



# Grants 101:

Intro 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 amounts associated with it.

The charts, graphs, and words in this report are 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.

Many thanks to Nick Jacobs, without whom this report would not have been possible. Matthew Reese, Carol Ryder, Curtis Smith, and Trinity Tomsic also contributed significantly to the project.

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Executive Director

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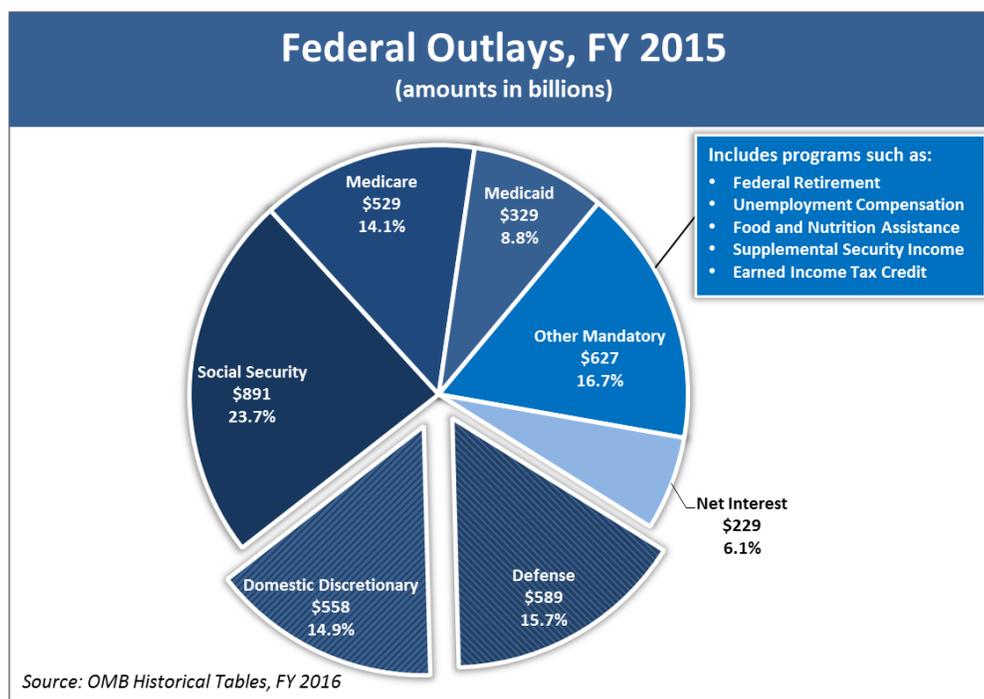
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## Q. What are the pieces of the federal budget pie?

A. In FY 2015, federal outlays totaled \$3.8 trillion. The composition of federal spending changes over time. Mandatory programs—including Social Security, Medicare, and Medicaid—represent the largest share of federal spending. Discretionary spending for domestic and defense programs (accounted for by just two slices of the pie chart below) has seen its share decline.



**Percentage-Point Change in Share of Federal Outlays,  
FY 2005 - FY 2015**

Category	FY 2005	FY 2015	Change
Domestic Discretionary	19.9%	14.9%	-5.1%
Defense	18.1%	15.7%	-2.4%
Net Interest	7.3%	6.1%	-1.2%
Medicaid	7.9%	8.8%	0.8%
Medicare	11.9%	14.1%	2.2%
Social Security	21.1%	23.7%	2.7%
Other Mandatory	13.8%	16.7%	2.9%

