

Federal Grants to State and Local Governments: Trends and Issues

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Federal Grants to State and Local Governments: Trends and Issues

In FY2024, the federal government provided an estimated \$1.1 trillion to state and local governments in federal grants, funding a wide range of public policy initiatives such as health care, transportation, income security, education, job training, social services, community development, and environmental protection. Outlays for grants to state and local governments were also estimated to represent 16% of total federal outlays and 3.9% of U.S. gross domestic product (GDP). Federal funds (the vast majority of which are comprised of grants) account for a little over one-third of total state government revenue, and more than half of state government funding for health care and social assistance programs.

Congressional interest in federal grants to state and local governments has always been high given the central role Congress has in determining the scope and nature of the federal grant system and the amount of funding involved, as well as disagreements over the appropriate role of the federal government in domestic policy generally and in its relationship with state and local governments.

This report provides an overview of federal grants to state and local governments. It begins with an overview of the contemporary federal grants system. It then provides high-level data on the amount and number of federal grants to state and local governments over time, including how those grants are used and their impact on state and local government finances. It concludes with considerations for Congress. Those considerations include

- **Managing increased federal grant outlays:** Over the long-term, outlays for federal grants to state and local governments have broadly increased in nominal terms and as a share of total federal outlays and of U.S. GDP. For example, federal outlays for grants to state and local governments accounted for 0.9% of U.S. GDP in FY1940 (approximately \$872 million) and 4.0% of U.S. GDP in FY2023 (approximately \$1.083 trillion). This increase may present certain challenges to Congress and executive agencies in their ability to administer and oversee such funds.
- **Fiscal considerations:** Some Members of Congress have expressed concerns about the potential for federal grants to state and local governments negatively impacting the federal government's finances.
- **Composition of federal grants to state and local governments:** The nature of what federal grants to state and local governments are used for has changed over the decades. For example, in FY2023, Medicaid accounted for 56.8% of total outlays for federal grants to state and local governments; in FY1970, that figure was 11.3%. More broadly, as a share of federal outlays, the composition of federal grants to state and local governments has shifted from being fairly comparable between payments for individuals (on things like health and education) and for capital investment, to favoring payments for individuals. Congress may consider whether and how to address the shift in use of federal grants to state and local governments.

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The Congressional Role in Federal Grants

In FY2024, the federal government provided an estimated \$1.1 trillion in federal grants to state and local governments, encompassing a wide range of public policy areas, such as health care, transportation, income security, education, job training, social services, community development, and environmental protection.¹ In FY2024, federal funds comprised more than half of state government funding for health care and public assistance.² In FY2022 (the most recent fiscal year for which data is available), federal funds (the vast majority of which are grants) accounted for a little over one-third of total state government revenue.³

Congress has a central role in determining the scope and nature of federal grant programs.⁴ In its legislative capacity, Congress first determines what it wants to accomplish and then decides whether a grant program is the best means to achieve it.⁵ Congress then selects which type of the six grant mechanisms to use and crafts legislation to accomplish its purpose, incorporating the chosen grant instrument.⁶ (See **Table A-1** for more details on the types of federal grants to state and local governments.) As with all legislation generally, Congress conducts oversight of grant programs' implementation to ensure that the federal administering agency meets congressional expectations concerning program performance.

This report provides an overview of federal grants to state and local governments. It provides data on the dollar amount and number of federal grants to such governments over time, including how those grants are used and their impact on state and local government finances. It then includes considerations for Congress. The appendices contain an overview of the types of federal grants to state and local governments and a historical synopsis of the evolving nature of the federal grants system.

Trends in Federal Grants to State and Local Governments

In FY2022, the most recent year for which data is available, the federal government sent state and local governments a total of \$1.258 trillion.⁷ The vast majority of that funding came through federal grants (see “Federal Grants to State and Local Governments from the Federal Government’s Perspective”). Of that total, \$1.112 trillion went directly to state governments—36.1% of total state government revenue (in some cases, portions of this funding must be passed

¹ U.S. Office of Management and Budget (OMB), *Budget FY 2025—Table 12.—Summary Comparison of Total Outlays for Grants to State and Local Governments: 1940-2029*, <https://www.govinfo.gov/app/details/BUDGET-2025-TAB/BUDGET-2025-TAB-13-1>. (Hereinafter “Table 12.1.”)

² National Association of State Budget Officers (NASBO), *2024 State Expenditure Report, Fiscal Year 2022-2024*, p. 39, p. 51, <https://www.nasbo.org/reports-data/state-expenditure-report>. (Hereinafter “NASBO, 2024.”)

³ U.S. Census Bureau (Census), *Annual Survey of State and Local Government Finances*, Table 1. State and Local Government Finances by Level of Government and by State: 2022, <https://www.census.gov/programs-surveys/gov-finances.html>. (Hereinafter “Census Table 1.”)

⁴ This report differentiates grants from the larger category of federal financial assistance, of which grants are a subcomponent. Other forms of federal financial assistance may include things like loans and loan guarantees.

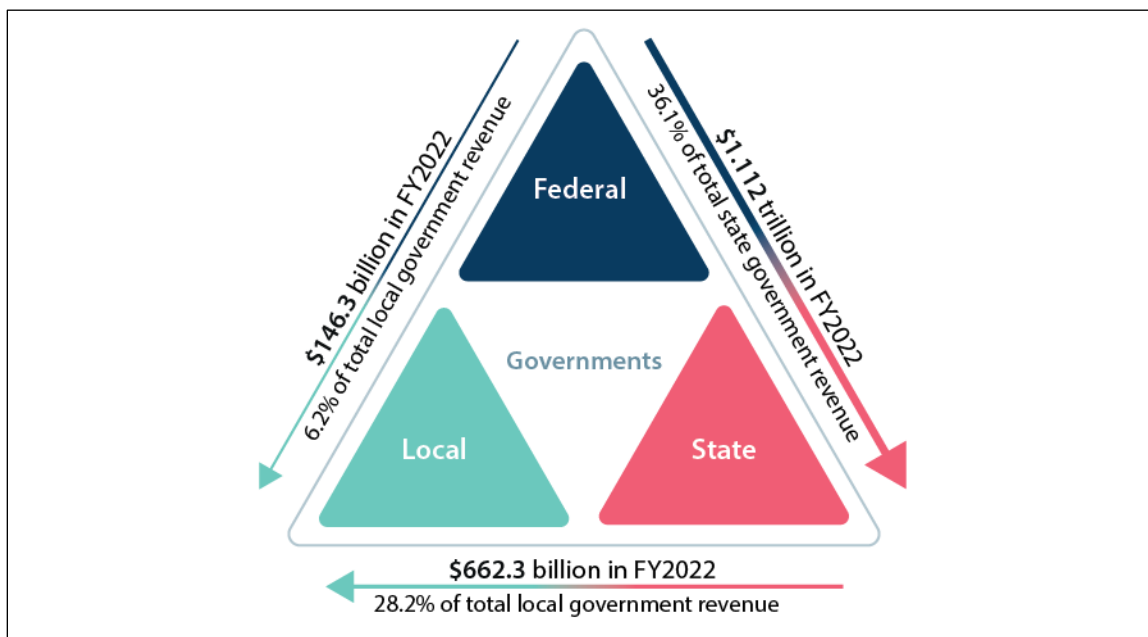
⁵ For more information, see CRS Report R47928, *Considerations for Creating a New Federal Grant Program: In Brief*.

⁶ U.S. Advisory Commission on Intergovernmental Relations (ACIR), *Categorical Grants: Their Role and Design*, A-52, 1978, p. 61, at <http://www.library.unt.edu/gpo/acir/Reports/policy/a-52.pdf>. (Hereinafter “ACIR, *Categorical Grants*.”)

⁷ Census Table 1.

through to local governments). The federal government also sent \$146.3 billion directly to local governments in FY2022, or 6.2% of total local government revenue. That fiscal year, states provided \$662.3 billion to local governments—8.2% of total local government revenue. (Some of this was federal funding passed through states to local governments.)

Figure 1. Federal Funds to State and Local Governments, FY2022



Source: U.S. Census Bureau (Census), Annual Survey of State and Local Government Finances, Table I. State and Local Government Finances by Level of Government and by State: 2022, <https://www.census.gov/programs-surveys/gov-finances.html>.

Federal Grants to State and Local Governments from the Federal Government's Perspective

Most of the money going from the federal government to state and local government flows through grants. In nominal (unadjusted for inflation) terms, state and local governments collectively received more than \$1 trillion in federal grants each fiscal year from FY2021 to FY2023.⁸ Going forward, the U.S. Office of Management and Budget (OMB) estimates that state and local governments will receive at least \$1 trillion in federal grants annually through FY2029. These funds are largely directed to help state and local governments provide services such as education, health care, law enforcement, and public transit.

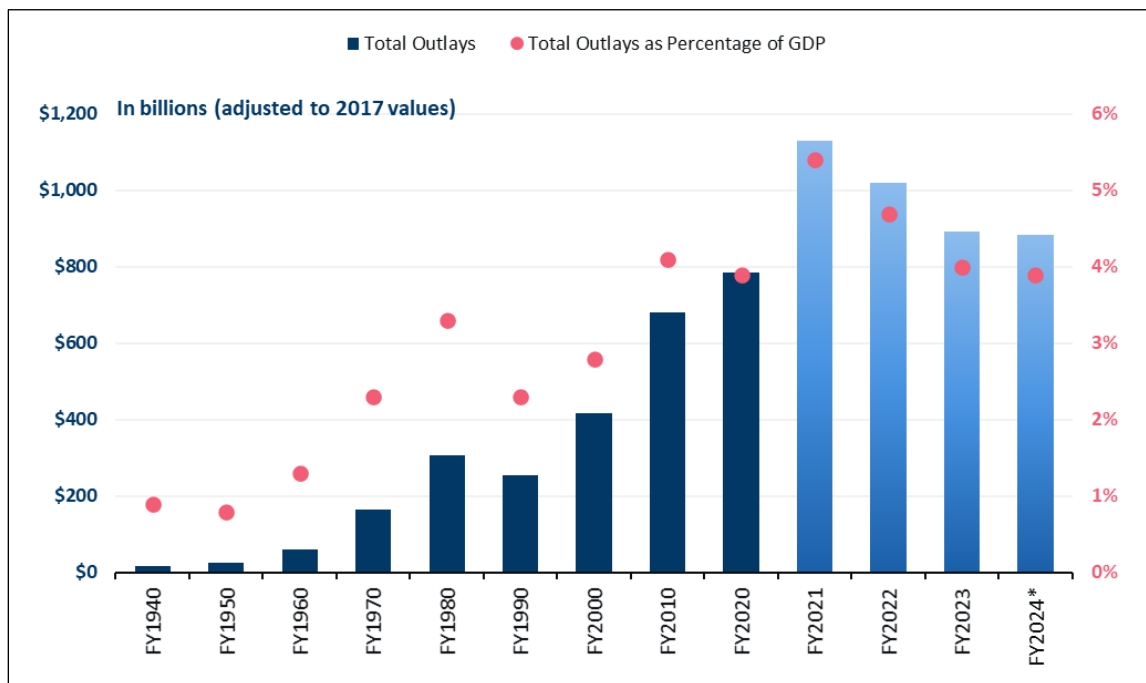
In both nominal and constant (adjusted for inflation) amounts, the value of federal grants to state and local governments has increased over recent decades. In nominal terms, total outlays for federal grants to state and local governments came to \$1.083 trillion in FY2023, representing 4.0% of U.S. gross domestic product (GDP).⁹ This was the third-highest amount of outlays since at least 1940 based on both nominal and constant dollars (adjusted to 2017 amounts), following FY2021 (\$1.245 trillion nominal; \$1.130 trillion constant) and FY2022 (\$1.193 trillion nominal;

⁸ Table 12.1.

⁹ Table 12.1.

\$1.021 trillion constant).¹⁰ **Figure 2** presents constant amounts of total outlays for federal grants to state and local governments from FY1940 to FY2024, as well as their percentage of U.S. GDP.

Figure 2. Outlays for Federal Grants to State and Local Governments, FY1940-FY2024



Source: U.S. Office of Management and Budget (OMB), *Budget FY 2025—Table 12.1—Summary Comparison of Total Outlays for Grants to State and Local Governments: 1940-2029*, <https://www.govinfo.gov/app/details/BUDGET-2025-TAB/BUDGET-2025-TAB-13-1>.

Notes: FY2024 is an estimate. Light blue shading denotes shift in time scale.

While the dollar amount of federal grants to state and local governments has grown steadily, certain increases are related to assistance that Congress provided to state and local governments in times of fiscal distress. In the 21st century, these have included responses to the Great Recession and the COVID-19 pandemic. The 111th Congress enacted P.L. 111-5, the American Recovery and Reinvestment Act of 2009 (ARRA). ARRA provided state and local governments \$274.7 billion in grants, contracts, and loans combined from FY2009 to FY2014.¹¹ More recently, the CARES Act (P.L. 116-136) provided \$150 billion to state and local governments through the Coronavirus Relief Fund, and the American Rescue Plan Act of 2021 (P.L. 117-2) provided \$362

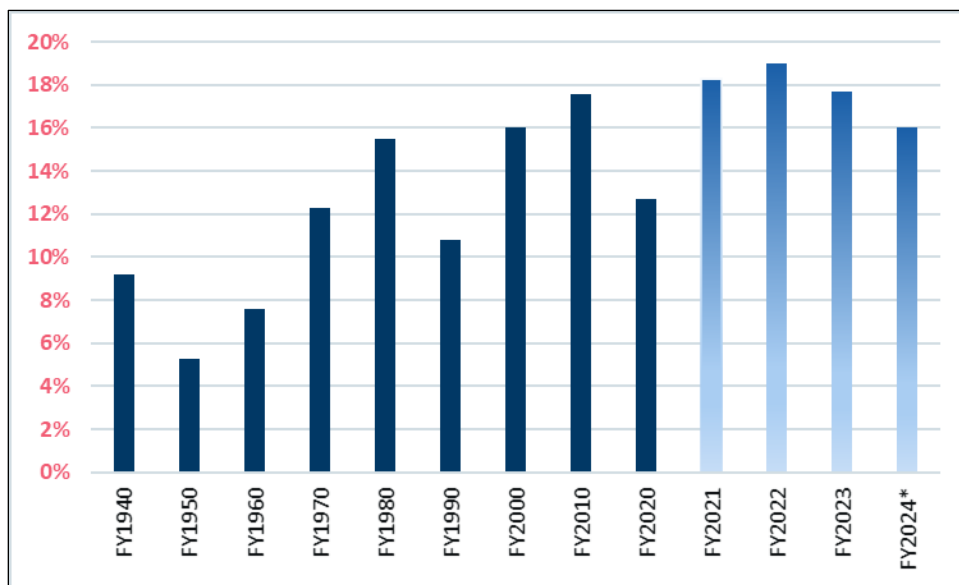
¹⁰ Table 12.1.

