



# Grants 101:

An Introduction to Federal  
Grants for State and Local  
Governments



# Introduction

FFIS has been in the federal grant reporting business for a long time—about 30 years. The main thing we’ve learned in that time is that this stuff is complicated, almost a language unto itself. For example, when a person refers to “total federal grants,” that could mean any number of things—with different corresponding amounts.

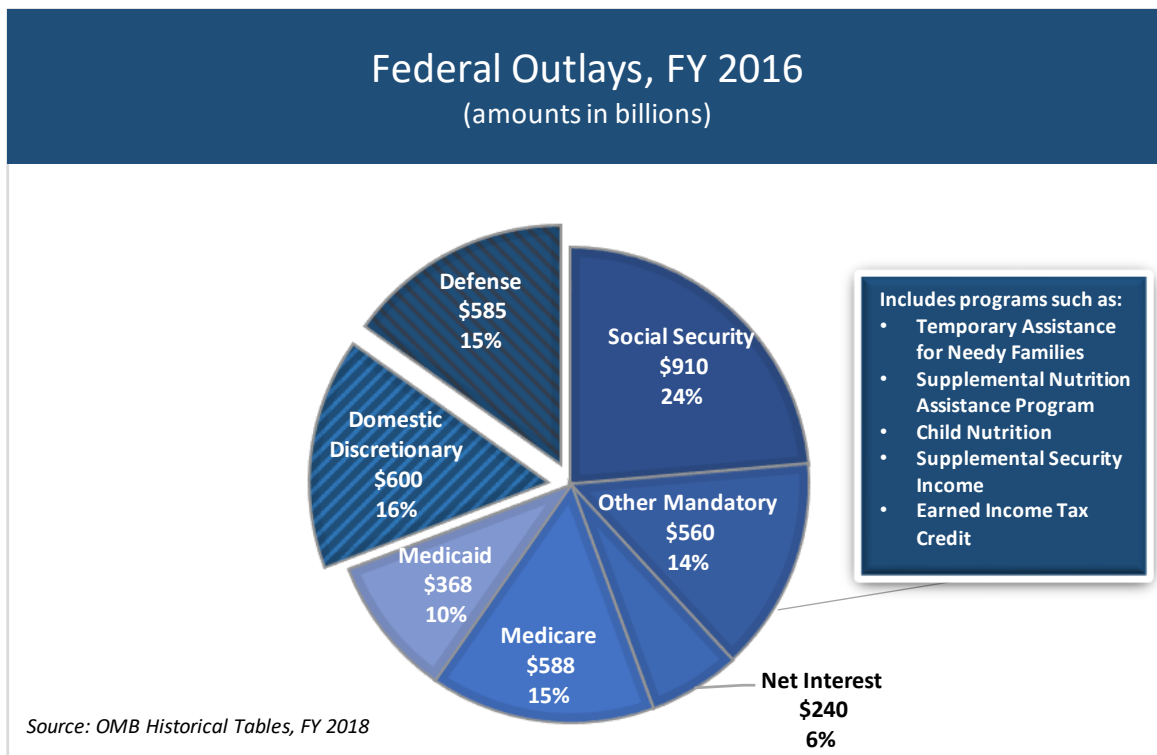
This report is meant to demystify the flow of federal funds to their many recipients. It begins with the big picture and slowly works its way down to a more nuanced description of federal grants and how they work. It even explains why different amounts are attached to grant totals on different pages of the report.

Federal Funds Information for States (FFIS)—founded by the [National Governors Association](#) and the [National Conference of State Legislatures](#)—helps states manage federal funds by analyzing the impact of federal actions.

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## Q. What are the pieces of the federal budget pie?

**A.** In FY 2016, federal outlays totaled \$3.9 trillion. Mandatory programs—including Social Security, Medicare, and Medicaid—represent a large and growing share of federal spending. Discretionary spending for domestic and defense programs (accounted for by two slices of the pie chart below) has seen its share decline.



Change in Share of Federal Outlays, FY 2006 - FY 2016			
Category	FY 2006	FY 2016	Change
Social Security	20.3%	23.6%	3.32
Medicare	12.5%	15.3%	2.79
Medicaid	7.3%	9.6%	2.24
Other Mandatory	13.7%	14.5%	0.88
Net Interest	8.1%	6.2%	-1.89
Defense	18.8%	15.2%	-3.64
Domestic Discretionary	19.3%	15.6%	-3.70
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>0.00</b>