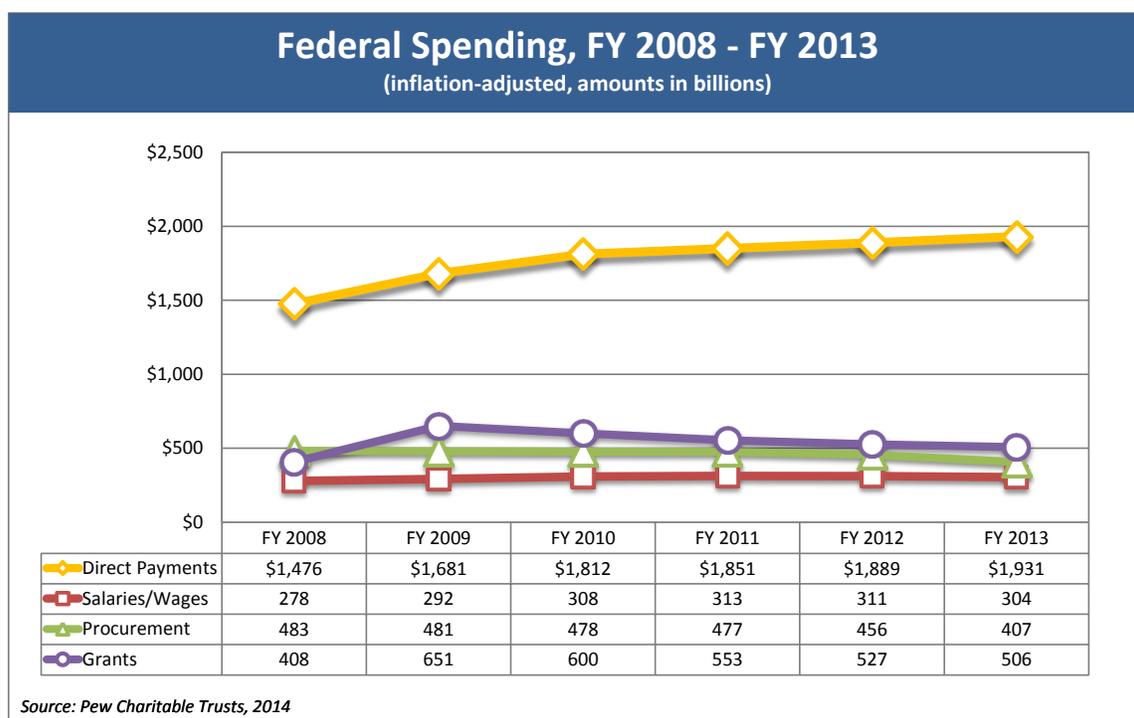
Source: OMB Historical Tables, FY 2016

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

A. There are four major fiscal flows, which totaled \$3.1 trillion in FY 2013 (the most recent year for which this breakdown is available):

1. **Direct payments** go directly from the federal treasury to individuals. Examples include Social Security, federal retirement and disability payments, veterans' benefits, Medicare, unemployment compensation, Supplemental Nutrition Assistance Program (SNAP) benefits, housing assistance, farm payments, and the Earned Income Tax Credit.
2. **Grants** are funds provided to state and local governments, and other entities to carry out federal programs. Examples include Medicaid, highway programs, and education assistance for low-income students.
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.

Other than procurement, every category increased between FYs 2008 and 2013. The following page shows that total federal funding averaged just less than \$10,000 per person in FY 2013.



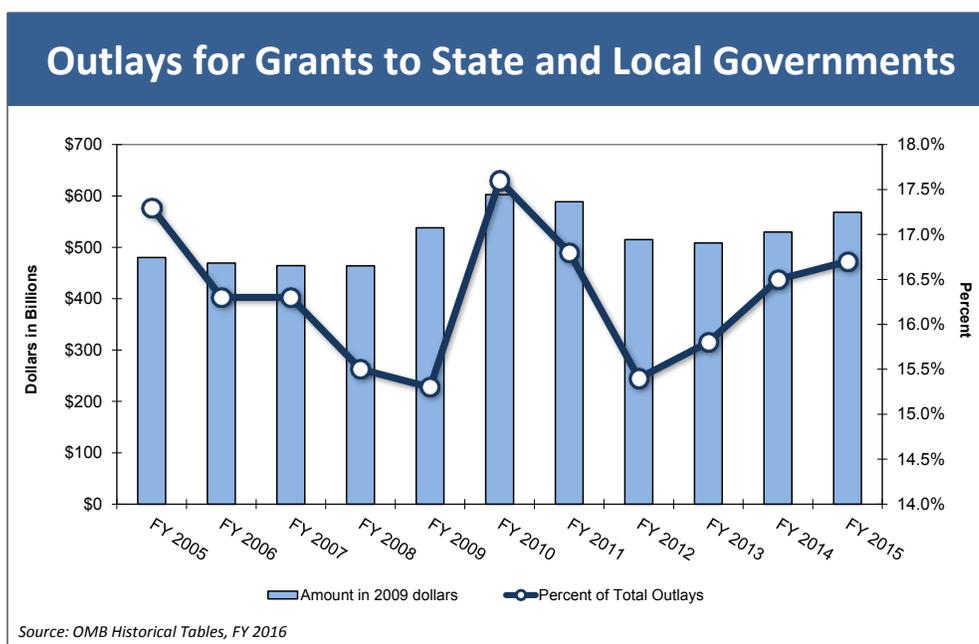
## Q. How much does each state receive in federal funds?

