

# Impacts of Federal Grants and Other Funds on State and Local Budgets

February 10, 2025

Together, state and local governments received more than \$1 trillion in federal grants and other funds each fiscal year from FY2021 to FY2023 the most recent years for which final data is available. These funds play a role in helping these governments provide services such as education, health care, law enforcement, and public transit. This Insight explores the impacts of federal funds on state and local government budgets.

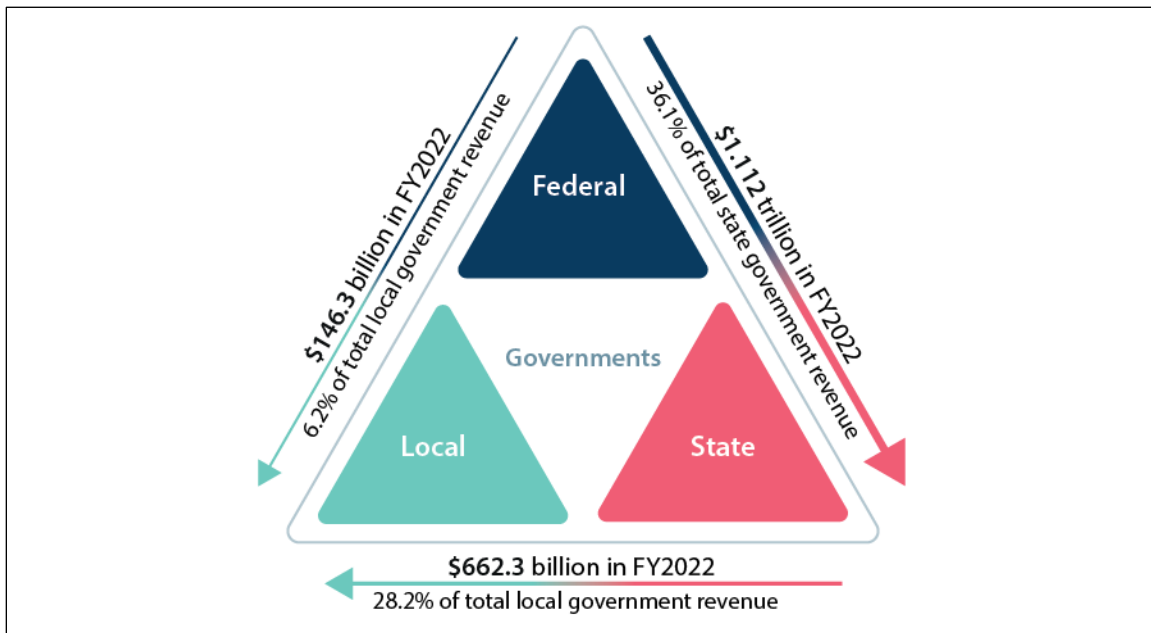
## How do federal grants impact state and local government budgets?

Federal funds represent a significant share of state and local government revenue (see **Figure 1**). According to data from the U.S. Census Bureau’s [Annual Survey of State and Local Government Finances](#), the federal government sent state governments \$1.112 trillion in FY2022—36.1% of total state government revenue (in some cases, portions of this funding must be passed through to local governments). That same year, states provided \$662.3 billion to local governments—28.2% of total local government revenue. (Some of this was federal funding “passed through” states to local governments.) The federal government sent \$146.3 billion directly to local governments in FY2022, or 6.2% of total local government revenue.

