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Block Grants: Perspectives and Controversies

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Summary

Block grants provide state and local governments funding to assist them in addressing broad purposes, such as community development, social services, public health, or law enforcement, and generally provide state and local governments more control over the use of the funds than categorical grants.

Block grant advocates argue that block grants increase government efficiency and program effectiveness by redistributing power and accountability through decentralization and partial devolution of decisionmaking authority from the federal government to state and local governments. Advocates also view them as a means to reduce the federal deficit. For example, the Trump Administration's FY2020 budget request recommended that Medicaid be set "on a sound fiscal path ... by putting States on equal footing with the Federal Government to implement comprehensive Medicaid financing reform through a per capita cap or block grant.... [the proposal would] empower States to design State-based solutions that prioritize Medicaid dollars for the most vulnerable and support innovation."

Block grant critics argue that block grants can undermine the achievement of national objectives and can be used as a "backdoor" means to reduce government spending on domestic issues. For example, opponents of converting Medicaid into a block grant argue that "block granting Medicaid is simply code for deep, arbitrary cuts in support to the most vulnerable seniors, individuals with disabilities, and low-income children." Block grant critics also argue that block grants' decentralized nature makes it difficult to measure their performance and to hold state and local government officials accountable for their decisions.

Block grants, which have been a part of the American federal system since 1966, are one of three general types of grant-in-aid programs: categorical grants, block grants, and general revenue sharing. These grants differ along three defining characteristics: the range of federal control over who receives the grant; the range of recipient discretion concerning aided activities; and the type, number, detail, and scope of grant program conditions.

Most categorical grants are awarded through a competitive application process, can be used only for a specifically aided program, usually are limited to narrowly defined activities, and have more administrative conditions than other grant types.

Block grants address broader purposes, such as community development and social services, are distributed by formula, allow greater flexibility in the use of the funds, and have fewer administration conditions than categorical grants. General revenue sharing grants are distributed by formula, have few restrictions on the purposes for which the funding may be spent, and have the least administrative conditions of any federal grant type.

Project categorical grants and general revenue sharing grants represent the ends of a continuum on the three dimensions that differentiate grant types, with block grants being at the midpoint. However, there is some overlap among grant types in the middle of the continuum. For example, some block grants have characteristics normally associated with formula categorical grants. This overlap, and the variation in characteristics among block grants, helps to explain why there is some disagreement concerning precisely what constitutes a block grant, and how many of them exist.

This report provides an overview of the six grant types, criteria for defining a block grant, a list of current block grants, an examination of competing perspectives concerning block grants versus other grant mechanisms to achieve national goals, an historical overview of block grants' role in American federalism, and a discussion of recent block grant proposals.

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Introduction

Block grants have been a part of the American federal system since 1966. They are one of three general types of grant-in-aid programs: categorical grants, block grants, and general revenue sharing.[1] These grants differ along three defining characteristics: the range of federal control over who receives the grant; the range of recipient discretion concerning aided activities; and the type, number, detail, and scope of grant program conditions.[2]

Most categorical grants are awarded through a competitive application process, can be used only for a specifically aided program, usually are limited to narrowly defined activities, and have more administrative conditions than other grant types. There are four types of categorical grants (generally ranging from those with the most federal control over the use of funds to those with somewhat less federal control):

- project categorical grants (applications are submitted to a specified federal agency for review and the funds are awarded on a competitive basis),
- formula-project categorical grants (funds are distributed to states by formula, localities apply to a state agency for funds, and the funds are awarded by states to localities on a competitive basis),
- formula categorical grants (funds are distributed to eligible recipient governments by a formula), and
- open-end reimbursement categorical grants (the amount of funding is dependent on program costs, typically reflecting the number of program participants).

There are currently 1,253 funded categorical grants.[3]

Block grants are a form of grant-in-aid that the federal government uses to provide state and local governments a specified amount of funding to assist them in addressing broad purposes, such as community development, social services, public health, or law enforcement. Although legislation generally details the program's parameters, state and local governments are typically provided greater flexibility in the use of the funds and are required to meet fewer administrative conditions than under categorical grants. There are currently 21 funded block grants, totaling about $56.7 billion in FY2019 (about 7.5% of total federal grant-in-aid assistance).[4]

General revenue sharing provides state and local governments funds that are distributed by formula, are accompanied by few restrictions on the purposes for which the funding may be spent, and have the least administrative conditions of any federal grant type.[5] The general revenue

[1] The first block grant, for comprehensive health care services, was created by P.L. 89-749, the Comprehensive Health Planning and Public Health Services Amendments of 1966, later known as the Partnership for Public Health Act. It replaced nine formula categorical grants (see **Appendix**).

[2] U.S. Advisory Commission on Intergovernmental Relations (hereinafter ACIR), *Categorical Grants: Their Role and Design*, A-52, 1978, p. 5, at http://www.library.unt.edu/gpo/acir/Reports/policy/a-52.pdf.

[3] For additional information and analysis, see CRS Report R40638, *Federal Grants to State and Local Governments: A Historical Perspective on Contemporary Issues*, by Robert Jay Dilger and Michael H. Cecire.

[4] This estimation is based on projected outlays of $750 billion for federal grant-in-aid assistance in FY2019 (see U.S. Office of Management and Budget [OMB], *Budget of the United States Government, Fiscal Year 2020: Historical Tables*, p. 311, at https://www.whitehouse.gov/wp-content/uploads/2019/03/hist-fy2020.pdf); and FY2019 appropriations for 21 funded block grants identified in **Table 2**.

[5] For additional information and analysis, see CRS Report RL31936, *General Revenue Sharing: Background and Analysis*, by Steven Maguire.

sharing program is no longer operational. It distributed funds to states from 1972 through 1980 and to local governments from 1972 through 1986.

Project categorical grants and general revenue sharing grants represent the ends of a continuum on the three defining characteristics that differentiate grant types, with block grants being at the midpoint. However, there is some overlap among grant types in the middle of the continuum. For example, some block grants have characteristics normally associated with formula categorical grants. This overlap, and the variation in characteristics among block grants, helps to explain why there is some disagreement concerning precisely what constitutes a block grant, and how many of them exist.

Block grant advocates view block grants as a means to increase government efficiency and program effectiveness by redistributing power and accountability through decentralization and partial devolution of decisionmaking authority from the federal government to state and local governments. They also view them as a means to reduce government expenditures without sacrificing government services. For example, the Trump Administration's FY2020 budget request recommended that Medicaid, which is an open-end reimbursement categorical grant, be set "on a sound fiscal path ... by putting States on equal footing with the Federal Government to implement comprehensive Medicaid financing reform through a per capita cap or block grant.... [the proposal would] empower States to design State-based solutions that prioritize Medicaid dollars for the most vulnerable and support innovation."[6]

In a related development, the U.S. Department of Health and Human Services is considering whether to issue guidance to "test new approaches to delivering and financing care for certain optional adult populations," presumably to allow states to cap Medicaid spending, either through a block grant or a per capita cap.[7] The not-yet-released Medicaid Value and Accountability Demonstration program "won't compromise important beneficiary protections, but it will inject rigorous accountability for outcomes, provide significant and unprecedented flexibilities for program operation, and offer opportunities for shared savings that can be reinvested back into Medicaid."[8] There have been reports that some states (including Alaska, Tennessee, and Utah) may be interested in requesting waivers to block grant their Medicaid programs.[9]

Block grant critics argue that block grants can undermine the achievement of national objectives and can be used as a "backdoor" means to reduce government spending on domestic issues.[10] They also claim that block grants' decentralized nature makes it difficult to measure their performance and to hold state and local government officials accountable for their decisions.

This report provides an overview of the six grant types, criteria for defining a block grant, a list of current block grants, an examination of competing perspectives concerning block grants versus

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[6] OMB, *Budget of the U.S. Government for Fiscal Year 2020*, p. 43, at https://www.govinfo.gov/content/pkg/BUDGET-2020-BUD/pdf/BUDGET-2020-BUD.pdf.

[7] U.S. Department of Health and Human Services, "CMS Administrator Seema Verma's Speech to the National Association of Medicaid Directors in Washington, D.C.," November 12, 2019, at https://www.cms.gov/newsroom/press-releases/cms-administrator-seema-vermas-speech-national-association-medicaid-directors-washington-dc.

[8] "CMS Administrator Seema Verma's Speech to the National Association of Medicaid Directors in Washington, D.C.," November 12, 2019.

[9] Sandhya Raman, "CMS head previews Medicaid proposals," CQ, November 12, 2019, at http://www.cq.com/doc/news-5766886?2&search=FrgBVjtv; and Rep. Frank Pallone, Jr. Chair, House Committee on Energy and Commerce, "Letter to the Honorable Alex M. Azar, Secretary, U.S. Department of Health and Human Services," June 27, 2019, at https://energycommerce.house.gov/sites/democrats.energycommerce.house.gov/files/documents/HHS.2019.6.26..pdf.