Per Capita Federal Spending by Category, FY 2013					
State	Total	Direct Payments	Grants	Procurement	Salaries/ Wages
Alabama	\$11,742	\$7,361	\$1,273	\$2,000	\$1,108
Alaska	14,334	4,967	3,594	2,208	3,564
Arizona	10,144	6,122	1,365	1,861	795
Arkansas	9,637	6,820	1,854	319	644
California	8,944	5,214	1,735	1,240	755
Colorado	9,230	5,106	1,345	1,520	1,260
Connecticut	11,516	6,160	1,958	2,890	509
Delaware	9,778	6,853	1,883	294	748
District of Columbia	73,617	7,675	7,646	25,857	32,438
Florida	9,736	7,321	973	719	723
Georgia	8,858	5,751	1,163	763	1,180
Hawaii	13,704	6,232	2,045	1,347	4,081
Idaho	9,386	5,623	1,474	1,596	693
Illinois	8,183	5,726	1,366	504	587
Indiana	8,446	6,082	1,436	478	451
Iowa	8,370	5,872	1,547	517	434
Kansas	8,372	5,912	652	594	1,214
Kentucky	10,916	6,766	1,501	1,463	1,186
Louisiana	9,656	6,176	1,948	743	790
Maine	12,101	7,214	2,398	1,565	923
Maryland	15,658	6,545	1,675	4,310	3,127
Massachusetts	11,273	6,252	2,242	2,172	608
Michigan	9,498	6,925	1,666	486	422
Minnesota	8,171	5,463	1,669	562	477
Mississippi	11,466	6,901	1,722	1,934	909
Missouri	10,828	6,422	1,913	1,643	849
Montana	9,999	6,232	2,238	436	1,093
Nebraska	8,366	5,635	1,358	518	855
Nevada	8,304	5,561	975	1,033	735
New Hampshire	9,386	6,294	1,246	1,352	494
New Jersey	9,266	6,306	1,727	723	510
New Mexico	13,203	6,316	2,247	3,208	1,431
New York	9,918	6,145	2,684	546	543
North Carolina	9,535	6,386	1,442	503	1,204
North Dakota	9,401	5,131	2,164	677	1,429
Ohio	8,777	6,261	1,402	541	573
Oklahoma	9,823	6,424	1,661	527	1,211
Oregon	8,328	6,325	1,149	286	568
Pennsylvania	10,561	6,979	1,713	1,266	603
Rhode Island	10,964	6,872	2,288	728	1,076
South Carolina	10,223	6,921	1,193	1,140	969
South Dakota	9,492	5,851	1,842	668	1,130
Tennessee	9,928	6,678	1,443	1,176	631
Texas	8,846	5,179	1,327	1,473	866
Utah	7,103	4,183	1,211	771	938
Vermont	11,032	6,522	3,012	628	870
Virginia	16,690	6,364	1,098	6,189	3,039
Washington	10,459	5,913	1,511	1,683	1,351
West Virginia	11,500	7,737	2,154	622	988
Wisconsin	8,312	5,877	1,501	561	372
Wyoming	8,876	5,302	1,854	543	1,177
<b>United States</b>	<b>\$9,949</b>	<b>\$6,102</b>	<b>\$1,600</b>	<b>\$1,287</b>	<b>\$960</b>