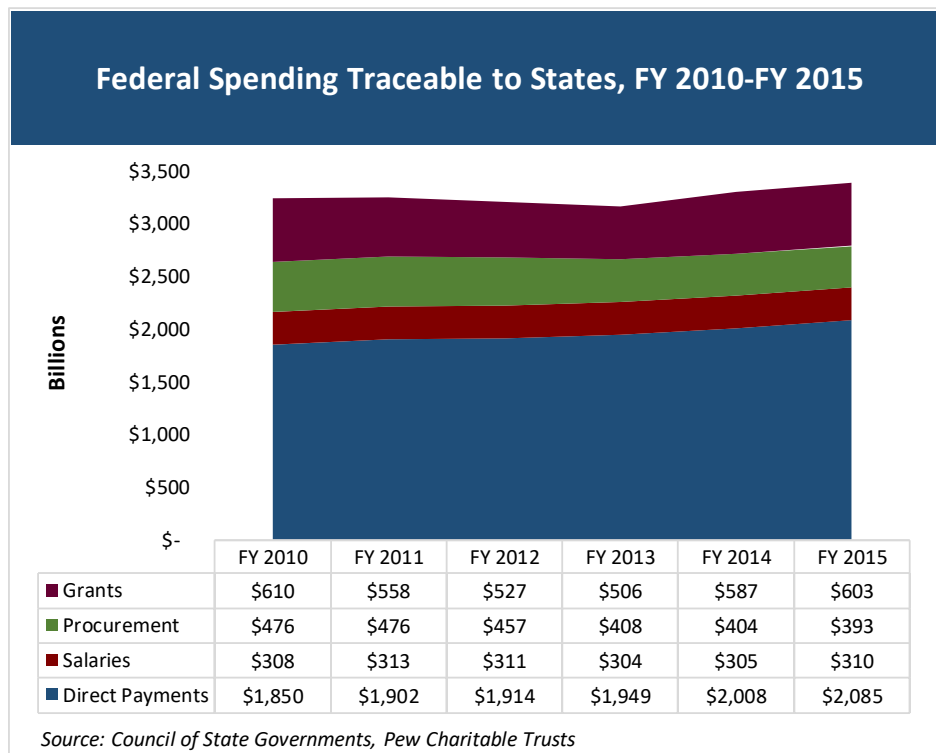
*Source: OMB Historical Tables, FY 2018*

## Q. How do federal funds make their way to states?

A. The four major fiscal flows totaled \$3.4 trillion in FY 2015:

1. **Direct payments** go directly to individuals. Examples include Social Security, federal retirement and disability, veterans' benefits, Medicare, unemployment compensation, Supplemental Nutrition Assistance Program (SNAP) benefits, housing assistance, farm payments, and the Earned Income Tax Credit.
2. **Grants** are provided to states, local governments, and others to carry out federal programs. Examples include Medicaid, highways, and education assistance.
3. **Procurement** is the federal purchase of goods and services, such as consultants, weaponry, and fleets.
4. **Salaries/wages** compensate federal military and civilian employees.

Spending on grants and procurement declined between FYs 2010 and 2015, while spending on salaries and direct payments increased. (The amounts are not inflation-adjusted.) The next page shows that total federal funding averaged about \$10,500 per person in FY 2015.



