

## 9. AID TO STATE AND LOCAL GOVERNMENTS <sup>1</sup>

State and local governments have a vital constitutional responsibility to provide government services. They have the major role in providing domestic public services, such as public education, law enforcement, roads, water supply, and sewage treatment. The Federal Government contributes to that role both by promoting a healthy economy and by providing grants, loans, and tax subsidies to State and local governments.

Federal grants help State and local governments finance programs covering most areas of domestic public spending, including income support, infrastructure, education, and social services. Federal grant outlays were \$284.7 billion in 2000 and are estimated to increase to \$316.3 billion in 2001 and \$350.1 billion in 2002.

Grant outlays for payments for individuals, such as Medicaid, are estimated to be 63.6 percent of total grants in 2002; for physical capital investment, 16.1 percent; and for all other purposes, largely education, training, and social services, 20.3 percent.

Federal aid to State and local governments is also provided through tax expenditures. Tax expenditures are the result of special exclusions, exemptions, deductions, credits, deferrals, or tax rates in the Federal tax laws.

The two major tax expenditures benefitting State and local governments are the deductibility of personal income and property taxes from gross income for Federal income tax purposes, and the exclusion of interest on State and local public purpose bonds from Federal taxation. These provisions, on an outlay equivalent basis, are estimated to be \$102.7 billion in 2001 and \$108.0 billion in 2002. A detailed discussion of the measurement and definition of tax expenditures and a complete list of the amount of specific tax expenditures are in Chapter 5, "Tax Expenditures." As discussed in that chapter, there are generally interactions among tax ex-

penditure provisions, so that the estimates above only approximate the aggregate effect of these provisions.

Tax expenditures that especially aid State and local governments are displayed separately at the end of Table 5-5 in that chapter.

**Table 9-1. FEDERAL GRANT OUTLAYS BY AGENCY**

(In billions of dollars)

Agency	2000 Actual	Estimate	
		2001	2002
Department of Agriculture .....	19.0	20.5	21.2
Department of Commerce .....	0.5	0.7	0.6
Department of Education .....	22.2	24.5	27.1
Department of Energy .....	0.1	0.2	0.3
Department of Health and Human Services .....	162.5	184.5	208.3
Department of Housing and Urban Development .....	25.1	26.7	27.8
Department of the Interior .....	2.2	2.7	2.6
Department of Justice .....	4.8	4.2	5.8
Department of Labor .....	7.3	8.3	9.1
Department of Transportation .....	32.2	35.3	38.3
Department of the Treasury .....	0.5	0.5	0.4
Department of Veterans Affairs .....	0.4	0.4	0.5
Environmental Protection Agency .....	3.5	3.6	3.8
Federal Emergency Management Agency .....	2.5	2.4	2.5
Other agencies .....	1.8	1.8	1.8
<b>Total .....</b>	<b>284.7</b>	<b>316.3</b>	<b>350.1</b>

Table 9-1 shows the distribution of grants by agency. Grant outlays for the Department of Health and Human Services are estimated to be \$208.3 billion in 2002, 59.5 percent of total grants, more than five times as much as any other agency.

### HIGHLIGHTS OF THE FEDERAL AID PROGRAM

Major proposals in this budget affect Federal aid to State and local governments and the important relationships between the levels of government. Through the use of grants, the Federal government can share with State and local governments the cost and, ultimately, the benefits of a better educated, healthier, and safer citizenry. The Administration is committed to working with State and local governments to make our Federal system more efficient and effective and to improving the design, administration, and financial management of Federal grant programs. One way the Administration will do this is by expanding a government-

wide effort to use electronic processing in the administration of grant programs.

This budget reflects the Administration's commitment to giving State and local governments increased flexibility. Through the use of grants, Federal agencies can create partnerships with State and local governments that focus on common goals and the progress made toward meeting them. The Administration's efforts to improve the grant administration process will include efforts to consolidate grants that support programs with similar missions to create one flexible grant, and ex-

<sup>1</sup>Federal aid to State and local governments is defined as the provision of resources by the Federal Government to support a State or local program of governmental service

to the public. The three primary forms of aid are grants, loan subsidies, and tax expenditures.

pand transfer authorities for public health grants to remove barriers to target resources.

In addition, this budget proposes several initiatives to help all children read by the third grade; improve the services provided to Indian children to address their unique educational and cultural needs; assist low income working parents obtain quality after school childcare with a strong educational component; establish positive incentives for private landowners and local communities to preserve land and protect imperiled species; aid counties along the Southwest Border with costs associated with federally-referred drug cases; and expand transportation and employment options for people with disabilities.

Highlights of grants to State and local governments follow. For additional information on grants, see the detailed Table 9-3 in this Chapter, *A Blueprint for New Beginnings* (February 28, 2001), or Section III of the Budget volume.

### Education

The budget requests \$29.8 billion in 2002 program level for the Department of Education for grants to States and local governments for education, an increase of \$3.3 billion above the 2001 amount of \$26.5 billion. These program levels do not equate with 2001 and 2002 budget authority, which are distorted by advance appropriations. The budget proposes to reverse the misleading budget practice of using advance appropriations simply to avoid spending limitations. The education proposals in this budget will help States improve accountability for school and student performance, enhance teacher quality, increase flexibility, and support innovative programs.

The President's plan would grant States and school districts unprecedented freedom from rules and regulations—in exchange for accountability for results. States will establish accountability systems built on high standards, annual tests, measurable goals, rewards for success, and sanctions for failure. They will be required to test students every year in grades 3-8 in math and reading so that parents, teachers, and communities will know if their schools and students are meeting State academic standards. The budget provides \$320 million to support the costs of developing new assessments. Once accountability systems are in place, a new Federal fund will reward States and schools that improve student achievement.

The budget requests \$9.1 billion for Title I Grants to Local Educational Agencies (LEAs) to help improve achievement among students most at-risk of not reaching State academic standards. The Title I program enables high-poverty schools to provide extra educational assistance to their students so they can catch up with their peers. The President's plan would require States to set measurable performance targets to ensure that all groups of disadvantaged students improve, and would hold schools accountable for meeting those goals. Schools that fail to meet performance targets will receive help to turn themselves around. The Administra-

tion seeks \$400 million for 2002 within Title I Grants to LEAs for low-performing schools, a \$175 million or 78 percent increase over 2001. States and districts will use these funds to provide technical assistance and intensive interventions to improve achievement in schools that are failing to make sufficient academic gains. Students in schools that are consistently low-performing will have the option of transferring to a better public school, or of using their share of Federal Title I funds to seek supplemental educational services or private school alternatives. This combination of accountability for improved achievement among all groups of students, extra help for struggling schools, and the unacceptability of chronic failure, provides powerful incentives for all Title I schools to use their funds on effective, proven practices in order to achieve results.

The budget builds a foundation for success by investing \$900 million for 2002 in the Reading First initiative to help all children read by third grade. This new program will provide funds to States that establish comprehensive reading programs in kindergarten through second grade. States would be required to implement scientifically-proven reading programs, train K-2 teachers in proven teaching practices, implement effective reading interventions for students who are falling behind, and use a reading diagnostic test in K-2 to identify students early who have reading difficulties. Ensuring that children receive effective reading instruction means that more children will get the help they need before they fall too far behind, and will result in fewer referrals to special education in later years. The budget also includes \$75 million for the Early Reading First initiative that helps implement research-based reading practices in existing pre-school and Head Start programs that feed into participating elementary schools. This program will help ensure that children enter school ready to learn to read.

The budget proposes \$2.6 billion in 2002, an increase of \$0.4 billion above 2001, to prepare, train, and recruit a high-quality teaching force. States would have the flexibility to invest these funds to address their most pressing quality improvement needs, whether it be to alleviate shortages, enhance skills, or reform the certification process. The President's plan combines funding from the largest Federal teacher programs, including the Class Size Reduction program and Eisenhower Professional Development programs into a streamlined, performance-based grant to States and school districts.

The Administration supports a streamlined educational technology fund that consolidates eight overlapping programs into one flexible \$817 million fund for 2002. The President believes that technology must be used to improve learning and that Federal funding for educational technology must focus on results. This performance-based formula grant will provide States greater discretion to make educational technology an effective learning tool, and ensure that more technology funds reach the classroom.

In addition to these reforms, the Administration is seeking administrative improvements in the E-rate pro-

gram to ensure that this program provides greater flexibility to schools and libraries in how they use their E-rate discounts, while reducing the administrative burden they have faced in applying for educational technology funds. The E-rate program, or Education Rate, is administered by the Federal Communications Commission and provides discounts for schools and libraries to purchase high-speed Internet access, internal wiring, and telecommunications services. The Administration also proposes \$80 million in matching grants, through the Department of Housing and Urban Development's Community Development Block Grant, to support Community Technology Centers in high poverty areas.

