

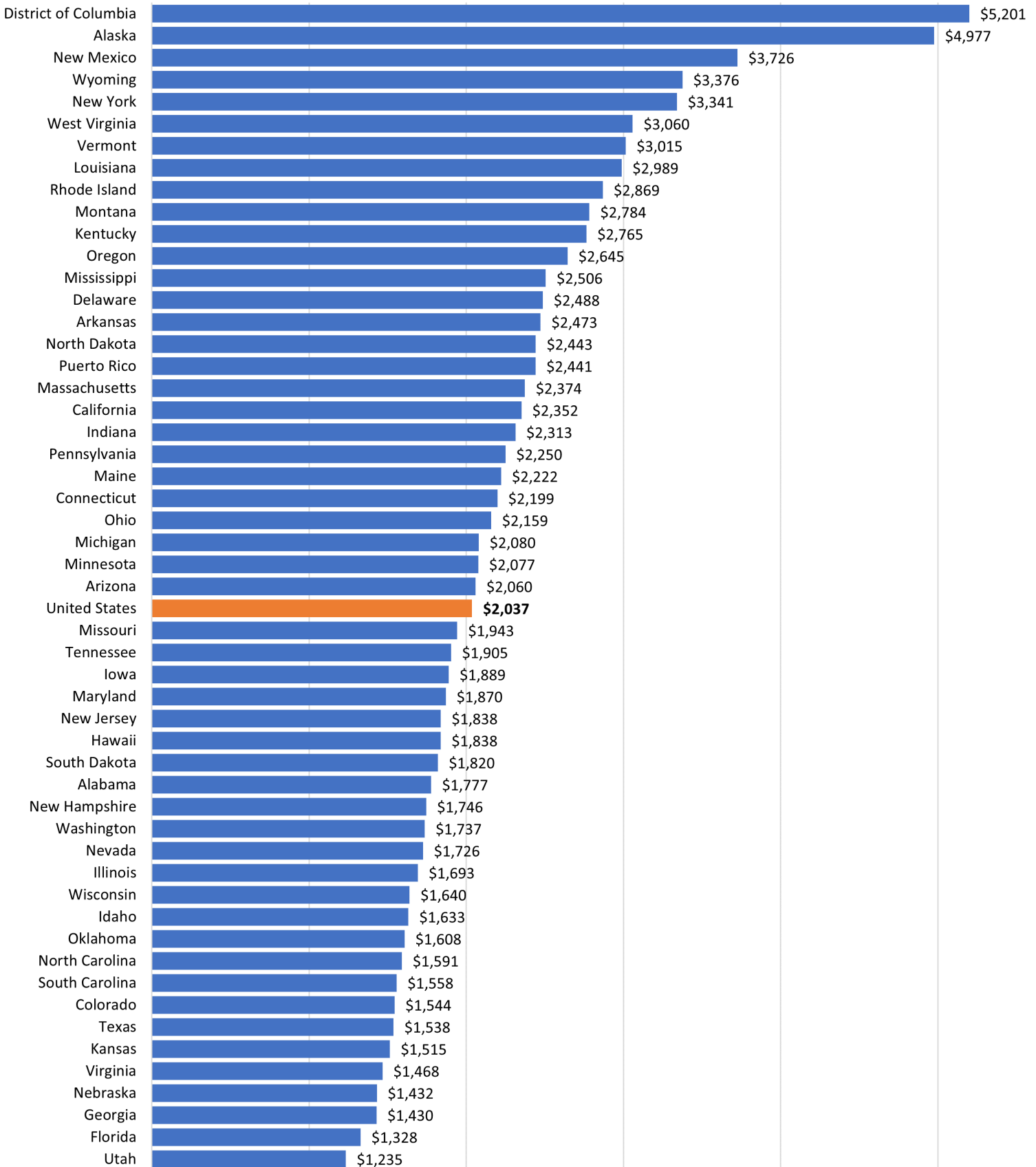
Grants 101



A Guide to Federal Grants for State and Local Governments

October 2022

Per Capita Federal Spending on FFIS-Tracked Grants, FY 2019



Introduction

FFIS has been in the federal grant reporting business for a long time—more than 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 guide is meant to demystify the flow of federal funds to their many recipients. It begins with the big picture and works its way down to a more nuanced description of federal grants and how they work.

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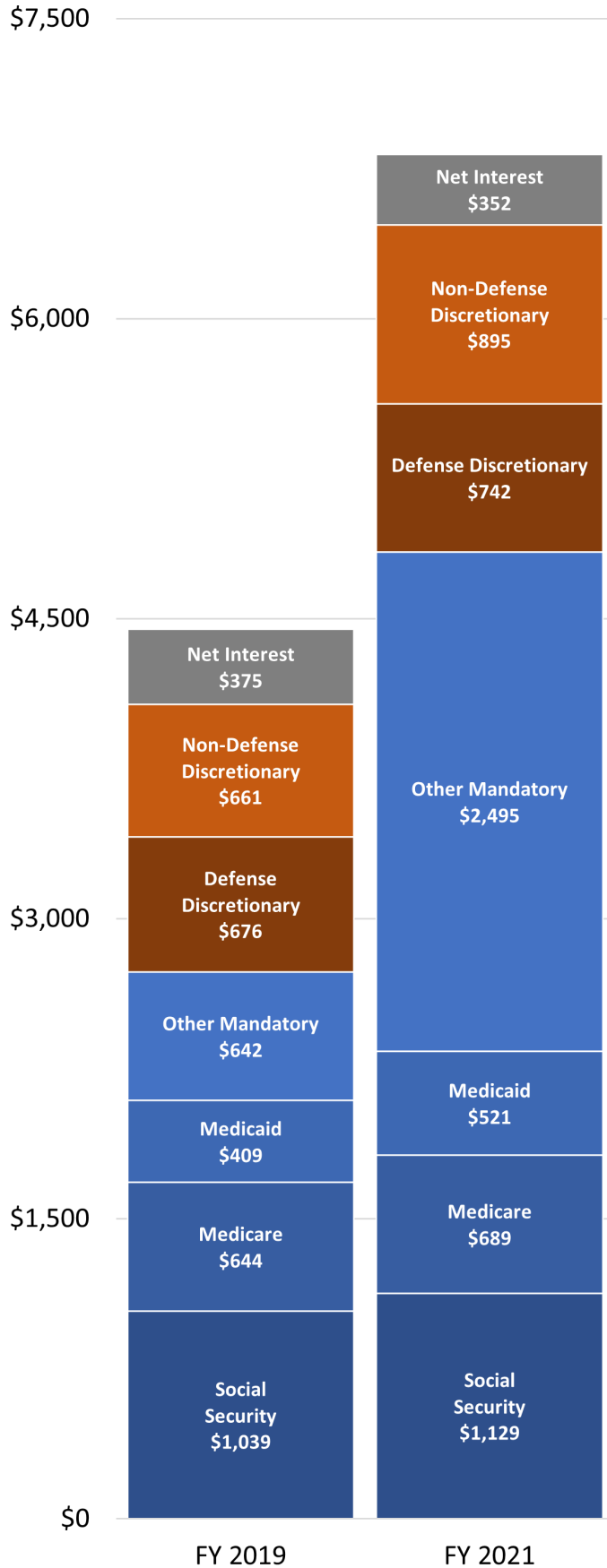
What are the components of the federal budget?