[10] For example, see Rep. Frank Pallone, Jr. Chair, House Committee on Energy and Commerce, "Letter to the Honorable Alex M. Azar, Secretary, U.S. Department of Health and Human Services," June 27, 2019, at https://energycommerce.house.gov/sites/democrats.energycommerce.house.gov/files/documents/HHS.2019.6.26..pdf.

other grant mechanisms to achieve national goals, an historical overview of block grants' role in American federalism, and a discussion of recent block grant proposals.

Grant Definitions

Different federal departments and agencies, including the U.S. Census Bureau, the Government Accountability Office (GAO), and the U.S. Office of Management and Budget (OMB), use different definitions to determine what counts as a federal grant-in-aid program. However, there is agreement on the general characteristics associated with each grant type.

Of the six grant types, project categorical grants typically impose the most restraint on recipients (see **Table 1**). Federal administrators have a 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 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.

General revenue sharing imposes the least restraint on recipients. Federal administrators have a low degree of discretion over who receives the funds (funding is allocated automatically to recipients by a formula or formulas); recipients have 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 standard government accounting procedures.

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

Table 1. Classification of Grant Types by Three Defining Characteristics

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

Extent of Performance Conditions		
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, 1978, p. 7, at http://www.library.unt.edu/gpo/acir/Reports/policy/a-52.pdf.

In practice, some block grants have from their inception offered programmatic flexibility within a narrow range of activities. Others started out with few program restraints, but, over time, have become "re-categorized" as Congress has chosen to limit state and local government programmatic flexibility by imposing additional administrative and reporting requirements, typically to augment congressional oversight. For example, in its examination of 11 block grants in 1995, GAO found that in 9 of the 11 block grants Congress added new cost ceilings and set-asides or changed existing ones 58 times:

> These constraints often took the form of set-asides, requiring a minimum portion of funds to be used for a specific purpose, and cost-ceilings, specifying a maximum portion of funds that could be used for other purposes. This trend reduced state flexibility. Many of these restrictions were imposed because of congressional concern that states were not adequately meeting national needs.[11]

Congress has also increased programmatic flexibilities for some categorical grants, making them look increasingly like block grants. This blurring of characteristics can present challenges when analyzing the federal grant-in-aid system, as agencies and researchers may disagree over definitions and, as a result, reach different conclusions about block grants and their impact on American federalism and program performance. This blurring of characteristics should be kept in mind whenever generalizations are presented concerning the impact various grant types have on American federalism and program performance.

The Number of Block Grants

Congress has a central role in shaping the scope and nature of the federal grant-in-aid system. In its deliberative, legislative role, Congress determines its objectives, decides which grant mechanism is best suited to achieve those objectives, and creates legislation to achieve its objectives, incorporating its chosen grant mechanism. It then exercises oversight to hold the Administration accountable for grant implementation and to determine whether the grant is achieving its objectives.[12]

The following criteria were used to determine the current number of block grants:

- eligibility is limited to state and local governments (not foreign governments or nongovernmental organizations);

[11] U.S. General Accounting Office (GAO, now Government Accountability Office), *Block Grants: Characteristics, Experience, and Lessons Learned*, GAO/HEHS-95-74, February 9, 1995, pp. 8-11, at http://www.gao.gov/assets/230/220911.pdf.

[12] 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.

- program funds are typically distributed using a formula that may be prescribed in legislation or regulations; and
- unlike categorical programs, which target funds for a specific activity, recipients undertake, at their discretion, a number of activities within a broad functional category aimed at addressing national objectives.

Most of the 23 block grants (21 funded and 2 authorized, but not currently funded) identified in **Table 2** award funding to state governments.[13]

Table 2. Federal Block Grants in FY2019

(by Administering Federal Agency)

Federal Agency	Block Grant Program	FY2019 Appropriation
Department of Education	Innovative Education Program Strategies Block Grant	Not currently funded
Department of Energy	Energy Efficiency and Conservation Block Grant	Not currently funded
Department of Health and Human Services	Child Care and Development Block Grant ($5.276 billion in CCDBG (discretionary) funding and $2.917 billion in Child Care Entitlement to States (mandatory) funding)	$8,193,000,000
	Community Mental Health Services Block Grant	$722,571,000
	Community Services Block Grant	$725,000,000
	Low Income Home Energy Assistance Block Grant	$3,690,304,000
	Maternal and Child Health Services Block Grant	$677,700,000
	Preventive Health and Health Services Block Grant	$160,000,000
	Social Services Block Grant	$1,594,600,000
	Substance Abuse Prevention and Treatment Block Grant	$1,858,079,000
	Temporary Assistance to Needy Families	$17,345,545,714
	Title V Sexual Risk Avoidance Education	$75,000,000
Department of Homeland Security	Homeland Security Grant Programs (State Homeland Security Programs, Urban Area Security Initiative Grant, and Operation Stonegarden)	$1,165,000,000
Department of Housing and Urban Development	Community Development Block Grant	$3,030,000,000
	Indian Community Development Block Grant	$65,000,000
	Emergency Solutions Grant Program	$280,000,000
	HOME Investment Partnerships Program	$1,250,000,000
	Native American Housing Block Grant	$655,000,000
	Native Hawaiian Housing Block Grant	$2,000,000
Department of Justice	Edward Byrne Memorial Justice Assistance Grant	$423,500,000

[13] The Congressional Research Service (CRS) identified 28 block grants in FY2012. Two block grants are no longer available, Government Services State Fiscal Stabilization Fund (Department of Education) and Regional Catastrophic Preparedness Grant (Department of Homeland Security). The State Homeland Security Grant and Urban Area Security Initiative Grant programs are now within the Department of Homeland Security's Homeland Security Grant Programs.

Federal Agency	Block Grant Program	FY2019 Appropriation
Department of Labor	Workforce Innovation and Opportunity Act (Youth, Adult, and Dislocated Workers)	$2,789,832,000
Department of Transportation	Federal Aviation Administration Airport Improvement State Block Grant Program	$157,000,000
	Surface Transportation Program	$11,876,557,947
Total Funding		**$56,735,689,661**

Source: P.L. 116-6, the Consolidated Appropriations Act, 2019; House and Senate reports accompanying appropriations acts; and federal agency congressional budget justification documents.

Notes: The table does not include Nutritional Assistance Block Grants for Puerto Rico and American Samoa (food stamps) because of their status as a commonwealth and unincorporated territory, respectively. Also, the table does not include Specialty Crop Block Grants authorized under the Specialty Crops Competitiveness Act of 2004 (7 U.S.C. §1621) because the program does not meet the criteria used to distinguish a block grant. The Urban Area Security Initiative Grant, Community Development Block Grant, and HOME Investment Partnerships programs provide funds to local governments either directly or through "pass-through" provisions. The Emergency Solutions Grant Program provides funding only to local governments. The Federal Aviation Administration Airport Improvement State Block Grant Program's FY2019 appropriation amount cited is the amount awarded by the FAA.

Given disagreements over definitions, the list of block grants presented in **Table 2** should be considered illustrative, as opposed to definitive, of the present number of block grants.

Block Grants: Competing Perspectives

A federalism scholar has suggested that efforts to enact block grants typically have been based on the following arguments:

> the national government was too large, and its elected officials and appointed officials were out of touch with grassroots needs and priorities; the federal bureaucracy was too powerful and prone to regulation; the United States Congress was too willing to preempt states and localities and to enact mandates without sufficient compensatory funding; the national government was too involved in domestic activities that were properly state or local affairs; there were too many narrow, overlapping federal grant-in-aid programs; and state governments were too often considered mere administrative subunits of the national government rather than the vital "laboratories of democracy" envisioned by Justice Louis Brandeis.[14]

He also suggested that efforts to enact block grants often met resistance in Congress because of congressional concerns about recipients' management capacity and commitment to the program, recipients' ability to make the "right" allocation choices, and the possibility that converting categorical grants to block grants might diminish both congressional and executive branch ability to provide effective program oversight. He also argued that Congress had a tendency to prefer categorical grants over block grants because they provide greater opportunity for receiving political credit.[15]

[14] Carl W. Stenberg, "Block Grants and Devolution," in *Intergovernmental Management for the 21st Century*, eds. Paul Posner and Timothy Conlan (Washington, DC: The Brookings Institution Press, 2007), p. 263.

[15] Carl W. Stenberg, "Block Grants and Devolution," in *Intergovernmental Management for the 21st Century*, pp. 267, 271-274.