A variety of other innovative programs to improve the educational development of the Nation's students is proposed, or expanded from previous funding levels.

- The budget provides \$200 million for an expanded Math and Science Partnership program, administered by the National Science Foundation in coordination with the Department of Education, in order for States to join with institutions of higher education to strengthen K-12 math and science instruction and curriculum.
- The Administration proposes to consolidate Bilingual Education, Foreign Language Assistance, and Immigrant Education funds into a \$460 million formula-driven grant to provide school districts with added flexibility in exchange for more effective transitioning of Limited-English proficient (LEP) students into English fluency and improving their overall achievement levels. Funds will be distributed to States based on their shares of LEP and immigrant students.
- The Administration requests \$116 million to support formula grants to local educational agencies and Bureau of Indian Education (BIA)-operated schools to implement programs that address the unique educational and cultural needs of Indian children. This level of funding will also fund the second cohort of Native American teachers through the American Indian Teacher Corps Initiative and continue funding for the American Indian Administrator Corps.
- The most direct form of accountability is a parent's ability to choose the school his or her child will attend. The Administration is committed to expanding the educational choices that parents and students have. Under the new Choice and Innovation fund, the Administration proposes to consolidate ten programs to create a \$471 million fund that provides States with the flexibility to pursue a range of effective education reform strategies and to address areas of State and local need.
- The President's plan for improving school safety and drug-use prevention emphasizes research-based practices, includes tougher enforcement of existing gun laws, grants teachers control over their classrooms, improves cooperation between school districts and law enforcement, and stresses

accountability for results. Under the \$644 million Safe and Drug Free Schools and Communities program, districts will be held accountable for the effectiveness of their crime prevention and drug outreach activities, and students trapped in persistently dangerous schools will have the option to transfer to a safer alternative.

- The Administration request includes \$846 million for a more flexible after-school program that allows States and school districts to award Federal funds to private and faith-based entities, thereby empowering local communities to provide a wider array of choices for students and parents. Expanding access to high-quality before- and after-school programs is a key strategy in providing students safe and supervised environments and extending learning time to improve student achievement. States would conduct grant competitions to support before and after-school programs that are proven to be effective and advance statewide academic achievement goals.

This program will be supplemented by a new \$400 million initiative in the Department of Health and Human Services for After School Certificates within the Child Care and Development Block Grant to help low income working parents obtain quality after school childcare with a strong educational component.

- The Administration requests \$8.1 billion for 2002, \$1.0 billion more than 2001, for three special education programs that serve more than six million children with disabilities from birth to age 21. This increased funding will further help States and local school districts meet their obligations under the Individuals with Disabilities Education Act.
- The budget proposes \$1.1 billion for the Impact Aid program, \$137 million more than the 2001 appropriation. The request provides a significant increase for the Impact Aid construction program to improve the quality of public school buildings and eliminate the backlog of repairs and construction for schools on or near military facilities and those serving children from Native American lands.

### **Training and Employment**

The budget reflects the Administration's continued support to reform the Nation's workforce development system and provide job training opportunities to help workers succeed in the economy of the 21st Century.

The Workforce Investment Act (WIA) of 1998 took full effect on July 1, 2000, as the Job Training Partnership Act was repealed and all States began to fully implement the WIA requirements. The WIA calls for a customer-driven job training system that: (1) streamlines services through One-Stop Career Centers; (2) empowers individuals with the information and resources they need to choose the training that is right for them; (3) provides universal access to a core set of employ-

ment services such as job search assistance; (4) increases accountability; (5) ensures a strong role for the private sector and the local boards who develop and oversee programs; (6) facilitate State and local flexibility; and (7) improve the quality of youth job training services. The budget proposes \$5.1 billion for these activities, which does not equate with 2002 budget authority, which is distorted by advance appropriations. The budget proposes to reverse the misleading budget practice of using advance appropriations simply to avoid spending limitations.

In order to enhance the employment prospects of individuals with disabilities, the budget includes \$20 million for competitive grants to partnerships or consortia to provide new services and information for individuals with disabilities who want to return to work. These partnerships would work with the One-Stop system to augment its capabilities to provide timely and accurate information that people with disabilities need to get jobs and learn about the benefits available to them when they return to work. In addition, the partnerships would improve local service delivery by coordinating the State and local agencies and disability organizations that help individuals with disabilities prepare to enter or reenter the workforce.

### Social Services

The Head Start program gives low-income children a comprehensive approach to child development, stressing language and cognitive development, health, nutrition, and social competency. Head Start is administered by the Administration for Children and Families (ACF). The Administration requests \$6.3 billion for Head Start, a \$125 million increase over the 2001 level. In 2002, Head Start will serve approximately 916,000 children. Within the overall total of children served, approximately 55,000 children under age three will participate in the Early Head Start component. The Administration proposes to reform Head Start and return it to its original purpose—education. Head Start programs will be required to adopt a proven core curriculum that makes school readiness—pre-reading and numeracy—its top priority. The budget includes an Early Reading First program within the Department of Education for research-based reading programs in existing pre-school programs, including Head Start programs. Planning is also underway to move Head Start to the Department of Education to reinforce the emphasis on school readiness.

This budget requests \$1.7 billion in budget authority for the Social Services Block Grant (SSBG). This program provides flexible funds to States for social services for low-income individuals and families.

### Income Support

**Food and nutrition assistance.**—This budget requests \$9.9 billion in budget authority for grants for the National School Lunch and School Breakfast Programs, which provide free or low-cost nutritious meals to children in participating schools. In 2002, the pro-

grams will serve an estimated 28.0 million lunches and 8.4 million breakfasts daily. By 2005, the program aims to reduce the average percent of calories from saturated fat in school lunches to 10 percent, down from 12 percent in 1998–1999. The Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) provides vouchers for nutritious supplemental food packages, nutrition education and counseling, and health and immunization referrals to low-income women, infants, and children. The program reached an average of nearly 7.2 million people each month in 2000. Participation in 2001 is projected to exceed 7.2 million women, infants, and children monthly, and the budget proposes \$4.1 billion, an increase of \$94 million, to serve 7.25 million people monthly in 2002.

**Other income security.**—The Child Care and Development Fund provides grants to States for the purposes of providing low-income families with financial assistance for child care, improving the quality and availability of child care, and establishing, expanding, or conducting early childhood development programs and before- and after-school programs. In 2000, Federal child care funding provided child care services for approximately 1.8 million children from low-income working families or whose parents are moving from welfare to work. The budget proposes a new \$400 million after school certificate program within the Child Care and Development Block Grant, raising the total request to \$2.2 billion in budget authority. The new program would provide grants to States to assist up to 500,000 parents in obtaining after-school child care with a high-quality education focus.

### Health

This budget proposes \$164.0 billion in outlays for 2002 grants to State and local governments for health, \$22.2 billion more than for 2001.

**Immediate Helping Hand (IHH).**—The Immediate Helping Hand initiative provides critical assistance to our Nation's most vulnerable senior citizens for the cost of their prescription drugs. This budget provides \$46.0 billion for 2001–2005 to States to help low-income Medicare beneficiaries pay for their prescriptions. This proposal builds on coverage that is already in place in more than half the States and would provide benefits to 9.5 million vulnerable Medicare beneficiaries who currently do not have any other prescription drug coverage. The plan is unique because needy seniors will be able to get help with their prescription drug costs this year.

**Medicaid.**—Medicaid is the largest grant program, with outlays projected to be \$142.4 billion in 2002, including the changes proposed in this budget. This Federal-State health care program served about 33.4 million low-income Americans in 2000. The Federal Government spent \$117.9 billion, 57 percent of the total, on the program in 2000 while States spent \$88.9 billion, or 43 percent. Medicaid covers a fourth of the Nation's

children and is the largest single purchaser of maternity care as well as of nursing home services and other long-term care services. The program covers almost two-thirds of nursing home residents. The elderly and disabled made up a third of Medicaid enrollees in 2000, but accounted for approximately two-thirds of spending on benefits. Medicaid serves at least half of all adults living with AIDS (and up to 90 percent of children with AIDS), and is the largest single payer of direct medical services to adults living with AIDS. Medicaid pays for over one-third of the Nation's long-term care services. Medicaid spends more on institutional care today than it does for home and community-based care, but the mix of payments is expected to be almost equal in 10 years.