Until recently, the components of federal spending were fairly stable from year to year but shifting over the long term. Federal COVID-19 relief changed the amount and composition of federal outlays. It was the major reason federal outlays increased 53% from fiscal year (FY) 2019 to FY 2021 (\$4.4 trillion to \$6.8 trillion). **Other mandatory** became the largest component of spending, driven by significant economic impact payments and expanded unemployment benefits. Given the sheer size and temporary nature of COVID-19 spending, this analysis focuses on FY 2019, the most recent year prior to the pandemic.

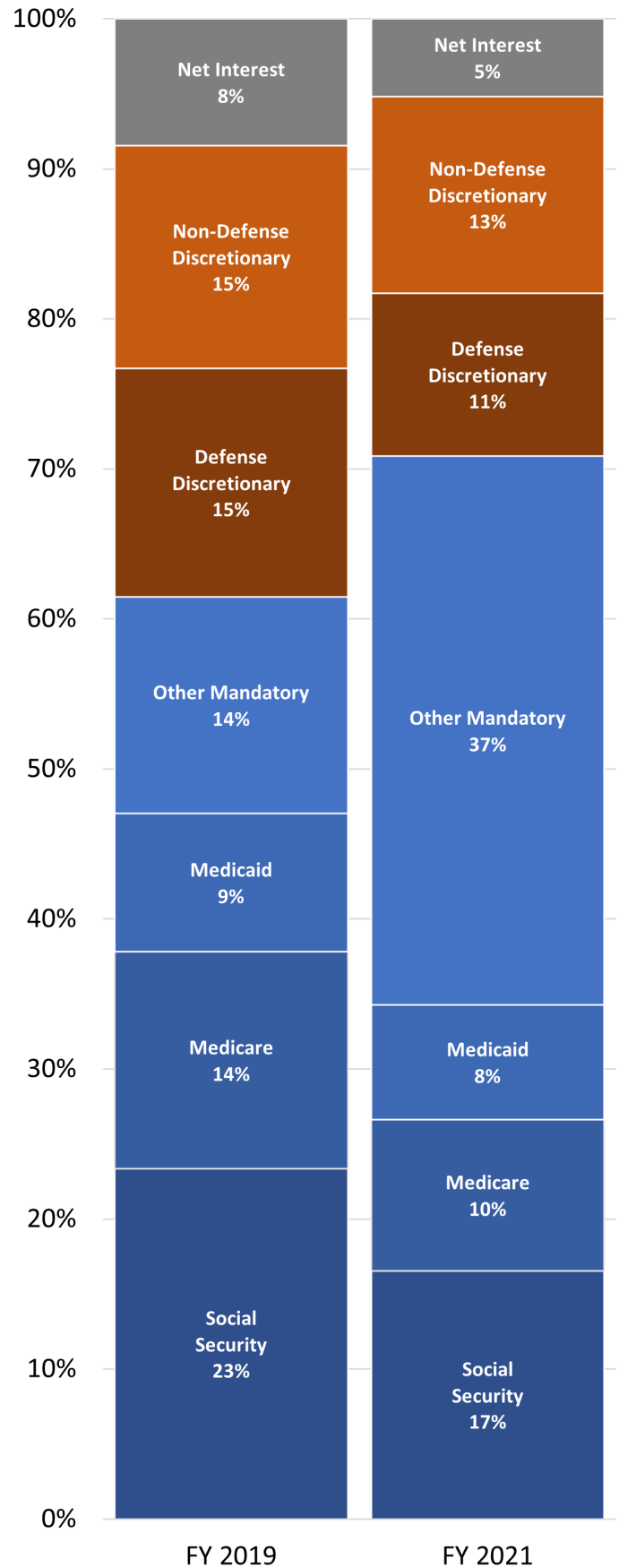
In FY 2019, mandatory programs, including **Social Security**, **Medicare**, and **Medicaid**, represented 47% of federal outlays, a share that has been growing. In contrast, other mandatory outlays—which include programs such as the Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), and Child Nutrition—have remained relatively flat. Discretionary outlays for **non-defense** and **defense** programs each represented 15% of the total; these shares have been declining.

Federal Outlay Amounts

(\$ in billions)