Another federalism scholar also suggested that block grant advocates have often found it difficult to gain congressional approval for block grants because their arguments have been superseded by political considerations:

> Why is it so difficult to do block granting? Why is it politically hard? And I think the answer's pretty straightforward: it seldom has more friends than it has enemies. Liberals prefer a categorical approach to intergovernmental grant giving. Essentially for two reasons: First of all, it locks in - it institutionalizes constituencies; that is, it sets up a pretty sturdy relationship between client groups; program authorizing committees in Congress; and patron agencies in the Executive Branch. And this pretty much ensures that intended target populations get funded, consistently.
>
> But, secondly, unlike block grants, which are often administered by formula, the categorical system gives politicians more opportunities for credit claiming. I'm going to quote, here from Yale political scientist David Mayhew on this subject. He says, "The categorical grant is for modern Democratic Congressmen what the Rivers and Harbors Act and the tariff were for pre-New Deal Republican Congressmen."
>
> That's true, but when the chips were down, conservatives are often not that keen about block granting, either.... They may like the fact that it may be somewhat easier to trim program spending, once programs are taken out of their political silos or cease to be entitlements. But they don't necessarily like the total lack of accountability, the absence of any strings to the money, once it goes out to the states.[16]

The following discussion examines in more detail the arguments presented by block grant advocates and block grant critics.

Block grant advocates argue that federal administrators are often out of touch with grassroots needs and priorities whereas state and local government officials are "closer to the people" than federal administrators and, therefore, are better positioned to identify state and local government needs. They also argue that state and local government officials are more "visible" to the public than federal administrators and, as a result, are more likely to be held accountable for their actions. From their perspective, this heightened level of visibility and accountability encourages state and local government officials to seek the most efficient and cost-effective means to deliver program services. As a result, they view the added flexibility provided by block grants as a means to produce both better programmatic outcomes and at a lower cost. Block grant advocates also argue that the flexibility afforded to states and localities under block grant programs allows them to innovate and experiment with new approaches to governmental challenges that would not be possible if the funding were provided through more restrictive categorical grants.[17] They argue that states have a history of learning from one another through the sharing of best practices at forums sponsored by the National Governors Association, through state and local government officials' participation in their respective national organizations' annual meetings, and through word-of-mouth.

Block grant advocates also assert that block grants promote long-term planning. Unlike project categorical grants that require state and local government officials to compete for funding, block grants use formulas to distribute funds. They argue that the use of formulas provides recipients greater assurance that funding will be continued, which makes it easier for them to predict the amount of their grant and to create long-range plans for the funds' use.

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[16] Pietro Nivola, Comments at a forum on "Block Grants: Past, Present, and Prospects," The Brookings Institution, Washington, DC, October 15, 2003, at http://docplayer.net/150371112-The-brookings-institution-a-brookings-public-forum-block-grants-past-present-and-prospects-panel-two-researchers-and-scholars.html.

[17] ACIR, *Block Grants: A Comparative Analysis*, A-60, 1977, pp. 8-11, at http://www.library.unt.edu/gpo/acir/Reports/policy/A-60.pdf.

Block grant advocates also claim that block grants help to address what they believe is unnecessary and wasteful duplication among existing categorical grant programs. They believe that block grants eliminate this duplication and waste by consolidating categorical grant activities, and by providing states and localities the ability to set their own priorities and allocate funds accordingly. Block grant advocates also argue that block grants will generate cost savings by reducing federal administrative costs related to state and local government paperwork requirements. However, there has been no definitive, empirical evidence that total administrative costs have been significantly reduced by converting categorical grants into block grants. Some federalism scholars have argued that costs related to "administrative overhead burdens may only have been shifted from the national to the state to the local levels through block grants."[18]

Converting entitlement programs into block grants is viewed by some as a means to eliminate what they view as uncontrollable spending. By design, entitlement program funding responds automatically to economic and demographic changes. In the short run, enrollment in entitlement programs tends to increase during and shortly after economic recessions. In the long run, enrollment in entitlement programs tends to increase with overall increases in eligible populations.[19] Because block grants have pre-determined funding amounts, converting entitlement programs, like Medicaid, into block grants has been seen by some as a means to impose greater fiscal discipline in the federal budget process.[20] As a federalism scholar put it:

> We face, as a nation, severe, long-term fiscal problems. We face a collision between rising costs for elderly entitlements and a shrinking revenue base.... Over time, some things, many things have to give. And I think block grants are attractive to some policy makers, as a way over a long period of time to squeeze funding for some of the big low-income programs, relative to what it would be under the current entitlement funding structures and it enables it to do it without looking heartless by proposing to throw x-numbers of people over the side in program A, B, or C.[21]

Critics of block grants argue that providing state and local government officials increased flexibility concerning the use of the program's funds reduces the ability of federal administrators and Congress to provide effective program oversight. For example, block grants have reporting requirements. However, in an attempt to purposively minimize administrative requirements, there are often no federal requirements for uniform data collection on outcome measures and spending, making it difficult to compare data across states and, in the view of some, rendering whatever data are available unusable for effective federal agency and congressional oversight of program performance.[22] To address this deficiency, Congress has added reporting requirements to some block grants and performance incentives that reward states for documented improvements to others.[23]

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[18] Carl W. Stenberg, "Block Grants and Devolution," in *Intergovernmental Management for the 21st Century*, eds. Paul Posner and Timothy Conlan (Washington, DC: The Brookings Institution Press, 2007), p. 273.

[19] Kenneth Finegold, Laura Wherry, and Stephanie Schardin, "Block Grants: Details of the Bush Proposals," *New Federalism: Issues and Options for States* (Washington, DC: The Urban Institute, April 2004), p. 6.

[20] Jeanne M. Lambrew, "Making Medicaid a Block Grant Program: An Analysis of the Implications of Past Proposals," *The Milbank Quarterly* 83:1 (2005), p. 43.

[21] Robert Greenstein, Comments at a forum on "Block Grants: Past, Present, and Prospects," The Brookings Institution, Washington, DC, October 15, 2003, at http://docplayer.net/150371112-The-brookings-institution-a-brookings-public-forum-block-grants-past-present-and-prospects-panel-two-researchers-and-scholars.html.

[22] Kenneth Finegold, Laura Wherry, and Stephanie Schardin, "Block Grants: Details of the Bush Proposals," *New Federalism: Issues and Options for States* (Washington, DC: The Urban Institute, April 2004), p. 9.

[23] U.S. General Accounting Office (GAO), *Block Grants: Characteristics, Experience, and Lessons Learned*, GAO/HEHS-95-74, February 9, 1995, pp. 7, 9-11, at http://www.gao.gov/assets/230/220911.pdf.

Block grant critics also assert that state and local government officials will use their increased programmatic flexibility to retarget resources away from individuals or communities with the greatest need toward those with greater political influence. They cite studies of the Community Development Block Grant program (CDBG) that found that political considerations did influence at least some local government officials when they allocated CDBG funds.[24]

Block grant advocates counter this argument by insisting that even if this was the case block grant formulas can be designed to adequately target funds to jurisdictions with the greatest need by including objective indicators of need in the distribution formula. They also point to various studies that have examined the retargeting issue and have not found evidence of significant redirection of funds. For example, a GAO study of the five block grants enacted prior to 1981 found that of the three block grant programs that had a stated objective of serving the economically needy, "there were no consistent differences between the earlier categorical programs and the pre-1981 block grants in targeting benefits to lower income people or to minority groups."[25] A study of the block grants enacted during the Reagan Administration also found that states did not use their flexibility to redirect resources away from poor or low-income families.[26] Block grant critics, however, counter these arguments by pointing out that block grant formulas often include population as a criterion of need to attract political support. From their perspective, including population in block grant formulas prevents block grants from adequately targeting assistance to needy individuals and jurisdictions.

Some block grant critics oppose the consolidation of existing categorical grants into block grants because they believe that funding for the programs is likely to diminish over time, as it is thought to be more difficult to generate political support for broad-purpose, state-administered programs than for categorical programs targeted at specific purposes. For example, they cite a 1995 analysis of five block grants enacted during the 1980s that found that their real (inflation-adjusted) funding level decreased from 1986 to 1995, despite a 66% increase in total federal grant funding during that period; and a 2003 analysis of federal funding for 11 block grants that found that their inflation-adjusted funding levels fell by an average of 11%.[27] Also, in 2006 GAO found that real per capita funding for the Community Development Block Grant (CDBG) program had declined since 1978 "by almost three-quarters from about $48 to about $13 per capita."[28] From their perspective, block grants critics view block grants as a "backdoor" means to reduce government spending on domestic issues.

Critics of block grants also contend that recipients may substitute federal block grant funds for their own financial contribution to an activity. Congress has addressed this concern by including state maintenance-of-effort (MOE) provisions in grant programs which require recipients to

[24] Donald Kettl, "Can the Cities be Trusted? The Community Development Experience," *Political Science Quarterly* 94:3 (Autumn 1979), pp. 437-451; and Howard Stern, "Can the Mayors Be Trusted? Using Community Development Block Grants to Get Re-elected," Paper presented at the 62nd Annual Meeting of the Midwest Political Science Association, April 15-18, 2004, Chicago, Il.