Current restrictions and requirements in the Medicaid program may be inhibiting the ability of States to operate the program efficiently. In addition to taking steps to further address the Medicaid "upper payment limit" loophole, the Administration plans to consult with the States on the development of ideas to increase State flexibility, control Medicaid costs, and ensure the fiscally prudent management of the Medicaid program.

**State Children's Health Insurance Program.**—The State Children's Health Insurance Program (S-CHIP) was established in 1997 in the Balanced Budget Act to provide \$24 billion over five years for States to expand health insurance coverage to low-income, uninsured children. S-CHIP provides States with broad flexibility in program design while protecting beneficiaries through basic Federal standards. In 2000, 3.3 million children were enrolled in S-CHIP, which is a 70 percent increase over 1999 enrollment.

**Other health.**—This budget requests Federal spending for certain public health programs that assist State and local governments in increasing access to health care by increasing the number of community health center sites and addressing heart disease, diabetes, and childhood obesity. The budget includes a Community and Migrant Health Center Initiative to increase access to health care by increasing the number of community health center sites by 1,200 over five years. In 2002, the number of health center sites will increase by almost 100. The Administration proposes \$1.3 billion in 2002 for this effort, an increase of \$124 million over 2001. The Administration also proposes the Healthy Communities Innovation Fund Initiative, which supports grants that will make available approximately \$400 million within existing grant activities to target innovative solutions in areas of health risks such as heart disease, adult and childhood Type II diabetes, and childhood obesity.

### **Natural Resources and Environment**

The Administration requests \$900 million from the Land and Water Conservation Fund (LWCF) to acquire and conserve lands in national parks, forests, refuges, and public lands, and provide grants to States for broad conservation and outdoor recreation purposes. The Na-

tional Park Service (NPS) requests \$450 million in budget authority for 2002 for LWCF matching grants to States in support of State and local conservation and outdoor recreation efforts. In 2002, two new programs are proposed that would establish positive incentives for private landowners and local communities to protect imperiled species and restore habitat: \$50 million in matching grants to help States establish Landowner Incentive Programs to help private landowners protect imperiled species, and \$10 million to establish a Private Stewardship Grant Program to provide funding for private conservation initiatives.

The budget assists State and local governments to add 400 miles of recreational trails, 850 miles of recreational river corridors, and 169,000 acres of recreational parkland, through the LWCF State grants and NPS partnerships. In addition, the States and Tribes would receive \$1.1 billion in grants in 2002, the highest level ever, to administer delegated programs and other responsibilities pursuant to Environmental Protection Agency (EPA) statutes. Included in this total is \$25 million in new funding for State enforcement programs, reflecting a shift in enforcement responsibilities in delegated States from Federal enforcement to expanded State enforcement. The total also includes \$25 million in grant funding to help States better integrate their environmental information systems.

Funding is provided for EPA State Wastewater Grants to fund the Clean Water State Revolving Funds at \$850 million and the newly authorized Sewer Overflow Control Grant program at \$450 million. The EPA Drinking Water State Revolving Fund is funded at \$823 million.

### **Administration of Justice**

The Administration requests \$4.3 billion in budget authority for 2002 to help State and local governments fight crime, including \$567 million to assist crime victims and \$154 million in Department of Justice initiatives to help State and local governments protect young people from gun-related violence. As part of the U.S. Attorney's Project Sentry, \$20 million in grants will be available to help establish partnerships for reducing youth gun violence. The budget also proposes \$50 million for grants to encourage States to get tough on gun criminals with increased arrests, prosecutions, and public awareness campaigns. In addition, \$75 million will be allocated to Project ChildSafe, a new Federal, State and local partnership to ensure that child safety locks are made available for every handgun in America. As part of the Administration's broader strategy for reducing the supply and demand for drugs, \$50 million is proposed for a new grant program within the Office of Justice Programs to aid counties along the Southwest Border with the costs of detaining and prosecuting drug cases referred to them by U.S. Attorneys. To combat the significant problem of violence against women, the budget proposes \$391 million, an increase of \$103 mil-

lion over 2001, to fund both existing and new programs authorized in the Violence Against Women Act of 2000.

This budget proposes to reduce a number of Department of Justice State and local assistance programs from their 2001 level, mainly those that have already served their primary purpose or are less essential to core Federal law enforcement objectives. These reductions include a net reduction of \$182 million in the Community Oriented Policing Services program, which has well exceeded its initial goal of funding 100,000 new officers; \$451 million from State Prison Grants, which have accomplished their goal of encouraging State "truth in sentencing" policies; \$299 million from the State Criminal Alien Assistance Program, which contributes little to reducing violent crime; \$122 million from Local Law Enforcement Block Grants, which fund areas covered by other Justice programs; and elimination of the \$69 million Byrne discretionary grant program, whose competitive procedures have been eroded by legislative mandates.

### Transportation

The Administration requests \$45.0 billion in budgetary authority in 2002 for grants to State and local governments to assist with transportation infrastructure and related programs, including highways, transit, airports and other areas.

**Highways and Transit.**—The budget requests \$31.6 billion in budgetary resources in 2002 for the Federal-aid highways program to maintain and improve surface transportation infrastructure. Within this program, competitive matching grants are funded at \$100 million and pilot programs are funded at \$45 million, to promote access to alternative methods of transportation, a new initiative to expand transportation options for people with disabilities.

In addition, the budget requests \$212 million in budget authority for highway traffic safety grants to increase seat belt use, decrease alcohol related fatalities, and improve State safety data. The budget includes \$210 million for grants to States to enforce Federal and State standards for commercial motor vehicle safety inspections, traffic enforcement, and compliance reviews. This budget requests \$6.6 billion in budgetary resources for 2002 to assist State and local governments with mass transit.

**Airports.**—The budget requests \$3.3 billion in budgetary resources in 2002 for the Airport Improvement Program (AIP), which will enhance the Nation's airport system through increasing safety and security, reducing system delays and providing new capacity to meet anticipated demands.

### Community and Regional Development

**Community development.**—Community Development Block Grants (CDBG) provide funds for various community development activities directed primarily at low-and moderate-income persons. This budget requests

\$4.7 billion in budget authority for 2002 in CDBG grants for improving housing, public works and services, promoting economic development, and acquiring or clearing land. The University Partnerships Program, a set-aside within CDBG, provides grants to academic institutions including Historically Black Colleges and Universities, Hispanic Serving Institutions, and Tribal Colleges. The Indian CDBG, also a set-aside within the CDBG program, focuses mainly on public infrastructure, community facilities, and economic development on reservations.

The Department of Commerce's Economic Development Administration (EDA) provides assistance to communities to help build capacity and address long-term economic challenges through its nationwide program delivery network. EDA's public works grants help build or expand public facilities to stimulate industrial and commercial growth, such as industrial parks, business incubators, access roads, water and sewer lines, and port and terminal developments. EDA also assists communities in addressing sudden and severe economic downturns and in adjusting to downsizing and closure of defense facilities. The President's budget requests \$335 million of budget authority for EDA grants and targets 40 percent of EDA grants to areas of highest distress nationwide in 2002. The budget also proposes \$165 million in grant funding and tax incentives for Empowerment Zones (EZs) to carry out 10-year, community-wide strategic plans to revitalize designated areas.

**Area and regional development.**—The budget provides flexible funding to meet the needs of rural areas through the Rural Community Advancement Program (RCAP). RCAP provides grants, loans, and loan guarantees to stimulate economic development, help build rural community facilities, such as health clinics, day care centers as well as water and wastewater systems. Under RCAP, States have increased flexibility within the three funding streams for Water and Wastewater, Community Facilities, and Business and Industry. USDA State Directors have the authority to transfer up to 25 percent of the funding among any of these programs to tailor RCAP assistance to the specific rural economic development needs of individual States. The budget proposes \$2.9 billion in loans and grants for RCAP.

To fulfill the Federal government's commitments to the District of Columbia under the Revitalization Act, the Administration's budget provides \$494 million for District courts and corrections, including \$201 million to house the District's sentenced felon population, \$147 million for the Court Services and Offender Supervision Agency, and \$146 million for the DC Courts. In addition, the budget provides \$17 million to continue the District's Tuition Assistance Grant Program.

### Other Functions

Discussions of these and other Federal aid programs can be found in the main budget volume in Section III, and elsewhere. As noted earlier, a detailed listing

of budget authority and outlays for all grants to State and local governments is in Table 9–3 in this chapter.