Federal Outlay Shares



Source: OMB Historical Tables, FY 2023

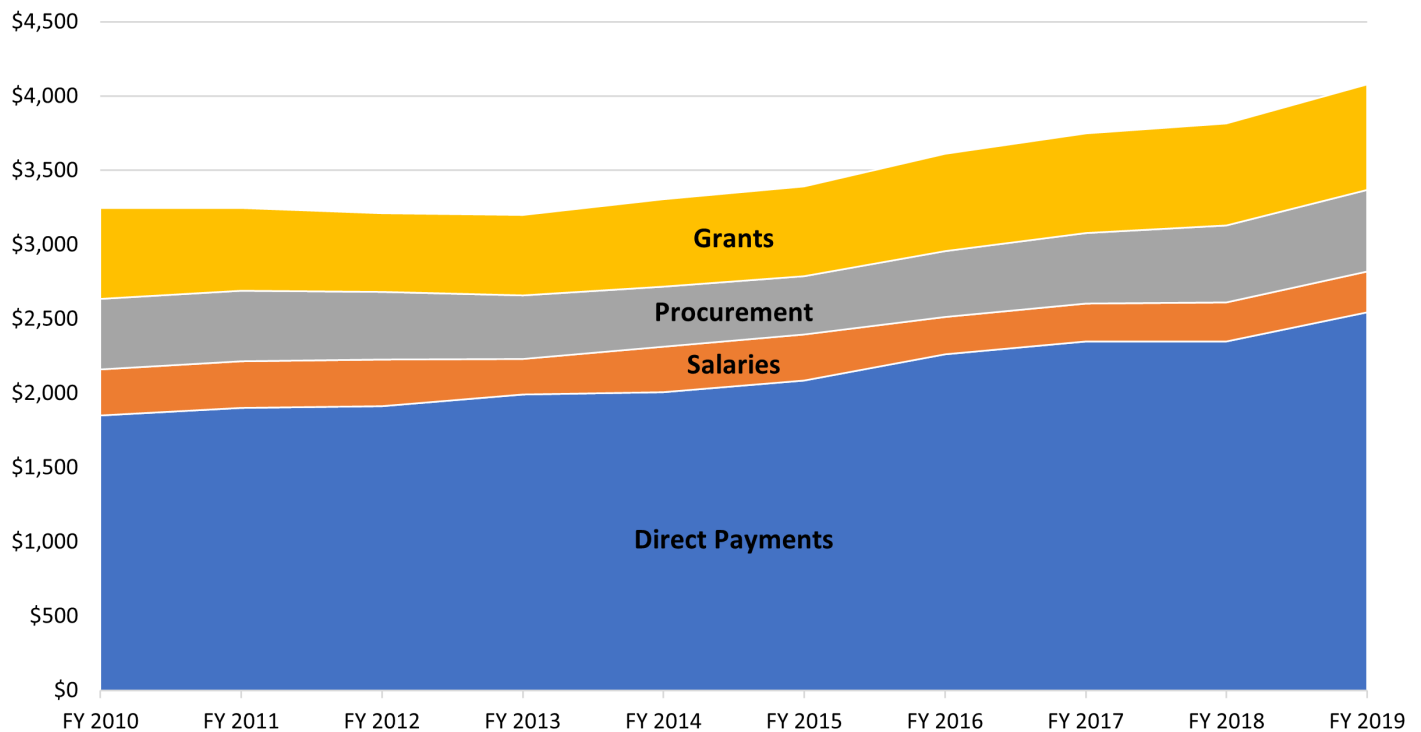
How do federal funds make their way to states?

There are four major fiscal flows that can be traced to states. They are shown in the chart below and totaled \$4.1 trillion in FY 2019:

1. **Direct payments** go to individuals. Examples include Social Security, federal retirement and disability, veterans’ benefits, Medicare, unemployment compensation, 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, highway programs, 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.

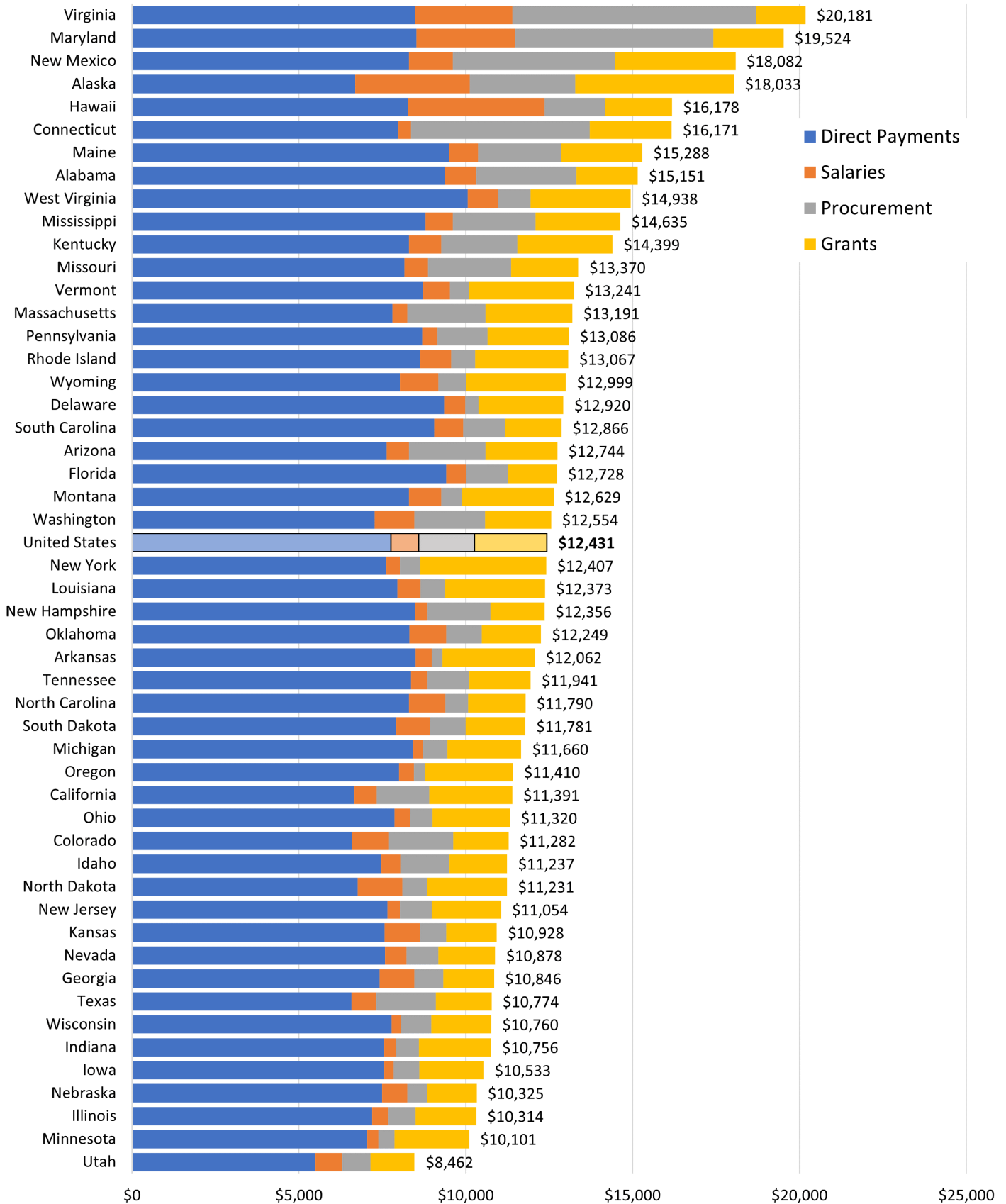
Over time, spending on salaries has declined, while spending on the other categories has increased. (The amounts are not inflation-adjusted.) The chart on the next page lists the per capita amount by state, which averaged \$12,431 per person in FY 2019.