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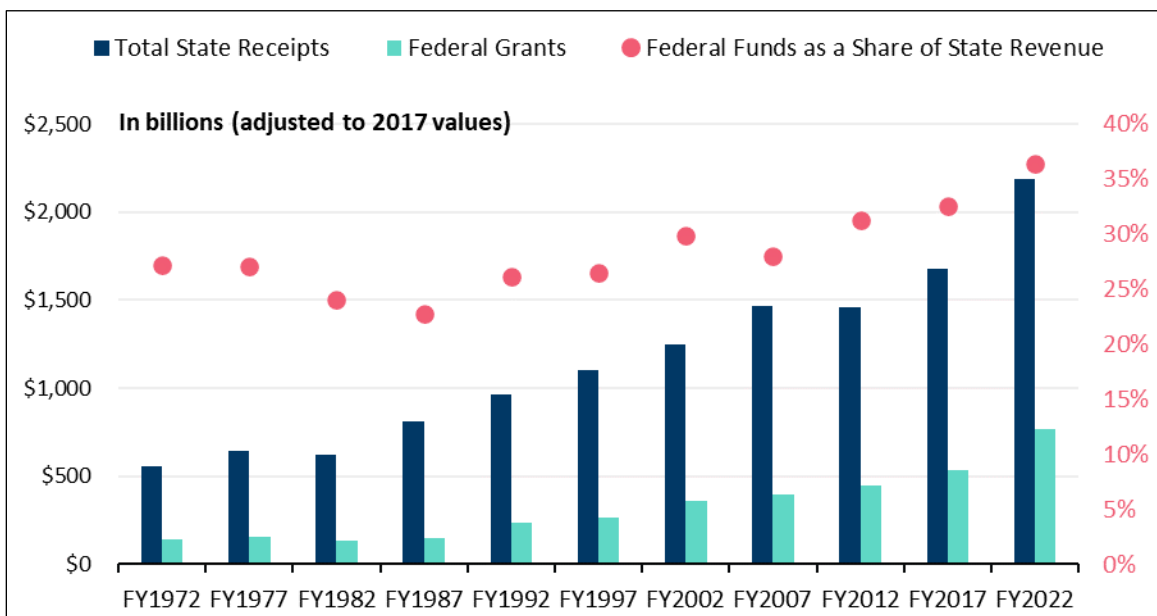
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**Figure 1. Federal Funds to State and Local Governments, FY2022**

**Source:** U.S. Census Bureau, *Annual Survey of State and Local Government Finances*.

According to data from the [Pew Charitable Trusts](#), federal funds have comprised a larger share of state and local government revenue in recent years than at any time since at least the early 1970s. In FY2021, federal funds represented 36.7% of state government revenue, the highest share since 1972 (dipping to 36.4% in FY2022). **Figure 2** presents federal funds as a share of state government revenue from FY1972 to FY2022.

**Figure 2. Federal Funds as a Share of State Governments Revenue, FY1972-FY2022**

**Sources:** The Pew Charitable Trusts, *Record Federal Grants to States Keep Federal Share of State Budgets High*, and U.S. Bureau of Economic Analysis, *Government Receipts and Expenditures*.