### HISTORICAL PERSPECTIVES

In recent decades, Federal aid to State and local governments has become a major factor in the financing of certain government functions. The rudiments of the present system date back to the Civil War. The Morrill Act, passed in 1862, established the land grant colleges and instituted certain federally-required standards for States that received the grants, as is characteristic of the present grant programs. Federal aid was later initiated for agriculture, highways, vocational education and rehabilitation, forestry, and public health. In the depression years, Federal aid was extended to meet income security and other social welfare needs. However, Federal grants did not become a significant factor in Federal Government expenditures until after World War II.

Table 9–2 displays trends in Federal grants to State and local governments since 1960. Section A shows Federal grants by function. Functions with a substantial amount of grants are shown separately. Grants for the national defense, energy, and the veterans benefits and services functions are combined in the “other functions” line in the table.

Federal grants for transportation increased to \$3.0 billion, or 43 percent of all Federal grants, in 1960 after initiation of aid to States to build the Interstate Highway System in the late 1950s.

By 1970 there had been significant increases in the relative amounts for education, training, employment, social services, and health (largely Medicaid).

In the early and mid-1970s, major new grants were created for natural resources and environment (construction of sewage treatment plants), community and regional development (community development block grants), and general government (general revenue sharing).

Since the late 1970s changes in the relative amounts among functions reflect steady growth of grants for health (Medicaid) and income security and restraint in most other areas. The functions with the largest amount of grants are health; income security; education, training, employment, and social services; and transportation, with combined estimated grant outlays of \$325.4 billion or 93 percent of total grant outlays in 2002.

The increase in total outlays for grants overall since 1990 has been driven by increases in grants for health, which more than tripled from \$43.9 billion in 1990 to an estimated \$164.0 billion in 2002. The income security; education, training, employment, and social services; and transportation functions also increased substantially, but at a slower rate than the increase for health.

Section B of the Table shows the distribution of grants divided into mandatory and discretionary spending.

Funding for grant programs classified as mandatory occurs in authorizing legislation. Funding levels for mandatory programs can only be changed by changing eligibility criteria or benefit formulas established in law and are usually not limited by the annual appropriations process. Outlays for mandatory grant programs are estimated to be \$212.0 billion in 2002. The three largest mandatory grant programs are Medicaid, with estimated outlays of \$142.4 billion in 2002, temporary assistance for needy families, \$17.3 billion in 2002, and food stamp grants for State administration and child nutrition programs, with combined outlays of \$13.9 billion in 2002.

The funding level for discretionary grant programs is subject to approval by Congress annually through appropriations acts. Outlays for discretionary grant programs are estimated to be \$138.1 billion in 2002. Table 9–3 at the end of this chapter identifies discretionary and mandatory grant programs separately. For more information on the Budget Enforcement Act and these categories, see Chapter 24 “Budget System and Concepts and Glossary” in this volume.

Section C of Table 9–2 shows the composition of grants divided into three major categories: payments for individuals, grants for physical capital, and other grants<sup>2</sup> Grant outlays for payments for individuals, which are mainly entitlement programs in which the Federal Government and the States share the costs, have grown significantly as a percent of total grants. They increased from 55.9 percent of the total in 1990 to 62.2 percent of the total in 2000. While payments for individuals will comprise 63.6 percent of grants in 2002, they are estimated to increase to an estimated 66.0 percent of the total by 2006.

These grants are distributed through State or local governments to provide cash or in-kind benefits that constitute income transfers to individuals or families. The major grant in this category is Medicaid, which had outlays of \$117.9 billion in 2000, increasing to an estimated \$142.4 billion in 2002. Temporary assistance for needy families, food stamps, child nutrition programs, and housing assistance are also large grants in this category.

Grants for physical capital assist States and localities with construction and other physical capital activities. The major capital grants are for highways, but there are also grants for airports, mass transit, sewage treatment plant construction, community development, and other facilities. Grants for physical capital were almost half of total grants in 1960, shortly after grants began for construction of the Interstate Highway System. The relative share of these outlays has declined, as pay-

<sup>2</sup>Certain housing grants are classified in the budget as both payments for individuals and physical capital spending. In the text and tables in this section, these grants are included in the category for physical capital spending.

**Table 9-2. TRENDS IN FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS**  
(Outlays; dollar amounts in billions)

	Actual										Estimate					
	1960	1965	1970	1975	1980	1985	1990	1995	2000	2001	2002	2003	2004	2005	2006	
<b>A. Distribution of grants by function:</b>																
Natural resources and environment .....	0.1	0.2	0.4	2.4	5.4	4.1	3.7	4.0	4.6	5.1	5.1	5.1	5.2	5.2	5.1	
Agriculture .....	0.2	0.5	0.6	0.4	0.6	2.4	1.3	0.8	0.7	0.8	0.8	0.8	0.8	0.8	0.8	
Transportation .....	3.0	4.1	4.6	5.9	13.0	17.0	19.2	25.8	32.2	35.3	38.3	40.2	41.8	43.6	44.9	
Community and regional development .....	0.1	0.6	1.8	2.8	6.5	5.2	5.0	7.2	8.7	8.7	9.0	9.0	8.7	8.6	8.3	
Education, training, employment, and social services .....	0.5	1.1	6.4	12.1	21.9	17.8	23.4	34.1	42.1	46.8	51.8	56.7	58.1	59.6	61.2	
Health .....	0.2	0.6	3.8	8.8	15.8	24.5	43.9	93.6	124.8	141.8	164.0	177.0	192.6	196.9	208.9	
Income security .....	2.6	3.5	5.8	9.4	18.5	27.2	35.2	55.1	63.2	69.6	71.3	73.5	75.3	77.0	78.6	
Justice .....	---	---	*	0.7	0.5	0.1	0.6	1.2	5.1	4.5	6.0	7.5	5.4	4.5	4.5	
General government .....	0.2	0.2	0.5	7.1	8.6	6.8	2.3	2.3	2.3	2.7	2.6	2.6	3.8	2.6	2.7	
Other .....	*	0.1	0.1	0.2	0.7	0.8	0.8	0.8	0.9	0.9	1.1	1.2	1.2	1.2	1.2	
<b>Total .....</b>	<b>7.0</b>	<b>10.9</b>	<b>24.1</b>	<b>49.8</b>	<b>91.4</b>	<b>105.9</b>	<b>135.3</b>	<b>225.0</b>	<b>284.7</b>	<b>316.3</b>	<b>350.1</b>	<b>373.6</b>	<b>392.9</b>	<b>400.0</b>	<b>416.2</b>	
<b>B. Distribution of Grants by BEA Category:</b>																
Discretionary .....	NA	2.9	10.2	21.0	53.3	55.5	63.3	94.0	116.7	127.1	138.1	146.5	147.4	150.1	153.1	
Mandatory .....	NA	8.0	13.9	28.8	38.1	50.4	72.0	131.0	168.0	189.2	212.0	227.1	245.5	249.8	263.1	
<b>Total .....</b>	<b>7.0</b>	<b>10.9</b>	<b>24.1</b>	<b>49.8</b>	<b>91.4</b>	<b>105.9</b>	<b>135.3</b>	<b>225.0</b>	<b>284.7</b>	<b>316.3</b>	<b>350.1</b>	<b>373.6</b>	<b>392.9</b>	<b>400.0</b>	<b>416.2</b>	
<b>C. Composition:</b>																
Current dollars:																
Payments for individuals <sup>1</sup> .....	2.5	3.7	8.7	16.8	32.6	49.3	75.7	141.2	177.1	199.4	222.6	237.9	255.3	261.2	274.6	
Physical capital <sup>1</sup> .....	3.3	5.0	7.1	10.9	22.6	24.9	27.2	39.6	48.7	52.9	56.3	57.5	59.0	60.7	62.1	
Other grants .....	1.2	2.2	8.3	22.2	36.2	31.6	32.5	44.2	58.9	63.9	71.1	78.3	78.7	78.1	79.5	
<b>Total .....</b>	<b>7.0</b>	<b>10.9</b>	<b>24.1</b>	<b>49.8</b>	<b>91.4</b>	<b>105.9</b>	<b>135.3</b>	<b>225.0</b>	<b>284.7</b>	<b>316.3</b>	<b>350.1</b>	<b>373.6</b>	<b>392.9</b>	<b>400.0</b>	<b>416.2</b>	
Percentage of total grants:																
Payments for individuals <sup>1</sup> .....	35.3%	34.1%	36.2%	33.6%	35.7%	46.6%	55.9%	62.8%	62.2%	63.1%	63.6%	63.7%	65.0%	65.3%	66.0%	
Physical capital <sup>1</sup> .....	47.3%	45.7%	29.3%	21.9%	24.7%	23.5%	20.1%	17.6%	17.1%	16.7%	16.1%	15.4%	15.0%	15.2%	14.9%	
Other grants .....	17.4%	20.2%	34.5%	44.5%	39.6%	29.9%	24.0%	19.7%	20.7%	20.2%	20.3%	20.9%	20.0%	19.5%	19.1%	
<b>Total .....</b>	<b>100.0%</b>															
Constant (FY 1996) dollars:																
Payments for individuals <sup>1</sup> .....	11.3	15.9	31.7	45.4	60.2	69.7	88.9	144.1	165.0	180.5	196.6	204.7	214.3	213.9	219.5	
Physical capital <sup>1</sup> .....	15.8	22.4	25.2	23.9	36.1	31.8	30.3	40.4	45.5	47.9	49.5	49.2	49.0	49.1	48.8	
Other grants .....	8.3	12.8	36.1	67.2	72.2	45.5	38.7	45.3	52.1	54.8	59.3	63.4	62.0	59.8	59.2	
<b>Total .....</b>	<b>35.3</b>	<b>51.2</b>	<b>92.9</b>	<b>136.5</b>	<b>168.5</b>	<b>147.0</b>	<b>157.9</b>	<b>229.8</b>	<b>262.5</b>	<b>283.2</b>	<b>305.4</b>	<b>317.3</b>	<b>325.4</b>	<b>322.8</b>	<b>327.4</b>	
<b>D. Total grants as a percent of:</b>																
Federal outlays:																
Total .....	7.6%	9.2%	12.3%	15.0%	15.5%	11.2%	10.8%	14.8%	15.9%	17.0%	17.9%	18.5%	18.9%	18.4%	18.7%	
Domestic programs <sup>2</sup> .....	18.0%	18.3%	23.2%	21.7%	22.2%	18.2%	17.1%	21.6%	22.0%	22.9%	23.6%	24.0%	24.1%	23.3%	23.3%	
State and local expenditures .....	19.2%	20.1%	24.1%	27.1%	30.4%	24.2%	21.0%	25.1%	24.7%	N/A	N/A	N/A	N/A	N/A	N/A	
Gross domestic product .....	1.4%	1.6%	2.4%	3.2%	3.3%	2.6%	2.4%	3.1%	2.9%	3.1%	3.2%	3.3%	3.3%	3.1%	3.1%	
<b>E. As a share of total State and local gross investment:</b>																
Federal capital grants .....																
State and local own-source financing .....	24.6%	25.5%	25.4%	25.9%	35.4%	30.2%	21.9%	25.8%	21.4%	N/A	N/A	N/A	N/A	N/A	N/A	
<b>Total .....</b>	<b>75.4%</b>	<b>74.5%</b>	<b>74.6%</b>	<b>74.1%</b>	<b>64.6%</b>	<b>69.8%</b>	<b>78.1%</b>	<b>74.2%</b>	<b>78.6%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	
<b>Total .....</b>	<b>100.0%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>									

