

15. AID TO STATE AND LOCAL GOVERNMENTS

State and local governments serve a vital role in providing services to their residents. The Federal Government contributes to that role by aiding State and local governments through grants, loans, and the tax system. This chapter focuses on Federal grants-in-aid and highlights some of the Administration initiatives included in the 2016 Budget. Information on Federal credit programs may be found in Chapter 20, “Credit and Insurance,” in this volume. Chapter 14, “Tax Expenditures,” in this volume, includes a display of tax expenditures that particularly aid State and local governments at the end of Tables 14-1 and 14-2.

Federal grants-in-aid are assistance provided to State and local governments, U.S. territories, and American Indian Tribal governments to support government operations or provision of services to the public. Most often grants are awarded as direct cash assistance, but Federal grants-in-aid can also include payments for grants-in-kind—non-monetary aid, such as commodities purchased for the National School Lunch Program. Federal revenues shared with State and local governments are also considered grants-in-aid.

Federal grants generally fall into one of two broad categories—categorical grants or block grants—depending on the requirements of the grant program. In addition, grants may be characterized by how the funding is awarded such as by formula, by project, or by matching State and local funds.

Categorical grants have a narrowly defined purpose and may be awarded on a formula basis or as a project grant. An example of a categorical grant is the Special Supplemental Nutrition Program for Women, Infants, and Children, also known as WIC, administered by the Department of Agriculture. WIC targets the nutrition needs of lower-income pregnant and postpartum women, infants, and children. Applicants to this program must meet defined categorical, residential, income, and nutrition risk eligibility requirements.

In contrast to categorical grants, block grants provide the recipient with more latitude to define the use of the funding and are awarded on a formula basis specified in law. The Department of Health and Human Services’ Temporary Assistance for Needy Families (TANF) program is an example of a block grant. States may use TANF funds in a variety of ways to meet any of four purposes set out in law. Each State also has broad discretion to determine eligibility requirements for TANF benefits. In addition, TANF has a matching requirement known as “maintenance of effort” which specifies a minimum amount that States must spend to assist low-income families in order to receive the full Federal grant.

Project grants can be awarded competitively and are typified by a predetermined end product or duration.

They can include grants for research, training, evaluation, planning, technical assistance, survey work, and construction.

The Government Accountability Office describes the various types of grants as each striking “a different balance between the interests of the Federal grant-making agency that funds be used efficiently and effectively to meet national objectives, and the interests of the recipient to use the funds to meet local priorities and to minimize the administrative burdens associated with accepting the grant.”¹

As recipients of Federal grant funding, State and local governments may provide services directly to beneficiaries or States may act as a pass-through, disbursing grant funding to localities using a formula or a competitive process. This pass-through structure allows States to set priorities and determine the allocation methodology within the rules of the Federal grant guidance.²

While most State spending comes from general fund revenues, Federal funds are also a significant part of States’ overall budgets. In State fiscal year 2013, 40.9 percent of total State spending came from general funds,³ whereas Federal funds accounted for 29.8 percent, other State funds 27.3 percent, and bonds 2.1 percent.⁴ The Federal funds share decreased between 2011 and 2013 due to increasing general fund revenues over those years and the end of temporary measures enacted in the Recovery Act and its extensions.⁵ However, in its most recent *State Expenditure Report*, the National Association of State Budget Officers estimates that Federal funds will increase as a percentage of total State spending in State fiscal year 2014 to 30.3 percent due to increases in Medicaid funding enacted in the Affordable Care Act.⁶

¹ United States Government Accountability Office. “Grants to State and Local Governments, An Overview of Federal Funding Levels and Selected Challenges.” September 2012. p. 3.

² Keegan, Natalie. “Federal Grants-in-Aid Administration: A Primer.” Congressional Research Service. October 3, 2012. p. 6-7.

³ State general funds are raised from States’ own taxes and fees.

⁴ “State Expenditure Report, Examining Fiscal 2012-2014 State Spending.” National Association of State Budget Officers (2014). p. 1.

⁵ The Federal Government used the existing grants structure to provide swift fiscal relief to States during the 2008 and 2009 recession when States faced severe and unforeseen economic conditions. It primarily did so through the American Recovery and Reinvestment Act (Recovery Act), Public Law 111-5, enacted in February 2009. The Recovery Act provided enhanced grant funding in the areas of income security, education, transportation, energy, and water, and for Medicaid and other programs. In addition, for many programs, the Recovery Act required increased oversight and reporting for recipients and grant-making agencies. Most of the temporary provisions in the Recovery Act expired in 2010, but some Recovery Act programs were extended in subsequent legislation because economic growth remained slow.

⁶ “State Expenditure Report, Examining Fiscal 2012-2014 State Spending.” National Association of State Budget Officers (2014). p. 5

General funds are estimated to be 40.5 percent, other State funds 27.1 percent, and bonds 2.1 percent of total State spending.⁷

Total State spending is estimated to have grown by 5.7 percent in State fiscal year 2014 due to increases in State funds and Federal funds.⁸ The components of total State spending for 2014 are estimated to be: Medicaid, 25.8 percent; elementary and secondary education, 19.5 percent; higher education, 10.1 percent; transportation, 7.7 percent; corrections, 3.1 percent; public assistance, 1.4 percent; and all other expenditures, 32.4 percent.⁹

The Fiscal Survey of States looks at enacted State budgets to make projections for the coming year. According to the most recent report, 2015 State budgets show that “fiscal conditions are moderately improving in fiscal 2015” with general fund spending expected to increase by 3.1 percent in State fiscal year 2015.¹⁰

As a share of the total Federal budget, outlays for Federal grants-in-aid accounted for 16.5 percent of total outlays in 2014 and totaled \$577.0 billion. This was an increase of \$30.8 billion over 2013, 5.6 percent. Federal grant spending in 2015 is estimated to be \$628.2 billion, an increase of 8.9 percent from 2014. The Budget provides \$651.7 billion in outlays for aid to State and local governments in 2016, an increase of 3.8 percent from 2015.