Federal Spending Traceable to States
(\$ in billions)



Source: New York State Comptroller, Pew Charitable Trusts, Council of State Governments.

Per Capita Flow of Federal Funds, FY 2019*

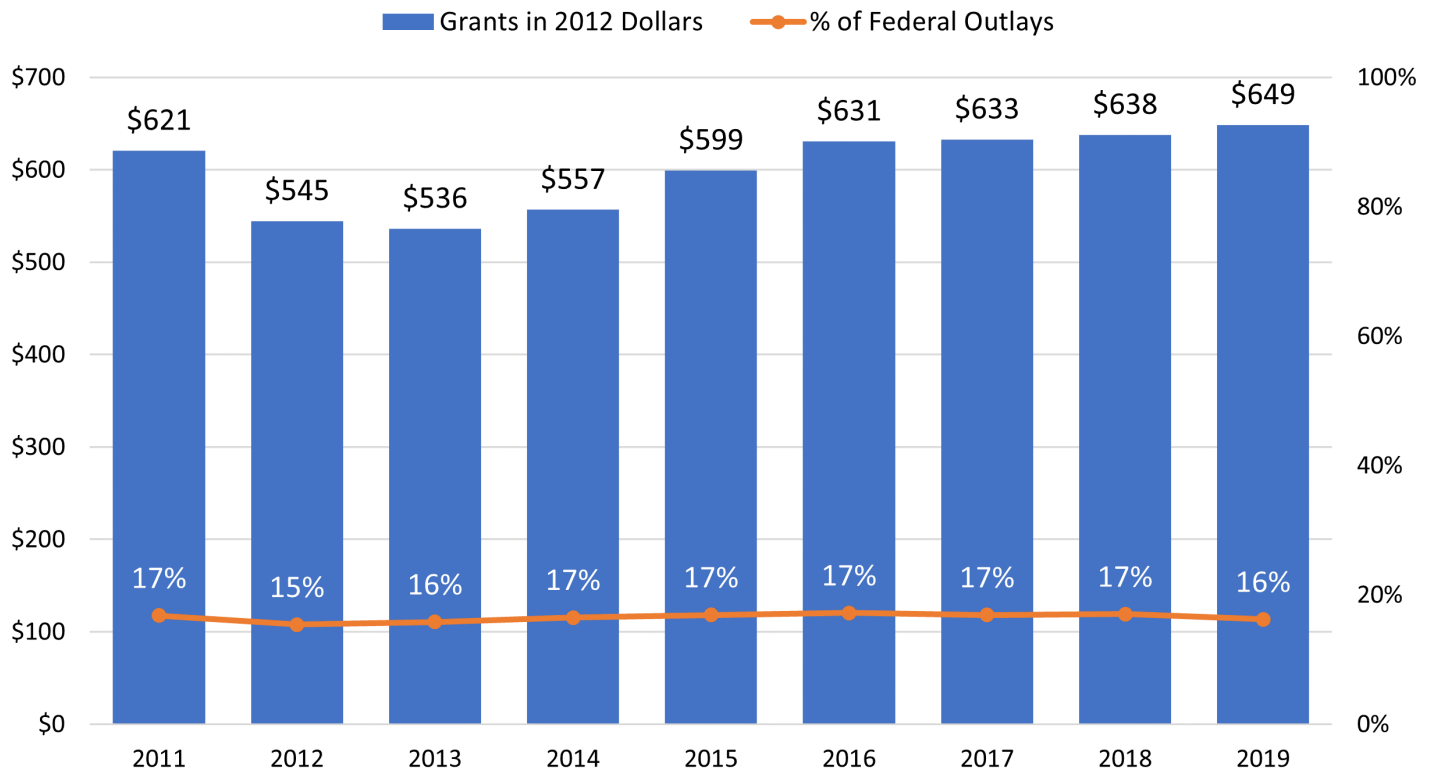


*To preserve scale, the District of Columbia is excluded from chart. Its per capita figure is \$76,361.
 Source: New York State Comptroller, New York's Balance of Payments in the Federal Budget, FY 2019

How important are grants in federal spending?

Grants to state and local governments accounted for 16% of federal outlays in FY 2019 and totaled \$721 billion (\$649 billion in 2012 dollars). These grants are concentrated in Medicaid, other mandatory, and domestic discretionary spending, as shown on page 4.

Outlays for Federal Grants to State & Local Governments
(\$ in billions)