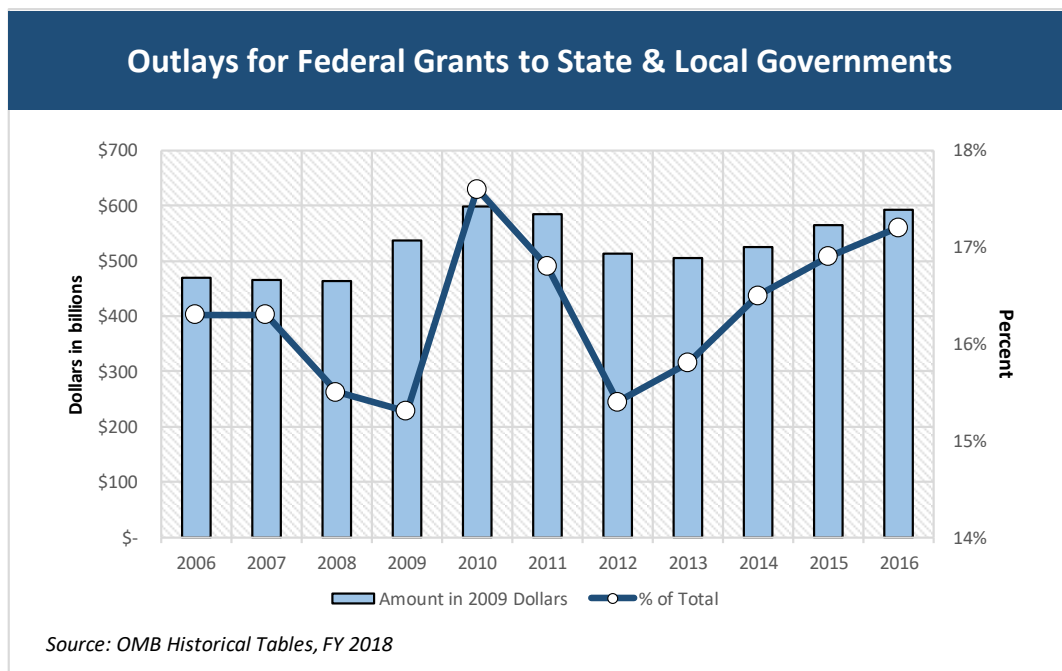


Per Capita Federal Spending by Category, FY 2015					
State	Total	Direct			
		Payments	Grants	Procurement	Salaries/Wages
Alabama	\$12,550	\$7,916	\$1,385	\$2,137	\$1,113
Alaska	15,806	5,287	4,497	2,538	3,482
Arizona	10,757	6,642	1,954	1,371	790
Arkansas	10,638	7,156	2,497	355	630
California	9,654	5,598	2,084	1,216	757
Colorado	10,033	5,423	1,734	1,624	1,252
Connecticut	12,793	6,513	2,280	3,484	516
Delaware	10,855	7,442	2,340	337	736
District of Columbia	82,508	7,901	12,872	28,980	32,755
Florida	10,413	7,894	1,125	671	723
Georgia	9,297	6,181	1,184	758	1,174
Hawaii	14,103	6,620	1,932	1,391	4,160
Idaho	9,665	6,063	1,615	1,305	681
Illinois	8,701	6,054	1,391	658	598
Indiana	9,054	6,476	1,518	602	459
Iowa	8,984	6,198	1,770	586	429
Kansas	9,775	6,277	1,573	717	1,208
Kentucky	11,876	7,076	2,216	1,472	1,112
Louisiana	10,040	6,703	1,985	592	760
Maine	12,169	7,783	2,287	1,131	967
Maryland	17,025	7,029	1,962	4,784	3,250
Massachusetts	11,689	6,519	2,594	1,957	619
Michigan	9,562	7,279	1,420	428	434
Minnesota	8,979	5,824	1,815	860	479
Mississippi	11,425	7,405	1,836	1,286	898
Missouri	10,153	6,864	1,806	633	850
Montana	10,710	6,690	2,431	495	1,094
Nebraska	8,961	6,050	1,452	590	869
Nevada	9,417	6,068	1,768	855	726
New Hampshire	10,112	6,804	1,695	1,098	515
New Jersey	9,844	6,580	2,038	702	524
New Mexico	14,743	6,806	3,114	3,399	1,425
New York	10,554	6,421	3,101	479	554
North Carolina	10,131	6,884	1,575	491	1,181
North Dakota	9,758	5,284	2,423	660	1,392
Ohio	9,354	6,559	1,740	466	589
Oklahoma	10,510	6,830	1,757	721	1,202
Oregon	10,173	6,621	2,633	355	564
Pennsylvania	11,254	7,365	2,103	1,167	619
Rhode Island	12,082	7,267	3,058	661	1,096
South Carolina	10,791	7,461	1,341	1,036	954
South Dakota	9,849	6,291	1,944	484	1,129
Tennessee	10,370	7,106	1,841	762	661
Texas	9,159	5,520	1,502	1,289	848
Utah	7,327	4,474	1,208	704	941
Vermont	11,904	7,196	3,308	475	924
Virginia	17,052	6,911	1,192	5,819	3,130
Washington	11,081	6,248	2,105	1,404	1,323
West Virginia	12,694	8,235	2,740	697	1,022
Wisconsin	8,839	6,311	1,645	503	380
Wyoming	9,447	5,863	2,030	374	1,180
<b>United States</b>	<b>\$10,567</b>	<b>\$6,497</b>	<b>\$1,878</b>	<b>\$1,224</b>	<b>\$968</b>