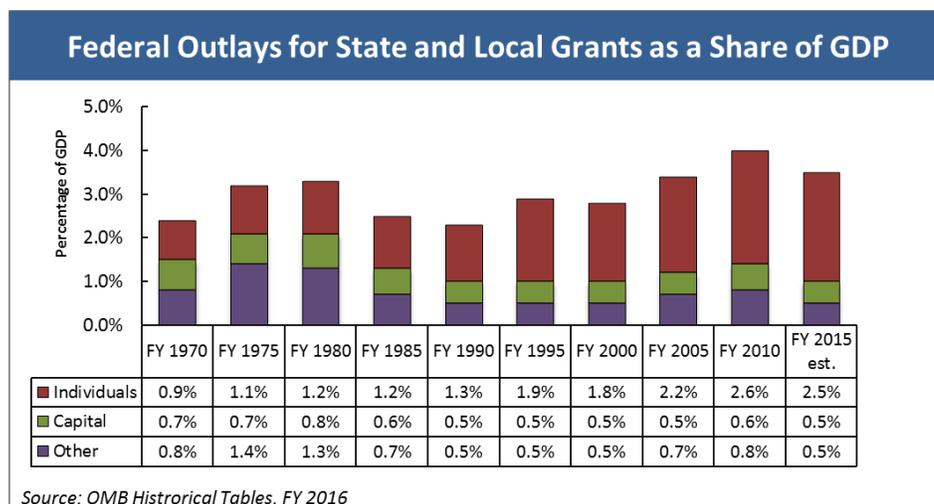
Source: Pew Charitable Trusts, 2014

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

A. Grants to state and local governments accounted for 16.7% of federal outlays in FY 2015 and totaled \$628 billion in current dollars (\$568 billion in constant 2009 dollars). These grants are concentrated in Medicaid, other mandatory, and domestic discretionary spending, as shown in the pie chart on page 2.