¹¹ The Recovery Accountability and Transparency Board, “Recovery.gov: State/Territory Totals by Award Type,” at <http://www.recovery.gov/arra/Transparency/RecoveryData/Pages/RecipientAwardSummarybyState.aspx>, and U.S. Government Accountability Office (GAO), “Following the Money: GAO’s Oversight of the Recovery Act,” at <http://www.gao.gov/recovery/>. ARRA provided additional funding for a wide range of federal grants to state and local governments, including Medicaid (\$93 billion, primarily for a temporary increase in the Federal Medical Assistance Percentages reimbursement rate), a State Fiscal Stabilization Fund (\$53.6 billion), Build America Bonds (\$30 billion), Highways and Bridges (\$27.5 billion), Title 1-A, elementary and secondary education for the disadvantaged, (\$13 billion), Individuals with Disabilities Education Act (\$12.2 billion), Public Transit (\$8.4 billion), Intercity Passenger Rail Capital, Congestion, and Corridor Development grants (\$8 billion), Temporary Assistance for Needy Families (\$5 billion), and Weatherization Assistance Grants (\$5 billion).

billion in further assistance to those same entities.¹² Much of the funding from both laws took the form of grants.

Federal grants to state and local governments as a share of federal spending in the last few years is also greater than it was during the mid-20th century. Outlays for federal grants to state and local governments represented 17.7% of total federal outlays in FY2023; in FY1940, that figure was 9.2%.¹³ **Figure 3** presents outlays for federal grants to state and local governments as a percentage of total federal outlays.

Figure 3. Outlays for Federal Grants to State and Local Governments as a Percentage of Total Federal Outlays, FY1940-FY2024



Source: OMB, *Budget FY 2025—Table 12.1—Summary Comparison of Total Outlays for Grants to State and Local Governments: 1940-2029*, <https://www.govinfo.gov/app/details/BUDGET-2025-TAB/BUDGET-2025-TAB-13-1>.

Notes: FY2024 is an estimate. Light blue shading denotes shift in time scale.

Federal Grants and State and Local Government Finances

Federal grants represent a notable share of state and local government resources. In FY2022, revenue from the federal government comprised 36.1% of total state government revenue.¹⁴ While revenue from the federal government comprised 6.2% of total local government revenue in FY2022, revenue from state governments to local governments (much of which passes through from federal funds) accounted for 28.2% of total local government revenue that fiscal year.

Federal funds were estimated to represent 34.2% of total state expenditures in FY2024 (the vast majority of such funds are grants). This was expected to be the second largest source of funds for state expenditures, behind states' own general funds, which accounted for 38.5% of total state expenditures.¹⁵ **Figure 4** shows these and other funding sources for state expenditures, and it

¹² See Section 601 of P.L. 116-136 and Section 9901 of P.L. 117-2.

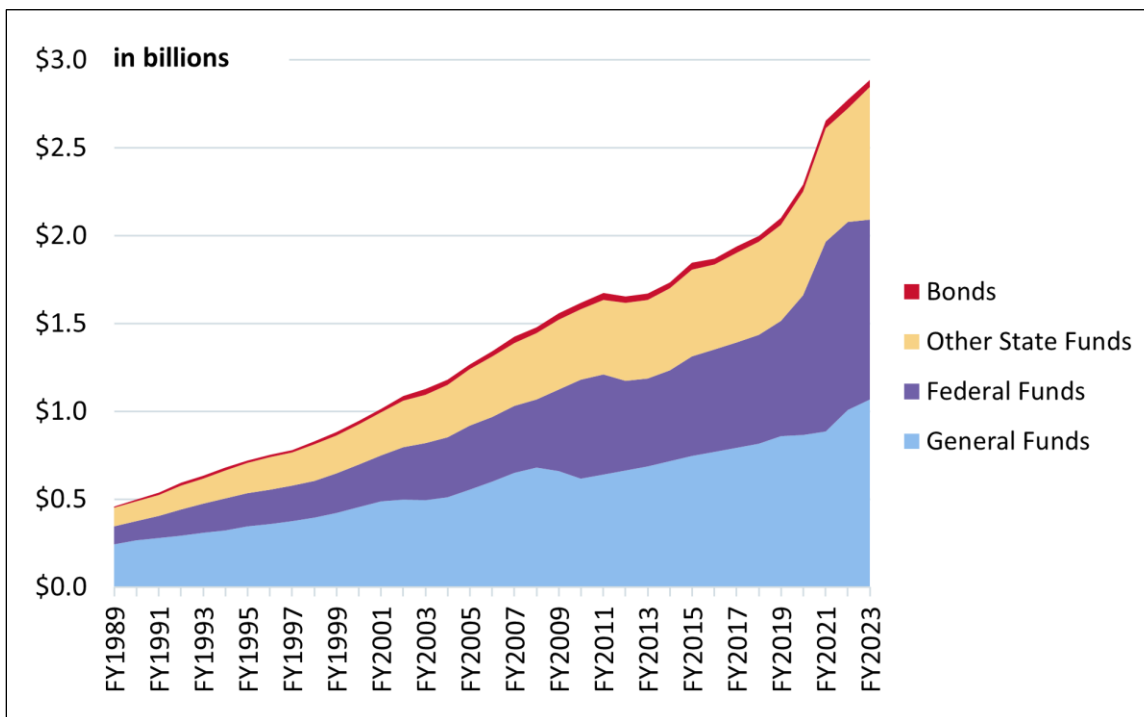
¹³ Table 12.1.

¹⁴ Census Table 1.

¹⁵ NASBO, 2024, p. 7.

shows that over the past several decades, federal funds have grown as a share of total state expenditures.

Figure 4. State Expenditures by Fund Source, FY1989-FY2024



Source: National Association of State Budget Officers (NASBO), *2023 State Expenditure Report, Fiscal Year 2021-2023*, p. 2, <https://www.nasbo.org/reports-data/state-expenditure-report/state-expenditure-archives>.

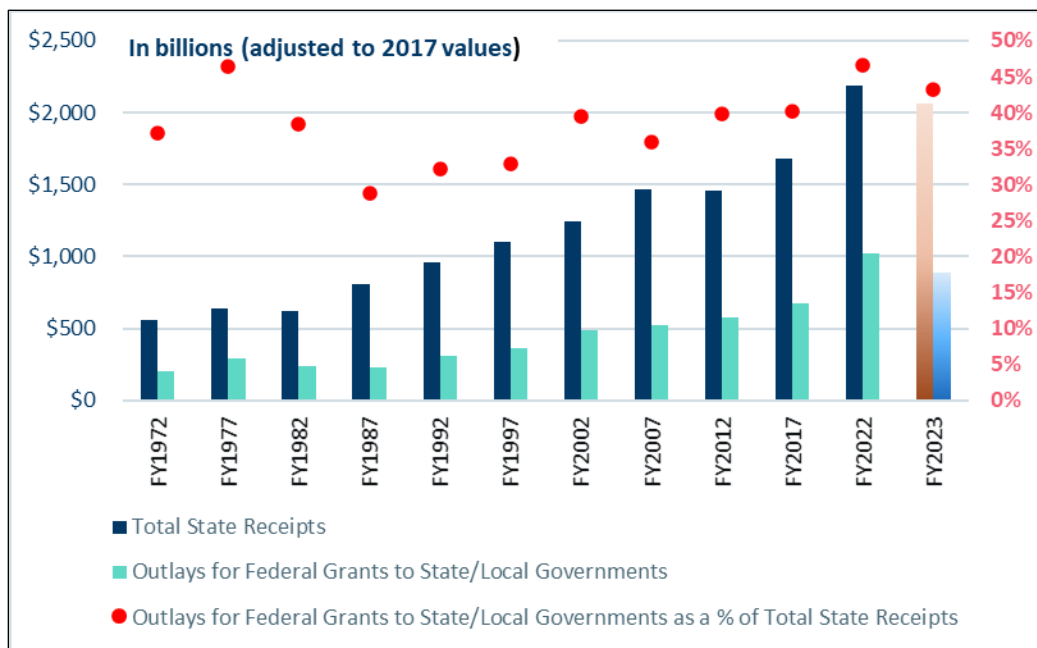
Notes: State fiscal years may not match up exactly to the federal fiscal year. While the federal fiscal year runs from October 1-September 30, most states' fiscal years run from July 1-June 30.

Shown as a percentage of states revenues (rather than expenditures), state and local government reliance on federal grants is also seen to be increasing. Federal funds have comprised a larger share of state government revenue in recent years than at any time since at least the early 1970s. In FY2021, federal funds represented 36.7% of state government revenue, the highest share since 1972 (the figure dipped to 36.4% in FY2022).¹⁶

Another metric, outlays for federal grants to state and local governments as a share of total state receipts (which includes revenue, transfers, and other income such as rent), shows a similar pattern: the figure was 43.2% in FY2023, the third highest share since at least FY1972.¹⁷ (FY2022 had the highest share since FY1972, at 46.6%.) **Figure 5** presents outlays for federal grants to state and local governments as a share of total state receipts from FY1972 to FY2023.

¹⁶ The Pew Charitable Trusts, *Federal Share of State Revenue*, September 10, 2024, <https://www.pewtrusts.org/en/research-and-analysis/data-visualizations/2014/fiscal-50/federal-share-of-state-revenue>.

¹⁷ Table 12.1 and Bureau of Economic Analysis, *State Government Current Receipts and Expenditures*, Table 3.20, <https://www.bea.gov/data/government/receipts-and-expenditures>.

Figure 5. Outlays for Federal Grants to State and Local Governments as a Share of Total State Receipts

Source: OMB, *Budget FY 2025—Table 12.1—Summary Comparison of Total Outlays for Grants to State and Local Governments: 1940-2029*, <https://www.govinfo.gov/app/details/BUDGET-2025-TAB/BUDGET-2025-TAB-13-1> and U.S. Bureau of Economic Analysis, *State Government Current Receipts and Expenditures, Table 3.20*, <https://www.bea.gov/data/government/receipts-and-expenditures>.

Notes: Red and light blue shading for FY2023 denote shift in time scale. Total state receipts include revenue, transfers, and other income such as rent.

Uses of Federal Grants to State and Local Governments

Federal grants to state and local governments are used for a variety of purposes. The primary categories of federal grants to state and local governments, as determined by OMB, are health, income security, education, transportation, and community and regional development.

Of these categories, grants for health—driven primarily by Medicaid—comprise by a large margin the majority of dollars for federal grants to state and local governments.¹⁸ In FY2023, the federal government had \$615.772 billion in outlays for Medicaid grants.¹⁹ That represented 56.8% of total outlays for federal grants to state and local governments that fiscal year. In FY2024, Medicaid comprised at least 50% of the dollar amount of federal grants to every state except Wyoming.²⁰

After Medicaid, the next single largest outlay for a grant to state and local governments in FY2023 was for federal aid for highways, which totaled \$47.688 billion in outlays. Overall, in

¹⁸ For more information, see CRS In Focus IF10322, *Medicaid Primer*.

¹⁹ OMB, *Budget FY 2025—Table 12.3—Total Outlays for Grants to State and Local Governments by Function, Agency, and Program: 1940-2024*, <https://www.govinfo.gov/app/details/BUDGET-2025-TAB/BUDGET-2025-TAB-13-3/context>. (Hereinafter “Table 12.3.”)

²⁰ Rebecca Thiess, Kate Watkins, and Justin Theal, *How Federal Funding Flows to State Governments, by Policy Area*, The Pew Charitable Trusts, March 5, 2025, <https://www.pewtrusts.org/nb/research-and-analysis/articles/2025/03/05/how-federal-funding-flows-to-state-governments-by-policy-area>.

FY2023, the 10 largest federal grants to state and local governments comprised 77.5% of total outlays for federal grants to state and local governments. **Table 1** presents the 10 largest individual federal grant outlays to state and local governments in FY2023.