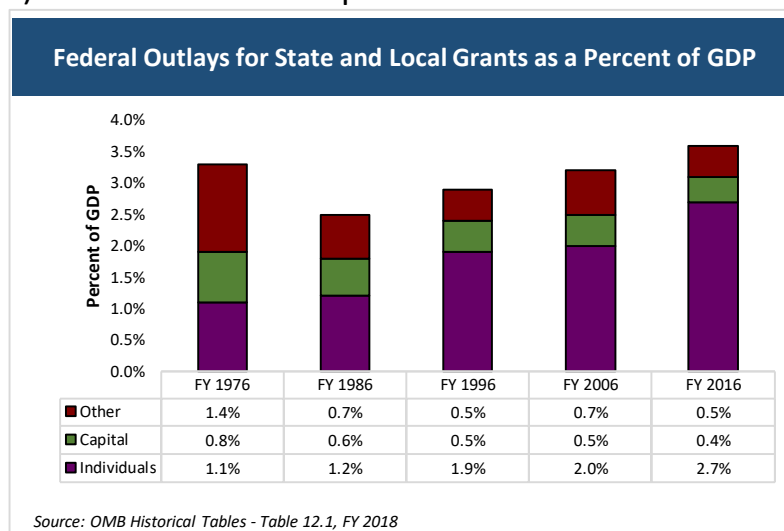
Source: Council of State Governments

## Q. How important are grants in federal spending?

**A.** Grants to state and local governments accounted for 17.2% of federal outlays in FY 2016 and totaled \$661 billion (\$594 billion in 2009 dollars). These grants are concentrated in Medicaid, other mandatory, and domestic discretionary spending, as shown on page 2.

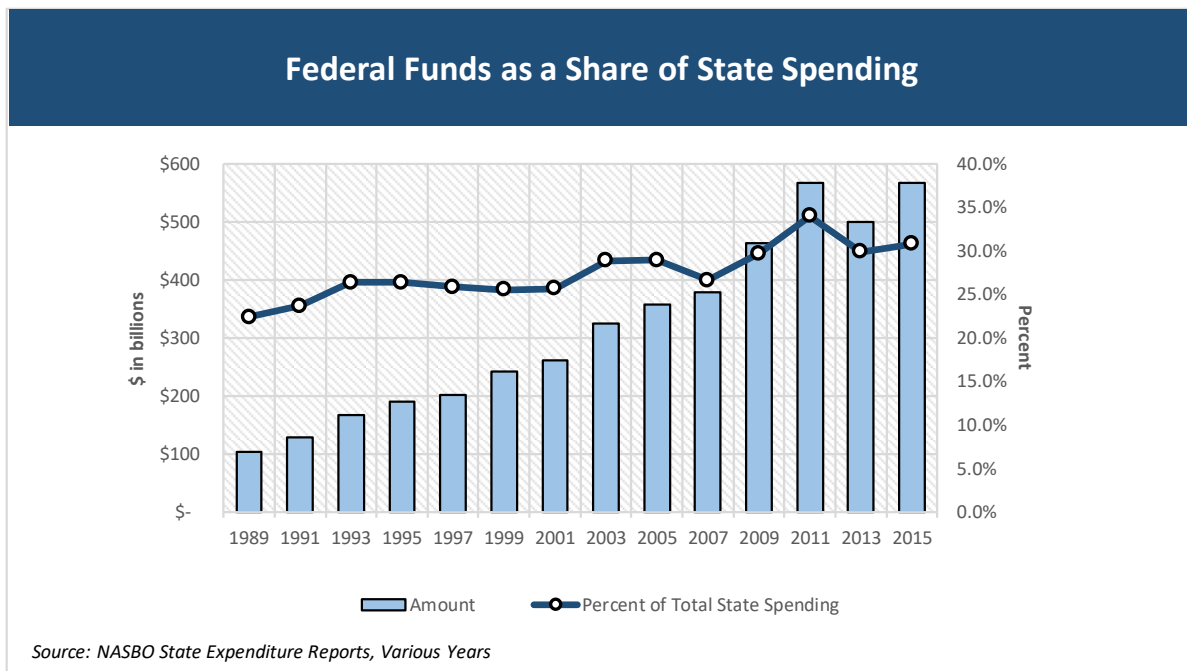


Over time, payments to individuals (such as Medicaid, housing assistance, and social services) have become more prominent.



## Q. How important a role do federal grants play in state spending?

**A.** Federal grants accounted for 30.8% of total state spending in FY 2015, and totaled \$567 billion. Federal funds made up 43% of Mississippi's revenue in FY 2015, but only 19.1% of North Dakota's.