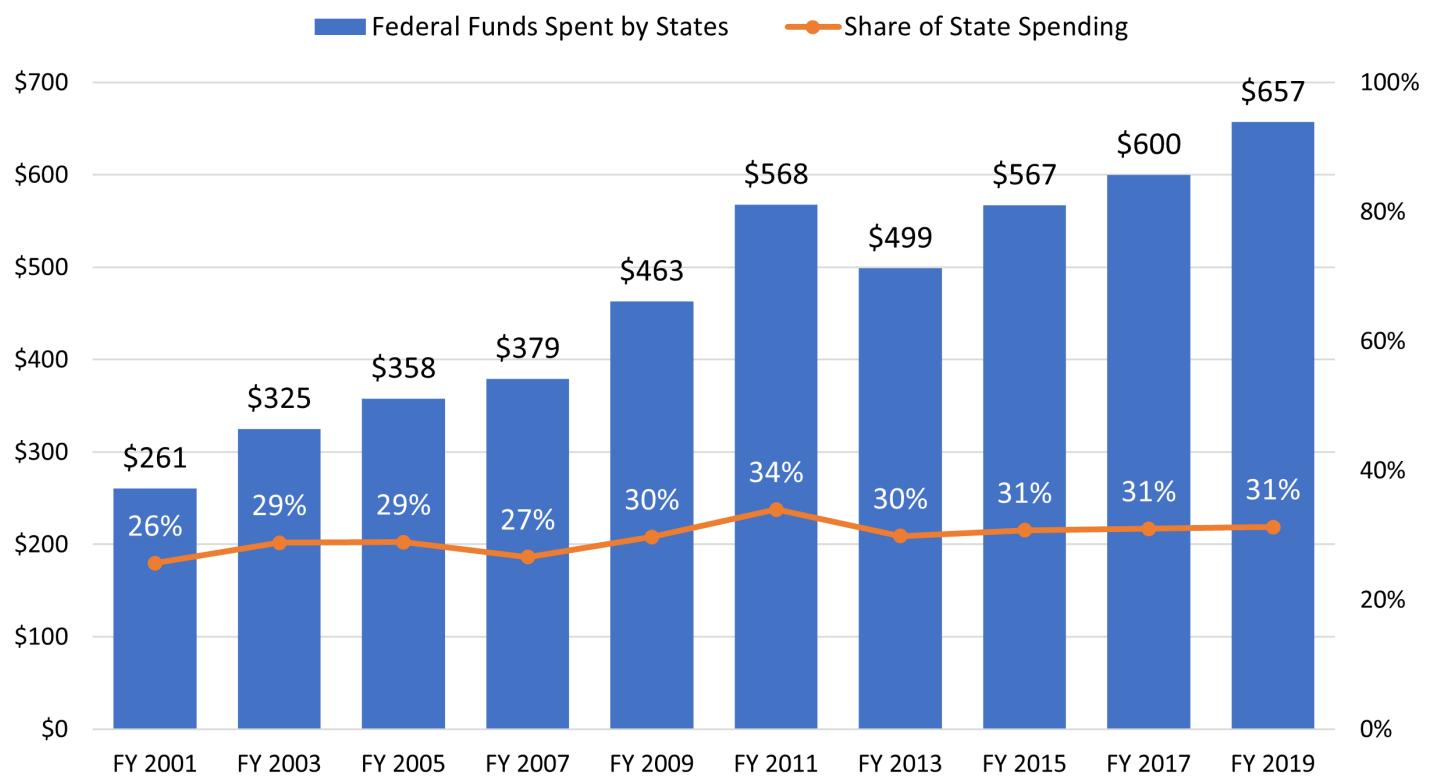


Source: OMB Historical Tables, FY 2023

How important are federal grants to state spending?

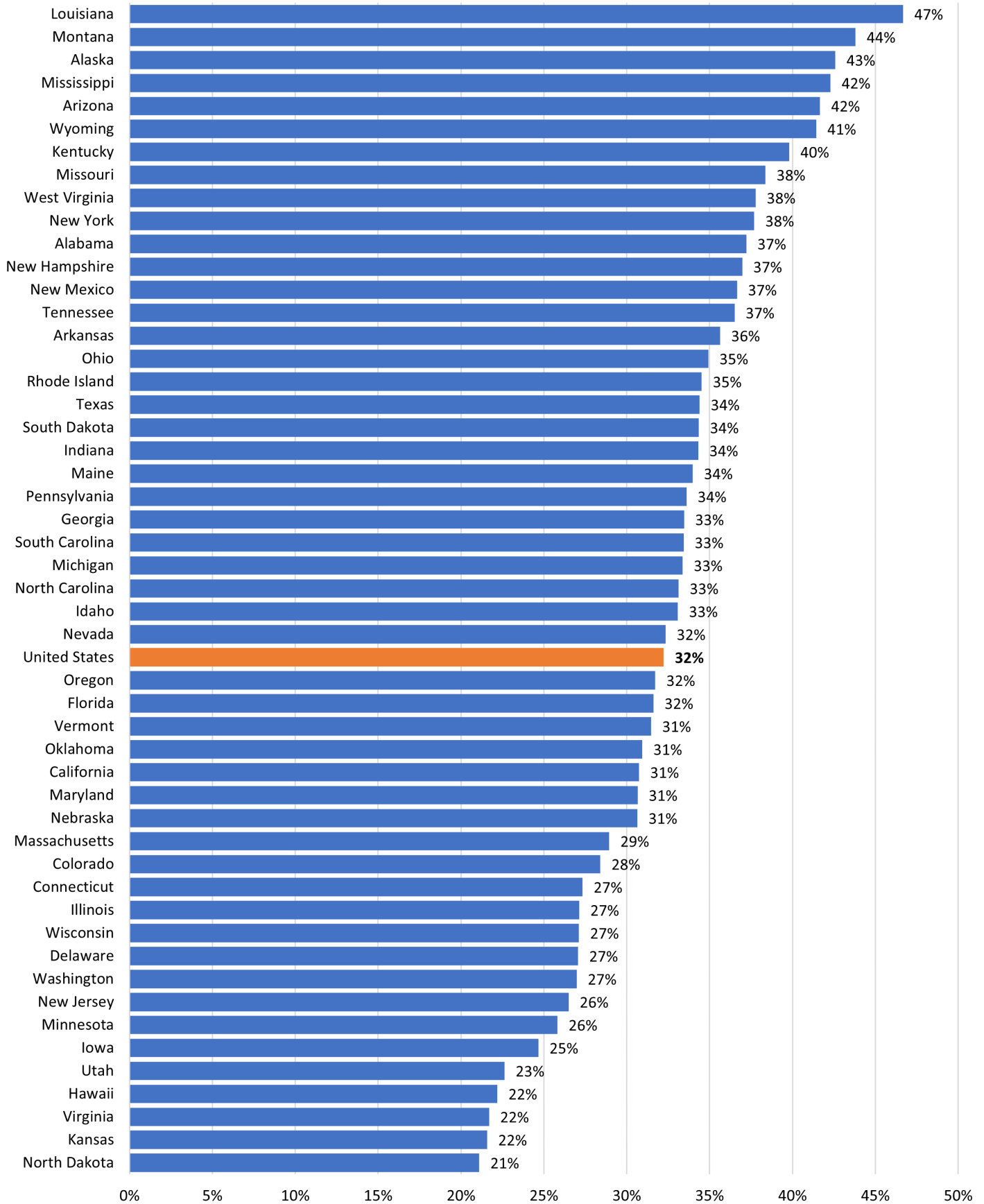
Federal grants accounted for 31% of state spending in FY 2019 and totaled \$657 billion. As shown on page 9, the range among states is large: federal funds made up 47% of Louisiana's revenue in FY 2019, but only 21% of North Dakota's.

