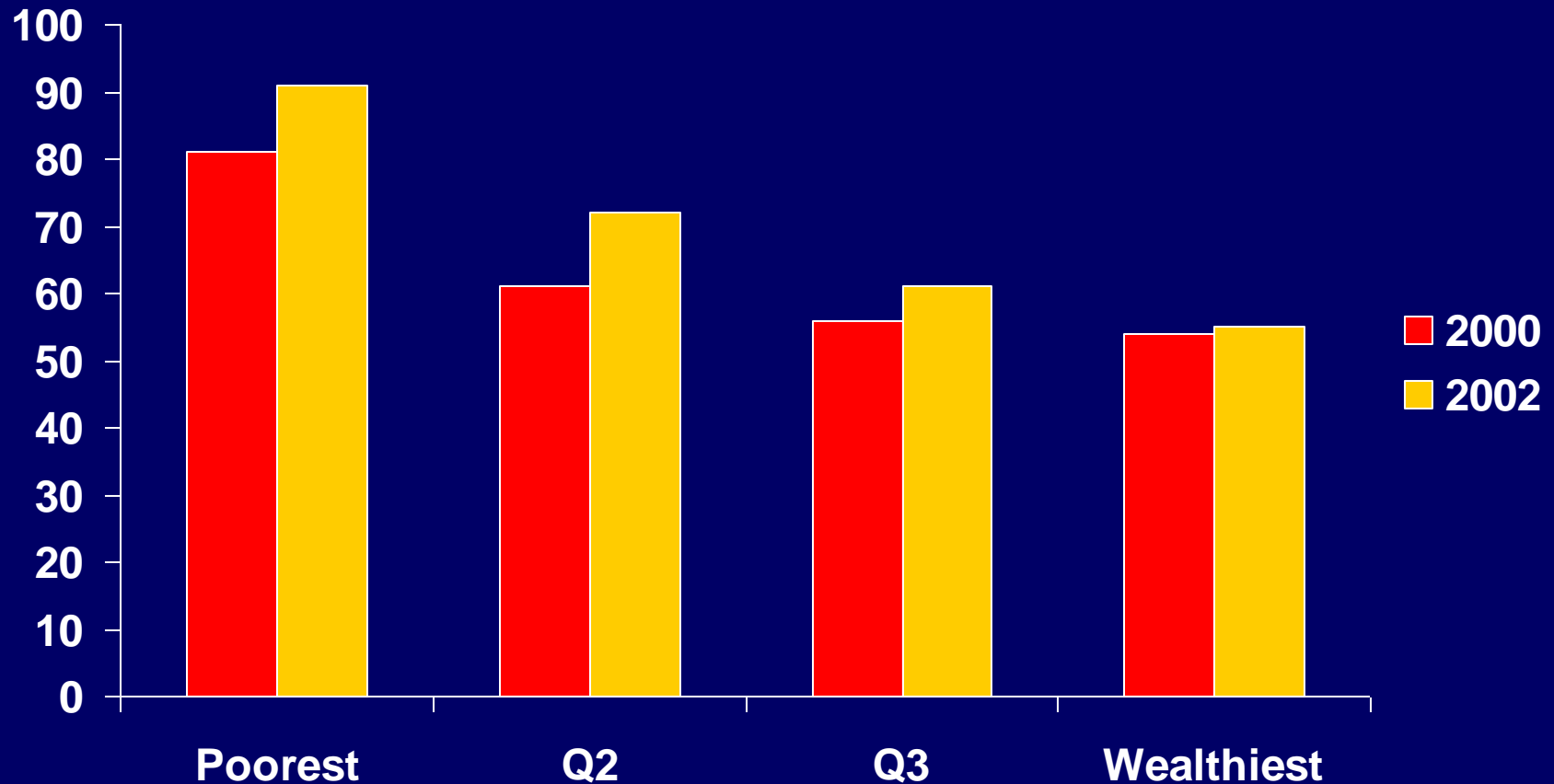


# Poverty grew in poor states:

## State poverty rates, by state fiscal capacity, 2000-2002



# Food Stamp recipients per thousand population, by state fiscal capacity, 2000-02



**How do these state fiscal crises interact with long-run trends in state spending on social programs?**

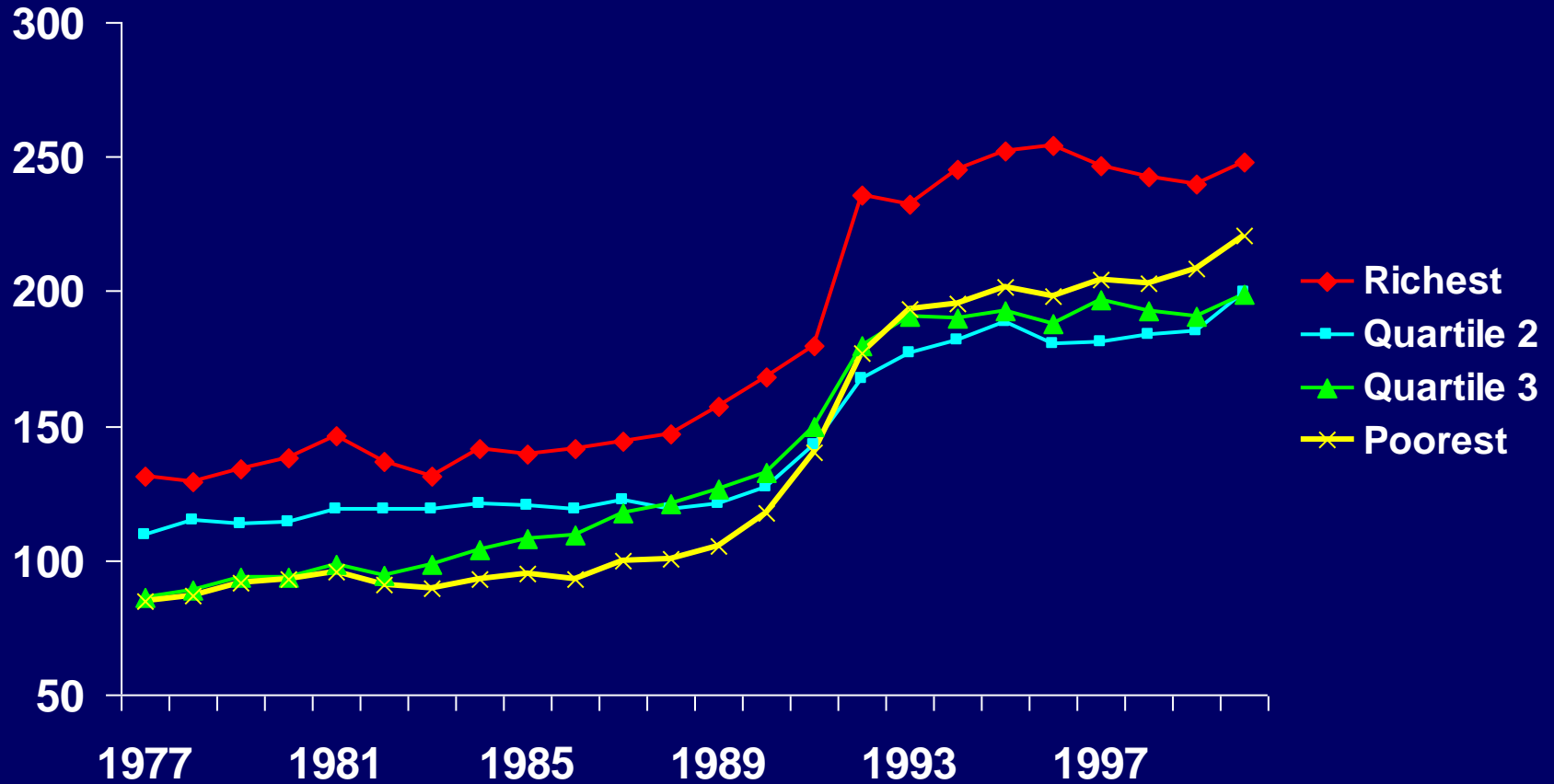
## To analyze long run spending trends:

### Spending categories, based on Census Bureau data

- Medicaid: “vendor payments to medical providers” in Census Bureau data; largely Medicaid