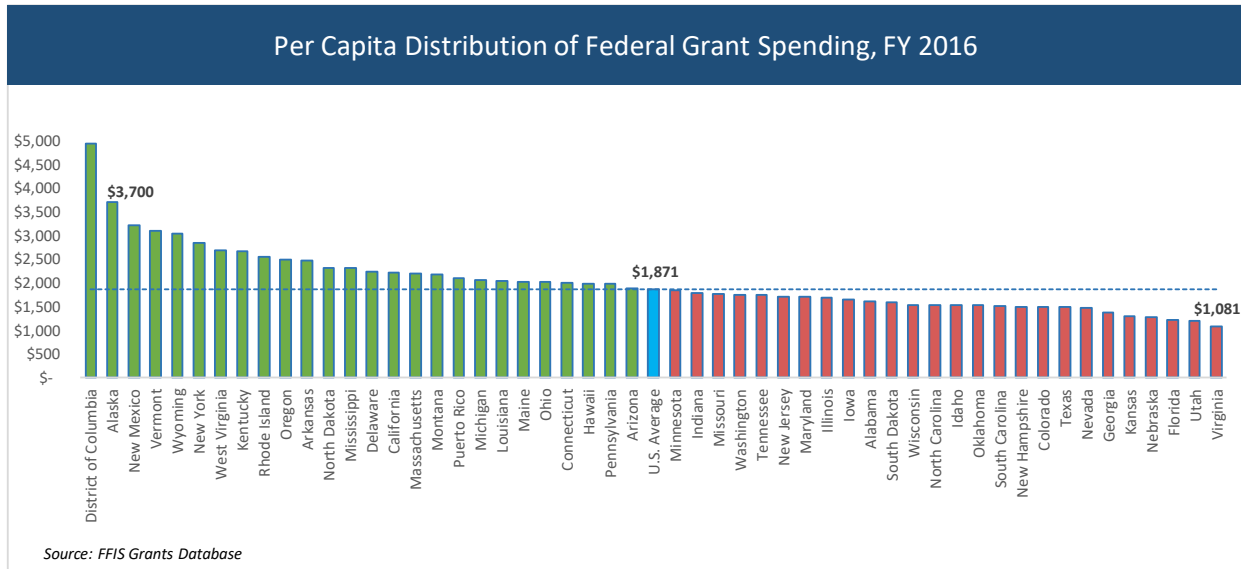


Federal Revenues as a Percent of State General Revenue, FY 2015					
Rank	State	Percent	Rank	State	Percent
1	Mississippi	43.0%	51	North Dakota	19.1%
2	Louisiana	42.3%	50	Hawaii	22.8%
3	Arizona	40.9%	49	Virginia	23.0%
4	New Mexico	40.5%	48	Kansas	24.5%
5	Kentucky	39.6%	47	Connecticut	25.9%

Source: Census Bureau, State Government Finances

## Q. Which states receive the most federal grant funds?

A. Among states, Alaska received the most grant funding per capita in FY 2016 (\$3,700), and Virginia received the least (\$1,081).



States with large populations receive the most federal grant funding, but states with smaller populations often do better on a per capita basis. Factors that affect a state's receipts of federal funds awarded by formula are listed below.

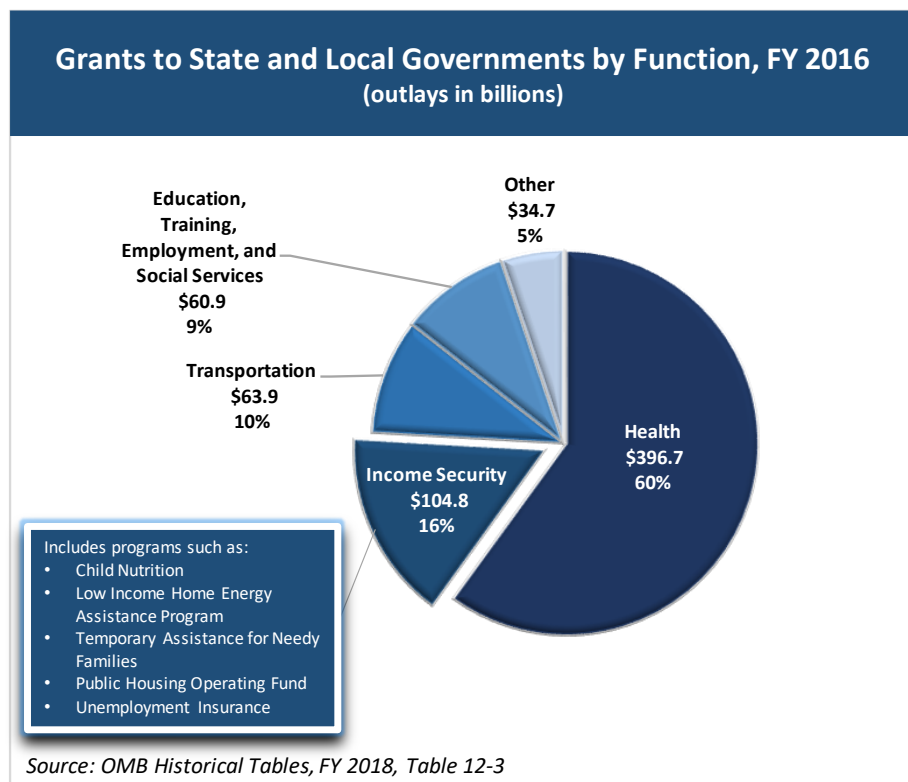
- Medicaid accounts for the majority of grant funding, so state rankings are sensitive to annual changes in the Medicaid matching rate and how much a state spends on the program.
- A number of grant programs share revenues from natural resources extracted from federal lands in a state.
- Many federal grant allocations are based on demography and income. For example, education grants often target low-income, school-aged children.
- Small-state minimums in some grant formulas guarantee every state a certain share of total funding.