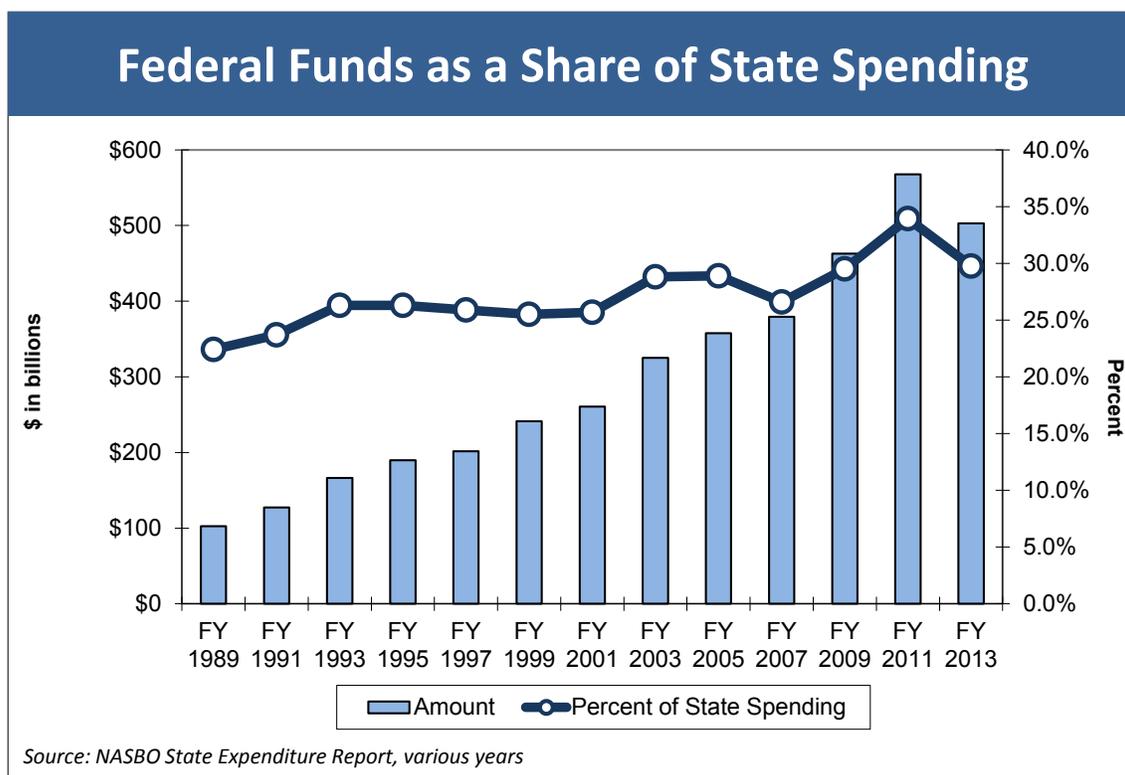


The composition of federal grants to state and local governments has changed over time, with payments for individuals (such as Medicaid, housing assistance, and social services) becoming more prominent.



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

A. Federal grants accounted for 29.8% of total state spending in FY 2013, and totaled \$502.7 billion. Federal funds make up almost half of Mississippi's revenue, but only 20% of Alaska's.



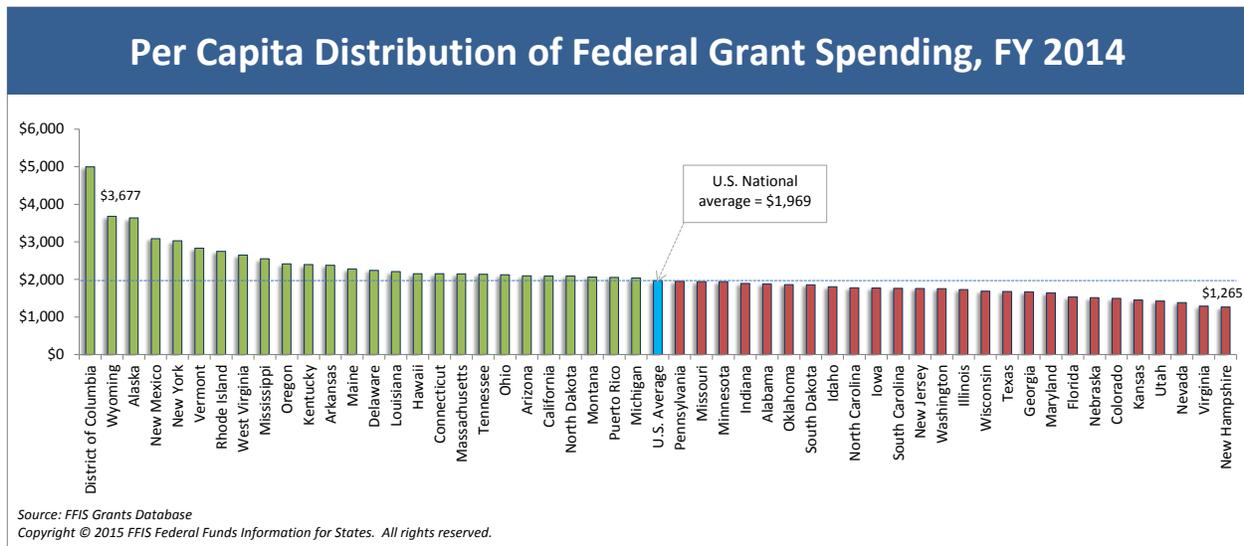
### Intergovernmental Revenue as a Percent of State General Revenue, FY 2012

Rank	State	Percent	Rank	State	Percent
1	Mississippi	45.8%	50	Alaska	20.0%
2	Louisiana	44.3%	49	North Dakota	21.0%
3	South Dakota	41.5%	48	Hawaii	23.6%
4	Tennessee	41.3%	47	Connecticut	23.7%
5	Missouri	40.8%	46	Virginia	24.8%

Source: Census Bureau, State Government Finances

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

A. Among states, Wyoming received the most grant funding per capita in FY 2014, at \$3,677. New Hampshire received the least, \$1,265 per capita.