- Cash assistance: direct cash assistance to people, such as state SSI supplements and cash benefits under TANF/AFDC
- Non-health social services: includes many services, such as public homes for elderly, veterans; child care & other work supports; foster care, adoption, protective services; social services for physically disabled; case management; other administrative expenses; etc.

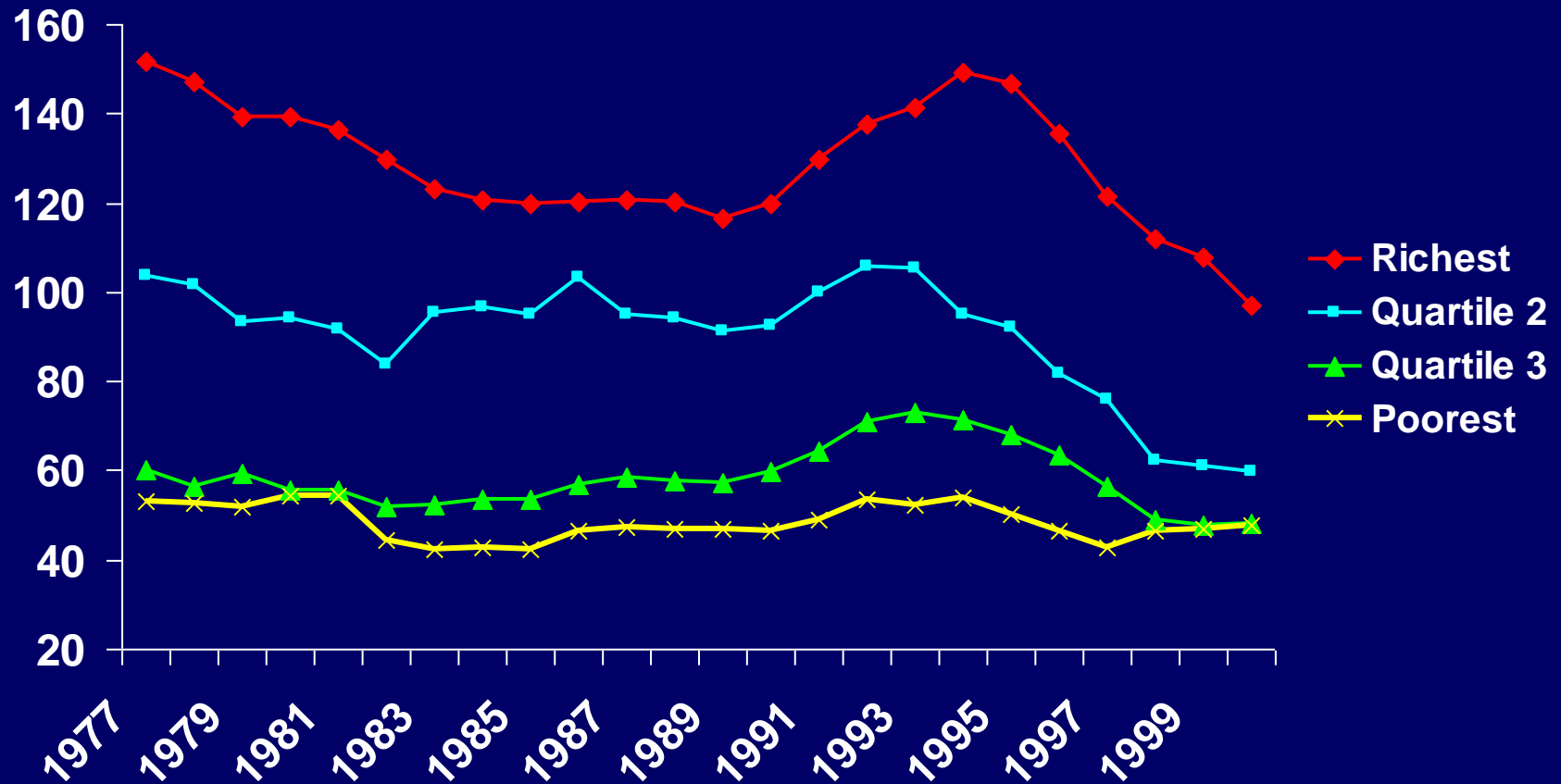
# Medicaid:

Mean spending per capita, by state fiscal capacity, 1977-2000 (adjusted with CPI Medical Index)



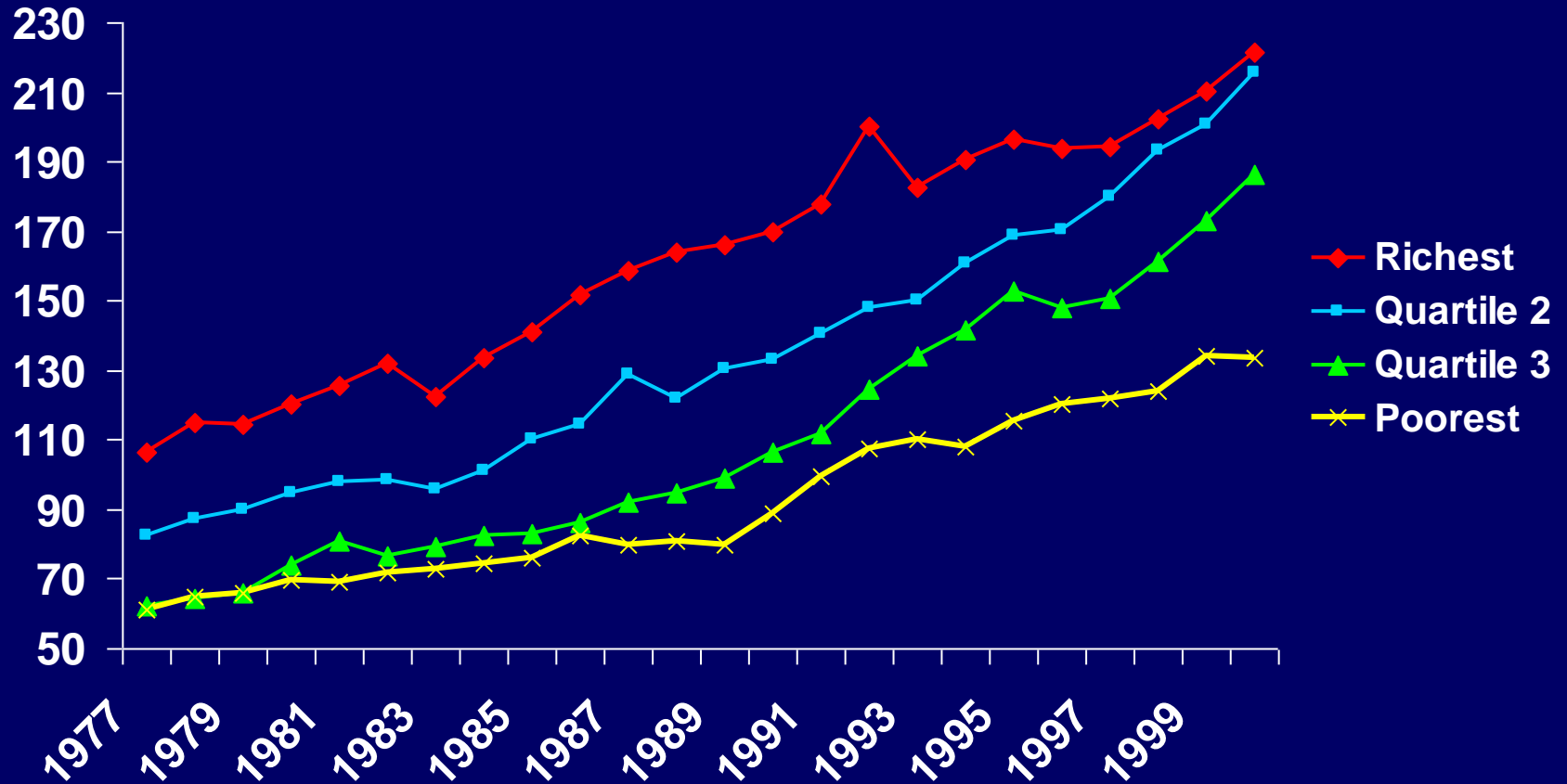
# Cash assistance:

Mean per capita spending by state fiscal capacity, 1977-2000 (adjusted with GDP Price Deflator)

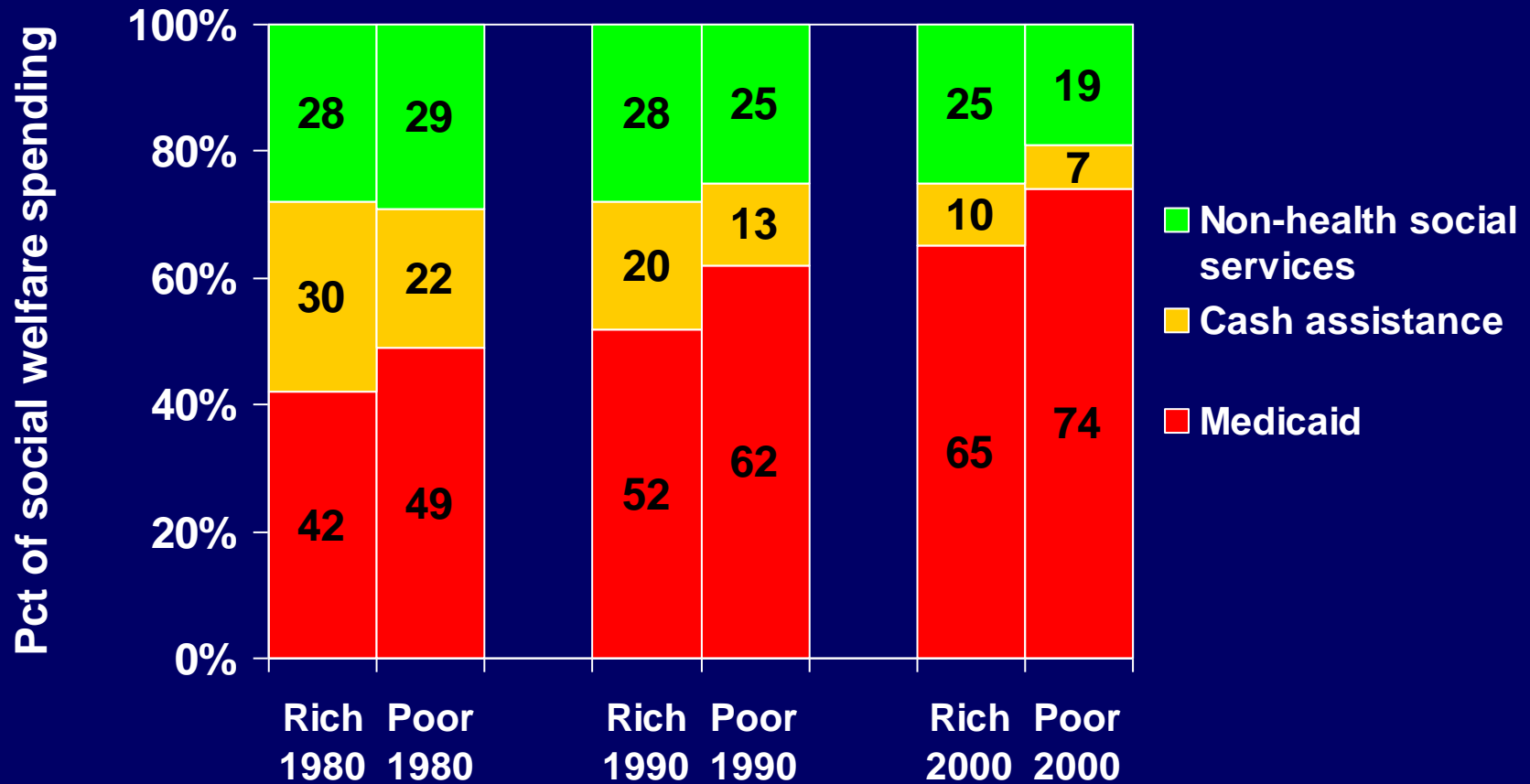


# Nonhealth social services:

Mean spending per capita, by state fiscal capacity, 1977-2000 (adjusted with GDP price deflator)