## Q. What types of programs do federal grants support?

A. Health, income security, education, and transportation combined account for about 95% of federal grant funding. Medicaid alone makes up 60.3%.

Many federal grants that ultimately go to local governments or others flow through state governments first.

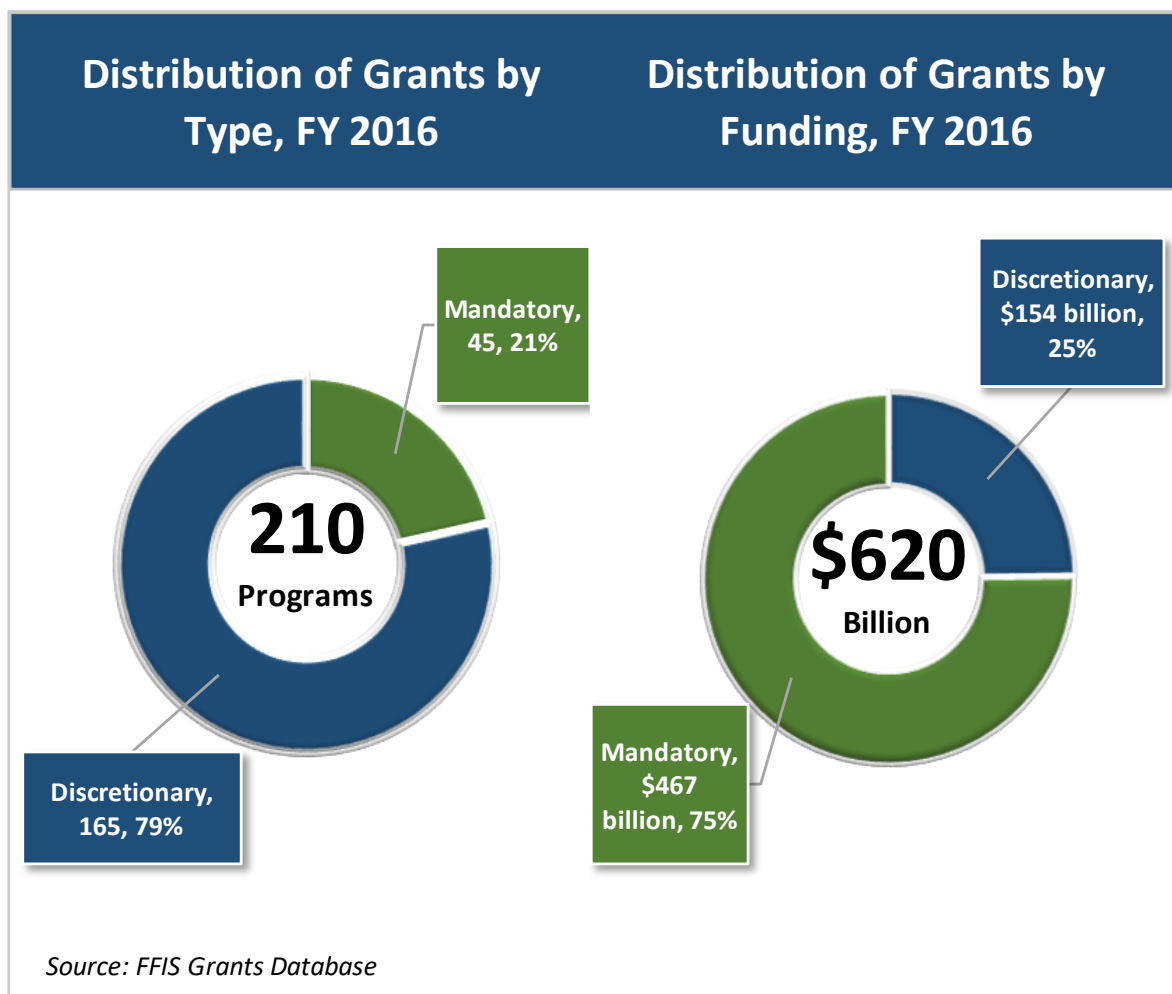


Ten Largest State-Local Grants, FY 2016 (obligations in billions)			
Rank	Program	Funding	Cumulative Percentage
1	Medicaid	\$398	60.3%
2	Federal-Aid Highways	40	66.4%
3	Section 8 Housing Choice Vouchers	20	69.4%
4	Temporary Assistance for Needy Families	17	71.9%
5	Title I-Grants to Local Education Agencies	15	74.1%
6	Children's Health Insurance Program	14	76.2%
7	National School Lunch Program	12	78.1%
8	Special Education-Grants to States	12	79.9%
9	Head Start	9	81.3%
10	Transit Formula Grants	9	82.6%