N/A = Not available.

\* 50 million or less.

<sup>1</sup> Grants that are both payments for individuals and capital investment are shown under capital investment.

<sup>2</sup> Excludes national defense, international affairs, net interest, and undistributed offsetting receipts.

ments for individuals have grown. In 2002, grants for physical capital are estimated to be 16.1 percent of total grants.

The other grants are primarily for education, training, employment, and social services. These grants increased to 44.5 percent of total grants by 1975, and are projected to be 20.3 percent of total grants in 2002.

Section C of Table 9-2 also shows these three categories in constant dollars. In constant 1996 dollars, total grants increase from \$157.9 billion in 1990 to an estimated \$305.4 billion in 2002, an average increase of 5.7 percent per year. During this same period, grants for payments to individuals are estimated to increase an average of 6.8 percent per year; grants

for physical capital an average of 4.2 percent per year, and other grants an average of 3.6 percent per year.

The real growth in grants during the 1990s is in contrast to the 1980s. During the period between 1980 and 1990, outlays for total grants in constant 1996 dollars decreased from \$168.5 billion in 1980 to \$157.9 billion in 1990.

Section D of this table shows grants as a percentage of Federal outlays, State and local expenditures, and gross domestic product. Grants have increased as a percentage of total Federal outlays from 10.8 percent in

1990 to an estimated 17.9 percent in 2002. Grants as a percentage of domestic spending are estimated to be 23.6 percent in 2002.

As a percentage of total State and local expenditures, grants have increased from 21.0 percent in 1990 to 24.7 percent in 2000.

Section E shows the relative contribution of physical capital grants in assisting States and localities with gross investment. After a slight increase to 25.8 percent in 1995, Federal capital grants have declined to be 21.4 percent of State and local gross investment in 2000.

## OTHER INFORMATION ON FEDERAL AID TO STATE AND LOCAL GOVERNMENTS

Additional information regarding aid to State and local governments can be found elsewhere in this budget and in other documents.

Major public physical capital investment programs providing Federal grants to State and local governments are identified in Chapter 6, "Federal Investment Spending and Capital Budgeting."

Data for summary and detailed grants to State and local governments can be found in many sections of a separate document entitled *Historical Tables*. Section 12 of that document is devoted exclusively to grants to State and local governments. Additional information on grants can be found in Section 6 (Composition of Federal Government Outlays); Section 9 (Federal Government Outlays for Investment: Major Physical Capital, Research and Development, and Education and Training); Section 11 (Federal Government Payments for Individuals); and Section 15 (Total (Federal and State and Local) Government Finances).

In addition to these sources, a number of other sources of information are available that use slightly different concepts of grants, provide State-by-State information, provide information on how to apply for Federal aid, or display information about audits.

*Government Finances*, published annually by the Bureau of the Census in the Department of Commerce, provides data on public finances, including Federal aid to State and local governments.

*The Survey of Current Business*, published monthly by the Bureau of Economic Analysis in the Department of Commerce, provides data on the national income and product accounts (NIPA), a broad statistical concept encompassing the entire economy. These accounts include data on Federal grants to State and local governments. Data using the NIPA concepts appear in this volume in Chapter 16, "National Income and Product Accounts."

The *Budget Information for States (BIS)* report provides estimates of State-by-State funding allocations for

the largest formula grant programs for the past, present, and budget year. These programs comprise approximately 85 percent of total Federal aid to State and local governments. The document is prepared by the Office of Management and Budget soon after the Budget is released.

*Federal Aid to States*, a report prepared by the Bureau of the Census, shows Federal spending by State for grants for the most recently completed fiscal year.

The *Consolidated Federal Funds* Report is an annual document that shows the distribution of Federal spending by State and county areas and by local governmental jurisdictions. It is released by the Bureau of the Census in the Spring.

The *Federal Assistance Awards Data System (FAADS)* provides computerized information about current grant funding. Data on all direct assistance awards are provided quarterly by the Bureau of the Census to the States and to the Congress.

The *Catalog of Federal Domestic Assistance* is a primary reference source for communities wishing to apply for grants and other domestic assistance. The Catalog is prepared by the General Services Administration with data collected by the Office of Management and Budget and is available from the Government Printing Office. The basic edition of the Catalog is usually published in June and an update is generally prepared in December. It contains a detailed listing of grant and other assistance programs; discussions of eligibility criteria, application procedures, and estimated obligations; and related information.

The *Federal Audit Clearinghouse* maintains an online database (<http://harvester.census.gov/sac>) that provides access to summary information about audits conducted under OMB Circular A-133, "Audits to States, Local Governments, and Non-Profit Organizations." Information is available for each audited entity, including the amount of Federal money expended by program and whether there were audit findings.

## DETAILED FEDERAL AID TABLE

Table 9-3, "Federal Grants to State and Local Governments-Budget Authority and Outlays," provides detailed budget authority and outlay data for grants. This

table displays discretionary and mandatory grant programs separately.