Federal Funds as a Share of State Spending (\$ in billions)



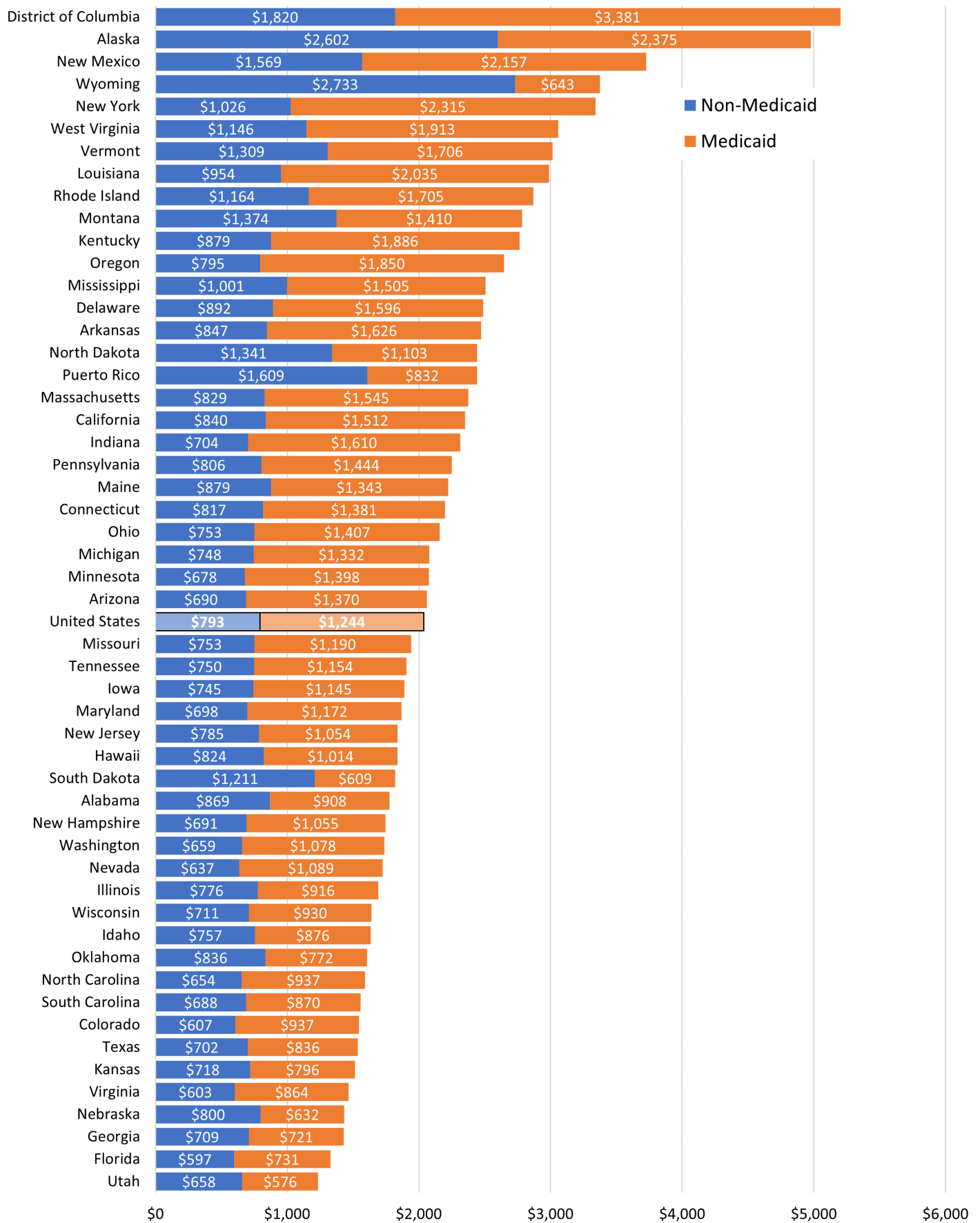
Source: NASBO State Expenditure Reports, Various Years

Federal Revenues as a Share of State General Revenue, FY 2019



Source: Census Bureau, Annual Survey of State Government Finances, FY 2019

Per Capita Federal Spending on FFIS-Tracked Grants, FY 2019



Source: FFIS Grants Database

Which states receive the most federal grant funds per capita?

As shown on page 10, Alaska received the most grant funding per capita among states in FY 2019 (\$4,977), and Utah received the least (\$1,235).

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.

1. **Medicaid** accounts for most grant funding, so state rankings are sensitive to annual changes in the Medicaid matching rate and how much a state spends on the program. States with the largest per capita Medicaid amounts have adopted the Affordable Care Act (ACA) Medicaid expansion.
2. A number of grant programs share revenues from **natural resources** extracted from federal lands in a state.
3. Many federal grant allocations are based on **demography and income**. For example, education grants often target low-income, school-aged children.
4. **Small-state minimums** in some grant formulas guarantee every state a certain share of total funding. These provisions benefit low-population states.

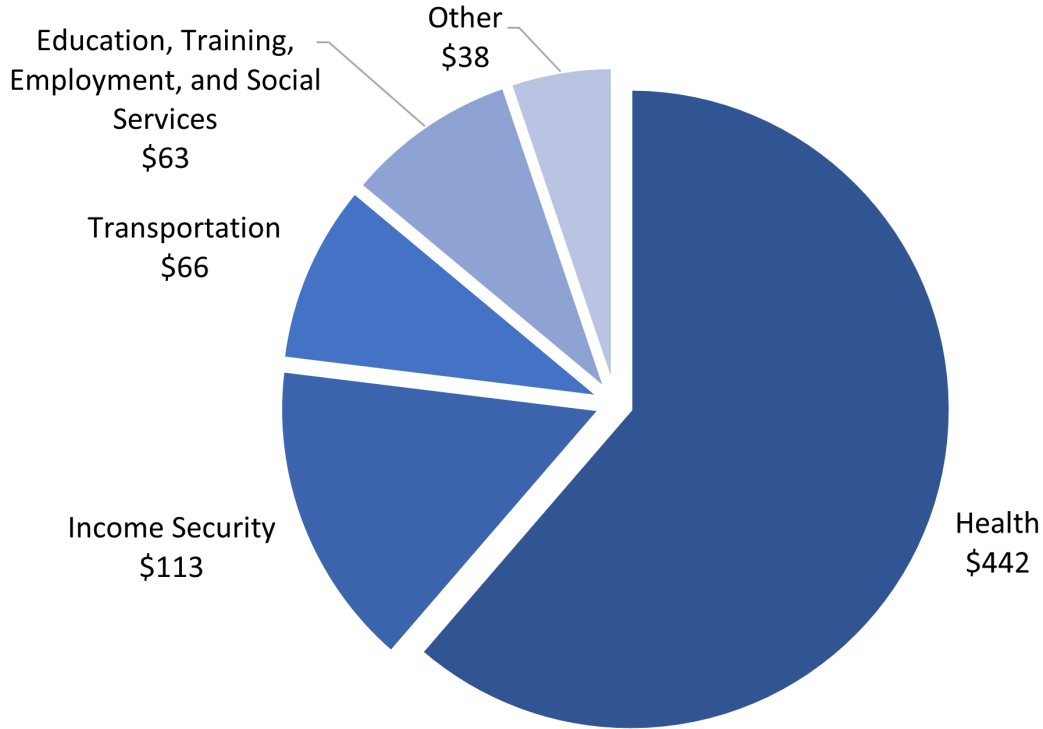
What types of programs do federal grants support?