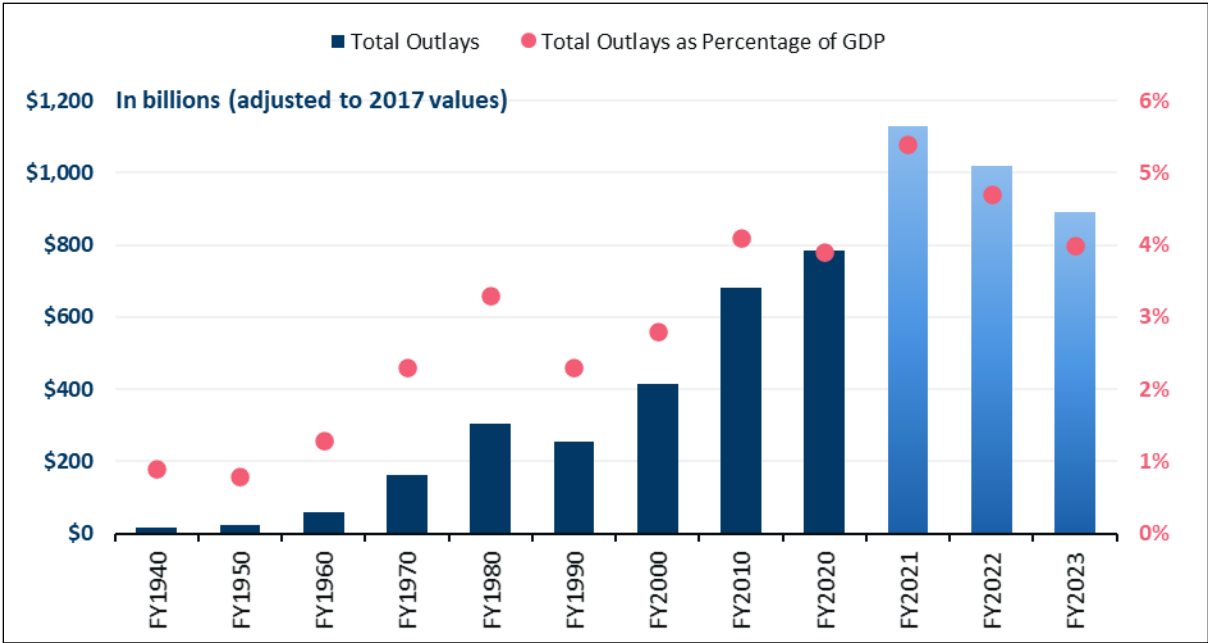
While federal funds as a share of state and local government revenue has increased steadily over the past three decades, the recent peaks in that figure stem at least in part from fiscal assistance that Congress provided to state, local, tribal, and territorial governments during the COVID-19 pandemic. For example, the CARES Act (P.L. 116-136) provided a total of \$150 billion to state and local governments through the Coronavirus Relief Fund, and the American Rescue Plan Act of 2021 (P.L. 117-2) provided \$362 billion in further assistance to those same entities.

While federal funds represented more than a third of aggregate state government revenue in FY2022, there was significant variation among the states. For example, according to [an analysis by the Pew Charitable Trusts](#), federal funds represented 50.5% of Louisiana's total revenue and 50.2% of Alaska's total revenue in FY2022, the highest shares in the country. At the other end of the spectrum, federal funds accounted for 22.2% of North Dakota's total revenue and 25.9% of Hawaii's total revenue in FY2022, and was less than 30% of total revenue in six other states. On a [per-capita basis](#), federal grants in FY2023 ranged from highs of \$6,862 in Washington, DC, and \$6,562 in Alaska to lows of \$1,647 in Florida and \$1,831 in Georgia, with a national average of \$2,779 per capita, according to [an analysis by Federal Funds Information for States \(FFIS\)](#).

## How do federal grants to states compare to the size of the U.S. economy?

In FY2023, the most recent fiscal year for which final data is available, total outlays for federal grants to state and local governments came to [\\$1.083 trillion](#), representing 4.0% of U.S. gross domestic product (GDP). This was the third-highest amount of outlays since at least 1940 based on both nominal (non-inflation-adjusted) and constant (inflation-adjusted to FY2017 values) dollars, following FY2021 (\$1.245 trillion nominal; \$1.130 trillion constant) and FY2022 (\$1.193 trillion nominal; \$1.021 trillion constant). **Figure 3** presents constant amounts of total outlays for federal grants to state and local governments from FY1940 to FY2023, as well as their percentage of U.S. GDP.

**Figure 3. Outlays for Federal Grants to State and Local Governments, FY1940-FY2023**



**Source:** U.S. Office of Management and Budget (OMB), *Budget FY 2025 – Table 12.1 – Summary Comparison of Total Outlays for Grants to State and Local Governments: 1940-2029*.

**Note:** Light blue shading denotes shift in time scale.

# What are the largest sources of federal funds to states and local governments?

Medicaid grants to states represented the majority of outlays for federal grants to state and local governments in FY2023, totaling \$615.8 billion (56.8% of total outlays). **Table 1** presents the 10 largest subsets of grant outlays from the federal government to state and local governments in FY2023.