Table 9-3. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS

(in millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2000 Actual	2001 Estimate	2002 Estimate	2000 Actual	2001 Estimate	2002 Estimate
<b>NATIONAL DEFENSE</b>						
<b>Discretionary:</b>						
Department of Defense—Military:						
Research, Development, Test, and Evaluation:						
Research, development, test, and evaluation, Army .....	2	2	2	2	2	2
<b>Total, discretionary</b> .....	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>
<b>Total, national defense</b> .....	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>
<b>ENERGY</b>						
<b>Discretionary:</b>						
Department of Energy:						
Energy Programs:						
Energy conservation .....	169	190	311	124	166	313
<b>Total, discretionary</b> .....	<b>169</b>	<b>190</b>	<b>311</b>	<b>124</b>	<b>166</b>	<b>313</b>
<b>Mandatory:</b>						
Tennessee Valley Authority:						
Tennessee Valley Authority fund .....	309	313	328	309	313	328
<b>Total, mandatory</b> .....	<b>309</b>	<b>313</b>	<b>328</b>	<b>309</b>	<b>313</b>	<b>328</b>
<b>Total, energy</b> .....	<b>478</b>	<b>503</b>	<b>639</b>	<b>433</b>	<b>479</b>	<b>641</b>
<b>NATURAL RESOURCES AND ENVIRONMENT</b>						
<b>Discretionary:</b>						
Department of Agriculture:						
Natural Resources Conservation Service:						
Resource conservation and development .....				1	1	
Watershed and flood prevention operations .....	44	52	28	66	62	79
Forest Service:						
State and private forestry .....	100	203	121	98	178	143
Management of national forest lands for subsistence uses .....		6	5	1	6	5
Department of Commerce:						
National Oceanic and Atmospheric Administration:						
Operations, research, and facilities .....	120	135	5	91	101	3
Pacific coastal salmon recovery .....	58	110	110	1	167	110
Department of the Interior:						
Office of Surface Mining Reclamation and Enforcement:						
Regulation and technology .....	61	51	51	54	51	57
Abandoned mine reclamation fund .....	181	196	154	152	153	120
Bureau of Reclamation:						
Bureau of Reclamation loan subsidy .....	12	12	7	10	17	7
United States Geological Survey:						
Surveys, investigations and research .....		3			3	
United States Fish and Wildlife Service:						
Commercial salmon fishery capacity reduction .....	5				5	
State wildlife grants .....		50			8	10
Land acquisition .....			60			24
Cooperative endangered species conservation fund .....	23	105	55	13	27	63
Wildlife conservation and appreciation fund .....	1	1		1	1	
Miscellaneous permanent appropriations .....	2	3	3	2	2	3
National Park Service:						
Urban park and recreation fund .....		29		1	3	6
National recreation and preservation .....	2			1	1	
Land acquisition and State assistance .....	43	90	450	7	51	22
Historic preservation fund .....	75	94	37	52	106	74
Environmental Protection Agency:						
State and tribal assistance grants .....	3,446	3,621	3,289	3,192	3,393	3,533
Hazardous substance superfund .....	287	171	171	240	141	170
Leaking underground storage tank trust fund .....	59	64	62	58	61	64
<b>Total, discretionary</b> .....	<b>4,519</b>	<b>4,996</b>	<b>4,608</b>	<b>4,041</b>	<b>4,538</b>	<b>4,493</b>



**Table 9-3. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued**

(in millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2000 Actual	2001 Estimate	2002 Estimate	2000 Actual	2001 Estimate	2002 Estimate
<b>Federal Highway Administration:</b>						
State infrastructure banks .....				19	8	8
Appalachian development highway system .....				101	79	43
Highway-related safety grants .....				1	1	
Appalachian development highway system (Highway trust fund) .....		254			69	104
Federal-aid highways <sup>1</sup> .....	28,860	33,158	34,098	23,494	25,027	27,194
Miscellaneous appropriations .....		605		133	254	320
Miscellaneous highway trust funds .....		1,182		42	354	510
<b>Federal Motor Carrier Safety Administration:</b>						
National motor carrier safety program <sup>1</sup> .....	105	177	205	99	134	185
Motor carrier safety <sup>1</sup> .....			5			4
<b>National Highway Traffic Safety Administration:</b>						
Highway traffic safety grants <sup>1</sup> .....	197	202	212	181	210	217
<b>Federal Railroad Administration:</b>						
Emergency railroad rehabilitation and repair .....				3	4	
Local rail freight assistance .....				1		
Alaska railroad rehabilitation .....	15	30		11	52	18
Railroad research and development .....	2	3	3	1	2	2
Conrail commuter transition assistance .....				3	3	
<b>Federal Transit Administration:</b>						
Research, training, and human resources .....					2	
Job access and reverse commute grants <sup>1</sup> .....	75	100	125	17	45	65
Interstate transfer grants-transit .....				1	5	2
Washington Metropolitan Area Transit Authority .....				109	107	71
Formula grants <sup>1</sup> .....	4,641	3,287	3,592	2,792	3,216	3,191
Capital investment grants <sup>1</sup> .....	2,492	2,694	2,841	1,071	961	1,572
Transit planning and research <sup>1</sup> .....	138	90	90	72	98	114
Discretionary grants (Highway trust fund, mass transit account) .....				1,200	983	614
<b>Research and Special Programs Administration:</b>						
Pipeline safety .....	15	21	18	13	17	17
<b>Total, discretionary <sup>1</sup> .....</b>	<b>39,385</b>	<b>44,474</b>	<b>44,208</b>	<b>30,997</b>	<b>33,853</b>	<b>37,065</b>
<b>Mandatory:</b>						
<b>Department of Transportation:</b>						
<b>Federal Highway Administration:</b>						
Federal-aid highways .....	739	758	739	1,217	1,399	1,248
<b>Research and Special Programs Administration:</b>						
Emergency preparedness grants .....	24	13	13	8	12	13
<b>Total, mandatory <sup>1</sup> .....</b>	<b>763</b>	<b>771</b>	<b>752</b>	<b>1,225</b>	<b>1,411</b>	<b>1,261</b>
<b>Total, transportation .....</b>	<b>40,148</b>	<b>45,245</b>	<b>44,960</b>	<b>32,222</b>	<b>35,264</b>	<b>38,326</b>
<b>COMMUNITY AND REGIONAL DEVELOPMENT</b>						
<b>Discretionary:</b>						
<b>Department of Agriculture:</b>						
<b>Rural Development:</b>						
Rural community advancement program .....	584	843	596	479	647	602
<b>Rural Utilities Service:</b>						
Distance learning and telemedicine program .....	21	27	27	7	18	19
<b>Rural Business—Cooperative Service:</b>						
Rural cooperative development grants .....	6	31	6	4	4	25
<b>Forest Service:</b>						
Southeast Alaska economic disaster fund .....	22	5		10	7	7
<b>Department of Commerce:</b>						
<b>Economic Development Administration:</b>						
Economic development assistance programs .....	424	421	335	356	431	428
<b>Department of Housing and Urban Development:</b>						
<b>Public and Indian Housing Programs:</b>						
Moving to work .....	5				3	
<b>Community Planning and Development:</b>						
Community development block grants .....	4,809	5,113	4,722	4,955	4,940	5,036
Urban development action grants .....				10	10	10
Community development loan guarantees subsidy .....	30	30	15	7	20	20
National cities in schools community development program .....	5			5		

Table 9-3. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued

(in millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2000 Actual	2001 Estimate	2002 Estimate	2000 Actual	2001 Estimate	2002 Estimate
Brownfields redevelopment .....	25	25	25	4	25	30
Urban empowerment zones .....	55	185	150	7	49	92
Office of Lead Hazard Control:						
Lead hazard reduction .....	80	100	110	95	95	95
Department of the Interior:						
Bureau of Indian Affairs:						
Operation of Indian programs .....	174	142	148	119	125	131
Indian guaranteed loan subsidy .....	5	5	5	5	9	5
Federal Emergency Management Agency:						
Emergency management planning and assistance .....	174	267	255	142	219	254
Disaster relief .....	2,295	1,115	956	2,234	1,901	2,070
Disaster assistance for unmet needs .....				50	90	54
National flood mitigation fund .....	20	20	20	13	23	20
Appalachian Regional Commission .....	59	70	59	125	108	100
Delta Regional Authority .....		18	18		2	5
Denali Commission .....	20	30	30	38	13	39
<b>Total, discretionary .....</b>	<b>8,813</b>	<b>8,447</b>	<b>7,477</b>	<b>8,665</b>	<b>8,739</b>	<b>9,042</b>
<b>Total, community and regional development .....</b>	<b>8,813</b>	<b>8,447</b>	<b>7,477</b>	<b>8,665</b>	<b>8,739</b>	<b>9,042</b>
<b>EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES</b>						
<b>Discretionary:</b>						
Department of Commerce:						
National Telecommunications and Information Administration:						
Public telecommunications facilities, planning and construction .....	13	31	31	12	24	26
Information infrastructure grants .....	6	22	5	8	15	20
Department of Education:						
Office of Elementary and Secondary Education:						
Reading excellence <sup>2</sup> .....	56	277		27	180	234
Indian education .....	75	113	113	64	82	105
Impact aid .....	901	985	1,122	875	1,121	1,109
Chicago litigation settlement .....				2	2	
Education reform .....	964	611		965	1,234	674
Education for the disadvantaged <sup>2</sup> .....	8,667	8,938	10,969	8,511	8,432	9,355
School improvement programs <sup>2</sup> .....	1,357	4,417	6,281	2,394	2,936	3,744
Office of Bilingual Education and Minority Languages Affairs:						
Bilingual and immigrant education .....	329	353	460	319	370	351
Office of Special Education and Rehabilitative Services:						
Special education <sup>2</sup> .....	2,036	5,816	8,147	4,696	5,535	6,652
Rehabilitation services and disability research .....	120	133	173	104	185	161
American Printing House for the Blind .....	10	12	12	9	15	12
Office of Vocational and Adult Education:						
Vocational and adult education <sup>2</sup> .....	851	1,778	1,771	1,448	1,669	1,731
Office of Postsecondary Education:						
Higher education .....	281	376	307	152	347	354
Office of Student Financial Assistance:						
Student financial assistance .....	40	55	55	24	49	55
Office of Educational Research and Improvement:						
Education research, statistics, and assessment .....	100	56		166	174	61
Department of Health and Human Services:						
Administration for Children and Families:						
Promoting safe and stable families .....	3	3	3	3	3	3
Children and families services programs <sup>2</sup> .....	5,004	7,607	7,832	5,843	6,325	7,480
Administration on Aging:						
Aging services programs .....	933	1,103	1,098	884	1,017	1,086
Department of the Interior:						
Bureau of Indian Affairs:						
Operation of Indian programs .....	51	78	101	50	71	100
Department of Labor:						
Employment and Training Administration:						
Training and employment services <sup>2</sup> .....	2,227	4,065	3,681	2,957	3,641	4,494
Community service employment for older Americans .....	97	97	97	99	108	97
State unemployment insurance and employment service operations .....	163	193	177	225	165	175
Unemployment trust fund .....	962	982	982	961	957	982
Corporation for National and Community Service:						
Domestic volunteer service programs, operating expenses .....	71	73	77	70	72	75