Federal grants help State and local governments finance programs covering most areas of domestic public spending including infrastructure, education, social services, and public safety. The term for these broad purposes in the Budget is “functions.” The distribution of grant spending in 2016 among functions remains similar to recent years. Of total proposed grant spending in 2016, 57.4 percent is for health programs, with most of the funding going to Medicaid, a program which makes health insurance accessible for low-income Americans. Beyond health programs, 17.2 percent of Federal aid is estimated to go to income security programs; 10.5 percent to transportation; 9.5 percent to education, training, and social services; 2.1 percent to community and regional development; and 3.4 for all other functions. Section A of Table 15-1, Trends in Federal Grants to State and Local Governments, shows actual spending at the start of each decade since 1960, ac-

tual spending for 2014, and estimates for 2015 and 2016 by budget function.

The Federal budget also classifies grant spending by BEA category—mandatory and discretionary. Programs whose funding is provided directly in authorizing legislation are categorized as mandatory. Funding levels for most 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. Funding levels for discretionary grant programs are determined annually through appropriations acts.¹¹ Section B of Table 15-1 shows the distribution of grants between mandatory and discretionary spending.

Outlays for mandatory grant programs were \$442.9 billion in 2014 and are estimated to increase by 9.0 percent in 2015 to \$482.8. In 2016, outlays for mandatory grant programs are estimated to be \$512.2 billion, a 6.1 percent increase over 2015.¹² The three largest mandatory grant programs in 2016 are estimated to be Medicaid, with outlays of \$351.0 billion; Federal-aid Highways with outlays of \$44.6 billion; and Child Nutrition programs, which include the School Breakfast Program, the National School Lunch Program and others, \$21.5 billion.¹³

Outlays for discretionary grant programs were \$134.1 billion in 2014 and are estimated to increase by 8.4 percent to \$145.3 billion in 2015. In 2016, grants-in-aid with discretionary funding are estimated to have outlays of \$139.6 billion, a decrease of 4.0 percent from 2015. The three largest discretionary programs in 2016 are estimated to be Tenant Based Rental Assistance, with outlays of \$20.9 billion; Education for the Disadvantaged, \$15.6 billion; and Special Education, \$12.3 billion.¹⁴

The funding level for grants in every budget account can be found in Table 15-2, organized by functional category, and by Federal agency. Table 15-2, Federal Grants to State and Local Governments, Budget Authority and Outlays, formerly printed in this chapter, is available on the OMB web site at www.budget.gov/budget/Analytical_Perspectives and on the Budget CD-ROM.

¹¹ For more information on these categories, see Chapter 9, “Budget Concepts,” in this volume.

¹² The Budget proposes to reclassify surface transportation grant spending as mandatory. To provide a comparable series for surface transportation outlays, these outlays are shown as mandatory in the Budget estimates starting in 2014.

¹³ Obligation data by State for programs in each of these budget accounts may be found in the State-by-State tables included with other budget materials on the OMB web site and Budget CD-ROM.

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HIGHLIGHTS OF FEDERAL AID PROPOSALS

Physical Resources

Coastal Resilience. The Budget includes funding for two new coastal resilience programs—one at the National Oceanic and Atmospheric Administration (NOAA) and one at the Department of the Interior (DOI)—that will help reduce the risks that a changing climate poses to

ecosystems and communities. Funding at NOAA will help regions plan for and implement activities related to extreme weather, changing ocean conditions and uses, and climate hazards, while the DOI funds will focus on increasing the return on investment from Federal land protection and restoration through projects on adjacent

⁷ “The Fiscal Survey of States.” National Association of State Budget Officers. Fall 2014. p. 1.

⁸ “State Expenditure Report, Examining Fiscal 2012-2014 State Spending.” National Association of State Budget Officers (2014). p. 1.

⁹ “The Fiscal Survey of States.” National Association of State Budget Officers. Fall 2014. p. 1.

¹⁰ Ibid. p. vii.