[25] GAO, *Block Grants: Characteristics, Experience, and Lessons Learned*, GAO/HEHS-95-74, February 9, 1995, p. ii, at http://www.gao.gov/assets/230/220911.pdf.

[26] George E. Peterson, Randall R. Bovbjerg, Barbara A. Davis, Walter G. Davis, Eugene C. Durham, and Theresa A. Guillo, *The Reagan Block Grants: What Have We Learned?* (Washington, DC: Urban Institute Press, 1986), pp. 18-21.

[27] Kenneth Finegold, Laura Wherry, and Stephanie Schardin, "Block Grants: Historical Overview and Lessons Learned," *New Federalism: Issues and Options for States* (Washington, DC: The Urban Institute, April 2004), p. 4.

[28] GAO, *Community Development Block Grant Formula: Options for Improving the Targeting of Funds*, GAO-06-904T, June 27, 2006, p. 2, at http://www.gao.gov/assets/120/114275.pdf.

maintain the level of funding for an activity that existed either before receiving the grant funds or over a specified period.

For example, the Temporary Assistance for Needy Families (TANF) block grant program requires states to maintain spending from their own funds on specified TANF or TANF-related activities at 75% of what was spent from state funds in FY1994 in TANF's predecessor programs of cash, emergency assistance, job training, and welfare-related child care spending ($10.4 billion in the aggregate for all states). States are required to maintain their own spending at least at that level, and the MOE requirement increases to 80% of FY1994 spending for states that fail to meet TANF work participation requirements. States failing to meet the MOE requirement are subject to a reduction in the state's subsequent year's block grant funding by $1 for each $1 shortfall from the required spending level.[29]

When Should Block Grants Be Considered?

Since the first block grant's enactment in 1966, analysts and policymakers have tried to identify the circumstances in which block grants are most desirable and circumstances in which it is appropriate to consider converting existing categorical grants into block grants. A leading federalism scholar suggested that block grants should be considered if the following conditions are present:

- when the federal government desires to supplement service levels in certain broad program areas traditionally provided under state and local jurisdiction;
- when broad national objectives are consistent with state and local program objectives;
- when the federal government seeks to establish nationwide minimum levels of service in those areas; and
- when the federal government is satisfied that state and local governments know best how to set subordinate priorities and administer the program.[30]

In the past, Congress has consolidated categorical grant programs to create new block grants. The now–defunct U.S. Advisory Commission on Intergovernmental Relations (ACIR) said that it may be appropriate to terminate or consolidate categorical programs when

- programs are too small to have much impact or to be worth the cost of administration;
- programs do not embody essential and clear national objectives;
- programs get (or could get) most of their funding from state and local governments, or from fees for services, or could be shifted to the private sector;[31] and

[29] For additional information and analysis, see CRS Report RL32748, *The Temporary Assistance for Needy Families (TANF) Block Grant: A Primer on TANF Financing and Federal Requirements*, by Gene Falk; and CRS Report R45966, *The Temporary Assistance for Needy Families Block Grant: Legislative Issues in the 116th Congress*, by Gene Falk, Mariam Ghavalyan, and Jameson A. Carter.

[30] U.S. Congress, Joint Economic Committee, Subcommittee on Joint Economic Goals and Intergovernmental Policy, Prepared statement of David B. Walker, Assistant Director, U.S. Advisory Commission on Intergovernmental Relations, *Block Grants and the Intergovernmental System*, 97th Cong., 1st sess., July 15, 1981 (Washington: GPO, 1981), pp. 47-48.

[31] ACIR, *An Agenda for American Federalism: Restoring Confidence and Competence*, A-86, 1981, pp. 111-112, at

- in functional areas including health, education, and social services, that have a large number of programs; or in functional areas including justice, natural resources, and occupational health and safety, that have a high fragmentation index score (ACIR devised a fragmentation index that measured the percentage of grant programs in a functional category [i.e., housing, transportation] relative to the percentage of federal funding allocated to programs in the functional category).[32]

Contemporary Controversies: How to Evaluate Block Grants

Block grants have been praised by some for providing state and local government officials additional flexibility to meet state and local needs, but are criticized by others because, in their view, accountability for results can be difficult when funding is allocated based on formulas and population counts rather than performance or meeting demonstrated need. In addition, block grants pose performance measurement challenges precisely because they can be used for a wide range of activities. For example, the obstacles to measuring and achieving results through block grants were reflected in their Program Assessment Rating Tool (PART) scores.

PART was a set of questionnaires that the George W. Bush Administration developed to assess the effectiveness of seven different types of federal programs, in order to influence funding and management decisions. These seven "program types" included direct federal programs; competitive grant programs; block/formula grant programs; regulatory based programs; capital assets and service acquisition programs; credit programs; and research and development programs. The Obama Administration initially announced that it would continue to use PART to evaluate programs, but would seek changes to the questionnaires to reflect different performance goals and to ensure that "programs will not be measured in isolation, but assessed in the context of other programs that are serving the same population or meeting the same goals."[33] It subsequently decided not to use PART scores to measure program performance. Instead, the Obama Administration decided to use program evaluations focused on performance improvement strategies to achieve identified high priority performance goals.[34]

PART focused on four program aspects: purpose and design (20%); strategic planning (10%); program management (20%); and program results/accountability (50%).[35] Each program aspect was provided a percentage "effectiveness" rating (e.g., 85%) based on answers to a series of questions. The scores for the four program aspects were then averaged to create a single PART score. Programs were then rated, effective (193 in 2008), moderately effective (326 in 2008),

http://www.library.unt.edu/gpo/acir/Reports/policy/a-86.pdf.

[32] ACIR, *Federal Grant Programs in Fiscal Year 1989: Their Numbers, Sizes, and Fragmentation Indexes in Historical Perspective*, SR-14, September 1993, p. 2, at http://www.library.unt.edu/gpo/acir/Reports/staff/SR-14.pdf.

[33] OMB, *A New Era of Responsibility: Renewing America's Promise*, 2009, p. 39, at https://www.govinfo.gov/content/pkg/BUDGET-2010-BUD/pdf/BUDGET-2010-BUD.pdf.

[34] OMB, *Performance Improvement Guidance: Management Responsibilities and Government Performance and Results Act Documents*, Memorandum from Shelley Metzenbaum, OMB Associate Director for Performance and Personnel Management, June 25, 2010. For additional information and analysis, see CRS Report R41337, *Independent Evaluators of Federal Programs: Approaches, Devices, and Examples*, by Frederick M. Kaiser and Clinton T. Brass.

[35] For additional information and analysis, see CRS Report RL32663, *The Bush Administration's Program Assessment Rating Tool (PART)*, by Clinton T. Brass.

adequate (297 in 2008), ineffective (26 in 2008), and results not demonstrated (173 in 2008).[36] Block grants received the lowest average score of the seven PART program types in 2008, 5% of block grant programs assessed were rated "ineffective," and 30% were rated "results not demonstrated."[37]

Block grant critics point to PART's low ratings of block grants as proof that block grants should be avoided. Block grant advocates argue that PART's heavy weighting of program results/assessment in its calculations made PART a poor measure for assessing block grant performance. As one study concluded,

> the federal requirements ... tend to ignore the reality that many programs contain multiple goals and outcomes, rather than focusing on a single goal or outcome. These multiple goals and outcomes are often contradictory to each other. Yet PART pushes agencies to focus on single goals.... The federal efforts dealing with performance move against the devolution tide.... Efforts to hold federal government agencies accountable for the way programs are implemented actually assume that these agencies have legitimate authority to enforce the requirements that are included in performance measures.[38]

Block grant advocates also note that during his presidency President George W. Bush proposed several new block grants, despite PART's low scoring of block grant performance.[39]

Contemporary Controversies: Funding

Historically, the success or failure of block grant proposals has often been determined, in large part, on stakeholders' views of the program's future funding prospects.[40] However, in recent years, this issue has taken on even greater prominence than in the past. Prior to 1995, the primary rationale provided by block grant advocates for converting categorical grants into block grants was to eliminate program overlap and duplication and introduce greater program efficiencies by providing state and local government officials additional flexibility in program management. Since then, block grant advocates have continued to argue that converting categorical grants into block grants reduces program overlap and duplication, but they have also increasingly touted block grants as a means to control federal spending by capping expenditures and closing open-ended entitlement programs.[41]

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[36] OMB, "ExpectMore.Gov," at https://georgewbush-whitehouse.archives.gov/omb/performance/index.html.