Table 1. Largest Individual Federal Grant Outlays to State and Local Governments, FY2023

In billions of dollars

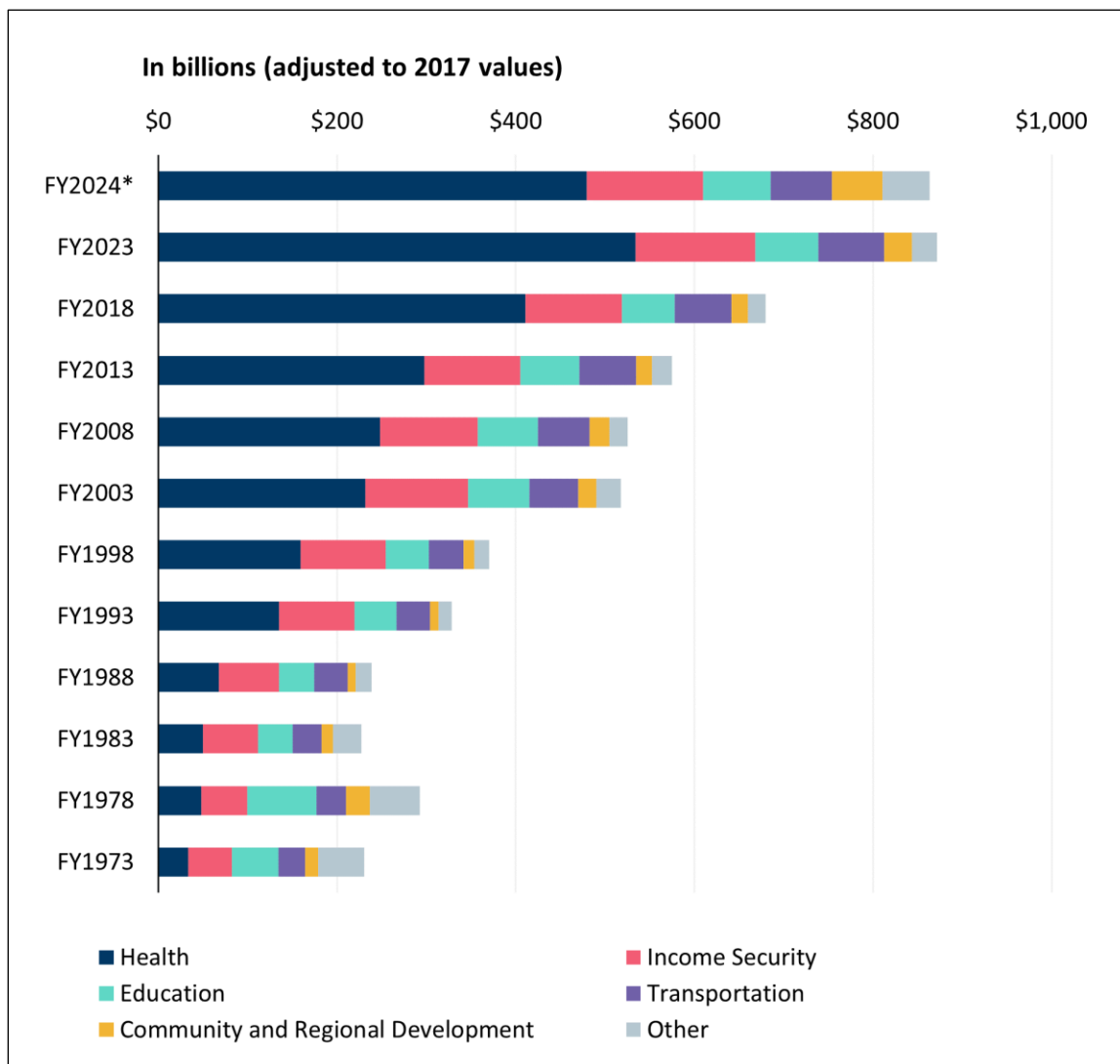
Federal Grant	Outlays
Medicaid	\$615.772
Federal aid for highways	\$47.688
Tenant-based rental assistance	\$29.559
Child nutrition programs	\$29.126
Stafford Act disaster assistance ^a	\$23.819
Child Care and Development Block Grant	\$22.875
Education Stabilization Fund	\$19.363
Education for the Disadvantaged	\$17.857
Children's Health Insurance Fund	\$17.588
Temporary Assistance to Needy Families	\$16.459

Source: OMB, Budget FY2025—Table 12.3—Total Outlays for Grants to State and Local Governments by Function, Agency, and Program: 1940-2024, <https://www.govinfo.gov/app/details/BUDGET-2025-TAB/BUDGET-2025-TAB-13-3/context>.

- a. Federal assistance provided under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (P.L. 93-288, as amended, 42 U.S.C. §§5121 et seq.).

Due largely to Medicaid, health represents the largest category of federal grants to state and local governments by dollar amounts (see **Figure 6**.) However, this has not always been the case. For example, in FY2000, outlays for Medicaid grants to state and local governments accounted for 41.2% of total outlays for federal grants to state and local governments. In FY1990, the figure was 30.4%; in FY1980, 15.3%; and in FY1970, 11.3%.²¹

²¹ Table 12.3.

Figure 6. Federal Grant Outlays to State and Local Governments by Function, FY1973-FY2024

Source: OMB, Budget FY2025—Table 12.3—Total Outlays for Grants to State and Local Governments by Function, Agency, and Program: 1940-2024, <https://www.govinfo.gov/app/details/BUDGET-2025-TAB/BUDGET-2025-TAB-13-3/context>.

Notes: FY2024 is an estimate. Function categories created by OMB.

Composition of Federal Grants

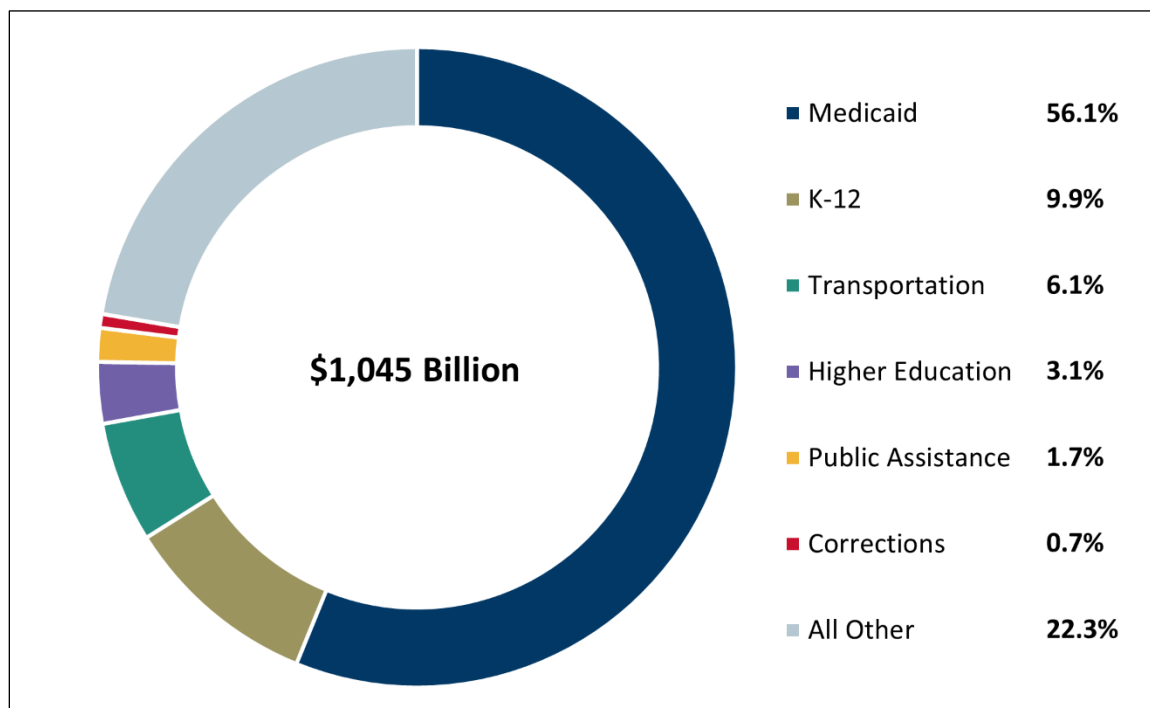
The composition of federal grants to state and local governments has also shifted. For example, in FY2023, outlays for federal grants to state and local governments used for payments to individuals (including uses such as health, income security, and education) represented 13.3% of total federal outlays.²² This share has increased over time: in FY2000, it was 10.4%; in FY1980, 5.6%; in FY1960, 2.8%; and in FY1940, 3.1%. By comparison, outlays for federal grants to state and local governments used for capital investment represented 1.8% of total federal outlays in

²² Table 12.1.

FY2023. This share has stayed relatively stable over time: in FY2000, it was 2.7%; in FY1980, 3.8%; in FY1960, 3.6%; and in FY1940, 4.7%.²³

States' use of federal grant funds generally conform with federal grant functions. In FY2024, states collectively spent 56.1% of total federal funds on Medicaid. **Figure 7** presents state expenditures of federal funds by function for FY2024.

Figure 7. States' Federal Funds Expenditures by Function, FY2024



Source: National Association of State Budget Officers (NASBO), *2024 State Expenditure Report, Fiscal Year 2022-2024*, p. 12, <https://www.nasbo.org/reports-data/state-expenditure-report>.

Similar patterns are present when looking at the share that federal grants comprise of total state spending on specific functions. For example, in FY2024, federal funds comprised 64.3% of total state spending on Medicaid. (States may also fund their expenditures with sources such as their own general funds.) **Table 2** shows federal funds as a percentage of total state expenditures for specific functions in FY2024.

Table 2. Federal Funds as a Percentage of Total State Expenditures for Specific Functions, FY2024

Function	Percentage of Total State Expenditures on Function
Medicaid	64.3%
Public assistance ^a	55.2%
Transportation	25.9%
All other ^b	24.8%

²³ Table 12.1.

Function	Percentage of Total State Expenditures on Function
Elementary and secondary education	18.0%
Higher education	12.1%
Correction	8.8%

Source: NASBO, *2024 State Expenditure Report, Fiscal Year 2022-2024*, p. 23, p. 31, p. 39, p. 51, p. 57, p. 65, p. 75, <https://www.nasbo.org/reports-data/state-expenditure-report>.

Notes: Other sources of funds besides federal funds includes state own general funds and bond proceeds.

- a. Primarily includes the Temporary Assistance for Needy Families program and other cash assistance programs.
- b. Includes bulk of state government agencies and programs such as Children's Health Insurance Program, care for the mentally ill and developmentally disabled, and child welfare and family services.

Geographic Distribution of Federal Grants to State and Local Governments

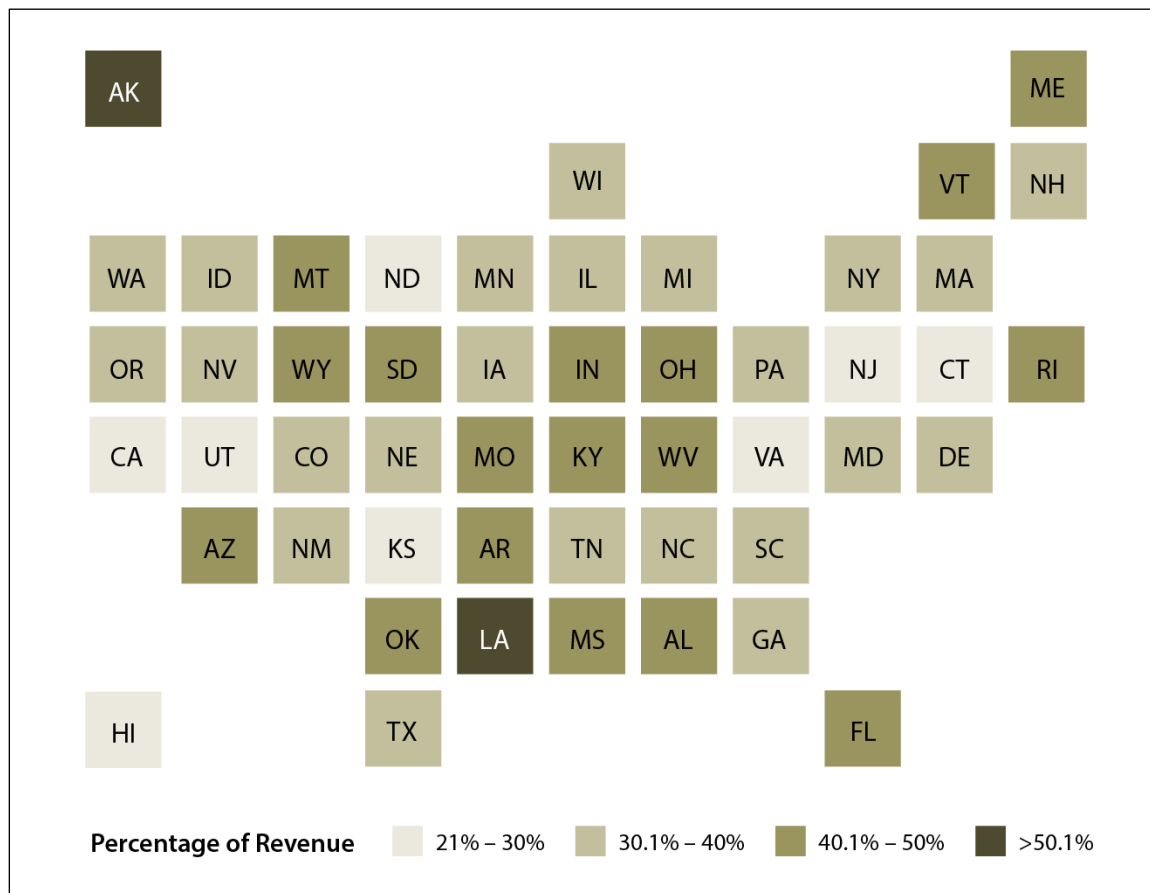
Nationwide, federal funds accounted for 36.1% of total state revenue in FY2022.²⁴ However, there was significant variation among the states. Federal funds represented 50.5% of Louisiana's total revenue and 50.1% of Alaska's total revenue in FY2022, the highest shares in the country and the only states where federal funds were at least 50% of state revenue. At the other end of the spectrum, federal funds accounted for 22.2% of North Dakota's total revenue and 25.9% of Hawaii's total revenue in FY2022. Federal funds were also less than 30% of total state revenue in California, Connecticut, Kansas, New Jersey, Utah, and Virginia.²⁵

²⁴ Census Table 1.

²⁵ Census Table 1.

Figure 8. Federal Funds as Percentage of State Revenue, FY2022

Figure is interactive in HTML report version.



Source: Census, Annual Survey of State and Local Governments, Table I. State and Local Government Finances by Level of Government and by State: 2022, <https://www.census.gov/programs-surveys/gov-finances.html>.