Table 15-1. TRENDS IN FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS

(Outlays in billions of dollars)

	Actual								Estimate	
	1960	1970	1980	1990	2000	2005	2010	2014	2015	2016
A. Distribution of grants by function:										
Natural resources and environment	0.1	0.4	5.4	3.7	4.6	5.9	9.1	6.7	6.7	6.8
Agriculture	0.2	0.6	0.6	1.3	0.7	0.9	0.8	0.7	1.0	1.0
Transportation	3.0	4.6	13.0	19.2	32.2	43.4	61.0	62.3	64.5	68.3
Community and regional development	0.1	1.8	6.5	5.0	8.7	20.2	18.8	13.2	16.7	13.4
Education, training, employment, and social services	0.5	6.4	21.9	21.8	36.7	57.2	97.6	60.5	65.2	61.9
Health	0.2	3.8	15.8	43.9	124.8	197.8	290.2	320.0	354.0	373.8
Income security	2.6	5.8	18.5	36.8	68.7	90.9	115.2	100.9	105.1	112.1
Administration of justice .....	.....	0.0	0.5	0.6	5.3	4.8	5.1	4.3	6.3	5.4
General government	0.2	0.5	8.6	2.3	2.1	4.4	5.2	4.1	4.1	3.9
Other	0.0	0.1	0.7	0.8	2.1	2.6	5.4	4.3	4.4	5.0
Total	7.0	24.1	91.4	135.3	285.9	428.0	608.4	577.0	628.2	651.7
B. Distribution of grants by BEA category:										
Discretionary ¹	N/A	10.2	53.3	63.3	116.7	181.7	207.7	134.1	145.3	139.6
Mandatory ¹	N/A	13.9	38.1	72.0	169.2	246.3	400.7	442.9	482.8	512.2
Total	7.0	24.1	91.4	135.3	285.9	428.0	608.4	577.0	628.2	651.7
C. Composition:										
Current dollars:										
Payments for individuals ²	2.5	8.7	32.6	77.3	182.6	273.9	384.5	412.5	450.4	479.9
Physical capital ²	3.3	7.1	22.6	27.2	48.7	60.8	93.3	78.9	82.0	84.6
Other grants	1.2	8.3	36.2	30.9	54.6	93.3	130.6	85.6	95.7	87.2
Total	7.0	24.1	91.4	135.3	285.9	428.0	608.4	577.0	628.2	651.7
Percentage of total grants:										
Payments for individuals ²	35.3%	36.2%	35.7%	57.1%	63.9%	64.0%	63.2%	71.5%	71.7%	73.6%
Physical capital ²	47.3%	29.3%	24.7%	20.1%	17.0%	14.2%	15.3%	13.7%	13.1%	13.0%
Other grants	17.4%	34.5%	39.6%	22.8%	19.1%	21.8%	21.5%	14.8%	15.2%	13.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Constant (FY 2009) dollars:										
Payments for individuals ²	14.2	39.8	75.8	115.9	221.2	304.1	385.3	378.5	408.0	426.5
Physical capital ²	23.8	38.2	54.7	45.7	68.6	74.2	93.7	72.9	74.2	74.5
Other grants	14.4	64.7	134.1	62.8	77.1	101.8	123.9	78.5	86.1	76.3
Total	52.4	142.7	264.7	224.3	366.9	480.1	602.9	529.9	568.2	577.3
D. Total grants as a percent of:										
Federal outlays:										
Total	7.6%	12.3%	15.5%	10.8%	16.0%	17.3%	17.6%	16.5%	16.7%	16.3%
Domestic programs ³	18.0%	23.2%	22.2%	17.1%	22.0%	23.5%	23.4%	21.2%	20.8%	20.6%
State and local expenditures	14.3%	19.6%	27.3%	18.7%	21.8%	23.5%	26.4%	23.6%	N/A	N/A
Gross domestic product	1.3%	2.3%	3.3%	2.3%	2.8%	3.3%	4.1%	3.3%	3.5%	3.5%
E. As a share of total State and local gross investments:										
Federal capital grants	24.6%	25.4%	35.4%	21.9%	22.0%	22.0%	27.5%	23.7%	N/A	N/A
State and local own-source financing	75.4%	74.6%	64.6%	78.1%	78.0%	78.0%	72.5%	76.3%	N/A	N/A
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%		

N/A: Not available at publishing.

¹ Estimates for 2014 through 2016 reflect the Administration's proposed reclassification of surface transportation outlays from discretionary to mandatory. For more information, see Chapter 25, "Current Service Estimates," in this volume.² Grants that are both payments for individuals and capital investment are shown under capital investment.³ Excludes national defense, international affairs, net interest, and undistributed offsetting receipts.

non-Federal lands that restore ecosystems and boost resilience in coordination with non-Federal partners. The NOAA Regional Coastal Resilience Grants, funded at \$50 million, will provide competitive grants to State, local, tribal, private, and non-governmental organization

partners to support activities such as vulnerability assessments, regional ocean partnerships, and development and implementation of adaptation strategies. The new program at DOI, also funded at \$50 million, will be modeled after the agency's Hurricane Sandy Competitive

Grant Program and will expand the footprint of healthy ecosystems to deliver valuable ecosystem services, including flood attenuation and storm risk reduction, to nearby communities.

FEMA Pre-disaster Mitigation Grant Program. The Budget provides \$200 million for the Federal Emergency Management Agency's Pre-Disaster Mitigation Grant Program, an increase of \$175 million over current funding levels. This funding will predominantly support mitigation planning, facilities hardening, and nonstructural risk reduction measures, such as buyouts and elevation of structures. Studies on mitigation activities conclude that Americans save \$3-4 for every dollar invested in pre-disaster mitigation.

Grants for the Sites and Stories of the Civil Rights Movement. \$32.5 million in new funding from the Historic Preservation Fund would provide competitive grants to State or local governments, and grants-in-aid to Historically Black Colleges and Universities to document, interpret, and preserve the stories and sites associated with the Civil Rights Movement and the African-American experience. Grants would also support development of place-based interpretive and educational materials associated with the survey and documentation of historic properties associated with that era, as well as bricks and mortar projects for rehabilitation and preservation.