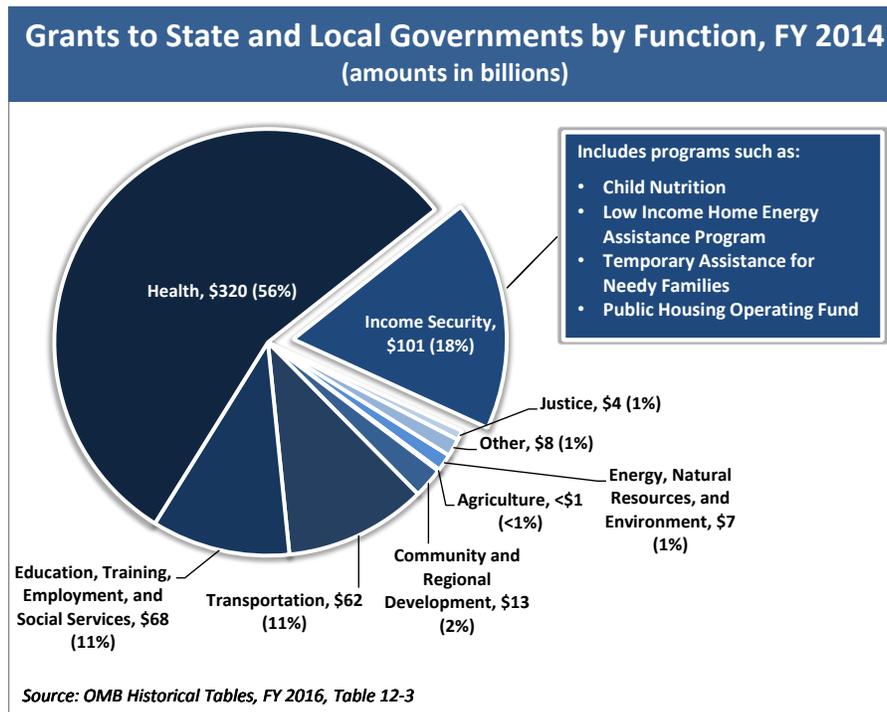
States with large populations receive the most federal grant funding, but states with smaller populations often do better on a per capita basis. Factors that affect a state's receipts of federal funds awarded by formula are listed below.

- Medicaid accounts for 57% of all state and local 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 variety of federal programs share the revenues from natural resources extracted from federal lands in a state.
- Many federal grant allocations are determined by demography and income. For example, some education grants are targeted to low-income, school-aged children.
- Small-state minimums in grant formulas guarantee every state a certain minimum 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 57% of grants to state and local governments.

Many of the federal grant funds that ultimately go to local governments or individuals flow through state governments first.