Source: OMB Analytical Perspectives, FY 2018, Table 14.3

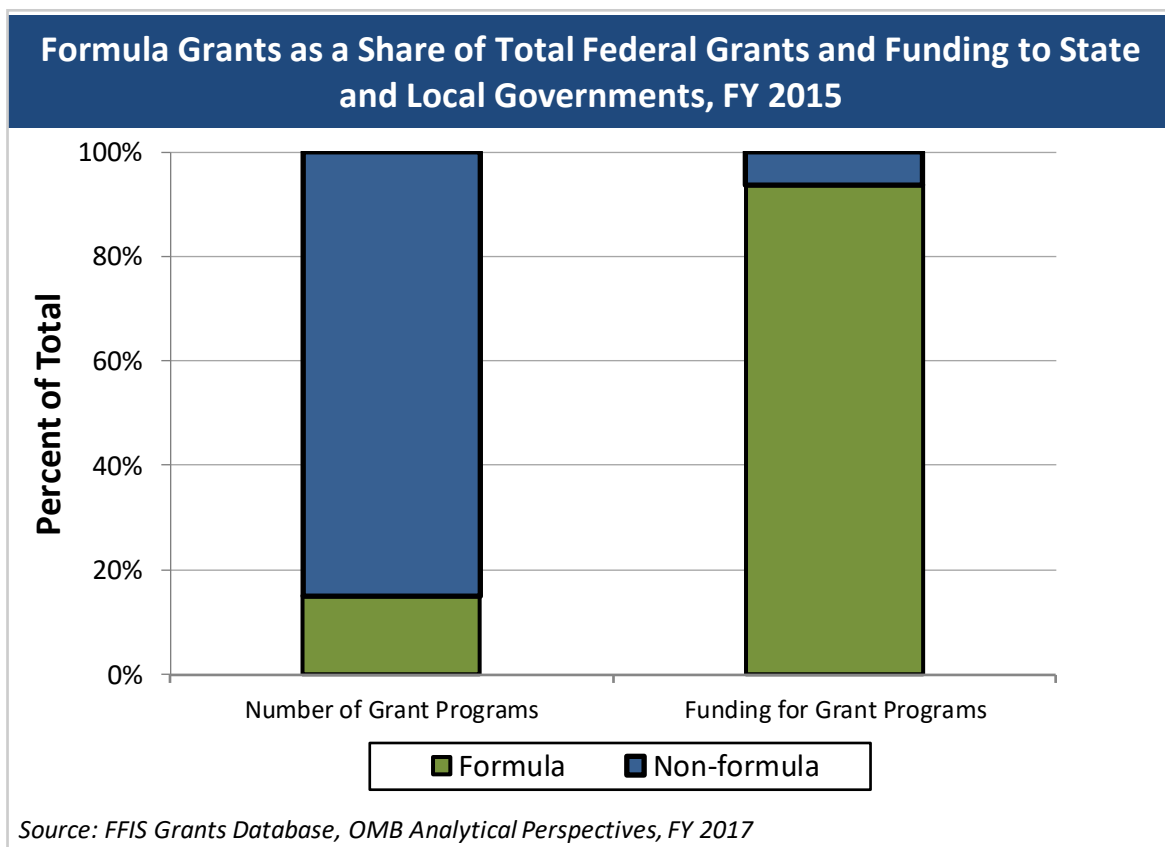
## Q. What is the difference between mandatory and discretionary grants?

- A. Most grants are discretionary, but most funding is for mandatory programs.
- **Discretionary programs:** Congress sets program funding through the annual appropriations process. Such grants may be allocated by formula or competitive.
  - **Mandatory programs:** Funding is required by the law that authorizes the grant. For some, such as Medicaid, spending depends on the number of eligible beneficiaries and authorized benefit payments.



## Q. What are competitive grants?

**A.** Competitive grants are not awarded by formula; therefore, not every state receives them. Rather, federal agencies review applications and select grantees using criteria established for each program. There are many more competitive grants than formula grants. However, they are typically small programs and altogether account for just 6% of grant funding provided to state and local governments.