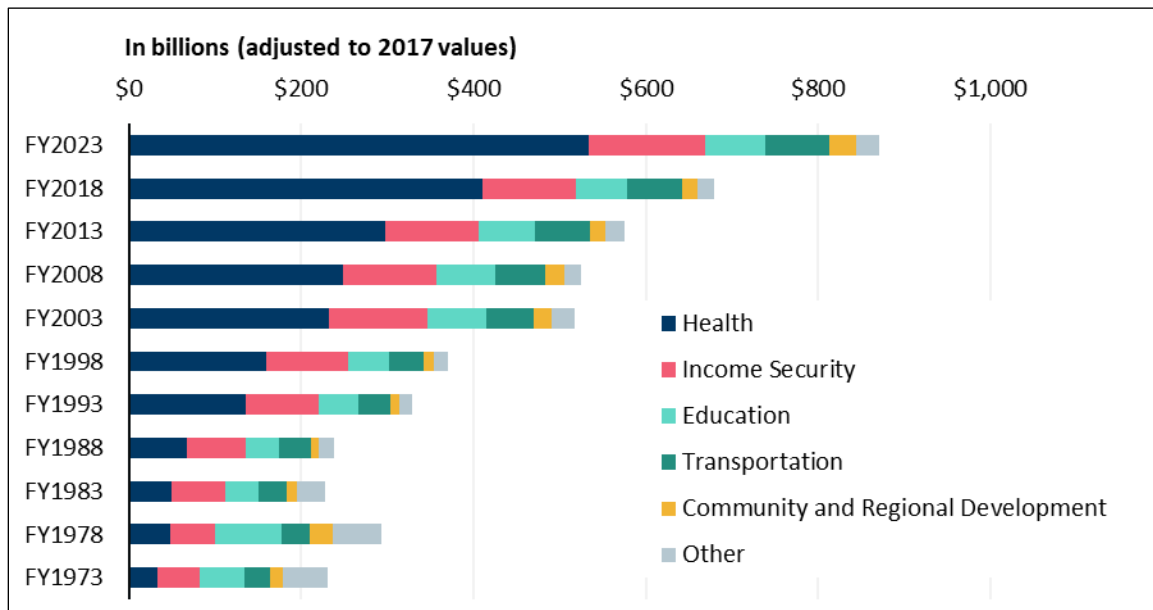
**Table 1. Largest Subsets of Federal Grant Outlays to State and Local Governments, FY2023**  
In Billions of Dollars

Federal Grant	Amount to State and Local Governments
Medicaid	\$615.772
Federal aid for highways (Highway Trust Fund)	\$47.688
Tenant based rental assistance	\$29.559
Child nutrition programs	\$29.126
Stafford Act disaster assistance	\$23.819
Child Care and Development Block Grant	\$22.875
Education Stabilization Fund	\$19.363
Education for the Disadvantaged	\$17.857
Children’s Health Insurance Fund	\$17.588
Temporary Assistance for Needy Families	\$16.459

**Source:** OMB, *Budget FY 2025 – Table 12.3 – Total Outlays for Grants to State and Local Governments by Function, Agency, and Program: 1940-2024*.

Due largely to Medicaid, health represents the largest category of federal grants to state and local governments by dollar amounts. **Figure 4** breaks down the categories of outlays of federal grants to state and local governments for FY1973 to FY2023.

**Figure 4. Outlays of Federal Grants to State and Local Governments by Category, FY1973-FY2023**



**Source:** OMB, *Budget FY 2025 – Table 12.3 – Total Outlays for Grants to State and Local Governments by Function, Agency, and Program: 1940-2024*.

**Note:** Categories created by OMB.

## Further Resources

For additional information:

- CRS Report R42769, *Federal Grants-in-Aid Administration: A Primer*;
- CRS Report R46990, *General State and Local Fiscal Assistance and COVID-19: Eligible Purposes, Allocations, and Use Data*; and
- CRS In Focus IF10231, *Tracking Federal Awards in States and Congressional Districts Using USAspending.gov*.

## Author Information

Adam G. Levin  
Analyst in Economic Development Policy

Ben Leubsdorf  
Senior Research Librarian

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