**10 Largest State-Local Grants, FY 2014**  
(amounts in billions)

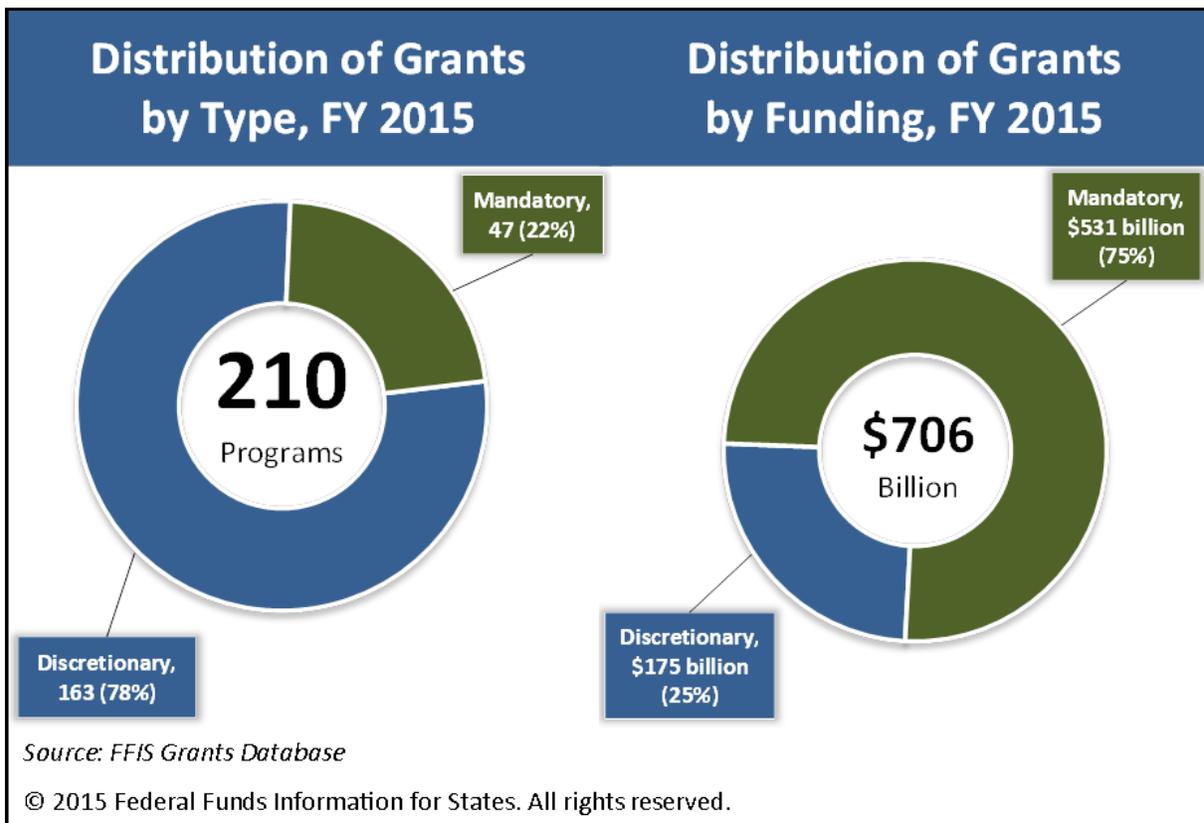
Rank	Program	Funding	Cumulative Percentage
1	Medicaid	\$329	57.0%
2	Federal-Aid Highways	40	63.9%
3	Section 8 Housing Vouchers	19	67.2%
4	Temporary Assistance to Needy Families	17	70.1%
5	Title I - Grants to Local Education Agencies	14	72.6%
6	Special Education Grants to States	11	74.6%
7	National School Lunch Program	11	76.5%
8	Transit Formula Grants	11	78.5%
9	Children's Health Insurance Program	10	80.1%
10	Head Start	9	81.6%

Source: OMB Analytical Perspectives, FY 2016, Table 15-3

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

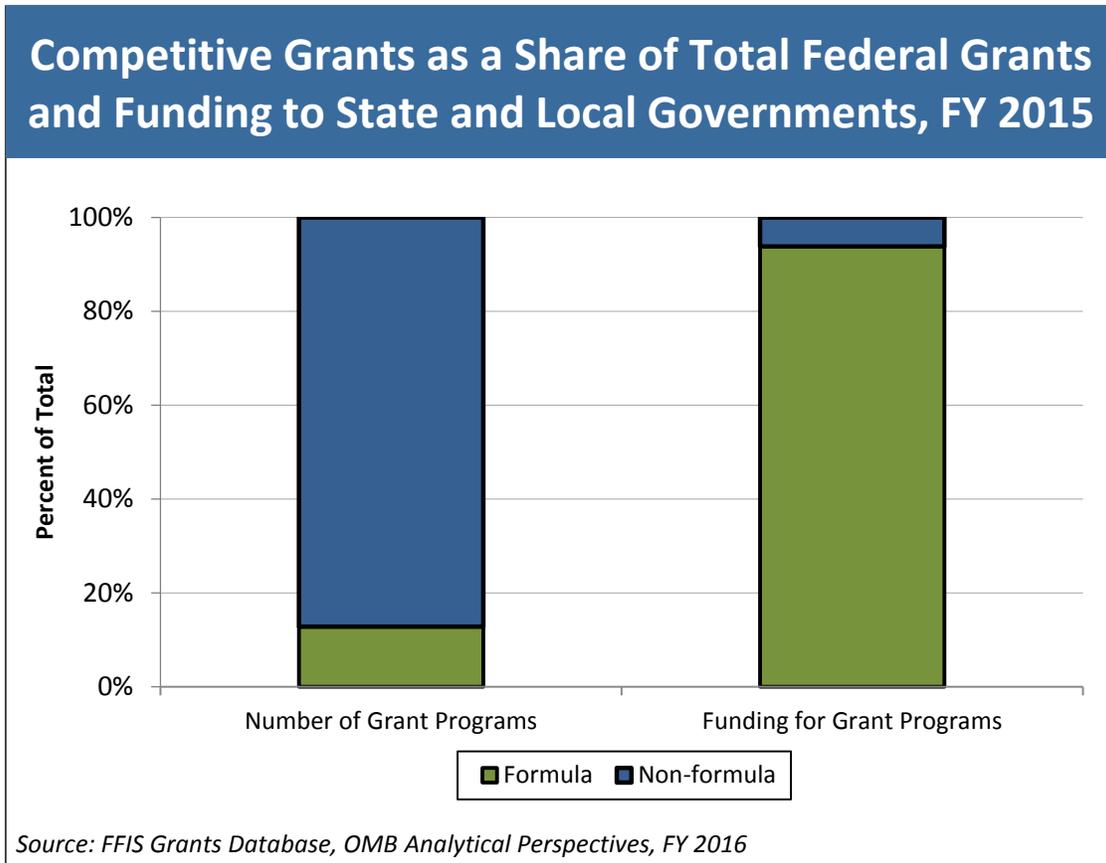
A. While the vast majority of grant programs are discretionary, most grant funding is for mandatory programs.