# Composition of social welfare budgets changed, 1980 to 2000

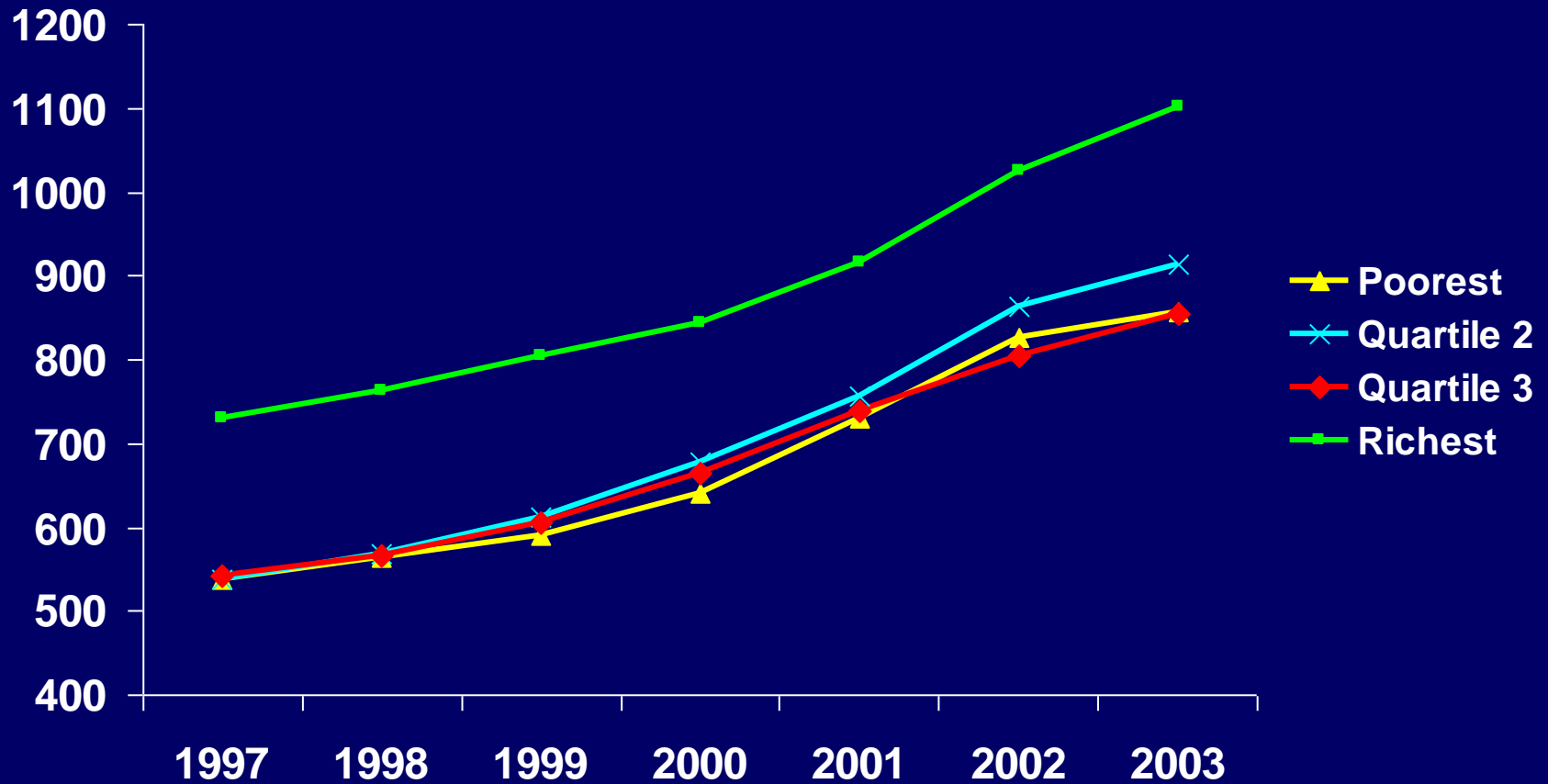


**Did these long-run trends continue, accelerate, or what under state fiscal crises?**

# Medicaid Budget Changes, FY 2003 and 2004

- **Small cuts widespread, but in most states, no large-scale rollbacks:**
  - **Provider rate cuts, not large**
  - **Some eligibility limitations**
  - **Reductions in enrollment outreach**
  - **Capacity reductions**
- **Spending continued to climb, driven by drug costs, enrollments, etc.**