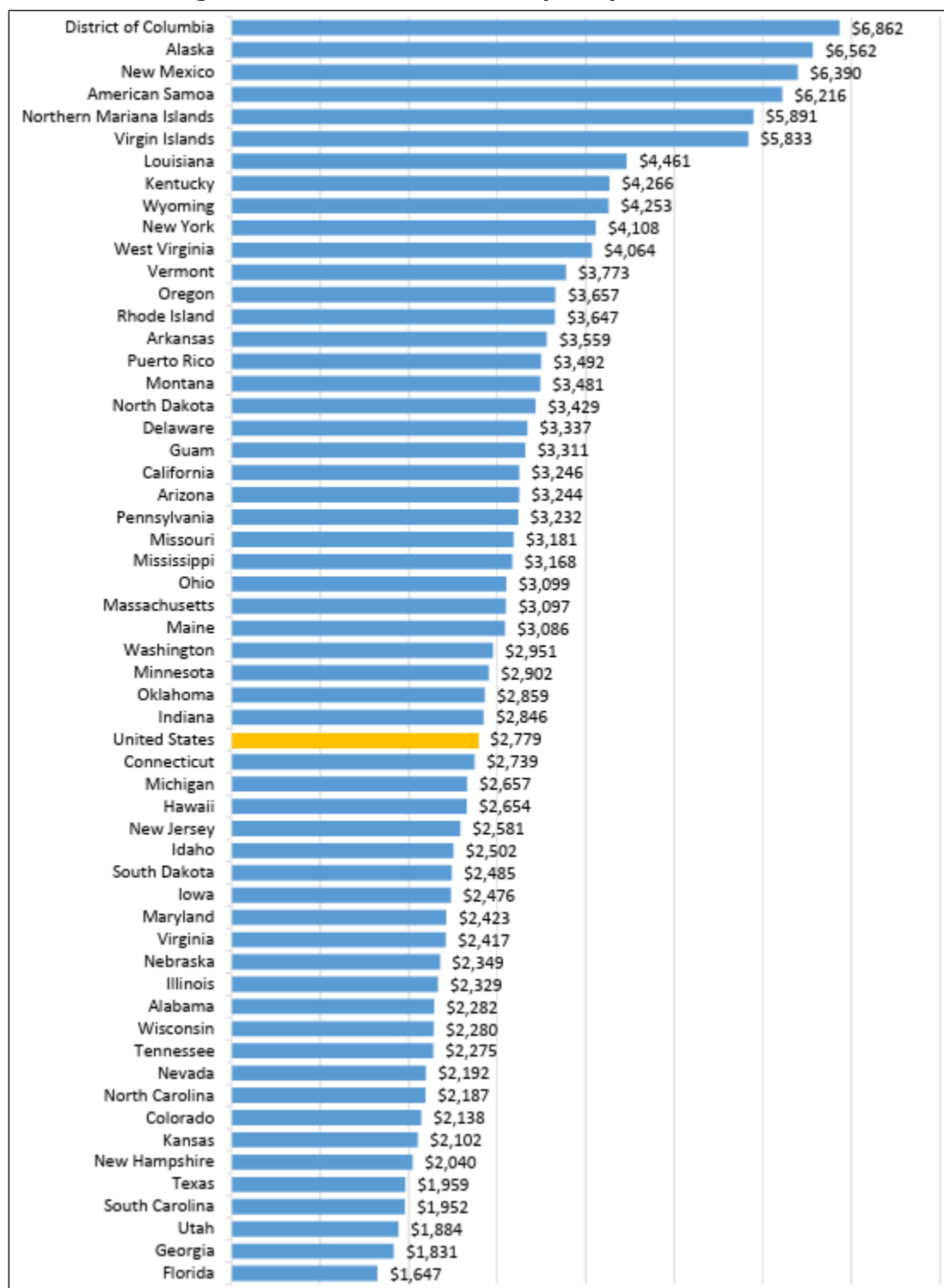
Taking local government revenue into account, federal funds comprised 26.5% of nationwide state and local government revenue in FY2022.²⁶ Federal funds were 39.3% of total state and local government revenue in Alaska and 38.1% of total state and local government revenue in Kentucky, the two highest shares. Federal funds were the lowest share of total state and local government revenue in North Dakota (19.3%) and Virginia (21.0%), and were also less than 25% in California, Colorado, Connecticut, Georgia, Hawaii, Iowa, Kansas, Nebraska, New Jersey, Utah, and Washington.²⁷

There is also variation in federal grants per capita among the states. In FY2023, federal grants per capita ranged from highs of \$6,862 in Washington, DC, and \$6,562 in Alaska to lows of \$1,647 in Florida and \$1,831 in Georgia. The national per capita average was \$2,779.²⁸ **Figure 9** presents federal funds per capita by state for FY2023.

²⁶ Census Table 1.

²⁷ Census Table 1.

²⁸ Federal Funds Information for States (FFIS), *Federal Grants Per Capita, FY 2023*, Special Analysis 24-02, October 2024, p. 1, <https://ffis.org/wp-content/uploads/2024/10/SA24-02-1.pdf>.

Figure 9. Federal Grants Per Capita by State, FY2023

Source: Federal Funds Information for States (FFIS), *Federal Grants Per Capita, FY 2023*, Special Analysis 24-02, October 2024, p. 1, <https://ffis.org/wp-content/uploads/2024/10/SA24-02-1.pdf>.

Number of Federal Grants to State and Local Governments

In the past, the now-defunct U.S. Advisory Commission on Intergovernmental Relations (ACIR) occasionally estimated the number of federal grant programs for state and local governments. ACIR periodically published these results from the 1960s through the mid-1990s.

ACIR included in its counts all:

- direct cash grant programs for state or local governmental units, other public bodies established under state or local law, or their designee;
- payments for grants-in-kind, such as purchases of commodities distributed to state or local governmental institutions;
- payments to nongovernmental entities when such payments result in cash or in-kind services or products that are passed on to state or local governments;
- payments to state and local governments for research and development that is an integral part of their provision of services; and
- payments to regional commissions and organizations that are redistributed at the state or local level to provide public services.²⁹

ACIR estimated that in FY1902 there were five funded federal grant programs for state and local governments.³⁰ By FY1940, that number had increased to 31, and by FY1960, it had grown to 132.³¹ In FY1975, ACIR estimated that there were 448 funded federal grant programs to state and local governments, and that in FY1995, there were 633.³²

No authoritative count of funded federal grant programs for state and local governments is known to have been issued in recent years. However, it is possible to search the Catalog of Federal Domestic Assistance (CFDA, now called Assistance Listings) to roughly determine the number of federal grant programs to state and local governments. Assistance Listings are “detailed public descriptions of federal programs that provide grants, loans, scholarships, insurance, and other types of assistance awards.”³³ A search of CFDA/Assistance Listings indicated that state governments, local governments, U.S. territories, and federally recognized tribal governments were eligible to apply for 1,183 funded federal grant programs (defined as authorized project grants, formula grants, cooperative agreements, direct payments for specified uses, and direct payments for unrestricted uses) in FY2025. However, because there is no consensus on the methodology used to count federal grant programs for state and local governments, counts of

²⁹ ACIR excluded grants directly to profit-making institutions, individuals, and nonprofit institutions (unless such payments result in cash or in-kind services or products that are passed on to state or local governments); payments for research and development not directly related to the provision of services to the general public; payments for services rendered; grants to cover administrative expenses for regional bodies; loans and loan guarantees; and shared revenues. See ACIR, *Characteristics of Federal Grant-In-Aid Programs to State and Local Governments: Grants Funded FY 1995* (Washington, DC: GPO, 1995), pp. 26-28, at <http://www.library.unt.edu/gpo/acir/Reports/information/M-195.pdf>.

³⁰ ACIR, *Periodic Congressional Reassessment of Federal Grants to State and Local Governments, June 1961*, pp. 44-49, at <http://www.library.unt.edu/gpo/acir/Reports/policy/A-8.pdf>.

³¹ ACIR, *Fiscal Balance in the American Federal System*, vol. 1, October 1967, pp. 156-158, at <http://www.library.unt.edu/gpo/acir/Reports/policy/a-31-1.pdf>.

³² ACIR, *Characteristics of Federal Grant Programs to State and Local Governments: Grants Funded FY 1995*, p. 3, at <http://www.library.unt.edu/gpo/acir/Reports/information/M-195.pdf>.

³³ *Assistance Listings*, <https://sam.gov/assistance-listings>.

federal grants on CFDA/Assistance Listings should be viewed as illustrative, as opposed to definitive, of the current number of federal grant programs for state and local governments.

Considerations for Congress

Managing Increased Federal Grant Outlays

Over the long term, outlays for federal grants to state and local governments have broadly increased in absolute terms (in both nominal and, at least until FY2021, constant dollars) and as a share of total federal outlays and of U.S. GDP. Although OMB has projected those figures to decrease somewhat in coming years (after peaking during the pandemic), they still are (and under OMB's projections would be) generally higher than throughout most of the 20th century. **Table 3** presents OMB data on federal grants to state and local governments for selected fiscal years.

Table 3. Selected Metrics for Federal Grants to State and Local Governments, FY1940-FY2029

Fiscal Year	Outlays for Federal Grants to State and Local Governments (in billions of nominal dollars)	Outlays for Federal Grants to State and Local Governments (in billions of constant 2017 dollars)	Outlays for Federal Grants to State and Local Governments as a Percentage of Total Federal Outlays	Outlays for Federal Grants to State and Local Governments as Percentage of U.S. GDP
FY1940	\$0.9	\$17.7	9.2%	0.9%
FY1960	\$7.0	\$58.8	7.6%	1.3%
FY1980	\$91.4	\$305.7	15.5%	3.3%
FY2000	\$285.9	\$415.9	16.0%	2.8%
FY2010	\$608.4	\$680.1	17.6%	4.1%
FY2020	\$839.1	\$784.8	12.7%	3.9%
FY2021	\$1,245.3	\$1,129.8	18.3%	5.4%
FY2022	\$1,193.3	1,020.8	19.0%	4.7%
FY2023	\$1,083.4	\$891.4	17.7%	4.0%
FY2024 (estimate)	\$1,107.6	\$882.8	16.0%	3.9%
FY2029 (estimate)	\$1,295.7	\$917.2	15.6%	3.8%

Source: OMB, *Budget FY 2025—Table 12.1—Summary Comparison of Total Outlays for Grants to State and Local Governments: 1940-2029*, <https://www.govinfo.gov/app/details/BUDGET-2025-TAB/BUDGET-2025-TAB-13-1>.

The dollar amount of federal grants to state and local governments may present certain challenges to Congress and executive agencies in their ability to administer and oversee such funds. For example, the Government Accountability Office (GAO) has highlighted some potential tools for and challenges to managing the funds.³⁴ They are:

- Streamlining: During the pandemic, OMB issued exemptions to some requirements for how executive agencies administer grants. The exemptions

³⁴ U.S. Government Accountability Office (GAO), *Federal Grants to State and Local Governments*, <https://www.gao.gov/federal-grants-state-and-local-governments>.

expired by December 2020. However, GAO could not determine the efficacy of such streamlining, and whether similar exemptions may help the federal government more effectively manage grants to state and local governments going forward.³⁵

- **Transparency:** GAO noted that “Greater transparency of grant spending helps Congress and the public understand how and where federal grants are spent.”³⁶ Among GAO’s suggestions was improving the information available on USAspending.gov, the federal government’s website for tracking federal grant spending.³⁷
- **Effective oversight:** Given the increase in federal grants to state and local governments during the pandemic, GAO noted that the federal government had a particular interest in oversight of those funds. According to GAO, some executive agencies had difficulty administering and overseeing the money (at least partly due to limited staffing at certain agencies, such as the Department of the Treasury).³⁸

Congress could consider whether to address GAO’s concerns. Some statutes enacted and bills proposed in recent Congresses have sought to do so. For example, in the 118th Congress, the Grant Transparency Act of 2023 (P.L. 118-140) required the OMB director to develop data elements for federal grant applications to ensure common reporting on grant applications by all executive agencies. This act directed that data elements include the number of applications received and the city and state of the organization submitting an application.³⁹ Also in the 118th Congress, the Streamlining Federal Grants Act of 2023 (S. 2286 and H.R. 5934) would have, among other things, required the OMB director to form a grants council—comprised of all federal agencies with grantmaking authority—with responsibility for “streamlining and coordinating federal processes related to grant application, administration, and reporting of grants and cooperative agreements.”⁴⁰

Challenges Particular to Pandemic Increases

As noted, federal grants to state and local governments increased markedly during the pandemic. The CARES Act (P.L. 116-136) provided a total of \$150 billion to state and local governments through the Coronavirus Relief Fund, and the American Rescue Plan Act of 2021 (ARPA, P.L. 117-2) provided \$362 billion in further assistance to those same entities through new funds. As shown in **Figure 10**, those increases were reflected in state expenditures.

³⁵ GAO, *Grants Management: OMB Should Collect and Share Lessons Learned from Use of COVID-19 Related Grant Flexibilities*, GAO-21-318, March 31, 2021, <https://www.gao.gov/products/gao-21-318>.

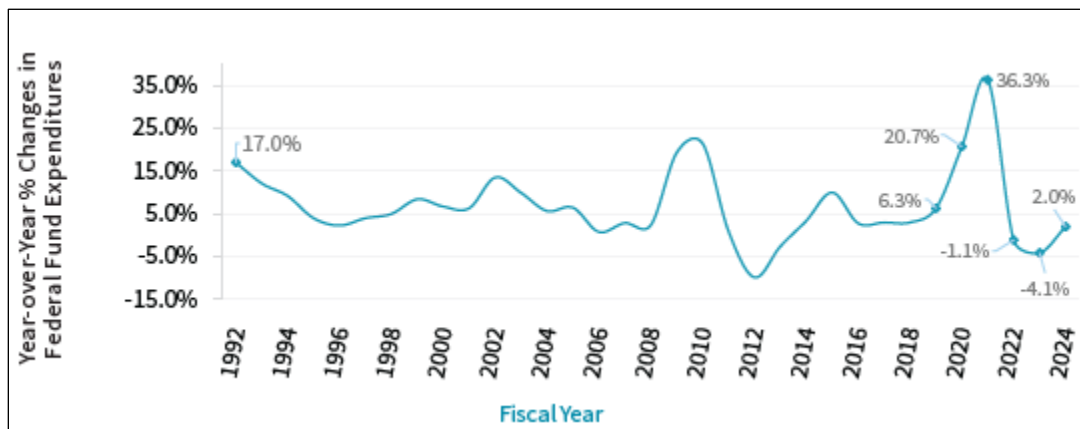
³⁶ GAO, *Federal Grants to State and Local Governments*, <https://www.gao.gov/federal-grants-state-and-local-governments>.

³⁷ GAO, *Federal Spending Transparency: Opportunities Exist to Further Improve the Information Available on USAspending.gov*, GAO-22-104702, November 8, 2021, <https://www.gao.gov/products/gao-22-104702>. For more information on USAspending.gov, see CRS Report R44027, *Tracking Federal Awards: USAspending.gov and Other Data Sources*, by Jennifer Teefy.

³⁸ GAO, *COVID-19 Relief: Treasury Could Improve its Administration and Oversight of State and Local Fiscal Recovery Funds*, GAO-24-106027, December 14, 2023, <https://www.gao.gov/products/gao-24-106027>.

³⁹ 138 Stat. 1658.

⁴⁰ U.S. Congress, Senate Homeland Security and Governmental Affairs Committee, *Streamlining Federal Grants Act of 2023*, Report to accompany S. 2286, 118th Cong., 1st sess., December 11, 2023, S.Rept. 118-126 (Washington: GPO, 2024), p. 1.