Table 9-3. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued

(in millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2000 Actual	2001 Estimate	2002 Estimate	2000 Actual	2001 Estimate	2002 Estimate
National and community service programs, operating expenses .....	229	242	218	204	263	230
Corporation for Public Broadcasting:						
Corporation for Public Broadcasting .....	190	224	230	190	206	217
District of Columbia:						
District of Columbia General and Special Payments:						
Federal payment for resident tuition support .....	17	17	17	17	17	17
National Endowment for the Arts:						
National Endowment for the Arts: grants and administration .....	34	34	34	31	39	36
Challenge America arts fund .....		3	3		1	3
Institute of Museum and Library Services:						
Office of Museum Services: grants and administration .....	6	8	5	6	6	11
Office of Library Services: grants and administration .....	151	175	152	152	155	203
<b>Total, discretionary<sup>2</sup> .....</b>	<b>25,944</b>	<b>38,877</b>	<b>44,153</b>	<b>31,468</b>	<b>35,416</b>	<b>39,853</b>
<b>Mandatory:</b>						
Department of Education:						
Office of Elementary and Secondary Education:						
Reading excellence <sup>2</sup> .....			195			
Education for the disadvantaged <sup>2</sup> .....			6,758			
School improvement programs <sup>2</sup> .....			1,765			
Office of Special Education and Rehabilitative Services:						
Special education <sup>2</sup> .....			5,072			
Rehabilitation services and disability research .....	2,339	2,400	2,481	2,463	2,196	2,455
Office of Vocational and Adult Education:			791			
Department of Health and Human Services:						
Administration for Children and Families:						
Job opportunities and basic skills training program .....				15	9	3
Promoting safe and stable families .....	289	300	495	239	271	316
Social services block grant .....	1,775	1,725	1,700	1,827	1,906	1,809
Children and families services programs <sup>2</sup> .....			1,400			
Payments to States for foster care and adoption assistance .....	5,697	6,401	6,682	5,453	6,055	6,549
Department of Labor:						
Employment and Training Administration:						
Training and employment services <sup>2</sup> .....			1,772			
Welfare to work jobs .....	-137	-50		527	850	690
Federal unemployment benefits and allowances .....	132	132	132	133	141	136
<b>Total, mandatory<sup>2</sup> .....</b>	<b>10,095</b>	<b>10,908</b>	<b>29,243</b>	<b>10,657</b>	<b>11,428</b>	<b>11,958</b>
<b>Total, education, training, employment, and social services .....</b>	<b>36,039</b>	<b>49,785</b>	<b>73,396</b>	<b>42,125</b>	<b>46,844</b>	<b>51,811</b>
<b>HEALTH</b>						
<b>Discretionary:</b>						
Department of Agriculture:						
Food Safety and Inspection Service:						
Salaries and expenses .....	43	47	48	43	47	48
Department of Health and Human Services:						
Food and Drug Administration:						
Salaries and expenses .....	1	1	1	1	1	1
Health Resources and Services Administration:						
Health resources and services .....	2,028	2,215	2,344	2,028	2,215	2,344
Centers for Disease Control and Prevention:						
Disease control, research, and training .....	1,881	2,502	2,497	1,611	2,006	2,386
Substance Abuse and Mental Health Services Administration:						
Substance abuse and mental health services .....	2,012	2,152	2,212	1,931	2,027	2,109
Department of Labor:						
Occupational Safety and Health Administration:						
Salaries and expenses .....	82	88	88	82	88	88
Mine Safety and Health Administration:						
Salaries and expenses .....	6	8	8	6	8	8
<b>Total, discretionary .....</b>	<b>6,053</b>	<b>7,013</b>	<b>7,198</b>	<b>5,702</b>	<b>6,392</b>	<b>6,984</b>

Table 9-3. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued

(in millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2000 Actual	2001 Estimate	2002 Estimate	2000 Actual	2001 Estimate	2002 Estimate
<b>Mandatory:</b>						
Department of Health and Human Services:						
Health Care Financing Administration:						
Grants to States for medicaid .....	117,744	128,853	142,423	117,921	128,853	142,423
State children's health insurance fund .....	4,259	4,249	3,115	1,220	4,032	3,355
State grants and demonstrations .....		62	67		16	29
Immediate helping hand prescription drug plan .....		2,500	11,200		2,500	11,200
<b>Total, mandatory</b> .....	<b>122,003</b>	<b>135,664</b>	<b>156,805</b>	<b>119,141</b>	<b>135,401</b>	<b>157,007</b>
<b>Total, health</b> .....	<b>128,056</b>	<b>142,677</b>	<b>164,003</b>	<b>124,843</b>	<b>141,793</b>	<b>163,991</b>
<b>INCOME SECURITY</b>						
<b>Discretionary:</b>						
Department of Agriculture:						
Food and Nutrition Service:						
Food donations programs .....	141	151	151	137	150	150
Commodity assistance program .....	133	140	135	132	138	135
Special supplemental nutrition program for women, infants, and children (WIC) .....	4,032	4,044	4,137	3,950	4,085	4,129
Child nutrition programs .....	14	13	9	7	7	5
Department of Health and Human Services:						
Administration for Children and Families:						
Low income home energy assistance .....	2,000	1,700	1,700	1,495	2,241	1,525
Refugee and entrant assistance .....	377	324	324	280	326	324
Payments to States for the child care and development block grant .....	1,178	1,993	2,193	1,065	1,677	2,062
Department of Housing and Urban Development:						
Public and Indian Housing Programs:						
Public housing operating fund .....	3,138	3,235	3,385	2,836	3,217	3,336
Drug elimination grants for low-income housing .....	310	309		288	317	313
Revitalization of severely distressed public housing (HOPE VI) .....	575	574	574	379	460	552
Public housing capital fund .....	2,884	2,993	2,293	3,690	3,718	3,583
Native American housing block grant .....	620	649	649	643	707	669
Housing certificate fund <sup>2</sup> .....	3,671	8,099	11,283	8,803	9,092	9,722
Community Planning and Development:						
Homeless assistance grants .....	1,020	1,023	1,023	885	1,000	1,200
Home investment partnership program .....	1,636	1,796	1,796	1,479	1,736	1,857
Youthbuild program .....				1	1	
Housing opportunities for persons with AIDS .....	232	257	277	215	216	219
Rural housing and economic development .....	25	25		8	24	25
Housing Programs:						
Congregate services .....				2		
Homeownership and opportunity for people everywhere grants (HOPE grants) .....	-19			25	25	25
Housing for special populations .....	911	996	1,001	720	988	1,025
Department of Labor:						
Employment and Training Administration:						
Unemployment trust fund .....	2,366	2,364	2,414	2,359	2,364	2,414
Federal Emergency Management Agency:						
Emergency food and shelter program .....	110	140	140	110	140	140
<b>Total, discretionary</b> <sup>2</sup> .....	<b>25,354</b>	<b>30,825</b>	<b>33,484</b>	<b>29,509</b>	<b>32,629</b>	<b>33,410</b>
<b>Mandatory:</b>						
Department of Agriculture:						
Agricultural Marketing Service:						
Funds for strengthening markets, income, and supply (section 32) .....	710	738	710	523	750	639
Food and Nutrition Service:						
Food stamp program .....	3,774	3,878	3,806	3,508	3,558	3,752
Child nutrition programs .....	9,436	9,466	9,932	9,053	9,748	10,189
Department of Health and Human Services:						
Administration for Children and Families:						
Payments to States for child support enforcement and family support programs .....	1,010	3,321	3,448	2,906	3,439	3,453
Child care entitlement to States .....	2,367	2,567	2,717	2,237	2,423	2,555
Temporary assistance for needy families .....	16,689	16,689	16,679	15,464	17,080	17,260
Department of Housing and Urban Development:						
Public and Indian Housing Programs:						
Housing certificate fund <sup>2</sup> .....			3,057			