- **Discretionary programs:** Congress determines how much funding each grant program receives through the annual appropriations process. Such grants may be either formula or competitive.
- **Mandatory programs:** Funding is set by the law that creates or reauthorizes the grant. For some programs, such as Medicaid, funding increases or decreases depending on the number of eligible beneficiaries and authorized benefit payments.



## Q. What are competitive grants?

A. While included in federal grant totals, competitive grants are not awarded by formula; therefore, not every state receives them. Instead, federal agencies review applications and select grantees using criteria established for each program. There are many more competitive grants than formula grants. They account for 87% of all grant programs. However, they are typically very small programs and altogether account for just 6% of all grant funding provided to state and local governments.



## Q. What is a block grant and how is it different from a categorical grant?

A. Block grants and categorical grants are the main two types of federal grants. The former are allocated by formula, and the latter can be either formula or competitive grants. 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 be used for only specific purposes. Some categorical grants can be used to support multiple activities whereas other programs exist for a limited purpose only.

5 Largest Block Grants, FY 2015 (amounts in billions)		5 Largest Categorical Grants, FY 2015 (amounts in billions)	
Program	Funding	Program	Funding
Temporary Assistance For Needy Families	\$17.1	Medicaid	\$358.8
Surface Transportation Program	10.3	National Highway Performance Program	22.4
Low Income Home Energy Assistance Program	3.4	Children's Health Insurance Program	16.5
Community Development Block Grant	3.0	Title I - Grants to Local Education Agencies	14.4
Child Care and Development Block Grant	2.4	Child Nutrition - School Lunch	11.9

Source: CRS; FFIS Grants Database for funding levels

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

**A.** Federal grants are usually intended to supplement the efforts of state and local governments. 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	
National Highway Performance Program	x	
Temporary Assistance for Needy Families		x
Children's Health Insurance Program	x	
Title I - Grants to Local Education Agencies		x
Child Nutrition - School Lunch	x	
Special Education Basic State Grant		x
Surface Transportation Program	x	
Head Start	x	
Consolidated Health Centers	x	

*Source: FFIS Grants Database*

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

A. The federal government eliminated the only source of comprehensive state-by-state data on federal spending: the Census Bureau’s Consolidated Federal Funds Report (CFFR). Below is a list of other 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. The database provides both historical and current-year data.

**USAspending.gov**—This website reports the recipients of federal spending, but it lacks the consistency, methodology, and historical perspective that the CFFR provided. 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.

**Pew Federal Spending in the States**—Pew Charitable Trusts’ Fiscal Federalism Initiative compiled 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 all 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 why there are differences.

Page	Description	Amount	Source	Notes
5	Outlays for Grants to State and Local Governments	\$628 billion (FY 2015)	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	\$503 billion (FY 2013)	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	\$706 billion (FY 2015)	FFIS Grants Database	Figures are primarily available funds (rather than outlays), and include SNAP benefits and Pell Grants, which the federal budget categorizes as aid to individuals.



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