Figure 10. Increases in State Expenditures from Federal Funds, FY1992-FY2024

Source: NASBO, 2024 State Expenditure Report, Fiscal Year 2022-2024, p. 8, <https://www.nasbo.org/reports-data/state-expenditure-report>.

Note: Pandemic funds to state and local governments were mostly one-time funds.

The pandemic funds to state and local governments were generally awarded as one-time funds with certain criteria. For example, CARES Act funds to state and local governments had to be used for costs incurred on or before December 31, 2021, while ARPA funds to state and local governments had to be used for costs incurred on or before December 31, 2024.

Such scenarios can create fiscal challenges for state and local governments that fail to properly plan for the use of one-time funds. For example, when states put one-time revenue toward ongoing spending (such as recurring government programs, as opposed to one-time spending such as infrastructure construction or repairs), this can create a budget mismatch when the funding ends but the spending commitment remains.⁴¹ Research on selected states' use of pandemic funding indicates that at least some states successfully managed the money, including by prioritizing one-time investments and planning for when the funds would expire.⁴²

Nevertheless, Congress may consider its own assessment of how well state and local governments managed the additional pandemic funding, and whether any findings may inform any potential future aid.

Fiscal Considerations

Given the increase in both outlays for federal grants to state and local governments and in federal grants' share of the U.S. economy (see **Table 3**) some have voiced concerns about how those grants could impact the federal government's finances. That includes some Members of Congress,

⁴¹ For example, see Steve Bailey, Kil Huh, and Akshay Iyengar, et al., *State Strategies for Maintaining a Balanced Budget*, The Pew Charitable Trusts, June 14, 2018, <https://www.pewtrusts.org/en/research-and-analysis/reports/2018/06/14/state-strategies-for-maintaining-a-balanced-budget>.

⁴² Sara Dube, Colin Foard, and Rebecca Thiess, et al., *Pandemic Aid: How States Safeguarded Against Future Budget Challenges*, The Pew Charitable Trusts, February 28, 2024, <https://www.pewtrusts.org/en/research-and-analysis/reports/2023/12/pandemic-aid-how-states-safeguarded-against-future-budget-challenges>.

who have argued that the increase in federal grant spending has contributed to federal budget deficits.⁴³ Certain organizations have also advocated similar positions.⁴⁴

Conversely, others have argued that, regardless of any fiscal impacts, federal grants are important funding sources that allow state and local governments to provide a range of critical services. For example, some organizations have pointed out that federal grants to state and local governments support a broad range of programs for things such as health care, education, housing, child care, job training, transportation, and clean water.⁴⁵ Some Members of Congress have also noted federal grants' role in supporting state and local governments. For example, in January 2025, after the Trump Administration issued an order temporarily freezing federal grant funding,⁴⁶ some Members of Congress expressed concern that the order could impede state and local governments' ability to provide services.⁴⁷

State and Local Governments' Potential Reliance on Federal Grants

The increase in federal grants to state and local governments has caused concern from some that state and local governments may become overly reliant on federal funding. Researchers on some congressional committees in recent years have made this argument.⁴⁸

In FY2022, federal funds (the vast majority of which are grants) comprised 26.6% of total state and local government revenue and 36.1% of total state revenue.⁴⁹ As **Table 4** shows, these numbers are relatively high as compared to recent decades.

Table 4. Federal Funds as a Percentage of State and Local Government Revenue, FY1993-FY2022

Fiscal Year	Federal Funds as a Percentage of State and Local Government Revenue	Federal Funds as Percentage of State Government Revenue
FY2022	26.6%	36.1%
FY2012	19.4%	27.4%
FY2002	20.0%	28.9%
FY1993	15.6%	22.0%

⁴³ For example, see United States Congressman Tom McClintock, "Just Say No to Grants," press release, December 13, 2024, <https://mcclintock.house.gov/newsroom/columns/just-say-no-grants>.

⁴⁴ For example, see Chris Edwards, *Restoring Responsible Government by Cutting Federal Aid to the States*, Cato Institute, May 20, 2019, <https://www.cato.org/policy-analysis/restoring-responsible-government-cutting-federal-aid-states>.

⁴⁵ Center of Budget and Policy Priorities (CBPP), *Policy Basics: Federal Aid to State and Local Governments*, April 19, 2018, <https://www.cbpp.org/research/federal-aid-to-state-and-local-governments>.

⁴⁶ Matthew J. Vaeth, *Temporary Pause of Agency Grant, Loan, and Other Financial Assistance Programs*, OMB, OMB Memorandum M-25-13, January 27, 2025, <https://www.whitehouse.gov/wp-content/uploads/2025/03/M-25-13-Temporary-Pause-to-Review-Agency-Grant-Loan-and-Other-Financial-Assistance-Programs.pdf>.

⁴⁷ For example, see Congressman Troy A. Carter, Sr., "Congressman Carter Statement on Harmful Federal Funding Freeze," press release, January 28, 2025, <https://troycarter.house.gov/media/press-releases/congressman-carter-statement-harmful-federal-funding-freeze>.

⁴⁸ U.S. House Budget Committee, *Staff Working Paper: State and Local Government Grants in the Federal Budget*, September 27, 2023, <https://budget.house.gov/resources/staff-working-papers/staff-working-paper-series-state-and-local-government-grants-in-the-federal-budget>.

⁴⁹ Census Table 1. Because of how the data is reported, and because much federal funding for local governments first passes through state governments, it is difficult to isolate federal funds as a share of local government revenue.

Sources: Table 1; Census, Annual Survey of State and Local Government Finance, Table 1: State and Local Government Finances by Level of Government and by State: 2012, <https://www.census.gov/data/datasets/2012/econ/local/public-use-datasets.html>; Census, Annual Survey of State and Local Government Finance, Table 1: State and Local Government Finances by Level of Government and by State: 2001-02, <https://www.census.gov/data/datasets/2002/econ/local/public-use-datasets.html>; Census, Annual Survey of State and Local Government Finances, State and Local Government Finances by Level of Government, 1992-1993, <https://www.census.gov/data/datasets/1993/econ/local/public-use-datasets.html>.

Notes: Data not available prior to FY1993.

However, federal grants may also stabilize state and local government budgets. All states experience some revenue volatility, whereby revenue comes in at a certain amount one year, but at a measurably higher or lower amount in other years. In general, revenue volatility has increased among states in recent years.⁵⁰ Some states—particularly those whose revenues rely more heavily on sources that tend to fluctuate year to year, such as severance taxes on oil and gas—have greater revenue volatility. Intentionally or not, federal grants may help address unexpected revenue shortfalls when states with unpredictable revenue experience sudden budget shortfalls, thereby allowing those states to potentially avoid fiscal actions such as tax increases or budget cuts. This may be particularly important for state and local governments, which, unlike the federal government, are generally required to balance their budgets every fiscal year.⁵¹ Further, state laws prohibit most states from borrowing (in the form of issuing bonds) to cover operating expenses.⁵² This generally leaves tax increases or budget cuts as the most common methods for states to cover budget shortfalls.

Composition of Federal Grants to State and Local Governments

The nature of what federal grants to state and local governments are used for has changed over the decades. (See “Uses of Federal Grants to State and Local Governments”.) In FY2023, Medicaid accounted for 56.8% of total outlays for federal grants to state and local governments; in FY1970, that figure was 11.3%.⁵³ More broadly, as a share of federal outlays, the composition of federal grants to state and local governments has shifted from being fairly comparable between payments for individuals (on things like health and education) and for capital investment to favoring payments for individuals (see **Figure 11**).

⁵⁰ John Hamman, Gayathri Venu, and Justin Theal, *State Tax Revenue Is Becoming More Volatile*, The Pew Charitable Trusts, March 27, 2025, <https://www.pewtrusts.org/en/research-and-analysis/articles/2025/03/27/state-tax-revenue-is-becoming-more-volatile>.

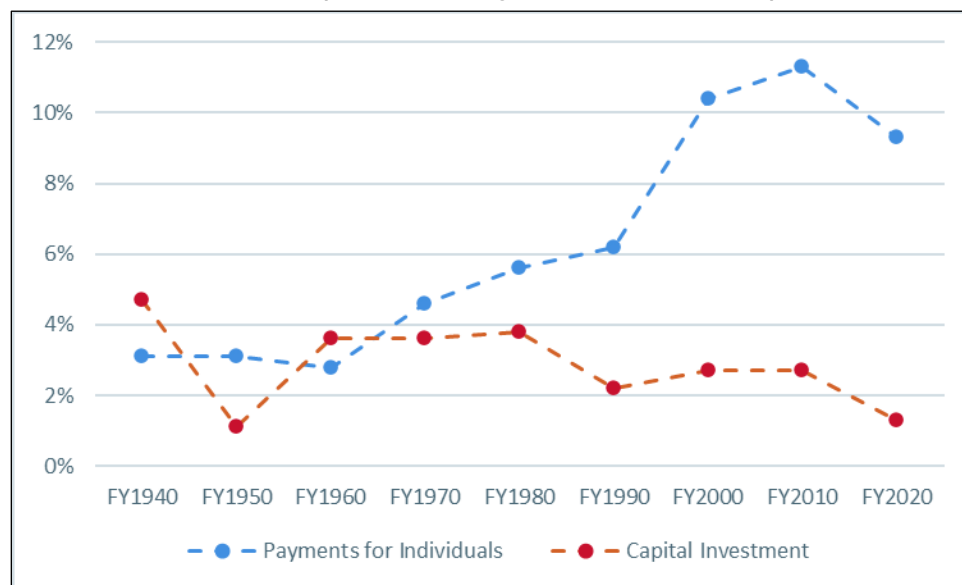
⁵¹ Urban Institute and Brookings Institution Tax Policy Center, *What Are State Balanced Budget Requirements and How Do They Work?*, <https://taxpolicycenter.org/news/unrigging-economy-will-require-enforcing-tax-laws>.

⁵² CBPP, *Policy Basics: State and Local Borrowing*, January 16, 2018, <https://www.cbpp.org/research/policy-basics-state-and-local-borrowing>.

⁵³ Table 12.3.

Figure 11. Federal Grants to State and Local Governments for Payments for Individuals and Capital Investment, FY1940-FY2020

Grant Outlays as a Percentage of Total Federal Outlays

**Source:** Table 12.3.

These changes may be explained by certain shifts in the national economy. For example, in calendar year 2023, national health expenditures were 17.6% of U.S. GDP. In calendar year 2000, that figure was 13.3%; in calendar year 1980, it was 8.9%.⁵⁴ These increases have coincided with increases in federal grants for Medicaid, as health care costs represent a growing share of the economy. At the same time, various sources have noted that infrastructure throughout the country is in need of increased investment.⁵⁵ Others have found that infrastructure spending can bring economic benefits.⁵⁶ Congress may consider whether and how to address the balance of federal grants to state and local governments between payments for individuals and for capital investment.

Concluding Observations

Federal grants to state and local governments are an area of consistent interest to Congress. Such grants enable state and local governments to provide a broad range of services to their constituents. As the nature and dollar amount of federal grants to state and local governments evolved—and continues to do so—throughout the 20th and into the 21st century, the topic may be likely to draw continued attention from Congress for the foreseeable future.

⁵⁴ Centers for Medicare and Medicaid Services, *National Health Expenditure Data, Historical*, <https://www.cms.gov/data-research/statistics-trends-and-reports/national-health-expenditure-data/historical>.

⁵⁵ For example, see Michelle Nellenbach and Andy Winkler, *Six Big Ideas for Infrastructure—Updated for the 117th Congress*, Bipartisan Policy Center, February 24, 2021, <https://bipartisanpolicy.org/blog/six-big-ideas-for-infrastructure/>.

⁵⁶ For example, see James McBride, Noah Berman, and Anshu Siripurapu, *The State of U.S. Infrastructure*, Council on Foreign Relations, September 20, 2023, <https://www.cfr.org/backgrounders/state-us-infrastructure>.

Appendix A. Types of Federal Grants to State and Local Governments

Different federal departments and agencies, including the U.S. Census Bureau, GAO, and OMB, use different definitions to determine what counts as a federal grant program. However, there is agreement on the general characteristics associated with each grant type.

The three general types of federal grants to state and local governments are categorical grants, block grants, and general revenue sharing (see **Table A-1**). Categorical grants can be used only for a specifically aided program and usually are limited to relatively narrowly defined activities. Block grants can be used only for a specifically aided set of programs and usually are not limited to relatively narrowly defined activities. General revenue sharing can be used for any purpose not expressly prohibited by federal or state law.

The four types of categorical grants are project categorical grants, formula categorical grants, formula-project categorical grants, and open-end reimbursement categorical grants. Project categorical grants are awarded on a competitive basis through an application process specified by the federal agency making the grant. Formula categorical grants are allocated among recipients according to factors specified within enabling legislation or administrative regulations (e.g., population, median household income, per capita income, poverty, and number of miles driven). Formula-project categorical grants use a mixture of fund allocation means, typically involving the use of a formula specified within enabling legislation or administrative regulations to allocate available funds among the states, followed by an application process specified by each recipient state to allocate available funds on a competitive basis among local governments or other eligible applicants. Open-end reimbursement categorical grants, often regarded as the equivalent of formula categorical grants, provide a reimbursement of a specified proportion of recipient program costs, eliminating competition among recipients as well as the need for an allocation formula.⁵⁷

A Continuum of Federal Grant Administrative Conditions

Of the six grant types, project categorical grants typically impose the most restraint on recipients (see **Table A-1**). Federal administrators have a relatively high degree of control over who receives project categorical grants (recipients must apply to the appropriate federal agency for funding and compete against other potential recipients who also meet the program's specified eligibility criteria); recipients have relatively little discretion concerning aided activities (funds must be used for narrowly specified purposes); and there is a relatively high degree of federal administrative conditions attached to the grant, typically involving the imposition of federal standards for planning, project selection, fiscal management, administrative organization, and performance.

⁵⁷ ACIR, *Categorical Grants*, pp. 5, 61.