# Per capita spending on Medicaid, by state fiscal capacity, 2000-2003

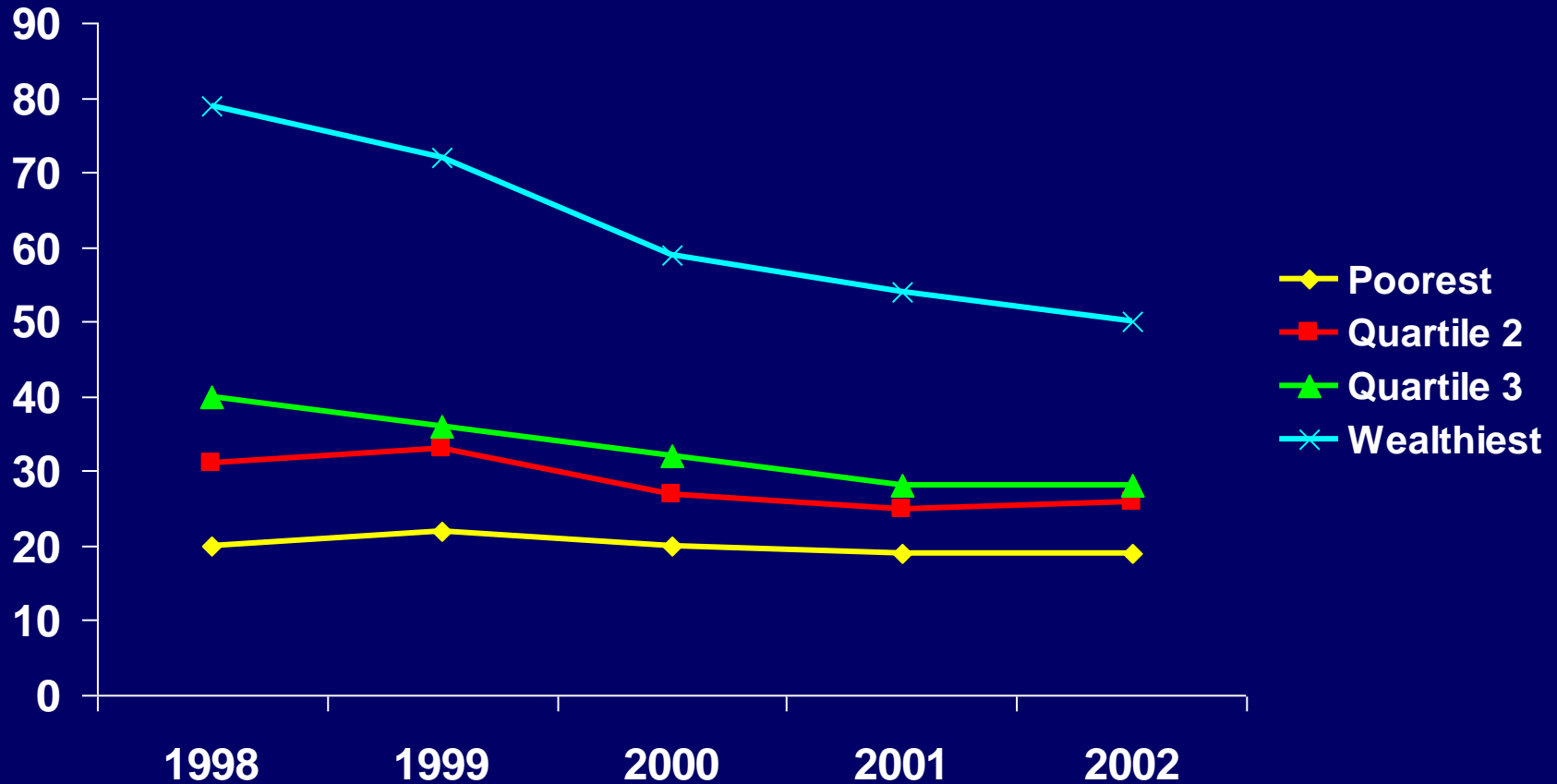


# **Specific effects of budget changes on FBOs**

- **Rate cuts limited—not large**
- **Outreach—some FBO involvement**

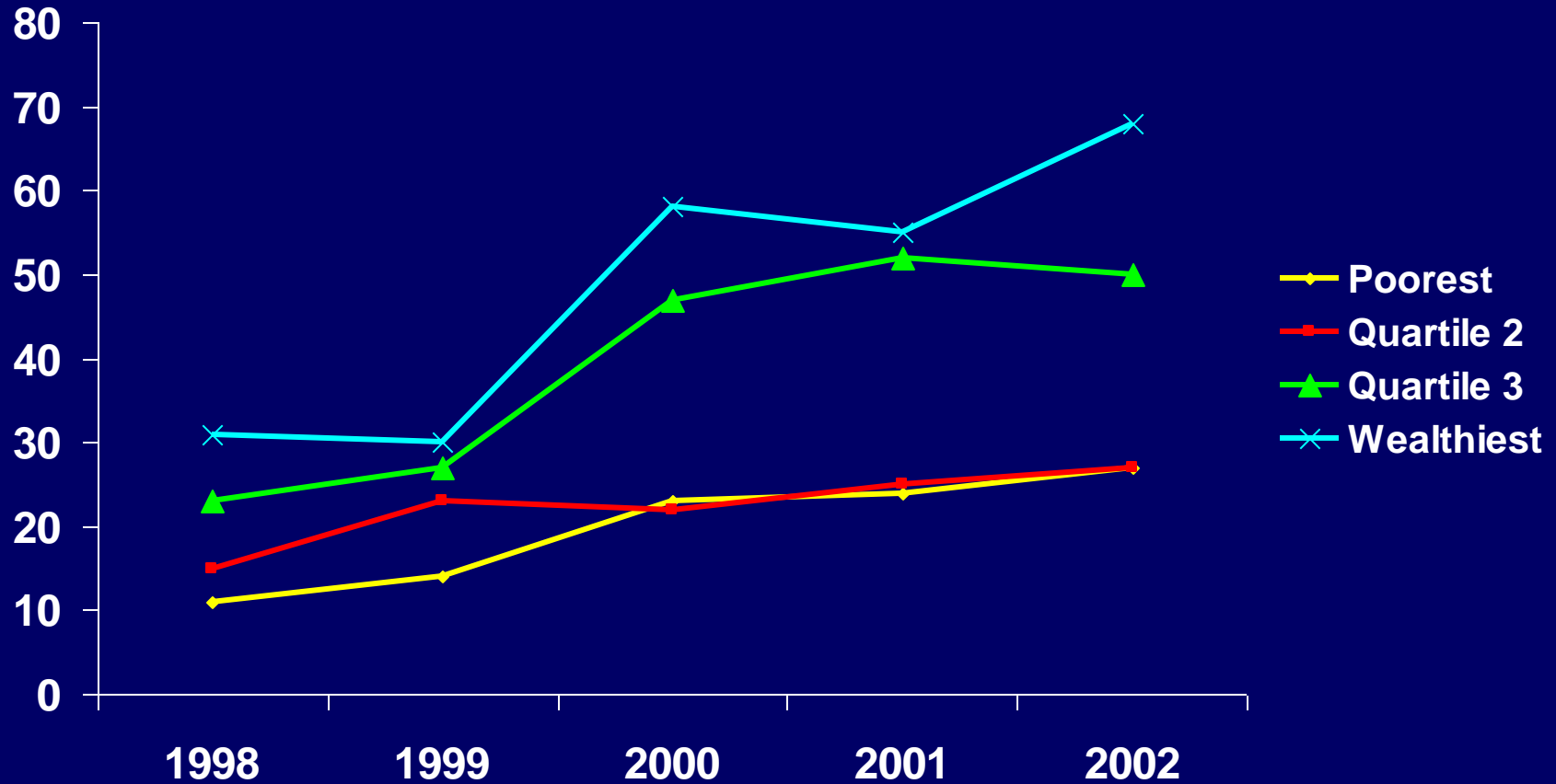
# TANF basic assistance—cash benefits:

## Per capita spending by state fiscal capacity, 2000-2002



# TANF services (nonassistance)

Per capita spending, by state fiscal capacity, 1998-2002



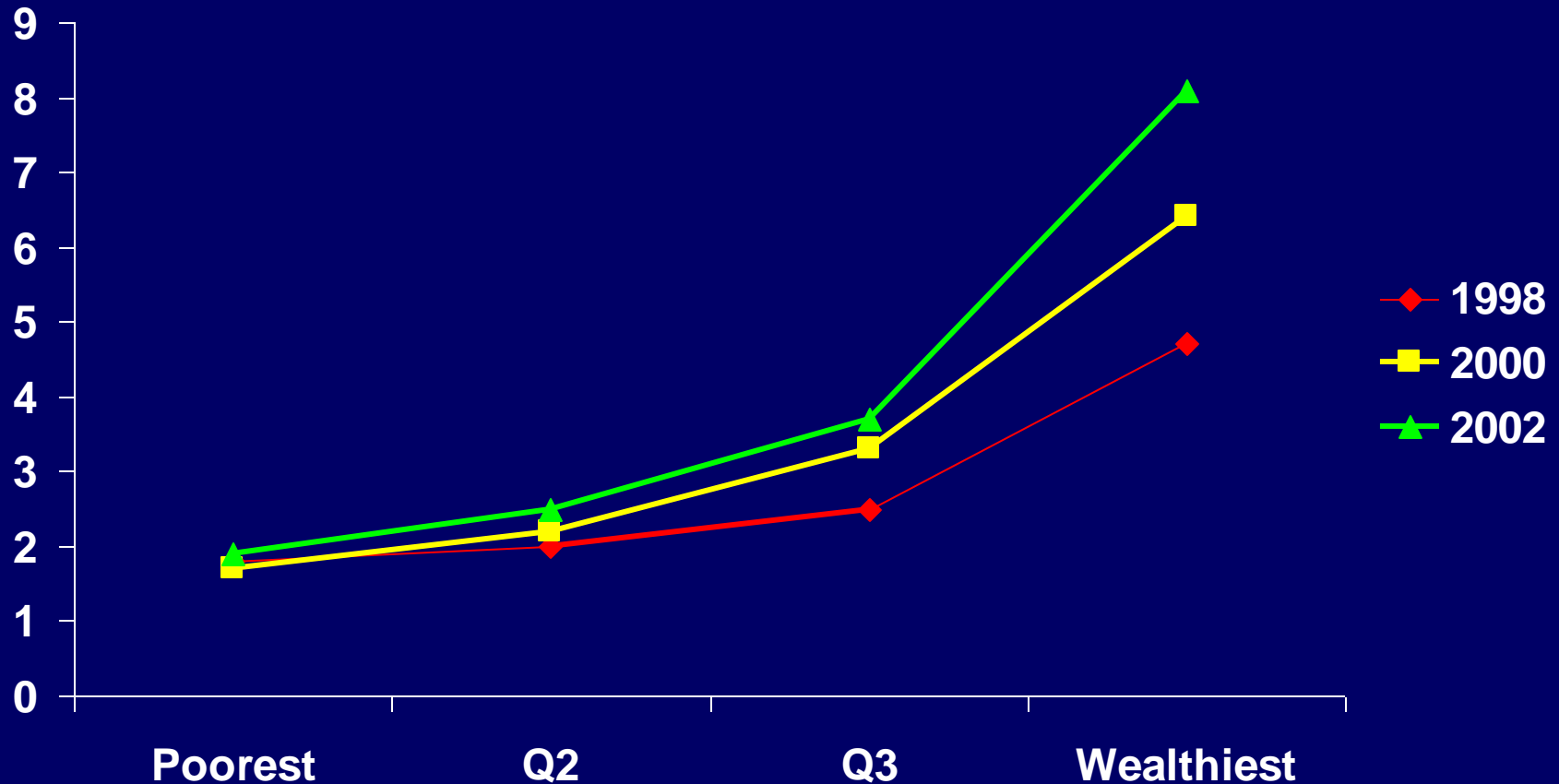
# **General criteria used to make cuts in TANF and related services**

- **Less likely to cut core TANF constituencies—cash assistance recipients and recent leavers**
- **Less likely to cut logically necessary services to achieve performance requirements, e.g., child care for leavers**
- **More likely to cut programs involving FBOs: youth/teen services, after-school programs, parenting programs, fatherhood programs, pregnancy prevention**
- **Widespread cuts in administrative staff, resulting in higher caseloads; also cuts in offices, especially in rural areas**
- **Greater competition for block grant money from wider range of programs, e.g., child welfare, pre-K programs**