[37] OMB, *Budget of the United States, FY2009 Analytical Perspectives: Aid to State and Local Governments*, p. 112, at https://www.govinfo.gov/content/pkg/BUDGET-2009-PER/pdf/BUDGET-2009-PER-4-6.pdf.

[38] Beryl Radin, "Performance Management and Intergovernmental Relations," in *Intergovernmental Management for the 21st Century*, eds. Paul Posner and Timothy Conlan (Washington, DC: The Brookings Institution Press, 2007), pp. 244, 251.

[39] For example, the George W. Bush Administration's FY2006 budget request included a proposal that would have consolidated the activities of at least 18 existing community and economic development programs into a two-part grant proposal called the "Strengthening America's Communities Initiative" (SACI). For additional information and analysis, see CRS Report RL32823, *An Overview of the Administration's Strengthening America's Communities Initiative*, coordinated by Eugene Boyd.

[40] Timothy Conlan, *New Federalism: Intergovernmental Reform From Nixon to Reagan* (Washington, DC: The Brookings Institution, 1988), pp. 172-178.

[41] For example, see Andrew G. Biggs, Kevin A. Hassett, and Matthew Jensen, "Guide for Deficit Reduction in the United States Based on Historical Consolidations That Worked," American Enterprise Institute Economic Policy Working Paper 2010-04, Washington, DC, December 27, 2010, p. 16, at https://www.aei.org/research-products/working-paper/a-guide-for-deficit-reduction-in-the-united-states-based-on-historical-consolidations-that-worked/; and Brian Riedl, "How to Cut $343 Billion from the Federal Budget," The Heritage Foundation, Washington, DC, October 28, 2010, pp. 2, 3, at https://www.heritage.org/budget-and-spending/report/how-cut-343-billion-the-federal-budget. For

The recent increased emphasis on capping expenditures and closing previously open-ended entitlement programs has changed the nature of congressional consideration of what some have labeled "new-style" block grant proposals. During their deliberations, instead of focusing primarily on questions concerning state and local government administrative and fiscal capacity and commitment to the program, Congress has increasingly focused on the short- and long-term budgetary implications of block grants, both for the federal budget and for recipients. Some have argued that the new-style block grants send a mixed message to state and local government officials, providing them added programmatic authority, flexibility in administration, and greater freedom to innovate, but at the cost of restrained federal financial support and increased performance expectations.[42]

The following are some of the more recent block grant proposals that have received congressional consideration.

Medicaid Block Grant Proposals Since 2010

The National Commission on Fiscal Responsibility and Reform, a bipartisan debt commission established by President Obama by executive order, recommended in December 2010 that the federal-state responsibility for Medicaid be adjusted, with consideration given to the use of block grants for acute or long-term care as a means to contain Medicaid costs.[43] In addition, Representative Paul Ryan, then-chair of the House Committee on the Budget and later Speaker of the House, recommended that the federal share of Medicaid be converted into a block grant as a means to "improve the health-care safety net for low-income Americans" and to save $732 billion over 10 years.[44]

Later, the House-passed FY2013, FY2014, and FY2015 Concurrent Budget Resolutions (H.Con.Res. 112, H.Con.Res. 25, and H.Con.Res. 96) proposed converting Medicaid from an open-ended, individual entitlement formula categorical grant into a block grant. The report accompanying the House Concurrent Budget Resolution for FY2015 estimated that converting Medicaid into a block grant would save $732 billion over 10 years.[45]

Advocates of these concurrent budget resolutions (converting Medicaid into a block grant) argued that

> Medicaid's current structure gives states a perverse incentive to expand the program and little incentive to save. For every dollar that a state government spends on Medicaid, the federal government pays an average of 57 cents. Expanding Medicaid coverage during boom years is tempting and easy to do—state governments pay less than half the cost. Yet

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a counter-argument see Ed Park, "Medicaid Block Grant or Funding Caps Would Shift Costs to States, Beneficiaries, and Providers," Center on Budget Policy and Priorities, Washington, DC, January 6, 2011, at https://www.cbpp.org/research/medicaid-block-grant-or-funding-caps-would-shift-costs-to-states-beneficiaries-and?fa=view&id=3363.

[42] 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. 271.

[43] National Commission on Fiscal Responsibility and Reform, "The Moment of Truth: Report of the National Commission on Fiscal Responsibility and Reform," Washington, DC, December 2010, p. 42, at https://www.senate.gov/reference/resources/pdf/NationalCommissiononFiscalResponsibilityandReform_Dec012010.pdf; and Executive Order 13531, "National Commission on Fiscal Responsibility and Reform," 75 *Federal Register* 7927, 7928, February 23, 2010 (effective February 18, 2010).

[44] Rep. Paul Ryan, "The Path to Prosperity: Restoring America's Promise; Fiscal Year 2012 Budget Resolution," House Committee on the Budget, p. 39, at https://republicans-budget.house.gov/budgets/fiscal-year-2012-budget/; and H.Rept. 113-403, Concurrent Resolution on the Budget—Fiscal Year 2015, p. 75.

[45] H.Rept. 113-403, Concurrent Resolution on the Budget—Fiscal Year 2015, p. 75.

> to restrain Medicaid's growth, states must rescind a dollar's worth of coverage to save 43 cents. The recently enacted health-care law adds even more liabilities to an already unsustainable program. CBO estimates the new law will increase federal Medicaid spending by $792 billion over the 2015-2024 period. This is due to the millions of new beneficiaries that the law drives into the program. In fact, CBO estimates that in 2024, 13 million new enrollees will be added to the Medicaid program as a result of the Affordable Care Act. For all these reasons, this budget recommends a fundamental reform of the Medicaid program.
>
> ... The exact contours of a Medicaid reform—as well as other policies flowing from the fiscal assumptions in this budget resolution—will be determined by the committees of jurisdiction. Nevertheless, the need for fundamental Medicaid reform and other measures to slow the growth of federal spending are critical, and one set of potential approaches is described below.
>
> ... *Provide State Flexibility on Medicaid.* One way to secure the Medicaid benefit is by converting the federal share of Medicaid spending into an allotment that each state could tailor to meet its needs, indexed for inflation and population growth. Such a reform would end the misguided one-size-fits-all approach that has tied the hands of state governments. States would no longer be shackled by federally determined program requirements and enrollment criteria. Instead, each state would have the freedom and flexibility to tailor a Medicaid program that fit the needs of its unique population.
>
> The budget resolution proposes to transform Medicaid from an open-ended entitlement into a block-granted program like SCHIP. These programs would be unified under the proposal and grown together for population growth and inflation.[46]

Opponents argued that

> "Block-granting" Medicaid is simply code for deep, arbitrary cuts in support to the most vulnerable seniors, individuals with disabilities, and low-income children.... Claiming to "repair" Medicaid by cutting it by a third is like saving a drowning person by throwing them an anchor.[47]
>
> ... Millions of seniors in nursing homes will be especially hurt by the reckless cuts to Medicaid. Over two-thirds of the base Medicaid program supports the elderly and the disabled and this budget slashes the Medicaid budget in its last year by a full 25%—in addition to repealing the Affordable Care Act expansion of the program.[48]
>
> ... This [House version of the concurrent] budget [resolution for FY2015] reserves perhaps its cruelest blow to those seeking to climb out of poverty and into the middle class.... It absolutely decimates safety net programs—like SNAP and Medicaid—designed to stop people from falling into deep poverty.[49]

The House's FY2015 Concurrent Budget Resolution also would have converted the Supplemental Nutrition Assistance Program (food stamps) into a block grant, estimating the savings as $125 billion over 10 years.[50] It also would have terminated the Social Services Block Grant; it indicated that the grant provides services that "are also funded by other Federal programs."[51]

[46] H.Rept. 113-403, pp. 74-75.

[47] H.Rept. 112-421, Concurrent Resolution on the Budget – Fiscal Year 2013, p. 199.

[48] H.Rept. 113-403, Concurrent Resolution on the Budget – Fiscal Year 2015, p. 188.

[49] H.Rept. 113-403.

[50] H.Rept. 113-403, p. 83.

[51] H.Rept. 113-403, p. 73.

As mentioned previously, the Trump Administration has advocated converting Medicaid into a block grant. Also, as will be discussed, the Trump Administration has advocated eliminating several existing block grants, including the Community Development Block Grant program.

President Obama and Block Grants

President Obama did not issue a formal federalism plan and did not advocate a major shift in funding priorities among functional categories. However, the expansion of Medicaid eligibility under P.L. 111-148, the Patient Protection and Affordable Care Act (ACA), which President Obama strongly endorsed, increased health care's position as the leading category of federal assistance to state and local governments (accounting for nearly 61% of all federal grant-in-aid funding).[52]

Although President Obama also did not formally advocate a major shift in funding priorities among the various grant types, the ACA either authorized or amended 71 federal categorical grants to state and local governments, further enhancing the role of categorical grants in the intergovernmental grant-in-aid system.[53] The number of funded block grants declined somewhat during his Administration, from 24 in 2009 to 21 in 2017. In addition, the Obama Administration recommended funding reductions for several block grants.