Investments in America's Transportation Infrastructure. To spur economic growth and allow States and localities to initiate sound multi-year investments, the Budget includes a six-year, \$478 billion surface transportation reauthorization proposal. By reinvesting the transition revenue from pro-growth business tax reform, the President's plan will ensure the health of the Highway Trust Fund for another six years—two years beyond the 2015 Budget proposal—and invest in a range of activities to spur and sustain long-term growth. The President's plan will increase spending to repair and modernize our highways and bridges, while also making new investments to modernize existing transit and intercity passenger rail systems. The President's plan also increases investments to expand new transit projects, link regional economies by funding the development of high-performance rail, and support American exports by improving movement within the Nation's freight rail networks. To help spur innovation and economic mobility, the reauthorization proposal will permanently authorize the competitive TIGER grant program to support projects that bring job opportunities to communities across the United States. The proposal will also advance the President's Climate Action Plan by building more resilient infrastructure and reducing transportation emissions by responding to the greater demand and travel growth in public transit.

Rural Initiatives. According to a 2014 report by the United States Department of Agriculture (USDA) Economic Research Service, rural childhood poverty rates are at their highest point since 1986—one in four rural children live in poverty and deep poverty among children is more prevalent in rural areas (12.2 percent) than in urban areas (9.2 percent). To help alleviate this growing disparity the Budget provides \$20 million for demonstra-

tion projects to fight childhood poverty in economically distressed rural areas through targeted technical assistance investments in housing, community facilities, small business, and infrastructure. The Budget also includes \$50 million to expand the community facility grant program to address ongoing needs and emerging priorities such as Promise Zones, Energy Sector Transition, or Strike Force Communities. These funds will allow USDA to be responsive to new needs in communities across rural American and target them in a flexible way.

Promise Zone Initiative. The Administration's Promise Zone initiative targets communities of concentrated poverty and establishes partnerships between the Federal government, local communities, and businesses to create jobs, increase economic security, expand educational opportunities, increase access to quality, affordable housing, and improve public safety. Communities are chosen through a competitive process and put forward a plan on how they will partner with local business and community leaders to make investments that reward hard work and expand opportunity. In exchange, the Federal government partners with these communities to help them secure the resources and flexibility they need to achieve their goals. The President announced the first five Promise Zone communities in 2014 and will create an additional 15 Zones by the end of calendar year 2016.

Human Resources

Preschool for All. The Budget maintains support for the President's landmark Preschool for All proposal to ensure four-year-olds across the Nation have access to high-quality preschool programs. The proposal establishes a Federal-State partnership to provide all low- and moderate-income four-year-olds with high-quality preschool, while providing States with incentives to expand these programs to reach additional children from middle class families, and put in place full-day kindergarten policies. The proposal is paid for through an increase in tobacco taxes that will help reduce youth smoking and save lives. To lay the groundwork for this proposal, the Budget provides \$750 million, a substantial increase of \$500 million over 2015, for Preschool Development Grants, the Department of Education's program that helps States develop and expand high-quality preschool systems. The Budget also provides \$907 million for early intervention and preschool for children with disabilities, an increase of \$115 million over 2015. This proposal includes \$15 million for a pay-for-success initiative for early identification of and intervention for learning and developmental problems, with a potential focus on autism, intended to help identify, develop and scale-up evidence-based practices.

Investments in Head Start. The Budget makes historic investments in Head Start by providing over \$1.5 billion in additional funding over 2015 enacted level which includes \$650 million to expand access to high-quality early learning settings for tens of thousands of additional children through Early Head Start-Child Care Partnerships. The increased Head Start funding will also ensure that children are served in programs that operate for a full school day and a full school year, which recent research shows

promotes better outcomes for young children. In addition, the Budget invests \$15 billion over the next 10 years to extend and expand evidence-based, voluntary home visiting programs, which enable nurses, social workers, and other professionals to work with current and expecting parents to help families track their children's development, identify any health and development issues and connect them to services to address them, and utilize good parenting practices that foster healthy development and early learning. The program builds on research showing that home visiting programs can significantly improve maternal and child health, child development, learning, and success.

Title I Education Grants. The Budget proposes a \$1 billion increase from the 2015 enacted level for Title I, the Department's largest K-12 grant program and the cornerstone of its commitment to providing low-income schools and high-need students with access to an excellent education. In addition, the Budget proposes \$100 million to support districts that are using their Federal formula funds for evidence-based interventions, and includes a pilot opportunity for districts that distribute funds to schools more equitably to receive relief from Federal reporting and fiscal requirements. The Budget also supports increases for programs that help other students who face academic hurdles meet rigorous academic standards, including \$11.7 billion for special education, an increase of \$175 million over 2015, and \$773 million for English learners, an increase of \$36 million over 2015 funding.

Support for Teachers. The Budget also invests \$3 billion to provide broad support for educators at every phase of their careers, from ensuring they have strong preparation before entering the classroom, to equipping them with tools and training they need to implement college- and career-ready standards. Recognizing the importance of integrating technology into the classroom, this investment also includes \$200 million for an improved Education Technology State Grants program focused on providing educators with training and support to maximize the impact of expanded access to technology to provide high-quality instruction to students. The Budget also supports a companion initiative funded at \$1 billion annually for five years that will support State and local efforts to attract the best and brightest to the teaching profession and prepare them for the demands of the classroom, while also creating a culture of excellence and professional growth for teachers throughout their careers.