## Q. How is a block grant different from a categorical grant?

**A.** Block grants and categorical grants are the two main types of federal grants. The former are always allocated by formula, and the latter can be either formula or competitive. The table below outlines their differences, and the table at the bottom of the page lists the largest grants of each type.

Block Grants	Categorical Grants
Block grants provide greater flexibility, allowing recipients to tailor programs to better suit their needs, and avoiding a “one-size-fits-all” approach. Block grants may be used for any activity that fits within overall program goals.	Categorical grants may only be used for specific purposes. Some categorical grants can be used to support multiple activities whereas other programs exist for a limited purpose only.

Largest Grant Programs, FY 2016 (\$ in billions)			
Block Grants	Funding	Categorical Grants	Funding
Temporary Assistance For Needy Families	\$17.1	Medicaid	\$380.9
Surface Transportation Block Grant	11.2	National Highway Performance Program	22.3
Low Income Home Energy Assistance	3.4	Title I-Grants to Local Education Agencies	14.9
Airport Improvement Program	3.4	Children's Health Insurance Program	14.6
Community Development Block Grant	3.0	National School Lunch Program	12.3

*Source: CRS; FFIS Grants Database*

## Q. How do maintenance-of-effort (MOE) and matching requirements work?

**A.** Federal grants are usually meant to supplement state and local government efforts. As such, many grant programs require state and local governments to contribute resources.

Maintenance-of-Effort	Matching
Specifies the level of financial effort a grant recipient must maintain in a certain program area to receive federal funds. This is similar to non-supplanting requirements, which are attached to many grants and require that federal funds be used to supplement, rather than supplant, non-federal funds for a specified purpose.	Represents the portion of costs that are not borne by the federal government. In some cases, the authorizing legislation allows the recipient share to consist of in-kind contributions, such as property and equipment. Matching requirements typically range from 5% to 50% of total costs.

Requirements for Largest Grants		
Program	Matching	MOE
Medicaid*	X	X
Federal-Aid Highways	X	
Temporary Assistance for Needy Families		X
Title I-Grants to Local Education Agencies		X
Children's Health Insurance Program*	X	X
National School Lunch Program	X	
Special Education-Grants to States		X
Head Start	X	
WIC - Supplemental Feeding Program		
Consolidated Health Centers		
* MOE provisions relate to eligibility and enrollment policies for children.		
Source: FFIS Grants Database		

## ***Q. What sources are available to track federal funds?***

**A.** Listed below are data sources on federal funds.

**FFIS Grants Database**—The grants database provides state allocations for 240+ programs—approximately 91% of total grant funding to state and local governments. FFIS tracks primarily formula grants, although several project grants are included in the database, which provides both historical and current-year data.

**USAspending.gov**—This website reports the recipients of federal spending. It has had issues with consistency, methodology, and limited historical data, but is improving. It provides information for contracts, grants, loans, and direct payments, but not for federal wages.

**Tracking Accountability in Government Grants System (TAGGS)**—This is a central repository for grants awarded by the Department of Health and Human Services (HHS). It tracks obligated grant funds at the transaction level.

**State-Specific Reports**—Some states, such as **Maryland** and **Illinois**, have created annual reports to measure federal funds coming into the state.

**State Government Finances**—The Census Bureau publishes an annual report on state government finances, which captures federal intergovernmental revenue by state. No program-specific data are provided.

**Council of State Governments (CSG)**—CSG updated the Pew Fiscal Federalism Initiative’s data on the four main fiscal flows going to states.

**Catalog of Federal Domestic Assistance (CFDA)**—CFDA does not provide state-specific funding data. It does provide detailed program descriptions for all federal assistance programs, including eligibility, formulas, and use restrictions.

**Single State Audit Report**—All states publish audit reports that include financial statements and expenditures of federal awards by state agencies. The reports do not reflect grant awards, but rather expenditures of grant funds.

**Grants.gov**—The website includes a searchable database for all types of federal financial opportunities.



## ***Q. Why don't federal grant totals match?***

**A.** In this report, the total grant funding provided to state and local government is not the same in every instance. The table below explains some differences.

Page	Description	Amount	Source	Notes
5	Outlays for Grants to State and Local Governments	\$661 billion (FY 2016)	Historical Tables, President's Budget	Outlays are funds actually transmitted (versus available) to state and local governments.
6	Federal Funds as a Share of State Spending	\$567 billion (FY 2015)	NASBO State Expenditure Report	Includes state-reported spending of federal funds. Excludes any grants that go to local governments directly.
9	Distribution of Grants by Funding Type	\$620 billion (FY 2016)	FFIS Grants Database	Figures are primarily available funds rather than outlays.



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