For example, the Obama Administration argued in its FY2015 budget request that the Community Services Block Grant program's "current structure does little to hold [community action] agencies accountable for outcomes" and proposed to reduce its funding from $635 million to $350 million and "to competitively award funds to high performing agencies that are most successful at meeting community needs."[54] The Obama Administration also recommended funding reductions for the Community Development Block Grant program and the HOME Investment Partnership Program, arguing that these block grants needed "reforms to improve each program's performance by eliminating small grantees, thereby improving efficiency, driving regional coordination, and supporting grantees in making strategic, high-impact investments that address local community goals."[55] The Obama Administration also argued that the Preventative Health and Health Services Block Grant should be eliminated because it is "duplicative with existing activities that could be more effectively implemented through targeted programs."[56]

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[52] For additional information and analysis on federal grant-in-aid funding, see CRS Report R40638, *Federal Grants to State and Local Governments: A Historical Perspective on Contemporary Issues*, by Robert Jay Dilger and Michael H. Cecire.

[53] U.S. General Services Administration, "Catalog of Federal Domestic Assistance," at https://www.cfda.gov/.

[54] OMB, *Budget of the U.S. Government, Fiscal Year 2015: Analytical Perspectives*, p. 249, at https://www.govinfo.gov/content/pkg/BUDGET-2015-PER/pdf/BUDGET-2015-PER.pdf. For additional information and analysis concerning the Community Services Block Grant program, see CRS Report RL32872, *Community Services Block Grants (CSBG): Background and Funding*, by Libby Perl.

[55] OMB, *Budget of the U.S. Government, Fiscal Year 2015: Analytical Perspectives*, p. 248. For additional information and analysis concerning the Community Development Block Grant program, see CRS Report R43394, *Community Development Block Grants: Recent Funding History*, by Eugene Boyd; CRS Report R43520, *Community Development Block Grants and Related Programs: A Primer*, by Eugene Boyd; and CRS Report R43208, *Community Development Block Grants: Funding Issues in the 113th Congress*, by Eugene Boyd. For additional information and analysis concerning the HOME Investment Partnership Program, see P.L. 112-141; CRS Report R40118, *An Overview of the HOME Investment Partnerships Program*, by Katie Jones; CRS Report R42734, *Income Eligibility and Rent in HUD Rental Assistance Programs: Frequently Asked Questions*, by Libby Perl and Maggie McCarty; and CRS Report RL34591, *Overview of Federal Housing Assistance Programs and Policy*, by Maggie McCarty, Libby Perl, and Katie Jones.

[56] OMB, *Budget of the U.S. Government, Fiscal Year 2015: Analytical Perspectives*, p. 250.

In contrast, the Obama Administration supported P.L. 111-5, the American Recovery and Reinvestment Act of 2009 (ARRA), which provided about $219 billion for grants to state and local governments to assist in the economic recovery from the Great Recession (2007-2009), including 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).[57] ARRA also provided 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. However, the Obama Administration generally advocated enacting new competitive categorical grant programs (e.g., TIGER surface transportation grants and Race to the Top education grants) rather than expanding existing block grants or creating new ones.[58]

President Trump and Block Grants

President Trump has not formally issued a federalism plan and has not advocated a major shift in funding priorities among functional categories or among grant types. Instead, the Trump Administration has focused on slowing the growth of federal grant-in-aid spending generally (from about 3% to 5% annually from FY2016 through FY2019 to less than 1% in FY2020), and especially for Medicaid, which, the President's FY2020 budget request notes, "accounts for 56% of total grant spending to state and local governments."[59]

As mentioned previously, the Trump Administration has recommended that Medicaid be set "on a sound fiscal path ... by putting States on equal footing with the Federal Government to implement comprehensive Medicaid financing reform through a per capita cap or block grant.... [the proposal would] empower States to design State-based solutions that prioritize Medicaid dollars for the most vulnerable and support innovation."[60]

The President's FY2020 budget request also recommended that TANF funding be reduced by 10%, which the request notes is "the portion that States may transfer from TANF to Social Services Block Grant (SSBG)."[61]

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[57] GAO, *Recovery Act: Grant Implementation Experiences Offer Lessons for Accountability and Transparency*, GAO-14-219, January 24, 2014, p. 1, at https://www.gao.gov/assets/670/660353.pdf.

[58] For additional information and analysis concerning TIGER grants, see CRS Report R43464, *Federal Support for Streetcars: Frequently Asked Questions*, by William J. Mallett. For additional information concerning Race to the Top grants see CRS In Focus IF10157, *Educational Accountability and Reauthorization of the ESEA*, by Rebecca R. Skinner.

[59] OMB, *Budget of the U.S. Government for Fiscal Year 2020, Analytical Perspectives*, p. 231, at https://www.govinfo.gov/content/pkg/BUDGET-2020-PER/pdf/BUDGET-2020-PER-5-1.pdf.

[60] OMB, *Budget of the U.S. Government for Fiscal Year 2020*, p. 43, at https://www.govinfo.gov/content/pkg/BUDGET-2020-BUD/pdf/BUDGET-2020-BUD.pdf.

[61] OMB, *A Budget for a Better America, Promises Kept, Taxpayers First*, pp. 151-152, at https://www.govinfo.gov/content/pkg/BUDGET-2020-MSV/pdf/BUDGET-2020-MSV.pdf.

The Trump Administration argued that "While this proposal would reduce the amount available to States for cash assistance and other benefits that promote self-sufficiency, it also recognizes that TANF's flexible spending rules have resulted in States using a large portion of TANF funds for benefits and services that do not directly serve the core intent of the program to help low-income families meet their basic needs and move them towards self-sufficiency. To reverse this pattern, the Budget would ensure sufficient TANF investments in work promotion activities by adding a requirement that States spend at least 30 percent of all funds on activities that directly promote work and self-sufficiency. In addition, the Budget includes a TANF proposal to require that all TANF expenditures be targeted to

The Trump Administration's FY2020 budget request "also redefines the proper role of the Federal Government by proposing to eliminate programs that have failed to demonstrate effectiveness, such as the Community Development Block Grant (CDBG) program, recognizing that State and local governments are better equipped to address local community and economic development needs."[62] The budget request would also eliminate the HOME Investment Partnership program, arguing that the program should be devolved "to state and local governments, which are better positioned to assess local community needs and address unique market challenges."[63]

The President's budget request also recommended that the TRIO and Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) educational grant programs be consolidated into a $950 million state formula grant to "support evidence-based postsecondary preparation programs designed to help low-income students progress through the pipeline from middle school to postsecondary opportunities."[64]

families with income below 200 percent of the Federal poverty line, which will ensure States focus resources on the most vulnerable families and children" (p. 151).

[62] OMB, *Budget of the U.S. Government for Fiscal Year 2020*, p. 53, at https://www.govinfo.gov/content/pkg/BUDGET-2020-BUD/pdf/BUDGET-2020-BUD.pdf.

[63] OMB, *Budget of the U.S. Government for Fiscal Year 2020*, p. 55; and OMB, *Budget of the U.S. Government for Fiscal Year 2020, Analytical Perspectives*, p. 234, at https://www.govinfo.gov/content/pkg/BUDGET-2020-PER/pdf/BUDGET-2020-PER-5-1.pdf.

[64] OMB, *Budget of the U.S. Government for Fiscal Year 2020, Analytical Perspectives*, p. 234. For additional information and analysis on the TRIO and GEAR UP programs, see CRS Report R42724, *The TRIO Programs: A Primer*, by Cassandria Dortch; and CRS Report R43351, *The Higher Education Act (HEA): A Primer*, by Alexandra Hegji.

Appendix. Brief History of Block Grants

H.R. 5686, The Public Welfare Act of 1946, introduced by Representative Aime J. Forand, D-RI, as an amendment to the Social Security Act, is the first known congressional effort to enact a block grant. It would have allowed states to continue providing public welfare assistance in "the present categories of old-age assistance, aid to dependent children, and aid to the blind, or whether they preferred to provide for these groups as part of a comprehensive assistance program" with choices about program design left to the states.[65]

In 1949, the Commission on the Organization of the Executive Branch of the Government, known as the Hoover Commission in honor of its chair, Herbert Hoover, further raised awareness of the block grant concept by recommending that "a system of grants be established based upon broad categories – such as highways, education, public assistance and public health – as contrasted with the present system of extensive fragmentation."[66] However, Congress did not create the first block grant until 1966 for comprehensive health care services (now the Preventive Health and Health Services Block Grant) in P.L. 89-749, the Comprehensive Health Planning and Public Health Services Amendments of 1966, later known as the Partnership for Public Health Act. It replaced nine formula categorical grants.[67] 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.[68] Unlike the health care services block grant, it was created de novo, and did not consolidate any existing categorical grants.[69]

In his 1971 State of the Union speech, President Richard M. 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, relatively few auditing or oversight requirements, and the funds were distributed automatically by formula without prior federal approval of plans for their use.[70]

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

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[65] U.S. Congress, House Committee on Ways and Means, *Amendments to Social Security Act*, Hearing on Social Security Legislation, 79th Cong., 2nd sess., May 6, 1946 (Washington: GPO, 1946), p. 1046; and George E. Peterson, Randall R. Bovbjerg, Barbara A. Davis, Walter G. Davis, Eugene C. Durham, and Theresa A. Guillo, *The Reagan Block Grants: What Have We Learned?* (Washington, DC: Urban Institute Press, 1986), p. 2.