Health, income security, education, and transportation combined accounted for about 91% of federal grant funding in FY 2019. The 10 largest grants accounted for 89% of the total, with **Medicaid** alone making up 65%, as shown on page 12.

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

Grants to State and Local Governments by Function, FY 2019

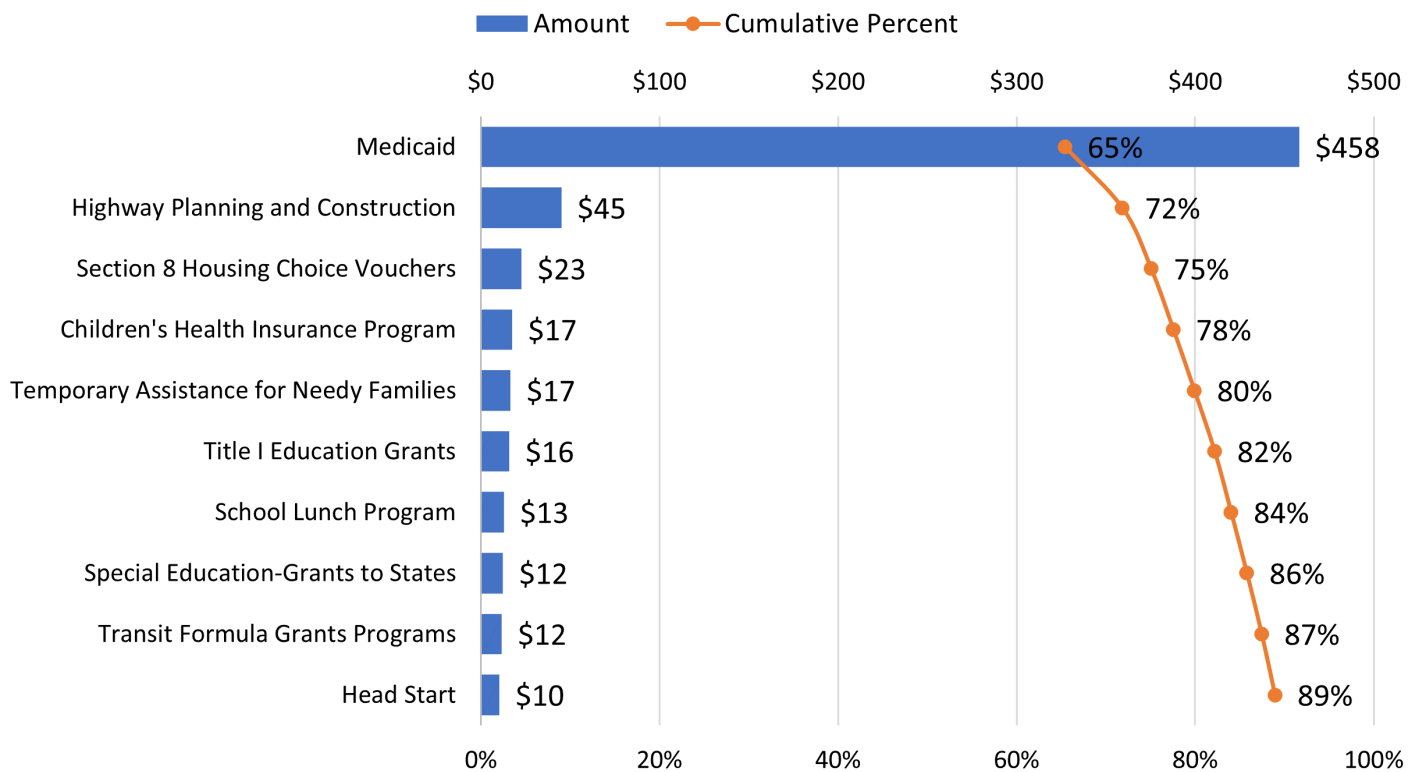
(\$ in billions)



Source: OMB Historical Tables, FY 2023

The 10 Largest Grants Accounted for 89% of Total in FY 2019

(\$ in billions)



Source: OMB Analytical Perspectives, FY 2023

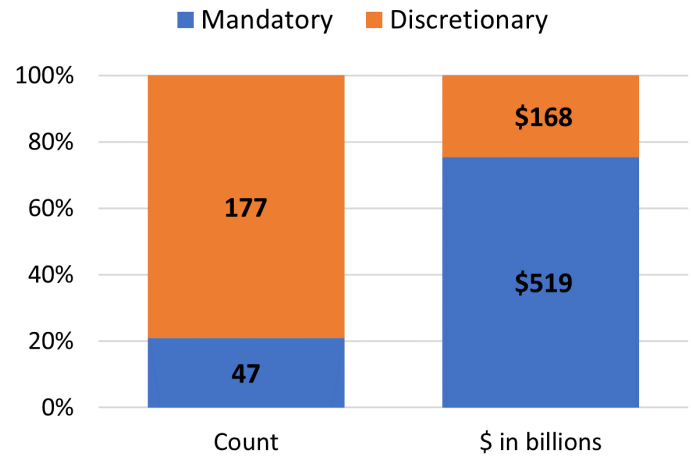
What is the difference between mandatory and discretionary grants?

Most grants are discretionary, but most funding is for mandatory programs.

Discretionary programs: Congress sets program funding annually through the appropriations process. Such grants may be allocated competitively or by formula.

Mandatory programs: Funding is required by the legislation that authorizes the grant. For some, such as Medicaid, spending depends on the number of eligible beneficiaries and authorized benefit payments.

