

Federal Aid to State and Local Governments

Federal grants to state and local governments help finance critical programs and services across the country. These grants provide roughly 31 percent of state budgets and 23 percent of state and local budgets combined, according to the most recent data. They support health care, public education, housing, community development, child care, job training, transportation, and clean water, among other programs, which are vital to residents of every state — particularly those with low or moderate incomes. Many states are experiencing revenue shortfalls and struggle in most years to find adequate revenues to support services; without federal aid, they would likely cut or eliminate many of these programs.

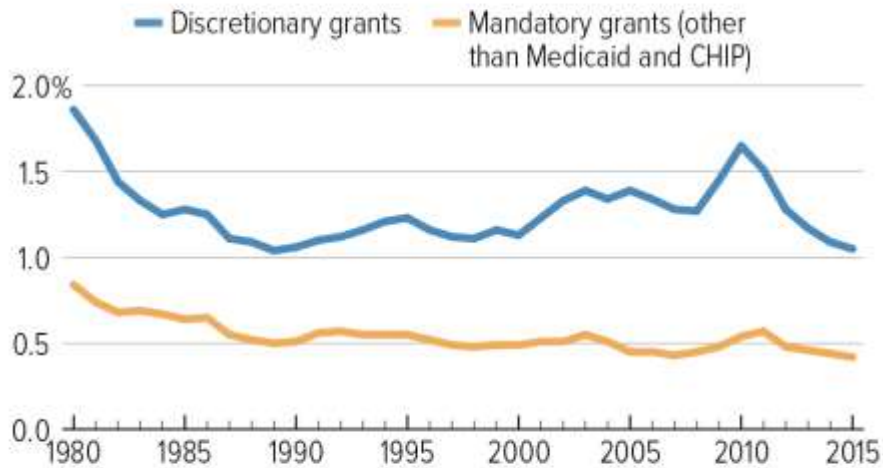
Mandatory Grants Outside Major Health Programs at Historically Low Levels

Some federal grants to state and local governments are in the “mandatory” part of the federal budget. Mandatory programs are set in ongoing federal law that remains in place until changed; their funding depends on formulas and eligibility requirements set in the law. Mandatory grants to state and local governments totaled \$474 billion in federal fiscal year 2017. The vast majority of this funding — \$391 billion, or 83 percent — was for Medicaid and the Children’s Health Insurance Program (CHIP). The rest, \$83 billion, funded numerous other programs for families and children.

Mandatory grants support programs of particular importance to low- and moderate-income households, including children, seniors, and people with disabilities. Also known as entitlement programs, their benefits or services are available to anyone who meets their strict eligibility criteria, and funding increases automatically and immediately to respond to increased need. Federal Medicaid and CHIP spending as a percent of the economy has grown significantly over time, due largely to enrollment growth and the rise in per-person health care costs. But mandatory grants to state and local governments other than for Medicaid and CHIP are at a lower percentage of the economy than when President Reagan left office.

Federal Grants for States and Localities at Historically Low Levels

Federal grants as a share of gross domestic product



Note: Discretionary grants are funded annually through the appropriations process. Mandatory grants are funded through permanent law.

Source: Office of Management and Budget.

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Discretionary Grants Also at Historic Lows

Other grants to state and local governments are in the “discretionary” part of the federal budget. Congress sets funding levels for discretionary programs each year through the appropriations process. Discretionary grants to state and local governments totaled an estimated \$201 billion in federal fiscal year 2017. The largest discretionary grant areas are transportation (including grants for highways, airports, and mass transit), education (including support for low-income students and students with special needs), and programs to subsidize housing for low-income families and seniors and foster community development. Discretionary grants rose sharply due to temporary increases in the 2009 Recovery Act but have since fallen and are at their lowest level as a percent of the economy since 1989.

Grants Support Wide Range of Programs

Many mandatory and discretionary grants are important to low- and moderate-income families and communities. Among the programs they support are:

Mandatory Grants to States and Localities

Grant	Description
Medicaid	Provides health coverage to low-income families and individuals.
Children’s Health Insurance Program (CHIP)	Covers uninsured children up to age 19 in families with incomes too high to qualify for Medicaid.
Child nutrition programs	Provide breakfast and lunch to low-income students in schools.
Supplemental Nutrition Assistance Program (SNAP)	Formerly the Food Stamp Program, provides food-purchasing assistance to low-income families and individuals.
Child support enforcement programs	Provide grants to states and tribes for outreach, referral, and case management to increase parents’ ability to support their children.
Child Care and Development Block Grant	Finances high-quality child care for children with very low incomes whose parents work, are training for work, or attend school, and for children with special needs. It consists of both mandatory and discretionary funding.
Adoption and Foster Care Program	Helps to provide safe, stable out-of-home care for children until they are safely returned home, placed permanently with adoptive families, or placed in other permanent arrangements.
Temporary Assistance for Needy Families (TANF)	Provides cash assistance or other services such as child care assistance to poor families with children, and helps support related programs such as foster care.
Social Services Block Grant	Provides flexible funds states may use to support a variety of social services activities. Child care, foster care, and special services for people with disabilities are the largest categories of expenditures under this grant.