Table A-1. Classification of Grant Types by Three Defining Traits

Federal Administrator's Relative Funding Discretion		
Low	Medium	High
Formula Categorical Grant	Block Grant—Formula-Project Categorical Grant	Project Categorical Grant
Open-ended Reimbursement Categorical Grant		
General Revenue Sharing		
Range of Recipient's Relative Discretion in Use of Funds		
Low	Medium	High
Project Categorical Grant	Block Grant	General Revenue Sharing
Formula-Project Categorical Grant		
Formula Categorical Grant		
Open-ended Reimbursement Categorical Grant		
Extent of Performance Conditions		
Low	Medium	High
General Revenue Sharing	Block Grant	Project Categorical Grant
		Formula Categorical Grant
		Formula-Project Categorical Grant
		Open-ended Reimbursement Categorical Grant

Source: U.S. Advisory Commission on Intergovernmental Relations, *Categorical Grants: Their Role and Design*, A-52 (Washington, DC: GPO, 1978), p. 7.

General revenue sharing imposes the least restraint on recipients.⁵⁸ Federal administrators have a relatively low degree of discretion over who receives general revenue sharing (funding is allocated automatically to recipients by a formula or formulas specified in legislation); recipients have relatively broad discretion concerning aided activities; and there is a relatively low degree of federal administrative conditions attached to the grant, typically involving periodic reporting criteria and the application of standard government accounting procedures.

Block grants are at the midpoint in the continuum of recipient discretion. Federal administrators have a relatively low degree of discretion over who receives block grants (after setting aside funding for administration and other specified activities, the remaining funds are typically allocated automatically to recipients by a formula or formulas specified in legislation); recipients have some discretion concerning aided activities (typically, funds can be used for a specified range of activities within a single functional area); and there is a moderate degree of federal administrative conditions attached to the grant, typically involving more than periodic reporting

⁵⁸ For further information and analysis concerning general revenue sharing, see CRS Report RL31936, *General Revenue Sharing: Background and Analysis*, by Steven Maguire.

criteria and the application of standard government accounting procedures, but with fewer conditions attached to the grant than project categorical grants.

Appendix B. History of U.S. Federalism and Federal Grants

Land Grants: 1776-1860

When the Framers met in Philadelphia in 1787 to rework the Articles of Confederation and Perpetual Union, the national economy was in recession, state governments were saddled with large debts left over from the Revolutionary War, the navy could not protect international shipping, and the army proved unable to protect its own arsenal during Shay's rebellion in 1786. To address these issues, Congress was provided specific powers in the Constitution, including the power to coin money, establish post offices, regulate copyright laws, declare war, regulate the Armed Forces, borrow money, and, importantly, lay and collect taxes.

The power to lay and collect taxes provided Congress the means to expand the federal government's role in domestic affairs. During the 1800s there were congressional efforts to adopt legislation to provide federal assistance for various types of internal improvement projects to encourage western migration and promote interstate commerce. Most of these efforts failed. Some opposition came from Members of Congress who viewed reducing the national debt from the American Revolutionary War as a higher priority. Other Members opposed federal interventions as a matter of political philosophy. They viewed the provision of federal assistance for internal improvements, other than for post roads, which were specifically mentioned in the Constitution as a federal responsibility, a violation of states' rights, as articulated in the Tenth Amendment.

Given the prevailing views concerning the limited nature of the federal government's role in domestic affairs, Congress typically authorized federal land grants to states instead of authorizing direct cash assistance to states for internal improvements. In 1841, nine states (Ohio, Indiana, Illinois, Alabama, Missouri, Mississippi, Louisiana, Arkansas, and Michigan)—and, with three exceptions, all subsequent newly admitted states—were designated land grant states and guaranteed at least 500,000 acres of federal land to be auctioned to support transportation projects, including roads, railroads, bridges, canals, and improvement of water courses, that expedited the transportation of United States mail, military personnel, and military munitions.⁵⁹ By 1900, over 3.2 million acres of federal land were donated to these states to support wagon road construction. In addition, states were provided 37.8 million acres for railroad improvements and 64 million acres for flood control.⁶⁰ States were provided wide latitude in project selection, and federal oversight and administrative regulations were minimal.

⁵⁹ Benjamin Horace Hibbard, *A History of the Public Land Policies* (New York: The Macmillan Company, 1924), pp. 228-233. Note: Maine and West Virginia were not eligible for the guarantee because they were formed out of other states and Texas was ineligible because it was considered a sovereign nation when admitted to the Union. Also, five states, Wisconsin, Alabama, Iowa, Nevada and Oregon, subsequently were permitted to use their proceeds from federal land sales solely for public education.

⁶⁰ Matthias Nordberg Orfield, *Federal Land Grants to the States With Special Reference to Minnesota* (Minneapolis, MN: Bulletin of the University of Minnesota, 1915), pp. 77-111, 115-118; Morton Grodzins, *The American System* (Chicago: Rand McNally, 1966), p. 35; Gary M. Anderson and Dolores T. Martin, "The Public Domain and Nineteenth Century Transfer Policy," *Cato Journal*, vol. 6, no. 3 (winter 1987): 908-910; John Bell Rae, "Federal Land Grants in Aid of Canals," *The Journal of Economic History*, vol. 4, no. 2 (November 1944): 167, 168; and U.S. Department of Transportation, Federal Highway Administration, *America's Highways, 1776/1976* (Washington, DC: GPO, 1976), 24. Note: 26 states received federal land grants during the 1800s.

Although land grants were prevalent throughout the 1800s, given prevailing views concerning states' rights, land grants, as well as cash grants, were subject to opposition on constitutional grounds. Overall, domestic policy in the United States prior to the Civil War was dominated by states.

The Origins of the Modern Grants System: 1860-1932

The Union's victory in the Civil War marked the beginning of a second evolutionary era in American federalism. It effectively put to an end to the doctrine that the Constitution was a compact among sovereign states, each with the right to nullify an act of Congress that the state deemed unconstitutional, and each with the legal right to secede from the Union.⁶¹ Nevertheless, the concept of dual federalism and deference to states in domestic affairs remained a part of American culture.

The first on-going, federal cash grant to states, other than for the support of the National Guard, was not adopted until 1879. P.L. 45-186, the Federal Act to Promote the Education of the Blind, appropriated \$250,000 to create a perpetual source of income for the purchase of teaching materials for the blind. It marked the beginning of the modern federal grants system.

By 1902, there were five federal grant programs to states and local governments (in addition to funding for the National Guard): teaching materials for the blind, agricultural experiment stations, the care of disabled veterans, resident instruction in the land grant colleges, and funding to the District of Columbia. Outlays for these grants were about \$7 million in FY1902, or about 1% of total federal outlays. State and local government total outlays at that time were slightly over \$1 billion.

An important difference between land grants and cash grants had emerged, even at this early date. Because federal grants were funded from the federal treasury, many in Congress felt that they had an obligation to ensure that the funds were spent by states in an appropriate manner. As a result, Congress began to attach an increasing number of administrative requirements to these grant programs. For example, the Morrill Act of 1890 authorized the Secretary of the Interior to withhold payments, pending an appeal to Congress, from states that failed to meet conditions specified in the act.⁶²

The Sixteenth Amendment's ratification in 1913 provided Congress the authority to lay and collect taxes on income. Although the federal income tax initially generated only modest amounts, it provided Congress an opportunity to shift from land grants to cash grants to encourage state and local governments to provide additional attention to policy areas Congress considered of national interest. Between 1913 and 1923, Congress adopted new federal grant programs for highway construction, vocational education, public health, and maternity care. Outlays for federal grants to state and local governments increased from \$12 million in FY1913 to \$118 million in FY1922.

The New Deal and the Rise of "Cooperative Federalism": 1932-1960

The 1932-1960 period saw the emergence of the "congressional conservative coalition," the unofficial title given to the shifting political alliances of southern, conservative Democrats and

⁶¹ David B. Walker, *The Rebirth of Federalism*, 2nd ed. (New York: Chatham House Publishers, 2000), p. 74. (Hereinafter "Walker, *Rebirth*.")

⁶² ACIR, *Categorical Grants*, pp. 15, 16.

Republican Members. Members of the conservative coalition generally advocated balanced budgets and states' rights, especially in civil rights legislation

The conservative coalition prevented civil rights legislation from being enacted during this period, but it could not prevent Democratic majorities in the House and Senate from expanding the federal government's presence in domestic policy. However, throughout this time period, the conservative coalition actively sought concessions to ensure that any new federal programs, including any new grants to state and local governments, respected state rights. As a result, the grant programs adopted during this time period tended to be in policy areas where state and local governments were already active, such as in education, health care, and highway construction, or where additional federal assistance was welcomed, such as job creation. Also, federal administrative conditions attached to these grants during this era focused on the prevention of corruption and fraudulent expenditures as opposed to encouraging states to move in new policy directions. As a result, federalism scholars have labeled this time period as an era of "cooperative federalism," where intergovernmental tensions were relatively minor and state and local governments were provided flexibility in project selection.

Faced with unprecedented national unemployment and economic hardship, President Franklin Delano Roosevelt advocated a dramatic expansion of the federal government's role in domestic affairs during his presidency, including an expansion of federal grant programs as a means to help state and local governments combat poverty and create jobs. Congress approved 16 new, continuing federal grants to state and local governments from 1933 to 1938, and increased funding for federal grants to states and local governments from \$214 million in FY1932 to \$790 million in FY1938.⁶³

The Social Security Act of 1935 (SSA) was, arguably, the most significant legislative enactment of the New Deal period. It established a federal presence in social welfare policy. New federal grant programs were established for old age assistance, aid to the blind, aid to dependent children, unemployment compensation, maternal and child health, crippled children, and child welfare. The act also enhanced federal oversight of grants to state and local governments as auditing requirements were now required in almost all grant programs.

Federal expenditures through grant programs during the New Deal were made in several functional areas, including some, such as social welfare, that were traditionally viewed as state responsibilities. Opponents of an expanded role for the federal government in domestic policy argued that New Deal grant programs precluded state action in these traditionally state functional areas and, as such, violated the Constitution's Tenth Amendment. Advocates of an expansion of federal involvement in domestic affairs argued that the power of Congress to spend authorized such programs. After President Roosevelt's failed legislative proposal to "pack the Court" in 1937, the Supreme Court upheld the constitutionality of several New Deal laws, including the Social Security Act.⁶⁴

However, external factors led to a reduction in outlays for federal grants to state and local governments from FY1939 to FY1946 as Congress focused on defense-related issues during World War II. For example, outlays for federal grants to state and local governments averaged \$947 million from FY1939 through FY1946, less than half of the New Deal's peak. Then, following the war, the number of federal grants to state and local governments began to increase at a somewhat accelerated pace, reaching 68 grants in 1950 and 132 grants in 1960. Outlays for

⁶³ ACIR, *Categorical Grants*, pp. 18-19.

⁶⁴ Walker, *Rebirth*, p. 91. Note: President Roosevelt proposed that he be given the authority to appoint another judge for each one who had served 10 years or more and had not retired within six months of their 70th birthday. A maximum of 50 such appointments were to be permitted, and the Supreme Court's size was to be increased to 15.

federal grants to state and local governments also accelerated, from \$859 million in FY1945, to \$2.3 billion in FY1950, to \$3.2 billion in FY1955, and to \$7 billion in 1960.⁶⁵

The Great Society and the Rise of “Coercive Federalism”: 1960-1980

The social movements and social unrest that swept the nation during the 1960s had a strong impact on Congress. Reflecting the growing public demand for congressional action to address civil rights, poverty, and the environment, in 1961 the House approved, 217-212, a proposal by Speaker Sam Rayburn to enlarge the House Rules Committee from 12 to 15 Members. Prior to the change, the House Rules Committee was divided, 6 to 6, along ideological lines. Because a majority vote is necessary for the issuance of a legislative rule, the House Rules Committee served as an institutional barrier to the passage of legislation that the committee’s more conservative Members believed infringed on states’ rights, including civil rights legislation.⁶⁶

The enlargement of the House Rules Committee in 1961 signaled the weakening of the conservative coalition’s influence within Congress and enabled the large Democratic majorities elected during the early 1960s in the House and Senate to adopt a succession of civil rights laws, highlighted by the previously mentioned Civil Rights Act of 1964. It also enabled Congress to expand the federal grants system, focusing on grants designed to protect the environment and address poverty, both directly through public assistance and job training programs and indirectly through education, housing, nutrition, and health care programs.

These legislative efforts were both supported and encouraged by President Lyndon Baines Johnson. The term “The Great Society” came to symbolize legislative efforts during the 1960s to address poverty and racial injustice.

In concert with President Johnson’s Great Society initiatives, Congress nearly tripled the number of federal grants to state and local governments during the 1960s, from 132 in 1960 to 387 in 1968. In 1965 alone, 109 federal grants to state and local governments were adopted, including Medicaid. Outlays for federal grants to state and local governments also increased, from \$7 billion in FY1960 to \$20 billion in FY1969. Functionally, federal grants for health care increased from \$214 million in FY1960 to \$3.8 billion in FY1970, for income security from \$2.6 billion to \$5.7 billion, for education, training, employment, and social services from \$525 million to \$6.4 billion, for transportation from \$3 billion to \$4.6 billion, and for community and regional development from \$109 million to \$1.7 billion.⁶⁷

The new grants had a number of innovative features that distinguished them from their predecessors. Previously, most federal grants to state and local governments supplemented existing state efforts and, generally, did not intrude on state and local government prerogatives. Most of the federal grants created during the 1960s, on the other hand, were designed purposely by Congress to encourage state and local governments to move into new policy areas, or to expand efforts in areas identified by Congress as national priorities, especially in environmental protection and water treatment, education, public assistance, and urban renewal.⁶⁸ In addition,

⁶⁵ OMB, *Budget of the United States Government, Fiscal Year 2014: Historical Tables*, p. 257, at <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2014/assets/hist.pdf>.

⁶⁶ David W. Rohde, “Committee Reform in the House of Representatives and the Subcommittee Bill of Rights,” *Annals of the American Academy of Political and Social Science*, vol. 411, no. 1 (January 1974): 40, 41.

⁶⁷ U.S. Department of Commerce, Bureau of the Census, *Historical Statistics of the United States, Colonial Times to 1970, Part 2*, pp. 1123, 1125, at <http://www2.census.gov/prod2/statcomp/documents/CT1970p2-12.pdf>.