Improving our Nation's High Schools. The Budget seeks to improve America's high schools by creating a new \$125 million program to help ensure schools integrate deeper learning and student-centered instruction, with particular focus on science, technology, engineering, and math (STEM) themed high schools that expand opportunities for girls and other groups underrepresented in STEM fields. The Budget also invests \$556 million, a \$50 million increase over 2015, in School Improvement Grants, a program that helps districts turn around their lowest performing schools, including high schools with unacceptably low graduation rates.

Building Evidence and Fostering Innovation. The Budget funds the Investing in Innovation program at \$300 million, a \$180 million increase over 2015 funding, to develop and test effective practices and provide better information to States and districts on what works in key areas, such as implementing college- and career-ready standards, using data to inform instruction and personalize learning, and improving low-performing schools. Across every dimension, the Budget continues the Administration's efforts to build a much stronger evidence base on what works in education.

Expanding Access to Quality Child Care for Working Families. Research shows that access to affordable, quality child care can increase parents' employment and earnings, while also promoting healthy child development. The Budget invests \$82 billion over 10 years to ensure that all low- and moderate-income working families with children ages three or younger have access to quality, affordable child care. The Budget also provides \$266 million in 2016 to help States implement the policies required by the new bipartisan child care law and designed to improve the safety and quality of care while giving parents the information they need to make good choices about their child care providers. To help build a supply of high-quality child care that meets the needs of today's working families, including those with non-traditional schedules, the Budget also provides \$100 million to States and local communities to develop, implement, and evaluate new, innovative models of providing care. These pilots will benefit low-income working families by focusing on what they need most—high-quality care that is available in their community and during the hours they work.

Encouraging State Paid Leave Initiatives. A handful of States have enacted policies to offer paid leave, and the Federal government can encourage more States to follow their lead. The Budget includes \$2 billion for the Paid Leave Partnership Initiative to assist up to five States that wish to launch paid leave programs, following the example of California, New Jersey, and Rhode Island. States that participate in the Paid Leave Partnership Initiative would be eligible to receive funds for the initial setup and benefits for three years. The Budget also includes a \$35 million State Paid Leave Fund to provide technical assistance and support to States that are still building the infrastructure they need to launch paid leave programs in the future.

Creating Pathways to High-Growth Jobs. The Budget provides a \$500 million increase over the 2015 enacted level to allow States to support additional in-person employment services for unemployed workers. For workers who need job training to get back on their feet, the Budget provides \$16 billion over 10 years to double the number of workers receiving training through the State and locally run workforce development system. The Budget also looks to the successful "learn-and-earn" approaches of our European counterparts, investing \$2 billion to achieve the goal of doubling Registered Apprenticeships across the country over the next five years. The Budget also provides \$3 billion for localities to expand summer and

year-round job opportunities and educational and workforce pathways for disconnected youth.

The Upward Mobility Project. The Budget proposes an Upward Mobility Project which will allow up to 10 communities, States, or consortia of States and communities more flexibility to use funding from up to four Federal programs for efforts designed to promote self-sufficiency, improve educational and other outcomes for children, and enhance communities' ability to provide opportunities for families. To qualify, projects will be required to rely on evidence-based programs or be designed to test new ideas, and will have a significant evaluation component in which projects will be judged based on whether they meet a set of robust outcomes. The funding streams that States and communities can utilize in these projects are currently block grants, including the Department of Health and Human Services' Social Services Block Grant and Community Service Block Grant, and the Department of Housing and Urban Development's (HUD's) Community Development Block Grant and HOME Investment Partnerships Program, that share a common goal of promoting opportunity and reducing poverty. Participating communities will be eligible to receive a total of \$1.5 billion in new funding, in addition to flexibility with currently provided resources.

Ending Homelessness. In 2010, the President set ambitious goals to end homelessness across the Nation, and since then we have made significant progress. Major cities have hit important milestones toward the goals, including New Orleans, Louisiana, which has ended veteran homelessness, and Salt Lake City, Utah and Phoenix, Arizona, which have ended chronic homelessness among veterans. Over 300 mayors, governors, and county executives have committed to ending veteran homelessness in their communities through the Mayors Challenge to End Veteran Homelessness. The overall number of veterans experiencing homelessness has declined by 33 percent—nearly 25,000 veterans—since 2010, and with continued focus from Federal, State and local partners, the Administration is fighting to end veteran homelessness by the end of 2015. The Budget continues to make investments to end chronic homelessness in 2017 and to make significant progress in ending homelessness across all other populations. In addition to targeted increases in HUD's Homeless Assistance Grants, the Budget provides 67,000 new Housing Choice Vouchers to support low-income households, including families experiencing homelessness, survivors of domestic and dating violence, families with children in foster care, youth aging out of foster care, and homeless veterans, regardless of their discharge status.

Medicaid and the Children's Health Insurance Program. State Medicaid and Children's Health Insurance

Programs (CHIP) provide health coverage to more than 70 million low income Americans. The Budget strengthens Medicaid and CHIP by giving States options to streamline eligibility determination and help people get and maintain coverage, expanding targeted benefits for adults and children, and improving care delivery for individuals eligible for both Medicare and Medicaid. The Budget proposes to extend funding for CHIP, which ends in 2015, through 2019, ensuring continued, comprehensive, affordable coverage for children. The Budget expands access to Medicaid home and community-based services, and tests a new approach to delivering long-term care services and supports. In addition, the Budget provides tools to States, Territories, and the Federal government to fight fraud, waste, and abuse, and includes other initiatives aimed at improving program efficiency and effectiveness.