Discretionary Grants to States and Localities

Grant	Description
Title I funding to high-poverty schools	Provides formula grants for schools with high numbers or proportions of disadvantaged children to help such children meet academic standards.
Special education in schools (Individuals with Disabilities Education Act, or IDEA)	Provides formula grants to help schools pay for the additional costs associated with teaching students with disabilities.
Head Start	Offers pre-kindergarten to children from low-income families.
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	Provides nutritious food and nutritional education to expecting low-income mothers and those with children under age 5.
Low Income Home Energy Assistance Program (LIHEAP)	Helps people in need pay their home energy bills.
Section 8 housing vouchers (Housing Choice Voucher Program and Project-Based Rental Program)	Defray part of the rent on a modest apartment or other home in the private market. Roughly half of the low-income households benefiting include seniors or people with disabilities; most of the rest are families with children.

Discretionary Grants to States and Localities

Grant	Description
Community Development Block Grant	Provides grants to states, cities, and counties to revitalize neighborhoods, create jobs through the expansion and retention of businesses, improve water and sewer systems, and build community centers, youth centers, and libraries, as well as other public infrastructure projects.
Training and employment services	Provide employment assistance, labor market information, and job training through programs such as the Workforce Investment and Opportunity Act, Job Corps, and apprenticeships.
Public safety grants	Support state and local law enforcement, juvenile justice programs, community-oriented policing programs, prevention and prosecution of violence against women, and combating drug trafficking.

States Rely Heavily on Federal Grants

Federal mandatory and discretionary grants account for a large share of state revenues.

Federal Grants to States, State Fiscal Year 2017

State	Federal Grant (Millions)	Share of State Spending
Alabama	\$9,911	37.9%
Alaska	\$3,830	38.0%
Arizona	\$14,924	36.0%
Arkansas	\$7,697	31.4%
California	\$96,195	35.6%
Colorado	\$9,121	26.9%
Connecticut	\$6,153	19.9%
Delaware	\$2,171	20.3%
Florida	\$26,777	32.5%
Georgia	\$13,677	27.8%
Hawaii	\$2,571	17.5%
Idaho	\$3,004	34.1%
Illinois	\$16,387	24.4%
Indiana	\$12,580	39.2%
Iowa	\$6,664	28.8%
Kansas	\$3,834	24.0%
Kentucky	\$12,353	36.6%
Louisiana	\$12,255	38.2%
Maine	\$2,603	31.5%
Maryland	\$12,876	31.1%
Massachusetts	\$11,490	18.5%

Federal Grants to States, State Fiscal Year 2017

State	Federal Grant (Millions)	Share of State Spending
Michigan	\$22,874	41.9%
Minnesota	\$10,868	27.6%
Mississippi	\$9,195	41.1%
Missouri	\$8,186	32.0%
Montana	\$2,810	40.4%
Nebraska	\$3,030	25.5%
Nevada	\$4,476	32.8%
New Hampshire	\$2,221	37.1%
New Jersey	\$16,143	26.7%
New Mexico	\$7,635	41.4%
New York	\$52,985	33.7%
North Carolina	\$13,274	28.4%
North Dakota	\$1,886	26.1%
Ohio	\$12,528	18.3%
Oklahoma	\$7,144	30.7%
Oregon	\$10,189	25.5%
Pennsylvania	\$29,406	36.4%
Rhode Island	\$3,185	34.2%
South Carolina	\$8,184	33.3%
South Dakota	\$1,419	33.6%
Tennessee	\$13,420	39.8%
Texas	\$46,870	37.1%
Utah	\$4,312	29.0%
Vermont	\$1,914	34.4%
Virginia	\$10,308	20.5%
Washington	\$12,034	27.1%
West Virginia	\$4,406	27.5%
Wisconsin	\$10,993	23.4%
Wyoming	\$1,008	20.0%
United States	\$619,976	31.3%

Source: CBPP calculations and NASBO data from State Expenditure Report, March 2018.

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For more information on federal aid to state and local governments, see:

At Risk: Federal Grants to State and Local Governments

<https://www.cbpp.org/research/state-budget-and-tax/at-risk-federal-grants-to-state-and-local-governments>