⁶⁸ ACIR, *An Agenda for American Federalism: Restoring Confidence and Competence*, A-86, 1981, pp. 1-3, at <http://www.library.unt.edu/gpo/acir/Reports/policy/a-86.pdf>; and James Sundquist, *Making Federalism Work* (Washington, DC: The Brookings Institution, 1969), p. 3.

there was an increased emphasis on relatively narrowly focused project, categorical grants to ensure that state and local governments were addressing national needs.⁶⁹

Although most of the federal grants adopted during the 1960s were relatively narrowly focused project, categorical grants, the first two block grants were enacted during this period. P.L. 89-749, the Comprehensive Health Planning and Public Health Services Amendments of 1966, later known as the Partnership for Public Health Act, created a block grant for comprehensive health care services (now the Preventive Health and Health Services Block Grant). It replaced nine formula categorical grants.⁷⁰ Two years later, Congress created the second block grant, the Law Enforcement Assistance Administration's Grants for Law Enforcement program (sometimes referred to as the "Crime Control" or "Safe Streets" block grant) in the Omnibus Crime Control and Safe Streets Act of 1968.⁷¹

The rapid expansion of federal grants to state and local governments during the 1960s led to a growing concern that the intergovernmental grant system had become dysfunctional and needed to be reformed. For example, ACIR argued that along with the expansion of the federal grant system came "a rising chorus of complaints from state and local government officials" concerning the inflexibility of fiscal and administrative requirements attached to the grants.⁷²

During the 1970s, President Richard Nixon and his successor, President Gerald R. Ford, argued that the intergovernmental grant system was dysfunctional and advocated the sorting out of governmental responsibilities, with the federal government taking the lead in some functional areas and states in others. They also advocated a shift from narrowly focused categorical grants, especially project categorical grants, toward block grants and revenue sharing. They argued that block grants and general revenue sharing provided state and local governments additional flexibility in project selection and promoted program efficiency by reducing administrative costs.

Presidents Nixon's and Ford's efforts to gain congressional approval for a shift in emphasis from categorical grants to block grants and revenue sharing were only partially successful. For example, in his 1971 State of the Union speech, President Nixon announced a plan to consolidate 129 federal grant programs in six functional areas—33 in education, 26 in transportation, 12 in urban community development, 17 in manpower training, 39 in rural community development, and 2 in law enforcement—into what he called six "special revenue sharing" programs. Unlike the categorical grants they would replace, the proposed special revenue sharing programs had no state matching requirements and relatively few auditing or oversight requirements, and the funds were distributed by formula without prior federal approval of plans for their use.⁷³

The education, transportation, rural community development, and law enforcement proposals failed to gain congressional approval, primarily because they generated opposition from interest groups affiliated with the programs who worried that the programs' future funding would be

⁶⁹ ACIR, *Fiscal Balance in the American Federal System, Volume 1: Basic Structure of Fiscal Federalism*, A-31, 1967, pp. 150-184, at <http://www.library.unt.edu/gpo/acir/Reports/policy/a-31-1.pdf>.

⁷⁰ David B. Walker, *The Rebirth of Federalism: Slouching Toward Washington* (Chatham, NJ: Chatham House Publishers, Inc., 1995), pp. 70-71; and Kenneth T. Palmer, "The Evolution of Grant Policies," in *The Changing Politics of Federal Grants*, eds. Lawrence D. Brown, James W. Fossett and Kenneth T. Palmer (Washington, DC: The Brookings Institution Press, 1984), pp. 18-20.

⁷¹ Carl W. Stenberg, "Block Grants and Devolution: A Future Tool?" in *Intergovernmental Management for the 21st Century*, eds. Timothy J. Conlan and Paul L. Posner (Washington, DC: Brookings Institution Press, 2008), p. 266.

⁷² ACIR, *Categorical Grants*, p. 29.

⁷³ Claude E. Barfield, *Rethinking Federalism: Block Grants and Federal, State, and Local Responsibilities* (Washington, DC: American Enterprise Institute for Public Policy Research, 1981), p. 3.

compromised.⁷⁴ However, Congress enacted three block grant programs, one approved by President Nixon and the remaining two signed by President Ford.

Nevertheless, Congress retained an emphasis on the use of categorical grants. On December 31, 1980, there were 534 categorical grant programs, 5 block grant programs, and 1 general revenue sharing program. Of the categorical grant programs, 361 were project categorical grants, 42 were project, formula categorical grants, 111 were formula categorical grants, and 20 were open-ended reimbursement categorical grants.⁷⁵ Overall, categorical grants accounted for 79.3% of the \$91.3 billion in outlays for federal grants to state and local governments that year, block grants accounted for 11.3%, and general revenue sharing 9.4%.⁷⁶

Federal Mandates

Another related, new development during the 1960s and 1970s was the imposition by Congress of numerous federal mandates on state and local government officials. The concept of mandates covers a broad range of policy actions with centralizing effects on the intergovernmental system, including statutory direct-order mandates, total and partial statutory preemption of state and local government law, federal tax policies affecting state and local tax bases, and regulatory action. Many federalism scholars also consider program-specific and crosscutting federal grant administrative conditions to be mandates, even though the grants themselves are voluntary.⁷⁷

Crosscutting requirements are, perhaps, the most widely recognized mandate. They are a condition of federal assistance that applies across-the-board to all, or most, federal grants to advance a national social or economic goal.

In 1980, OMB counted 59 crosscutting requirements intended to further national social or economic goals in a variety of functional areas, including education and the environment.⁷⁸

Some of the statutory direct-order mandates adopted during this era included the Equal Employment Opportunity Act of 1972, which extended the prohibitions against discrimination in employment contained in the Civil Rights Act of 1964 to state and local government employment; the Fair Labor Standards Act Amendments of 1974, which extended the prohibitions against age discrimination in the Age Discrimination in Employment Act of 1967 to state and local government employment; and the Public Utilities Regulatory Policy Act of 1978, which established federal requirements concerning the pricing of electricity and natural gas.⁷⁹

The continued emphasis on categorical grants, the increased emphasis on provisions encouraging states to move in new policy directions, and, especially, the increased imposition of federal mandates on state and local governments during the 1960s and 1970s led some federalism scholars to label the 1960s and 1970s as the beginnings of a shift toward “coercive federalism.”⁸⁰

⁷⁴ Timothy Conlan, *From New Federalism to Devolution: Twenty-Five Years of Intergovernmental Reform* (Washington, DC: The Brookings Institution, 1998), p. 62.

⁷⁵ ACIR, *A Catalog of Federal Grant-In-Aid Programs to State and Local Governments: Grants Funded FY 1981*, M-133, 1982, pp. 1-3, at <http://www.library.unt.edu/gpo/acir/Reports/information/M-133cat.pdf>.

⁷⁶ OMB, *Special Analyses: Budget of the United States Government, FY 1984*, p. H-20.

⁷⁷ Paul L. Posner, “Mandates: The Politics of Coercive Federalism,” in *Intergovernmental Management for the 21st Century*, eds. Timothy J. Conlan and Paul L. Posner (Washington, DC: Brookings Institution Press, 2008), p. 287.

⁷⁸ ACIR, *Regulatory Federalism: Policy, Process, Impact, and Reform*, A-95, 1984, p. 71, at <http://www.library.unt.edu/gpo/acir/Reports/policy/a-95.pdf>. (Hereinafter “*Regulatory Federalism*.”)

⁷⁹ *Regulatory Federalism*, p. 88.

⁸⁰ John Kincaid, “From Cooperative to Coercive Federalism,” *The Annals of the American Academy of Political and Social Science*, vol. 509, no. 1 (1990), pp. 139-152. Note: the term coercive is often used in legal arguments to suggest (continued...)

Cooperative features were still present, but congressional deference to state and local government prerogatives seen in previous eras was no longer in force. Instead of focusing primarily on the “carrot” of federal assistance to encourage state and local governments to pursue policies that aligned with national goals, Congress increasingly relied on the “stick” of federal mandates.

Congress Asserts Its Authority: The Devolution Revolution That Wasn’t, 1980-2000

President Ronald Reagan’s election in 1980, coupled with the Republican Party’s resurgence, especially its winning majority party status in the Senate that year, signaled for some the potential for a “devolution revolution” in American federalism, where unfunded federal mandates would be rescinded, “burdensome” administrative federal grant conditions removed, and the cooperative features of the federal grants system enhanced. This belief was based on President Reagan’s commitment to reducing the federal budget deficit. Because he was convinced that it was necessary to increase defense spending, President Reagan concluded that the only way to reduce the federal budget deficit was to increase revenue by encouraging economic growth through tax reduction, regulatory relief, and limiting the growth of federal domestic expenditures. As a former governor, he trusted state and local governments’ ability to provide essential government services. As a result, he advocated changes to governmental responsibilities that would reduce the federal government’s role in domestic affairs. These were to include increasing the emphasis on block grants to provide state and local government officials greater flexibility in determining how a program’s funds are spent, and imposing fiscal restraint on all federal grant programs.⁸¹

For example, on February 18, 1981, President Reagan addressed a joint session of Congress and proposed the consolidation of 84 existing categorical grants into 6 new block grants and requested significant funding reductions for a number of income maintenance categorical grants, including housing (rental) assistance, food stamps (now Supplemental Nutrition Assistance Program), Medicaid, and job training. Congress subsequently approved P.L. 97-35, the Omnibus Budget Reconciliation Act of 1981, which consolidated 77 categorical grants and two earlier block grants into nine new block grants.⁸²

Overall, funding for the categorical grants bundled into these block grants was reduced 12%, or about \$1 billion, from their combined funding level the previous year.⁸³ President Reagan argued that the funding reductions would not result in the loss of services for recipients because the reductions would be offset by administrative efficiencies. In addition, the Reagan Administration eliminated funding for 62 categorical grants in 1981, mainly through authority provided under the Omnibus Budget Reconciliation Act of 1981.⁸⁴

that provisions of law related to federal grants do not have constitutional standing. Federalism scholars use the term to describe, as Kincaid explained it (p. 139), the shift in emphasis “from fiscal tools to stimulate intergovernmental policy cooperation” to an increased reliance on “regulatory tools to ensure the supremacy of federal policy.”

⁸¹ Timothy J. Conlan and David B. Walker, “Reagan’s New Federalism: Design, Debate and Discord,” *Intergovernmental Perspective*, vol. 8, no. 4 (winter 1983), pp. 6-15, 18-22.

⁸² David B. Walker, Albert J. Richter, and Cynthia Colella, “The First Ten Months: Grant-In-Aid, Regulatory, and Other Changes,” *Intergovernmental Perspective*, vol. 8, no. 1 (winter 1982), pp. 5-11.

⁸³ GAO, *Block Grants: Characteristics, Experience and Lessons Learned*, GAO/HEHS-95-74, February 9, 1995, p. 2, at <http://www.gao.gov/assets/230/220911.pdf>. Note: funding changes ranged from a \$159 million, or 30%, reduction in the Community Services Block Grant to a \$94 million, or 10%, increase in funding for the Community Development Block Grant program.

⁸⁴ David B. Walker, Albert J. Richter, and Cynthia Cates Colella, “The First Ten Months: Grant-in-Aid, Regulatory, and Other Changes,” *Intergovernmental Perspective* vol. 8, no. 1 (winter 1982): 5-22.

Some observers were convinced that the adoption of the Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35) was proof of the coming devolution revolution. The number of federal grants to state and local governments was reduced and outlays for federal grants to state and local governments fell for the first time since World War II, from \$94.7 billion in FY1981 to \$88.1 billion in FY1982.⁸⁵ However, in retrospect, federalism scholars now consider the 1981 block grants as more “historical accidents than carefully conceived restructurings of categorical programs” because they were contained in a lengthy bill that was primarily designed to reduce the budget deficit, not to reform federalism relationships. The bill was adopted under special parliamentary rules requiring a straight up or down vote without the possibility of amendment, and it was not considered and approved by authorizing committees of jurisdiction.⁸⁶ Nonetheless, largely due to P.L. 97-35, in 1984 there were 12 block grants in operation (compared to 392 categorical grants), accounting for about 15% of total grants funding.⁸⁷

Federalism scholars generally agree that President Reagan had unprecedented success in achieving congressional approval for block grants in 1981. However, they also note that most of President Reagan’s subsequent block grant proposals failed to gain congressional approval, primarily because they were opposed by organizations that feared, if enacted, the block grants would result in less funding for the affected programs.

Evidence of a coming devolution revolution proved elusive as the upward trend in outlays for federal grants to state and local programs resumed in FY1983, although at a somewhat lower rate of increase than during the previous two decades. Outlays for federal grants to state and local governments increased from \$91.4 billion in FY1980 to \$135.3 billion in FY1990 and \$285.9 billion in FY2000. Medicaid accounted for much of that revenue growth, increasing from \$13.9 billion in FY1980 to \$41.1 billion in FY1990 and \$117.9 billion in FY2000.⁸⁸

Functionally, outlays for federal grants to state and local governments for health care increased from \$15.8 billion in FY1980 to \$124.8 billion in FY2000. Also, outlays for federal grants to state and local governments for income security increased from \$18.5 billion in FY1980 to \$68.7 billion in FY2000; for education, training, employment, and social services from \$21.9 billion to \$36.7 billion; for transportation from \$13.0 billion to \$32.2 billion; and for community and regional development from \$6.5 billion to \$8.7 billion.

The number of federal grants to state and local governments fell at the beginning of this era, from 541 in 1981 to an era low of 405 in 1984, but then resumed an upward trend. There were 541 grants to state and local governments in 1981, 405 in 1984, 435 in 1987, 492 in 1989, 557 in 1991, 593 in 1993, 633 in 1995, and 664 in 1998. Moreover, the number of intergovernmental mandates continued to increase throughout the era. ACIR, for example, identified 36 significant federal mandates affecting state and local governments in 1980. In 1990, it identified 63.⁸⁹ ACIR

⁸⁵ OMB, *Budget of the United States Government, Fiscal Year 2014: Historical Tables*, p. 257, at <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2014/assets/hist.pdf>.

⁸⁶ Carl W. Stenberg, “Block Grants and Devolution: A Future Tool?” in *Intergovernmental Management for the 21st Century*, eds. Timothy J. Conlan and Paul L. Posner (Washington, DC: Brookings Institution Press, 2008), p. 267; and Timothy Conlan, *From New Federalism to Devolution: Twenty-Five Years of Intergovernmental Reform* (Washington, DC: The Brookings Institution, 1998), pp. 110-121.

