

THE CARROT – FISCAL FEDERALISM

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 as 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. **PROJECT GRANTS** fund specific projects or the delivery of specific services for a fixed period of time. Funding is generally awarded through a competitive process where the funding agency solicits applications from any eligible organization. Each application is evaluated and then funding is awarded to the applicants whose proposals best meet the evaluation criteria outlined in the funding announcement. Funding is based on the merits of the application and recipients are not pre-determined.

An example of a competitive grant program is the U.S. Department of Justice's Justice and Mental Health Collaboration Program. Under this program, the U.S. Department of Justice holds an open solicitation for states, units of local government, and Indian tribal organizations to compete for grant funding to improve access to services for offenders with mental illnesses. Applications are scored on how well the project proposal addresses the program's six objectives, with five evaluation criteria worth a total of 100 points used for scoring. Approximately 20-30 awards are granted annually to the highest-ranking projects.

4. **FORMULA GRANT** funding is allocated to recipients based upon a set of pre-existing criteria. Non-competitive awards are usually allocated to eligible entities according to population and/or other census criteria, and all applicants who meet the minimum requirements of the application process are entitled to receive money.

Programs funded through these types of grants are often ongoing and serve a select group of people such as individuals with disabilities or low-income children. While this type of funding is noncompetitive, organizations may still be required to submit an application in order to receive funding.

An example of program funded through a formula is the U.S. Department of Health and Human Services Nutrition Services Incentive Program. This formula program provides resource incentives to reward efficient performance in the delivery of nutritious meals to the elderly. Each year, the U. S Department of Health and Human Services allocates formula funding to states and tribes based on the number of meals served to the elderly in the prior federal fiscal year in proportion to other states and tribes. Nutrition providers must report monthly meal counts to state agencies, which submit final year-end counts to the federal government. As long as tallies are turned in, the Department of Health and Human Services automatically reimburses nutrition providers with \$0.50 per meal delivered in the previous fiscal year.