Other Programs

Community Policing Initiative. The President's new Community Policing Initiative aims to build and sustain trust between law enforcement and the people they serve. The Budget provides \$97 million to expand training and oversight for local law enforcement, increase the use of body-worn cameras, provide additional opportunities for police department reform, and facilitate community and law enforcement engagement in 10 pilot sites, with additional technical assistance and training for dozens of communities and police departments across the nation. In addition, through State and local assistance programs, the Budget nearly doubles the investment in the Second Chance Act Grant program to reduce recidivism and help those exiting the justice system to rejoin their communities and lead productive lives.

Combating Violent Extremism. The Department of Justice's (DOJ) Countering Violent Extremism (CVE) initiative supports the United Nation's efforts to address foreign terrorist fighters. Administration officials, the DOJ, and others have collaborated to develop a strategy to address recent domestic terror incidents and the emergence of groups attempting to recruit Americans to take part in ongoing conflicts in foreign countries. Additional resources are provided in the Budget to support community-led efforts, such as \$4 million to conduct research targeted toward developing a better understanding of violent extremism and advancing evidence-based strategies for effective prevention and intervention; \$6 million to support flexible, locally-developed CVE models; \$2 million to develop training and provide technical assistance; and \$3 million for demonstration projects that enhance the ability of law enforcement agencies nationwide to partner with local residents, business owners, community groups, and other stakeholders to counter violent extremism.

GRANTS MANAGEMENT REFORMS

In 2014, the Office of Management and Budget, working with 28 Federal agencies and public stakeholders, implemented new Uniform Guidance at 2 CFR 200—policy reforms which will multiply the return on the investments described above by overhauling the regula-

tory framework that governs grants to improve efficiency and strengthen accountability. This was the culmination of a three-year collaborative effort across Federal agencies led by the cross-agency Council on Financial Assistance Reform (COFAR), and developed in partner-

ship with State and local governments, Indian tribes, universities, nonprofit organizations, and auditors. The interim final rule implementing the policy was published on December 19, 2014 and became effective December 26, 2014. It reduces the total volume of financial management regulations for Federal grants and other assistance by 75 percent, co-locates the streamlined regulations in Title 2 of the Code of Federal Regulations part 200, and reduces administrative burdens and risk of waste, fraud, and abuse for all of the Federal grant dollars expended annually.

Taken as a whole, this historic reform will transform the landscape for Federal aid to States and local governments, as well as grants to universities and nonprofit organizations. Key policy reforms in the Uniform Guidance will:

- Allow local governments to work in partnership with universities and non-profits to design the programs that best meet their communities' needs and obtain flexibility and enhanced coordination from the Federal government;
- Allow universities to hire staff to do the administrative work that directly benefits grants so that scientists can focus on science;

- Allow nonprofits and other organizations that have never been reimbursed for indirect costs to use a standard minimum rate that supports the fundamental operations of the organization, removing a key barrier to entry and opening up competition for Federal awards;
- Emphasize the long-standing requirement for non-Federal entities to have strong internal controls that are appropriate to the organization, while relaxing overly prescriptive and obsolete procedural requirements;
- Publish Single Audit reports online, eliminating a burdensome paper-chase for reporting and providing the public with key information to strengthen oversight of Federal tax dollars; and
- Raise the threshold for required audits from \$500,000 to \$750,000 in Federal awards expended per year to maintaining oversight for 99 percent of dollars audited now, while focusing the oversight resources to reduce risk of waste, fraud, and abuse.

Since publication of the rule, the COFAR has begun work with Federal agencies and non-Federal stakeholders to evaluate the impact of this guidance based on key metrics. More information and resources for the public are available at cfo.gov/COFAR.

OTHER SOURCES OF INFORMATION ON FEDERAL GRANTS-IN-AID

A number of other sources provide State-by-State spending data and other information on Federal grants, but use a slightly different concept of grants.

The website *Grants.gov* is a primary source of information for communities wishing to apply for grants and other domestic assistance. *Grants.gov* hosts all open notices of opportunities to apply for Federal grants.

The *Catalog of Federal Domestic Assistance* hosted by the General Services Administration contains detailed listings of grant and other assistance programs; discussions of eligibility criteria, application procedures, and estimated obligations; and related information. The *Catalog* is available on the Internet at www.cfda.gov.

Current and updated grant receipt information by State and local governments and other non-Federal entities can be found on *USASpending.gov*. This public website also contains contract and loan information and is updated twice per month. Additionally, information about grants provided specifically by the Recovery Act can be found on *Recovery.gov*.

Prior to the creation of *USASpending.gov*, the Bureau of the Census in the Department of Commerce provided

data on public finances and has published data on Federal aid to State and local governments in the *Consolidated Federal Funds and Report Federal Aid to States* report. However, the Federal Financial Statistics program was terminated, so there are no new reports after 2010.

The Federal Audit Clearinghouse maintains an on-line database (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.

The Bureau of Economic Analysis, also in the Department of Commerce, produces the monthly *Survey of Current Business*, which provides data on the national income and product accounts (NIPA), a broad statistical concept encompassing the entire economy. These accounts, which are available at bea.gov/national, include data on Federal grants to State and local governments.