[66] U.S. Congress, House Committee on Expenditures in the Executive Departments, *Overseas Administration, Federal-State Relations, Federal Research; Letter from the Chairman, Commission on the Organization of the Executive Branch of the Government*, committee print, 81st Cong., 1st sess., March 25, 1949, H. Prt. 81-140 (Washington: GPO, 1949), p. 36.

[67] ACIR, *The Partnership for Health Act: Lessons from a Pioneering Block Grant*, A-56, January 1977, at http://www.library.unt.edu/gpo/acir/Reports/policy/A-56.pdf.

[68] 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.

[69] ACIR, *The Future of Federalism in the 1980s*, M-126, July 1980, p. 51, at http://www.library.unt.edu/gpo/acir/Reports/information/M-126.pdf.

[70] 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.[71] Nonetheless, the Nixon Administration's efforts led to the adoption of three more block grants; the first was signed by President Nixon and the remaining two were signed by President Gerald R. Ford.

The Comprehensive Employment and Training Assistance Block Grant program was created by the Comprehensive Employment and Training Act of 1973. It merged 17 existing manpower training categorical grant programs. The Community Development Block Grant program (and its affiliated Indian Community Development Block Grant program which is funded through a set-aside of the Community Development Block Grant's formula funds) was created by the Housing and Community Development Act of 1974. It consolidated six existing community and economic development categorical grant programs.[72] Title XX social services, later renamed the Social Services Block Grant program, was created de novo and, therefore, did not consolidate any existing categorical grant programs. It was authorized by the 1974 amendments of the Social Security Act which was signed into law on January 4, 1975.[73]

Congress did not approve any additional block grants until 1981. President Ronald Reagan had proposed consolidating 85 existing elementary and secondary education, public health, social services, emergency assistance (for low-income energy assistance and emergency welfare assistance), and community development categorical grants into seven block grants (two in elementary and secondary education, two in public health, and one each for social services, emergency assistance, and community development). He also recommended that the programs' funding be reduced 25%, arguing that the administrative savings brought about by the conversion to block grants would largely offset the budget reduction. Congress subsequently adopted the Omnibus Budget and Reconciliation Act of 1981 which consolidated 75 categorical grant programs and two existing block grants into the following nine new, or revised, block grants:

- Elementary and Secondary Education (37 categorical grants);
- Alcohol, Drug Abuse, and Mental Health Services (10 categorical grants);
- Maternal and Child Health Services (9 categorical grants);
- Preventive Health and Human Services Block Grant (merged 6 categorical grants with the Health Incentive Grants for Comprehensive Health Services Block Grant);
- Primary Care (2 categorical grants);
- Community Services (7 categorical grants);
- Social Services (one categorical grant and the Social Services for Low Income and Public Assistance Recipients Block Grant);

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

[72] Note: Most sources indicate that CDBG merged 7 categorical grant programs. However, one of the categorical grant programs initially designated for consolidation, the Section 312 Housing Rehabilitation Loan program, was retained as a separate program. See ACIR, *Block Grants: A Comparative Analysis*, A-60, 1977, p. 7, at http://www.library.unt.edu/gpo/acir/Reports/policy/A-60.pdf.

[73] 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; ACIR, *In Respect to Realities: A Report on Federalism in 1975*, M-103, April 1976, pp. 16-20, at http://www.library.unt.edu/gpo/acir/Reports/information/m-103.pdf; and ACIR, *Block Grants: A Comparative Analysis*, A-60, 1977, pp. 15-40, at http://www.library.unt.edu/gpo/acir/Reports/policy/A-60.pdf. Note: Title XX initially had all of the characteristics of a block grant and ACIR counted it as a block grant since its inception, but it was not formally called a block grant program until 1981.

- Low-Income Home Energy Assistance (1 categorical grant); and
- revised Community Development Block Grant program (adding an existing discretionary grant and 3 categorical grants).[74]

Overall, funding for the categorical grants bundled into these block grants was reduced 12%, about $1 billion, from their combined funding level the previous year.[75]

In retrospect, some federalism scholars consider these block grants as more "historical accidents than carefully conceived restructurings of categorical programs" because they were contained in a lengthy bill that was adopted under special parliamentary rules requiring a straight up or down vote without the possibility of amendment, the bill was designed to reduce the budget deficit not to reform federalism relationships, and the bill was not considered and approved by authorizing committees of jurisdiction.[76] Nonetheless, largely due to the Omnibus Budget and Reconciliation Act of 1981, in FY1984 there were 12 block grants in operation (compared to 392 categorical grants), accounting for about 15% of total grant-in-aid funding.[77]

During the first six years of his presidency, President Ronald Reagan submitted 32 block grant proposals to Congress, with 9 created by the Omnibus Budget and Reconciliation Act of 1981 and the Federal Transit Capital and Operating Assistance Block Grant added in 1982. In addition, the Job Training Partnership Act of 1982 created a new block grant for job training that replaced the block grant contained in the Comprehensive Employment and Training Act of 1973.[78]

Federalism scholars generally agree that President Reagan had unprecedented success in achieving congressional approval for block grants. However, they also note that most of President Reagan's block grant proposals failed to gain congressional approval, primarily because they were opposed by organizations that feared that, if enacted, the block grants would result in less funding for the affected programs. For example, in 1982, President Reagan proposed, but could not get congressional approval for, a $20 billion "swap" in which the federal government would return to states full responsibility for funding Aid to Families With Dependent Children (AFDC) (now Temporary Assistance for Needy Families) and food stamps in exchange for federal assumption of state contributions for Medicaid. As part of the deal, he also proposed a temporary $28 billion trust fund or "super revenue sharing program" to replace 43 other federal grant programs. Both the swap proposal and the proposed devolution of 43 federal grants were opposed by organizations that feared that, if enacted, they would result in less funding for the affected programs. For example, the National Governors Association supported the federal takeover of

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[74] David B. Walker, Albert J. Richter, and Cynthia Colella, "The First Ten Months: Grant-In-Aid, Regulatory, and Other Changes," *Intergovernmental Perspective* 8:1 (Winter 1982), pp. 5-11.

[75] GAO, *Block Grants: Characteristics, Experience and Lessons Learned*, GAO/HEHS-95-74, February 9, 1995, p. 2, http://www.gao.gov/archive/1995/he95074.pdf. Note: the funding reductions 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.

[76] 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.

[77] 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.

[78] ACIR, *A Catalog of Federal Grant-In-Aid Programs to State and Local Governments: Grants Funded FY198*, p. 3; Timothy Conlan, *From New Federalism to Devolution: Twenty-Five Years of Intergovernmental Reform* (Washington, DC: The Brookings Institution, 1998), p. 142; and CRS Report 87-845, *Block Grants: Inventory and Funding History*, Sandra S. Osbourn, November 21, 1986, available to congressional clients by request.