Mandatory v. Discretionary Grants in FFIS Database

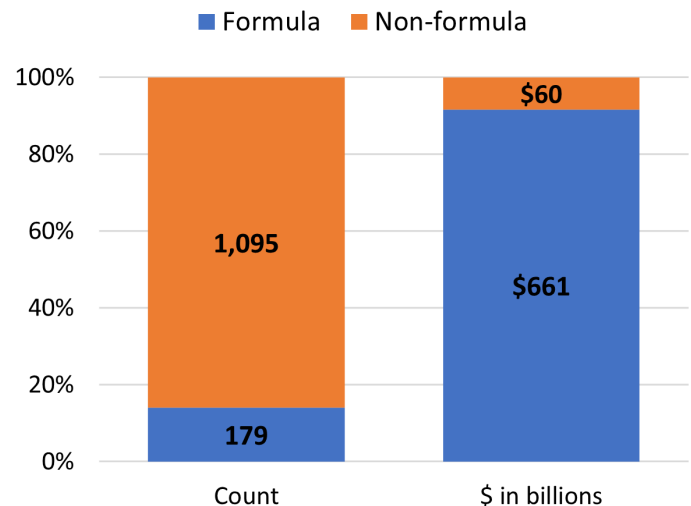


Source: FFIS Grants Database

What are competitive grants?

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 only 9% of all grant funding for state and local governments.

Formula v. Non-formula Grants



Source: FFIS Grants Database, Congressional Research Service

What is the difference between block and categorical grants?

Block grants and **categorical grants** are the two main types of federal grants. The former are always allocated by formula; the latter can be either formula or competitive. The chart below outlines their key features. Most grants are categorical. Almost half of the 21 block grants are administered by the Department of Health and Human Services. Some of the largest block grants are TANF (\$17.1 billion), the Surface Transportation Block Grant (\$14.6 billion), the Child Care and Development Block (\$5.3 billion), the Low Income Home Energy Assistance Program (\$3.7 billion), and the Community Development Block Grant (\$3.3 billion).

Categorical

- Formula or competitive
- Prescriptive
- Many in number

Block

- Formula
- Flexible
- Few in number

What are maintenance-of-effort (MOE) and matching requirements?

Federal grants are usually intended to supplement state and local government efforts. As such, many grant programs require state and local governments to contribute resources. About half of the grants in the FFIS database have **matching requirements**. Fewer have **MOE requirements**. Because the FFIS database is dominated by formula programs, it does not speak to the prevalence of matching and MOE requirements for competitive grants.

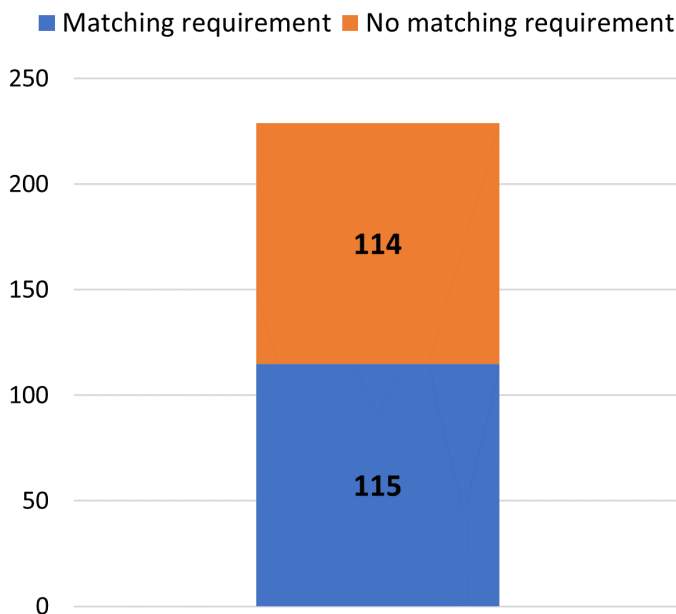
Matching

- Share of total costs borne by recipient
- May be in cash or in kind, depending on program
- Typically ranges from 5%-50%

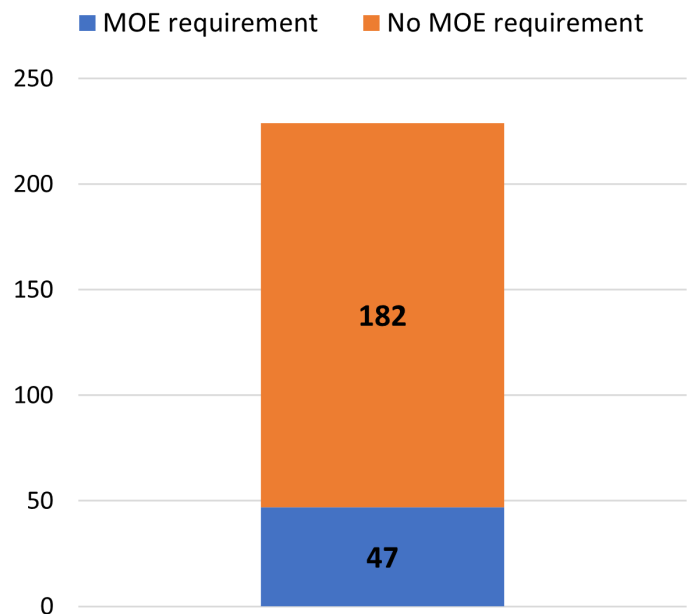
MOE

- Level of spending recipient must provide
- Often tied to spending in a prior/base year
- Related to requirement that federal funds supplement--and not supplant--state funds

Matching Requirements



MOE Requirements



Source: FFIS Grants Database

What sources are available to track federal funds?

Listed below are data sources on federal funds.

[FFIS Grants Database](#)—The grants database provides state allocations for 229 active programs—approximately 91% of total grant funding to state and local governments. FFIS tracks primarily formula grants, although several non-formula grants are included in the database, which provides both historical and current-year data. FFIS also maintains separate spreadsheets to track [COVID-19 relief funding](#) and appropriations in the [Infrastructure Investment and Jobs Act \(IIJA\)](#).

[USAspending.gov](#)—This website reports the recipients of federal spending. It provides information for contracts, grants, loans, and direct payments, but not for federal wages. Award information can be viewed on state profile pages.

[Tracking Accountability in Government Grants System \(TAGGS\)](#)—This is a central repository for grants awarded by the Department of Health and Human Services. 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.

[New York State Comptroller](#)—The annual report details the differences among the states with respect to what they pay in federal taxes and how much they receive in federal spending. The report includes a spreadsheet with state detail on several components of federal spending.

[SAM.gov](#)—While this site does not provide state-specific funding data, it provides 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. They do not report grant awards, but rather expenditures of grant funds.

[Grants.gov](#)—The website includes a searchable database for all types of federal financial opportunities.

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