APPENDIX: SELECTED GRANT DATA BY STATE

The Appendix includes two tables that summarize State-by-State spending for select grant programs to State and local governments. The first summary table, “Summary of Programs by Agency, Bureau, and Program” shows obligations for each program by agency and bureau. The second summary table, “Summary of Grant Programs by State,” shows total obligations across all programs for each State. The programs selected here cover more than 90 percent of total grant spending.

Individual program tables with State-by-State obligation data may be found on the OMB web site at *www.budget.gov/budget/Analytical_Perspectives* and on the Budget CD-ROM. The individual program tables display obligations for each program on a State-by-State basis, consistent with the estimates in this Budget. Each table reports the following information:

- The Federal agency that administers the program.
- The program title and number as contained in the *Catalog of Federal Domestic Assistance*.
- The Treasury budget account number from which the program is funded.
- Actual 2014 obligations for States, Federal territories, or Indian Tribes in thousands of dollars. Undistributed obligations are generally project funds that are not distributed by formula, or programs for which State-by-State data are not available.
- Obligations in 2015 from balances of previous budget authority and obligations in 2015 from new budget authority distributed by State.
- Estimates of 2016 obligations by State, which are based on the 2016 Budget request, unless otherwise noted.
- The percentage share of 2016 estimated program funds distributed to each State.

Table 15–3. SUMMARY OF PROGRAMS BY AGENCY, BUREAU, AND PROGRAM

(Obligations in millions of dollars)

Agency, Bureau, and Program	FY 2014 (actual)	Estimated FY2015 obligations from:			FY 2016 (estimated)
		Previous authority	New authority	Total	
Department of Agriculture, Food and Nutrition Service					
School Breakfast Program (10.553)	3,716	20	3,960	3,980	4,230
National School Lunch Program (10.555)	11,290	213	11,727	11,939	12,362
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (10.557)	6,902	732	6,468	7,200	7,056
Child and Adult Care Food Program (10.558)	3,112	.....	3,132	3,132	3,241
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (Food Stamps) (10.561) ..	4,480	49	4,928	4,977	5,106
Department of Education, Office of Elementary and Secondary Education					
Title I College-And-Career-Ready Students (Formerly Title I Grants to Local Educational Agencies) (84.010) .	14,385	.....	14,410	14,410	15,410
Improving Teacher Quality State Grants (84.367)	2,350	.....	2,350	2,350	2,350
Department of Education, Office of Special Education and Rehabilitative Services					
Special Education-Grants to States (84.027)	11,473	.....	11,498	11,498	11,673
Vocational Rehabilitation Grants (84.126)	3,064	.....	3,092	3,092	3,392
Department of Health and Human Services, Centers for Medicare and Medicaid Services					
Affordable Insurance Exchange Grants (93.525)	740	.....	448	448	.....
Children's Health Insurance Program (93.767)	9,718	.....	9,756	9,756	14,569
Grants to States for Medicaid (93.778)	329,019	.....	344,587	344,587	364,290
Department of Health and Human Services, Administration for Children and Families					
Temporary Assistance for Needy Families (TANF)-Family Assistance Grants (93.558)	16,721	.....	16,737	16,737	16,739
Child Support Enforcement-Federal Share of State and Local Administrative Costs and Incentives (93.563) ...	4,281	.....	4,210	4,210	4,372
Low Income Home Energy Assistance Program (93.568)	3,390	.....	3,390	3,390	3,390
Child Care and Development Block Grant (93.575)	2,358	.....	2,435	2,435	2,805
Child Care and Development Fund-Mandatory (93.596A)	1,237	.....	1,236	1,236	1,323
Child Care and Development Fund-Matching (93.596B)	1,678	.....	1,681	1,681	5,259
Head Start (93.600)	8,598	.....	8,598	8,598	10,118
Foster Care-Title IV-E (93.658)	4,749	.....	4,584	4,584	5,205
Adoption Assistance (93.659)	2,450	.....	2,510	2,510	2,563
Social Services Block Grant (93.667)	1,578	.....	1,576	1,576	2,000
Department of Health and Human Services, Health Resources and Services Administration					
Ryan White HIV/AIDS Treatment Modernization Act-Part B HIV Care Grants (93.917)	1,269	.....	1,315	1,315	1,315
Department of Homeland Security					
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (97.044)	6,872	.....	.....	.....	.....
FEMA State and Local Programs (97.067 et al.)	2,295	.....	.....	.....	.....
Department of Housing and Urban Development, Public and Indian Housing Programs					
Public Housing Operating Fund (14.850)	4,397	.....	4,439	4,439	4,582
Section 8 Housing Choice Vouchers (14.871)	19,180	228	19,564	19,791	21,186
Public Housing Capital Fund (14.872)	1,862	99	1,875	1,974	1,970
Department of Housing and Urban Development, Community Planning and Development					
Community Development Block Grant (14.218; 14.225; 14.228; 14.862)	3,216	536	2,480	3,016	2,919
Community Development Block Grant - Disaster Recovery (14.218; 14.228; 14.269)	1,600	3,278	.....	3,278	4,528
Department of Labor, Employment and Training Administration					
Unemployment Insurance (17.225)	2,882	2	2,758	2,760	2,815
Department of Transportation, Federal Transit Administration					
Transit Formula Grants Programs (20.507)	11,130	6,333	3,352	9,685	11,038
Department of Transportation, Federal Aviation Administration					
Airport Improvement Program (20.106)	3,298	.....	3,193	3,193	2,747
Department of Transportation, Federal Highway Administration					
Highway Planning and Construction (20.205)	39,522	.....	41,309	41,309	51,575
Environmental Protection Agency, Office of Water					
Capitalization Grants for Clean Water State Revolving Fund (66.458)	2,022	87	1,362	1,449	1,116
Capitalization Grants for Drinking Water State Revolving Fund (66.468)	987	82	825	907	1,186
Federal Communications Commission					
Universal Service Fund E-Rate	1,848	.....	1,993	1,993	2,578
Total	549,668	11,658	547,778	559,436	607,008

