APGov | **Name______________________________**
Unit 1, Lesson 6 SR | **Date_____________________ Per._______**

THE CARROT – FISCAL FEDERALISM

SWKT: The distribution of power between federal and state governments to meet the needs of society changes, as reflected by grants, incentives, and aid programs, including federal revenue sharing, mandates, categorical grants, and block grants.

Federal grants are economic aid issued by the United States government out of the general federal revenue. A federal grant is an award of financial assistance from a federal agency to a recipient to carry out a public purpose of support or stimulation authorized by a law of the United States.

1. **CATEGORICAL GRANTS** have a narrow range of eligible activities and only allow funding to be used for specific, narrowly defined purposes. Categorical grant funding is distributed by a pre-determined formula or at the discretion of the federal agencies. These grants typically include administrative and reporting requirements that help ensure both financial and programmatic accountability.

   Two examples of categorical grants are the National Park Service's American Battlefield Protection Grants and FEMA's Flood Mitigation Assistance Grants.

2. **BLOCK GRANT** funding is distributed on a formula basis. Block grants have a broad range of eligible activities, typically addressing a general, rather than a specific problem area. For example, a block grant may address a broad purpose such a public health, rather than more specific problems like lead poisoning or flu vaccinations.

   With their broad range of eligible activities, block grants give more discretion to recipients in identifying problems and designing programs to address those problems. They also minimize administrative requirements.

   A few examples of block grants are the Community Development Block Grant, Social Services Block Grant, and Temporary Assistance to Needy Families.

3. **REVENUE SHARING** started in 1972 when the Nixon Administration initiated the practice. Revenue sharing was a program in which the federal government gave federal tax dollars to the states and local governments. The federal government imposed few restrictions on how revenue sharing money could be used, for one of the underlying principles of the program was that local elected officials were supposedly more effective at determining local needs. Revenue sharing occurs when there is a budget surplus. Presidents Gerald Ford and Jimmy Carter relied less on revenue sharing, which disappeared completely in the 1980s during the Reagan Administration.

THE STICK – REGULATORY FEDERALISM

SWKT: The distribution of power between federal and state governments to meet the needs of society changes, as reflected by grants, incentives, and aid programs, including federal revenue sharing, mandates, categorical grants, and block grants.

By definition, mandates are commands – requirements that the entities they are imposed upon cannot ignore. *Unfunded* mandates, the subject of this report, are those passed by Congress without accompanying appropriation to cover the expense the states must incur to carry them out. In the language used by governments, they exist in four basic forms: direct orders, crossover sanctions, cross cutting requirements, and preemptions.

1. **DIRECT ORDERS** are those mandates whereby states are required to adhere to federal policy irrespective of whether there are federal funds available. The Americans with Disabilities Act (ADA) of 1990, for example, forces local governments to provide access to public transportation for the handicapped, even if less costly modes of transportation are available.

   In a 1980 paper, Ed Koch, then mayor of New York City, chastised the "mandate mandarins" in government for forcing local leaders to provide complete access to public transportation for the handicapped, rather than finding the cheapest way to move them around New York. Mayor Koch estimated that the cost of fixing the city's transportation system to comply with Section 504 of the Rehabilitation Act of 1973 would cost $38 per trip, per handicapped individual. It would have been cheaper to place each person that this bill was designed to assist in a taxicab.

   Today, cities face a similar dilemma with the ADA. Aside from the initial costs of retro-fitting vehicles with wheelchair lifts, lock-down platforms, and special safety restraints, the able-bodied users of the public transportation system are inconvenienced as well. When a handicapped individual uses a student busing service, for example, the driver has to get out to operate the wheelchair lift, assist the individual into the lock-down platform, and still get all the passengers through the bus route on schedule.

2. **CROSSOVER SANCTIONS** force the implementation of federal requirements in one area or the states risk losing money in another, similar area. For instance, states may lose highway grants if they failed to follow certain health or safety requirements imposed by the federal government.

3. **CROSSCUTTING REQUIREMENTS** are used to further social and economic goals and to ensure uniformity throughout the states. Examples are Title VI of the Civil Rights Act of 1964, which bars discrimination in federally assisted programs, and the Davis-Bacon Act, which states that construction projects receiving federal monies must pay union-scale or "prevailing" wages, even if less expensive labor is available.

4. **PREEMPTIONS** can be used by the federal government to overrule current state regulations. States may have the responsibility for programs delegated to them by the federal government; however, if they fail to meet specific requirements they risk having the federal government assume responsibility for the program. A preemption, though regarded as a kind of "mandate" in the public sector lexicon, is somewhat different from the other three far more frequently used mandate forms in that it tells states what they *cannot* do, as opposed to what they *must* do."