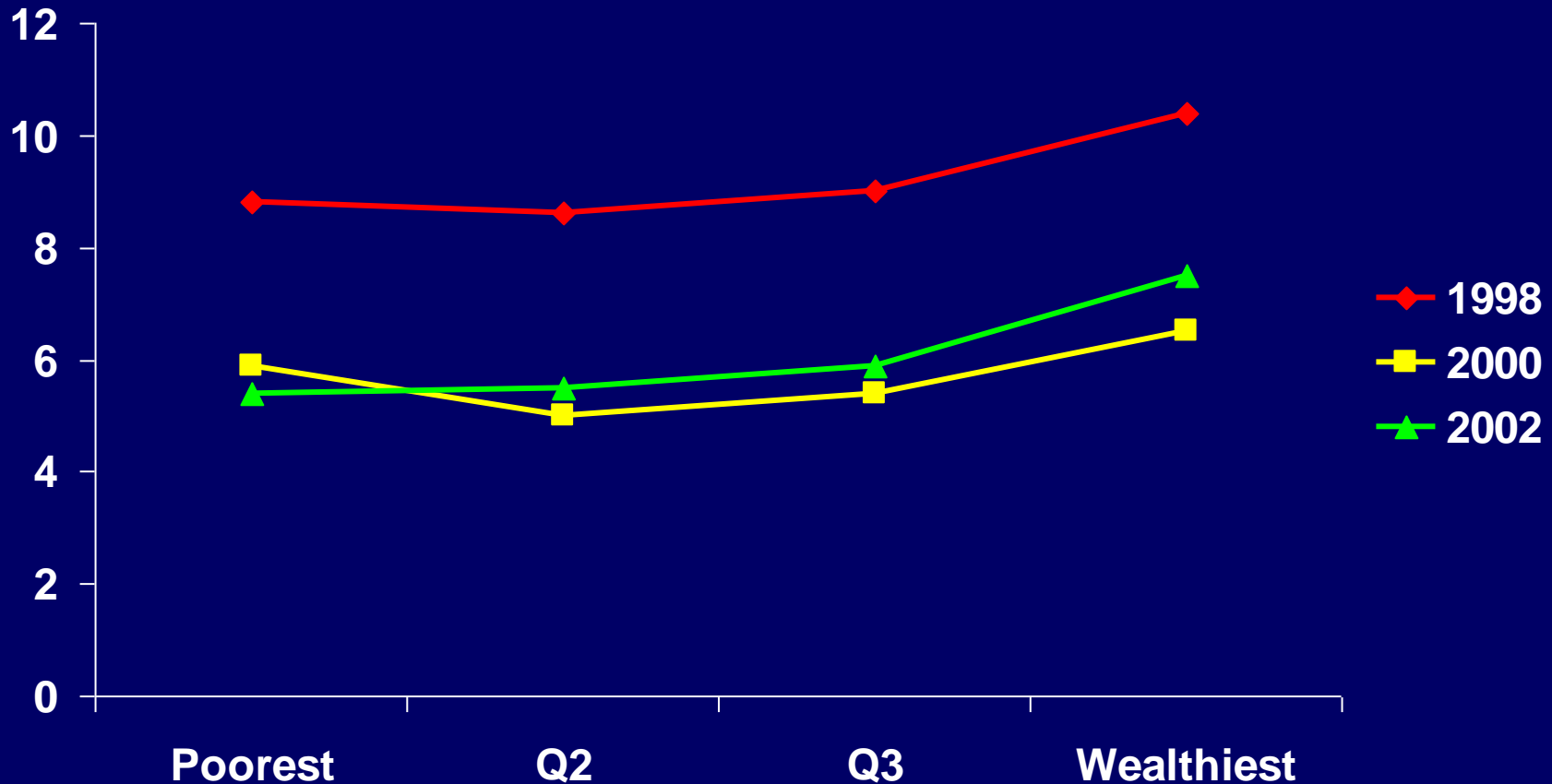
# Changes in federal funding for social service programs, 2000-2005, by estimated FBO involvement

Estimated growth in spending	Higher involvement	Lower involvement	Greatest barriers
More than 30 percent increase	Natl & Comm Service	Child Care Dev	SCHIP Medicaid
10-30 percent increase	Substance Abuse Emerg Food/Shelt	Child nutrition Foster care/adopt Training & employ	
Less than 10 percent increase	TANF CDBG Soc Serv BG		

# Changes in Per Capita Federal Spending, Emergency Shelter and Homeless Assistance, By State Fiscal Capacity, 1998-2002



# Changes in Per Capita Federal Spending, Social Services Block Grant, By State Fiscal Capacity, 1998-2002



# Conclusions revisited

- Funding streams most accessible to FBOs are among the ones most vulnerable
- Medicaid survives in most states without truly large cuts in most states, but faith-integrated programs have less access to such funds
- TANF services are vulnerable, especially in poor states, and especially for services that don't have clear and immediate connections to basic performance requirements
- Yet many of the faith initiatives serve people not in the core TANF clientele and are intended to produce longer-run effects

# Conclusions, continued

- Other programs that would help support FBO programs are either not growing or are growing little in low fiscal capacity states
  - Declining growth rate of spending on nonhealth social services
- Federal funding changes are unlikely to compensate for these financial challenges—and they may exacerbate them
- One opportunity for FBOs: helping people deal with complex human service systems

# Prospects for the Future

- Severity of budget problems has been helped by surpluses and one-shot revenue sources—but those are nearly gone
- Recent revenue turnaround is helping, but tight budgets will continue—Medicaid & education growth
- Basic institutional problem:
  - Medicaid has strong constituencies yet little access
  - Cash assistance offers few savings in future
  - Nonhealth services have become tighter and are often allocated on basis of criteria on which FBOs fare poorly
- Long-run state revenue problems