Table 15-4. SUMMARY OF PROGRAMS BY STATE
(Obligations in millions of dollars)

State or Territory	All programs FY 2014 (actual)	Programs distributed in all years				FY 2016 Percentage of distributed total
		Estimated FY 2015 obligations from:			FY 2016 (estimated)	
		Previous authority	New Authority	Total		
Alabama	6,969	108	6,581	6,690	7,419	1.30
Alaska	2,297	12	2,080	2,093	2,297	0.40
Arizona	10,246	145	11,089	11,234	11,934	2.10
Arkansas	5,855	22	6,454	6,476	6,950	1.22
California	65,949	1,694	74,443	76,137	82,755	14.53
Colorado	6,606	114	6,530	6,650	7,748	1.36
Connecticut	6,830	312	6,361	6,673	6,867	1.21
Delaware	1,756	41	1,560	1,601	1,722	0.30
District of Columbia	3,140	280	2,725	3,005	3,167	0.56
Florida	21,964	511	21,300	21,812	21,949	3.85
Georgia	12,807	207	12,054	12,261	13,266	2.33
Hawaii	2,130	34	2,047	2,080	2,266	0.40
Idaho	2,184	26	2,260	2,286	2,394	0.42
Illinois	18,414	156	17,846	18,001	19,573	3.44
Indiana	10,312	69	10,497	10,566	12,279	2.16
Iowa	4,483	31	4,445	4,476	4,901	0.86
Kansas	3,222	31	3,206	3,237	3,463	0.61
Kentucky	9,075	40	9,669	9,709	10,231	1.80
Louisiana	8,733	155	7,816	7,970	8,511	1.49
Maine	2,475	25	2,354	2,380	2,465	0.43
Maryland	9,176	149	8,655	8,804	9,752	1.71
Massachusetts	12,779	308	12,954	13,261	13,607	2.39
Michigan	15,877	131	17,180	17,311	18,425	3.24
Minnesota	8,831	83	9,384	9,467	10,193	1.79
Mississippi	6,024	47	5,843	5,891	6,262	1.10
Missouri	9,497	116	9,295	9,411	9,925	1.74
Montana	1,704	13	1,737	1,750	1,970	0.35
Nebraska	2,276	35	2,122	2,157	2,254	0.40
Nevada	3,123	44	3,450	3,494	3,690	0.65
New Hampshire	1,442	19	1,747	1,766	1,890	0.33
New Jersey	15,314	1,028	14,138	15,166	16,833	2.96
New Mexico	4,936	33	5,191	5,224	5,927	1.04
New York	51,733	3,541	49,036	52,577	55,640	9.77
North Carolina	13,611	145	12,868	13,013	14,033	2.46
North Dakota	982	15	1,368	1,384	1,464	0.26
Ohio	20,920	124	20,718	20,843	22,451	3.94
Oklahoma	5,708	80	5,463	5,542	6,160	1.08
Oregon	7,747	48	8,715	8,763	9,538	1.67
Pennsylvania	21,433	302	22,331	22,634	24,936	4.38
Rhode Island	2,575	43	2,597	2,640	2,853	0.50
South Carolina	6,604	60	6,349	6,409	6,876	1.21
South Dakota	1,264	10	1,094	1,104	1,218	0.21
Tennessee	10,085	74	9,968	10,041	10,982	1.93
Texas	35,381	459	33,899	34,357	35,141	6.17
Utah	3,027	45	2,865	2,909	3,209	0.56
Vermont	1,636	9	1,531	1,540	1,672	0.29
Virginia	8,203	141	7,835	7,976	8,697	1.53
Washington	8,674	116	11,622	11,738	12,482	2.19
West Virginia	3,987	31	3,951	3,982	4,223	0.74
Wisconsin	8,028	39	7,466	7,506	8,289	1.46
Wyoming	871	8	817	825	905	0.16
American Samoa	106	1	80	82	97	0.02
Guam	202	5	191	196	200	0.04
Northern Mariana Islands	71	2	64	66	69	0.01
Puerto Rico	3,809	167	3,930	4,098	4,020	0.71
Freely Associated States	40	4	27	31	28	*
Virgin Islands	198	4	190	194	182	0.03
Indian Tribes	996	21	1,040	1,061	1,210	0.21
Total, programs distributed by State in all years	513,577	11,512	518,598	530,109	569,462	100.00
MEMORANDUM:						
Not distributed by State ¹	35,351	146	28,733	28,879	37,546	N/A
Total, including undistributed	548,928	11,658	547,331	558,988	607,008	N/A

* 0.005 percent or less.

¹ The sum of program obligations not distributed by State in all years.