Table 9-3. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued

(in millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2000 Actual	2001 Estimate	2002 Estimate	2000 Actual	2001 Estimate	2002 Estimate
<b>Total, mandatory</b> <sup>2</sup> .....	<b>33,986</b>	<b>36,659</b>	<b>40,349</b>	<b>33,691</b>	<b>36,998</b>	<b>37,848</b>
<b>Total, income security</b> .....	<b>59,340</b>	<b>67,484</b>	<b>73,833</b>	<b>63,200</b>	<b>69,627</b>	<b>71,258</b>
<b>SOCIAL SECURITY</b>						
<b>Discretionary:</b>						
Social Security Administration:						
Federal disability insurance trust fund .....	6	14	14	6	14	14
<b>Total, discretionary</b> .....	<b>6</b>	<b>14</b>	<b>14</b>	<b>6</b>	<b>14</b>	<b>14</b>
<b>Total, social security</b> .....	<b>6</b>	<b>14</b>	<b>14</b>	<b>6</b>	<b>14</b>	<b>14</b>
<b>VETERANS BENEFITS AND SERVICES</b>						
<b>Discretionary:</b>						
Department of Veterans Affairs:						
Veterans Health Administration:						
Medical care .....	318	343	369	318	343	369
Construction:						
Grants for construction of State extended care facilities .....	90	100	50	104	85	91
Grants for the construction of State veterans cemeteries .....	25	25	25	12	17	21
<b>Total, discretionary</b> .....	<b>433</b>	<b>468</b>	<b>444</b>	<b>434</b>	<b>445</b>	<b>481</b>
<b>Total, veterans benefits and services</b> .....	<b>433</b>	<b>468</b>	<b>444</b>	<b>434</b>	<b>445</b>	<b>481</b>
<b>ADMINISTRATION OF JUSTICE</b>						
<b>Discretionary:</b>						
Department of Health and Human Services:						
Administration for Children and Families:						
Violent crime reduction programs <sup>3</sup> .....	92			97	84	29
Department of Housing and Urban Development:						
Fair Housing and Equal Opportunity:						
Fair housing activities .....	44	46	46	33	37	37
Department of Justice:						
Office of Justice Programs:						
Justice assistance .....	151	263	304	65	147	455
State and local law enforcement assistance .....	1,520	2,767	1,933	475	1,760	3,270
Juvenile justice programs .....	242	263	268	177	158	383
Community oriented policing services .....	595	1,037	855	1,390	1,210	926
Violent crime reduction programs, State and local law enforcement assistance .....	1,184			2,049		
Court Services and Offender Supervision Agency for the District:						
Federal payment to Court Services and Offender Supervision Agency for the District of Columbia .....	93			66		
Equal Employment Opportunity Commission:						
Salaries and expenses .....	29	30	30	46	42	45
State Justice Institute:						
State Justice Institute: salaries and expenses .....	7	7	7	8	7	7
<b>Total, discretionary</b> .....	<b>3,957</b>	<b>4,413</b>	<b>3,443</b>	<b>4,406</b>	<b>3,445</b>	<b>5,152</b>
<b>Mandatory:</b>						
Department of Justice:						
Legal Activities and U.S. Marshals:						
Assets forfeiture fund .....	305	240	208	220	275	246
Office of Justice Programs:						
Crime victims fund .....	500	509	567	386	657	490
Department of the Treasury:						
Departmental Offices:						
Treasury forfeiture fund .....	98	88	88	108	88	88
<b>Total, mandatory</b> .....	<b>903</b>	<b>837</b>	<b>863</b>	<b>714</b>	<b>1,020</b>	<b>824</b>
<b>Total, administration of justice</b> .....	<b>4,860</b>	<b>5,250</b>	<b>4,306</b>	<b>5,120</b>	<b>4,465</b>	<b>5,976</b>

Table 9-3. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued

(in millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2000 Actual	2001 Estimate	2002 Estimate	2000 Actual	2001 Estimate	2002 Estimate
<b>GENERAL GOVERNMENT</b>						
<b>Discretionary:</b>						
Department of the Interior:						
Bureau of Land Management:						
Payments in lieu of taxes .....	134	200	150	133	200	150
Insular Affairs:						
Trust Territory of the Pacific Islands .....				2	2	2
District of Columbia:						
District of Columbia Courts:						
Federal payment to the District of Columbia courts .....	100	105	111	86	107	114
Defender services in District of Columbia courts .....	34	34	34	26	39	34
Crime victims compensation fund .....		18			18	
District of Columbia Corrections:						
Payment to the District of Columbia corrections trustee, operations .....	175	134	33	158	144	43
District of Columbia General and Special Payments:						
Federal support for economic development and management reforms in the District ...	34	43		83	43	
Federal Drug Control Programs:						
High-intensity drug trafficking areas program .....	158	172	206	143	161	223
<b>Total, discretionary</b> .....	<b>635</b>	<b>706</b>	<b>534</b>	<b>631</b>	<b>714</b>	<b>566</b>
<b>Mandatory:</b>						
Department of Agriculture:						
Forest Service:						
Forest Service permanent appropriations .....	213	227	393	213	227	393
Department of Energy:						
Energy Programs:						
Payments to States under Federal Power Act .....	3	3	3	3	3	3
Department of the Interior:						
Bureau of Land Management:						
Miscellaneous permanent payment accounts .....	104	8	120	105	8	114
Minerals Management Service:						
Mineral leasing and associated payments .....	691	1,094	983	691	1,094	983
United States Fish and Wildlife Service:						
National wildlife refuge fund .....	19	18	18	19	18	18
Insular Affairs:						
Assistance to territories .....	70	78	69	74	66	77
Payments to the United States territories, fiscal assistance .....	148	104	104	147	104	104
Department of the Treasury:						
Bureau of Alcohol, Tobacco and Firearms:						
Internal revenue collections for Puerto Rico .....	297	315	246	297	315	246
United States Customs Service:						
Refunds, transfers, and expenses of operation, Puerto Rico .....	90	96	101	90	96	101
Corps of Engineers:						
Permanent appropriations .....	9	8	8	17	8	8
<b>Total, mandatory</b> .....	<b>1,644</b>	<b>1,951</b>	<b>2,045</b>	<b>1,656</b>	<b>1,939</b>	<b>2,047</b>
<b>Total, general government</b> .....	<b>2,279</b>	<b>2,657</b>	<b>2,579</b>	<b>2,287</b>	<b>2,653</b>	<b>2,613</b>
<b>Total, Grants</b> .....	<b>286,267</b>	<b>329,016</b>	<b>377,682</b>	<b>284,659</b>	<b>316,265</b>	<b>350,061</b>
Discretionary <sup>1,2</sup> .....	115,953	141,148	146,551	116,654	127,051	138,092
Mandatory <sup>1,2</sup> .....	170,314	187,868	231,131	168,005	189,214	211,969

<sup>1</sup> Budget authority for certain transportation programs is classified as mandatory in other budget presentations.<sup>2</sup> The Administration proposes to reverse the misleading budget practice of using advance appropriations simply to avoid spending limitations. In order to avoid overstating discretionary budget authority in 2002, language is proposed to designate the advance appropriation budget authority, appropriated in 2001, as direct (mandatory) spending.<sup>3</sup> Amounts for 2001 and 2002 are part of the children and families services programs in the Department of Health and Human Services.