Medicaid, but objected to assuming the costs for AFDC and food stamps. The economy was weakening at that time and governors worried that they would not have the fiscal capacity necessary to support the programs without continued federal assistance.[79]

From 1983 until 1995, Congress approved six new block grants: the Community Youth Activity Block Grant (1988), Child Care and Development Block Grant (1990), the HOME Investment Partnerships Program (1990), the Surface Transportation Program (1991), Substance Abuse Prevention and Treatment Block Grant (1992), and the Community Mental Health Services Block Grant (1992).[80] Established by the Intermodal Surface Transportation Efficiency Act of 1991, the Surface Transportation Program had, by far, the largest budget of any block grant program at that time, with $17.5 billion appropriated in FY1993. Three block grants were terminated during this period: Community Youth Activity Program, Law Enforcement Assistance, and Alcohol, Drug Abuse, and Mental Health (which was broken into two new block grants, the Community Mental Health Services Block Grant and the Prevention and Treatment of Substance Abuse Block Grant, in 1992). According to the now defunct U.S. Advisory Commission on Intergovernmental Relations, there were 15 block grants in operation in 1995 (23 block grants had been enacted, 4 were converted into other block grants, and 4 were eliminated), and 618 categorical grants.[81] In FY1995, block grants accounted for about 14% of the $228 billion in federal grant-in-aid assistance.[82]

In 1996, the open-ended entitlement categorical grant, Aid to Families With Dependent Children, was converted into the Temporary Assistance to Needy Families (TANF) block grant by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. Funded at $16.7 billion annually, TANF rivaled the Surface Transportation Program for the largest budget of all the block grants. Like some other block grants, TANF "was a hybrid program balancing stringent federal standards against significant state flexibility."[83] Funding ($424 million) was also provided for a Local Law Enforcement Block Grant which had been authorized the previous year in the Local Law Enforcement Block Grant Act of 1995.[84]

In 1998, the Juvenile Accountability Block Grant program was created by the FY1998 Department of Justice Appropriations Act, and later codified by the 21st Century Department of Justice Reauthorization Act of 2002. It provides funding for 16 accountability-based purpose

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[79] Timothy J. Conlan and David B. Walker, "Reagan's New Federalism: Design, Debate and Discord," *Intergovernmental Perspective* 8:4 (Winter 1983): 6-15, 18-22; and Timothy Conlan, *New Federalism: Intergovernmental Reform From Nixon to Reagan* (Washington, DC: The Brookings Institution, 1988), pp. 182-198.

[80] For additional information and analysis, see CRS Report RL30785, *The Child Care and Development Block Grant: Background and Funding*, by Karen E. Lynch; and CRS Report R40118, *An Overview of the HOME Investment Partnerships Program*, by Katie Jones.

[81] 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 ACIR, *A Catalog of Federal Grant-In-Aid Programs to State and Local Governments: Grants Funded FY1995*, M-195, 1995, pp. iii, 1-3, at http://www.library.unt.edu/gpo/acir/Reports/information/M-195.pdf.

[82] GAO, *Block Grants: Characteristics, Experience and Lessons Learned*, GAO/HEHS-95-74, February 9, 1995, pp. 2, 26 at http://www.gao.gov/archive/1995/he95074.pdf.

[83] 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), pp. 268, 269. For additional information and analysis, see CRS Report RL32748, *The Temporary Assistance for Needy Families (TANF) Block Grant: A Primer on TANF Financing and Federal Requirements*, by Gene Falk; and CRS Report RL32760, *The Temporary Assistance for Needy Families (TANF) Block Grant: Responses to Frequently Asked Questions*, by Gene Falk.

[84] U.S. Department of Justice, Office of Justice Programs, *Local Law Enforcement Block Grant Program, 1996-2004*, September 2004, p. 1, at http://www.bjs.gov/content/pub/pdf/llebgp04.pdf.

areas, including, but not limited to, implementing graduated sanctions; building or operating juvenile correction or detention facilities; hiring juvenile court officers, including judges, probation officers, and special advocates; and hiring additional juvenile prosecutors. The 21st Century Department of Justice Reauthorization Act of 2002 also consolidated several pre-existing categorical grant programs into the Juvenile Delinquency Prevention Block Grant program. It provides funding for a wide array of services, treatments, and interventions, including, but not limited to projects that provide treatment to juvenile offenders and at risk juveniles who are victims of child abuse or neglect, or who have experienced violence at home, at school, or in their communities; and educational projects or support services for juveniles that focus on encouraging juveniles to stay in school; aiding in the transition from school to work; and encouraging new approaches to preventing school violence and vandalism.[85]

Prior to the September 11, 2001, terrorist attacks and the subsequent creation of the Department of Homeland Security, the federal government had three categorical grant-in-aid programs pertinent to homeland security: the State Domestic Preparedness program administered by the Department of Justice, the Emergency Management Performance Grant program administered by the Federal Emergency Management Agency, and the Metropolitan Medical Response System administered by the Department of Health and Human Services. In 2011, there were 17 federal grant programs administered by the Grant Programs Directorate within the Federal Emergency Management Agency in the Department of Homeland Security, including 14 categorical grant programs and three block grant programs: State Homeland Security Grants, formerly called the State Domestic Preparedness Program (created in 2003), Urban Area Security Initiative Grants (created in 2003), and the Regional Catastrophic Preparedness Grant (created in 2008).[86]

In 2005, the Violence Against Women and Department of Justice Reauthorization Act of 2005 combined the Edward Byrne Memorial State and Local Law Enforcement Assistance programs and the Local Law Enforcement Block Grant program into the Edward Byrne Memorial Justice Assistance Grant program. Its funds can be used for seven broad purposes: law enforcement, prosecution and court programs, prevention and education programs, corrections and community corrections programs, drug treatment programs, planning, evaluation, and technology improvement programs, and crime victim and witness programs (other than compensation).[87]

P.L. 111-5, the American Recovery and Reinvestment Act of 2009 (ARRA) provided temporary additional funding for several block grant programs, including $3.2 billion for the Energy Efficiency and Conservation Block Grant (EECBG) program. It was authorized by the Energy Independence and Security Act of 2007, but had not been appropriated any funding. It provides federal grants to local governments, Indian tribes, states, and U.S. territories to reduce energy use and fossil fuel emissions, and for improvements in energy efficiency.[88] Approximately $2.7 billion of EECBG's funding was allocated through an apportionment formula and approximately $454 million was allocated through competitive grants.[89]

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[85] For additional information and analysis, see CRS Report RL33947, *Juvenile Justice: Legislative History and Current Legislative Issues*, by Kristin Finklea.

[86] For additional information and analysis, see CRS Report R40246, *Department of Homeland Security Assistance to States and Localities: A Summary and Issues for the 111th Congress*, by Shawn Reese.

[87] For additional information and analysis, see CRS In Focus IF10691, *The Edward Byrne Memorial Justice Assistance Grant (JAG) Program*, by Nathan James.

[88] U.S. Department of Energy, "Energy Efficiency and Conservation Block Grants," at http://www1.eere.energy.gov/wip/eecbg.html. For additional information and analysis, see CRS Report R40412, *Energy Provisions in the American Recovery and Reinvestment Act of 2009 (P.L. 111-5)*, coordinated by Fred Sissine.

[89] U.S. Department of Energy, "Energy Efficiency and Conservation Block Grant Program," at

ARRA also authorized the temporary $53.6 billion Government Services State Fiscal Stabilization Fund, which operated as a block grant. Under that program, the Department of Education awarded states approximately $48.6 billion through an apportionment formula "in exchange for a commitment to advance essential education reforms" focusing on state support for education, equity in teacher distribution, data collection, standards and assessments, and support for struggling schools.[90] Most of the $48.6 billion (81.8%) was to be spent "for the support of elementary, secondary, and postsecondary education and, as applicable, early childhood education programs" and the remainder (18.2%) "for public safety and other government services, which may include assistance for elementary and secondary education and public institutions of higher education, and for modernization, renovation, or repair of public school facilities and institutions of higher education facilities, including modernization, renovation, and repairs that are consistent with a recognized green building rating system."[91] The fund's remaining $5 billion was awarded competitively under the "Race to the Top" and "Investing in What Works and Innovation" categorical grant programs.[92]

In FY2012, there were 28 block grants (26 funded and 2, the Innovative Education Program Strategies Block Grant and the Juvenile Delinquency Prevention Block Grant, were authorized, but were not funded). In FY2013, there were 25 block grants (22 funded and 3, the Innovative Education Program Strategies Block Grant, the Energy Efficiency and Conservation Block Grant, and the Juvenile Delinquency Prevention Block Grant, were authorized, but were not funded). The Government Services State Fiscal Stabilization Fund (Department of Education) and the Regional Catastrophic Preparedness Grant (Department of Homeland Security) are no longer available. In addition, the State Homeland Security Grant and Urban Area Security Initiative Grant programs are now within the Department of Homeland Security's Homeland Security Grant Programs.

In FY2014, there were 23 block grants (21 funded and 2, the Innovative Education Program Strategies Block Grant and the Energy Efficiency and Conservation Block Grant, are authorized, but are not funded). The authorizations for the Juvenile Delinquency Prevention Block Grant and the Juvenile Accountability Block Grant programs have expired, and neither program is currently being funded through the appropriations process.

https://www.energy.gov/eere/wipo/energy-efficiency-and-conservation-block-grant-program.

[90] U.S. Department of Education, "State Fiscal Stabilization Fund," March 7, 2009, at https://www2.ed.gov/policy/gen/leg/recovery/factsheet/stabilization-fund.html.

[91] P.L. 111-5, the American Recovery and Reinvestment Act of 2009, Section 14002. State Uses of Funds.

[92] U.S. Department of Education, "State Fiscal Stabilization Fund," March 7, 2009, at https://www2.ed.gov/policy/gen/leg/recovery/factsheet/stabilization-fund.html.

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