⁸⁷ ACIR, *A Catalog of Federal Grant-In-Aid Programs to State and Local Governments: Grants Funded FY1984*, M-139, 1984, pp. 1-3, at <http://www.library.unt.edu/gpo/acir/Reports/information/m-139.pdf>.

⁸⁸ OMB, *Historical Tables: Budget of the United States Government, Fiscal Year 2009*, pp. 262, 268, 276, at <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2009/pdf/hist.pdf>.

⁸⁹ *Regulatory Federalism*, pp. 246-249, and Timothy J. Conlan and David R. Beam, “Federal Mandates: The Record of Reform and Future Prospects,” *Intergovernmental Perspective*, vol. 18, no. 4 (Fall 1992), p. 7. (Hereinafter “Federal Mandates.”)

concluded that “despite efforts to constrain the growth of intergovernmental regulation, the 1980s remained an era of regulatory expansion rather than contraction.”⁹⁰

Some observers believed that the anticipated devolution revolution might be realized following the 1994 congressional elections, which resulted in the Republican Party gaining majority status in both the House and Senate. As evidence of the potential for a devolution revolution they pointed to the Unfunded Mandate Reform Act of 1995 (UMRA, P.L. 104-4).⁹¹ Its intent was to limit the federal government’s ability to impose costs on state and local governments or on the private sector through unfunded mandates.

Under UMRA, congressional committees have the initial responsibility to identify certain federal mandates in measures under consideration. If the measure contains a federal mandate, the authorizing committee must provide the measure to the Congressional Budget Office (CBO). CBO reports back to the committee an estimate of the mandate’s costs. The office must prepare full quantitative estimates for each reported measure with mandate costs over pre-determined thresholds in any of the first five fiscal years the legislation would be in effect. CBO’s cost estimates include the direct costs of the federal mandates contained in the measure, or in any necessary implementing regulations; and the amount of new or existing federal funding the legislation authorizes to pay these costs. The thresholds triggering a full CBO cost estimate are adjusted annually for inflation. They were originally \$50 million for intergovernmental mandates and \$100 million for private sector mandates. CBO must prepare brief statements of cost estimates for those mandates that have estimated costs below these thresholds.⁹²

UMRA’s impact on unfunded mandates has been relatively limited. For example, from 1996 to May 2019, 62 points of order were raised in the House and 4 in the Senate. One point of order, concerning a 1996 minimum wage bill, was sustained in the House and two points of order, concerning amendments relating to an increase in the minimum wage in 2005, were sustained in the Senate.⁹³ In addition, UMRA covers only certain types of unfunded federal mandates. As a federalism scholar argued,

UMRA primarily covers only statutory direct orders, excluding most grant conditions and preemptions whose fiscal effects fall below the threshold. Statutory direct orders dealing with constitutional rights, prohibition of discrimination, national security, and Social Security are among those excluded from coverage. Moreover, analytic and procedure requirements do not apply to appropriations bills, floor amendments or conference reports—those tools of “unorthodox lawmaking” that have become increasingly prevalent in the Congress.⁹⁴

Moreover, another federalism scholar noted that the overall record of the 104th Congress, expected by some to decentralize and devolve federalism relationships, was more status quo than devolutionary.⁹⁵

⁹⁰ Federal Mandates, p. 8.

⁹¹ For more information, see CRS In Focus IF12431, *The Unfunded Mandates Reform Act: A Primer*, by Adam G. Levin.

⁹² For further analysis, see CRS Report R40957, *Unfunded Mandates Reform Act: History, Impact, and Issues*, by Natalie Paris.

⁹³ CRS Report R40957, *Unfunded Mandates Reform Act: History, Impact, and Issues*, by Natalie Paris; and U.S. Government Accountability Office, *Unfunded Mandates: Analysis of Reform Act Coverage*, GAO-04-637 (Washington, DC: GPO, 2004), p. 7.

⁹⁴ Paul Posner, “The Politics of Coercive Federalism in the Bush Era,” *Publius: The Journal of Federalism*, vol. 37, no. 3 (Summer 2007), p. 403. (Hereinafter “Posner, *Politics*.”)

⁹⁵ Walker, *Rebirth*, p. 165.

The devolution revolution never fully materialized during this era, despite growing public hostility toward the federal government. The emphasis on categorical grants and the issuance of federal mandates continued. Yet, some decentralization of decisionmaking authority did take place during the era. For example, in 1980, there were four block grants in operation. In 2000, there were 24 block grants, including the Surface Transportation Program (1991) and the Temporary Assistance for Needy Families (TANF) program (1996). Funded at \$16.7 billion annually, TANF rivaled the Surface Transportation Program during this era for the largest budget of all the block grants. In addition, Congress authorized state waivers for Medicaid starting in 1981, and for child welfare assistance programs starting in 1994.

Federal Grants to State and Local Governments in the 21st Century

Some observers thought that the number of federal grants to state and local governments and outlays for federal grants to state and local governments might fall during George W. Bush's presidency (2001-2009). Given federal budgetary pressures created by what many called the "war on terror" following 9/11, President Bush's commitment to reducing the annual federal budget deficit and addressing the federal debt, and the Republican Party's winning majority status in the House of Representatives from 2001 to 2007 and in the Senate for portions of 2001 and 2002, and from 2003 to 2007. Yet, outlays for federal grants to state and local governments increased during his presidency, from \$285.8 billion in FY2000 to \$461.3 billion in FY2008.

Others thought that the "the ascendancy of George W. Bush to the presidency, in concert with a remarkably unified Republican control of the Congress, presaged a period of unified government ... [that would lead to] the arrest and even reversal of federal policy centralization."⁹⁶ For example, President Bush used his authority to grant state waivers to increase state flexibility in the use of Medicaid funds and, in his second term, in complying with No Child Left Behind requirements.⁹⁷ However, despite these efforts, federalism scholars argue that the federal government continued to further centralize its authority in many policy areas during Bush's presidency. For example, President Bush supported the extension of "federal goals and standards to such areas as education testing, sales tax collection, emergency management, infrastructure, and elections administration";⁹⁸ and the imposition of restrictions on partial-birth abortions, new work requirements for TANF recipients, and new standards for issuing secure driver's licenses. President Bush also supported legislative efforts to prohibit same-sex marriage.⁹⁹

The expansion and centralization of the federal grants system continued under President Barack Obama and continued, albeit counter to his recommendations, under President Donald Trump. Outlays for federal grants to state and local governments increase in this period (from \$660.8 billion in FY2016 to \$674.7 billion in FY2017), largely due to increased outlays for Medicaid. However, outlays for federal grants to state and local governments increased in other policy areas as well.¹⁰⁰

The number of federal grants to state and local governments also increased, from 664 in 1998, to 953 in 2009, 996 in 2012, 1,188 in 2015, and 1,274 in 2018. In addition, the emphasis on

⁹⁶ Posner, *Politics*, p. 390.

⁹⁷ Posner, *Politics*, p. 392.

⁹⁸ Posner, *Politics*, pp. 390-391.

⁹⁹ Tim Conlan and John Dinan, "Federalism, the Bush Administration, and the Transformation of American Conservatism," *Publius: The Journal of Federalism*, vol. 37, no. 3 (Summer 2007), pp. 279-303.

¹⁰⁰ OMB, *Budget of the United States Government, Fiscal Year 2019: Historical Tables*, Table 12.3, Total Outlays for Grants to State and Local Governments, at <http://www.whitehouse.gov/omb/budget/Historicals>.

categorical grants has been retained, as 1,253 of the 1,274 funded federal grants to state and local governments in 2018 were categorical grants, and 21 were block grants.

Also, despite UMRA, unfunded federal mandates continued to be issued in many policy areas. For example, CBO reported that from January 1, 2006, to December 31, 2018, 217 laws were enacted with at least one intergovernmental mandate as defined under UMRA. These laws imposed 443 mandates on state and local governments, with 16 of these mandates exceeding UMRA's threshold, 14 with estimated costs that could not be determined, and 413 with estimated costs below the threshold.¹⁰¹ CBO reported that hundreds of other laws had an effect on state and local government budgets, but those laws did not meet UMRA's definition of a federal mandate.¹⁰²

Grant conditions, historically the predominant means used to affect state and local government actions, have also continued to be used to promote national goals. For example, many observers consider the adoption of the No Child Left Behind Act of 2001 (P.L. 107-110) to be President George W. Bush's signature federalism achievement. Although the act allows states to define the standards used for testing, it imposed federal testing, teaching, and accountability standards on states and school districts that, overall, significantly increased federal influence on public elementary and secondary education throughout the nation.

President Obama did not issue a formal federalism plan and did not formally advocate a major shift in funding priorities within functional categories. However, the expansion of Medicaid eligibility under P.L. 111-148, the Patient Protection and Affordable Care Act (ACA), increased health care's position as the leading category of federal assistance to state and local governments. The ACA also either authorized or amended 71 federal categorical grants to state and local governments, further enhancing the role of categorical grants in the intergovernmental grant system.¹⁰³

The Obama Administration did not formally advocate a major shift in funding priorities from categorical grants to block grants, or from block grants to categorical grants. However, the number of funded block grants declined somewhat during the Obama Administration, from 24 in 2009 to 20 in 2016. Also, although the Obama Administration did support ARRA's funding for two relatively significant temporary block grants (the \$53.6 billion Government Services State Fiscal Stabilization Fund for public education; and the \$3.2 billion Energy Efficiency and Conservation Block Grant for energy efficiency and conservation programs) and ARRA's provision of additional, temporary funding to TANF (\$5 billion), the Child Care and Development Block Grant (\$2 billion), the Community Development Block Grant (\$1 billion), the Community Services Block Grant (\$1 billion), and the Native American Housing Block Grant (\$510 million) programs, the Obama Administration generally advocated enactment of new

¹⁰¹ CBO, *Laws Enacted Between 2006 and 2018 That Contain Mandates*, at <https://www.cbo.gov/publication/51335>; and CBO, "Laws That Contain Mandates," at <https://www.cbo.gov/umra-search/law>.

¹⁰² CBO, *A Review of CBO's Activities in 2008 Under the Unfunded Mandates Reform Act*, March 2009, p. 48, at <http://www.cbo.gov/ftpdocs/100xx/doc10058/03-31-UMRA.pdf>; CBO, *A Review of CBO's Activities in 2010 Under the Unfunded Mandates Reform Act*, March 2011, p. 5, at <http://www.cbo.gov/ftpdocs/121xx/doc12117/03-31-UMRA.pdf>; CBO, *A Review of CBO's Activities in 2011 Under the Unfunded Mandates Reform Act*, March 2012, pp. 5-7, at <http://www.cbo.gov/sites/default/files/cbofiles/attachments/03-30-UMRA.pdf>; CBO, *A Review of CBO's Activities in 2012 Under the Unfunded Mandates Reform Act*, March 2013, pp. 5-9, at <http://www.cbo.gov/sites/default/files/cbofiles/attachments/44032-UMRA.pdf>; CBO, *A Review of CBO's Activities in 2013 Under the Unfunded Mandates Reform Act*, March 2014, p. 5, at <http://www.cbo.gov/sites/default/files/cbofiles/attachments/45209-UMRA.pdf>; CBO, *A Review of CBO's Activities in 2014 Under the Unfunded Mandates Reform Act*, March 2015, p. 5, at <http://www.cbo.gov/sites/default/files/cbofiles/attachments/50051-UMRA.pdf>; and CBO, *Laws Enacted Between 2006 and 2016 That Contain Mandates*, at <https://www.cbo.gov/publication/51335>.

¹⁰³ U.S. General Services Administration, "Catalog of Federal Domestic Assistance," at <https://www.cfda.gov/>.

competitive categorical grant programs (e.g., TIGER surface transportation grants and Race to the Top education grants) rather than the expansion of existing block grants or the creation of new ones.¹⁰⁴ However, the Obama Administration did advocate the consolidation of categorical grant programs in several functional areas as a means to reduce duplication and promote program efficiency. For example, the Obama Administration supported the consolidation of dozens of surface transportation categorical grant programs into other surface transportation categorical grant programs in P.L. 112-141, the Moving Ahead for Progress in the 21st Century Act of 2012 (MAP-21).¹⁰⁵ The Obama Administration also advocated the merging of categorical grant programs in the Department of Homeland Security as a means to “better target these funds.”¹⁰⁶

President Trump indicated in his FY2018 budget request that he intended to refocus federal grants on “the highest priority areas,” provide “a greater role for state and local governments,” “slow the growth of grant spending over the 10-year budget window,” and “rein in the growth of Medicaid.”¹⁰⁷

The Trump Administration continued to advocate for these objectives in its FY2019 and FY2020 budget requests. In addition, the Trump Administration noted that its President’s Management Agenda, released in March 2018, included a cross-agency priority goal of achieving results-oriented accountability for federal grants funding. The Administration’s goal was to ensure that federal grants to state and local governments are “delivered to intended recipients as efficiently as possible” by standardizing the grants management process and data, building shared IT infrastructure, managing risk, and achieving program goals and objectives.¹⁰⁸ The Administration also included proposals “to require able-bodied adults participating in the Supplemental Nutrition Assistance Program (SNAP) enter and re-enter the job market and work toward self-sufficiency.”¹⁰⁹

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¹⁰⁴ For additional information concerning TIGER grants see CRS Report R43464, *Federal Support for Streetcars: Frequently Asked Questions*, by William J. Mallett.

¹⁰⁵ For additional information concerning MAP-21 see CRS Report R42762, *Surface Transportation Funding and Programs Under MAP-21: Moving Ahead for Progress in the 21st Century Act (P.L. 112-141)*, coordinated by Robert S. Kirk.

¹⁰⁶ OMB, *Budget of the United States Government, Fiscal Year 2015: Analytical Perspectives*, p. 248, at <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2015/assets/spec.pdf>. For additional information concerning the merging of categorical grant programs in the Department of Homeland Security into a proposed National Preparedness Grant Program see CRS Report R42985, *Issues in Homeland Security Policy for the 113th Congress*, coordinated by William L. Painter.

¹⁰⁷ OMB, *Budget of the United States Government, Fiscal Year 2018, Analytical Perspectives: Special Topics, Aid to State and Local Governments*, p. 171, at <https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/spec.pdf>.

¹⁰⁸ *Ibid.*, p. 233.

¹⁰⁹ *Ibid.*, p. 236.

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