

standards or requirements prescribed by Congress. Many are awarded on a matching basis; that is, a recipient government must make some contribution of its own, which the national government then matches. For example, the nation's primary health-care program for low-income people, Medicaid, works on this sort of matching basis. Grants-in-aid take two general forms: categorical grants and block grants.

Categorical grants target specific purposes, and restrictions on their use typically leave the recipient government relatively little formal discretion. Recipients today include state governments, local governments, and public and private nonprofit organizations. There are two kinds of categorical grants: formula grants and project grants. As their name implies, **formula grants** are distributed according to specific rules that define who is eligible for the grant and how much each eligible applicant will receive. The formulas may weigh factors such as state per capita income, number of school-age children, urban population, and number of families below the poverty line. Most grants, however, are **project grants**, which are awarded through a competitive application process. Recent project grants have focused on health (substance abuse and HIV-AIDS programs); natural resources and the environment (radon, asbestos, and toxic pollution); and education, training, and employment (for the disabled, the homeless, and the aged).

In contrast to categorical grants, Congress awards **block grants** for broad, general purposes. They allow recipient governments considerable freedom to decide how to spend the money. Whereas a categorical grant promotes a specific activity—say, developing an ethnic heritage studies curriculum in public schools—a block grant might be earmarked only for elementary, secondary, and vocational education more generally. The state or local government receiving the block grant would then choose the specific educational programs to fund with it. The recipient might use some money to support ethnic heritage studies and some to fund consumer education programs. Or the recipient might choose to put all the money into consumer education programs and spend nothing on ethnic heritage studies.

Grants-in-aid are a method of redistributing income. Money is collected by the national government from the taxpayers of all fifty states. The money is then funneled back to state and local governments. Many grants have worked to reduce gross inequalities among states and their residents. But the formulas used to redistribute income are not impartial; they are highly political, established through a process of congressional horse-trading.

Although grants-in-aid have been part of the national government arsenal since the early twentieth century, they grew at an astonishing pace in the 1960s, when grant spending doubled every five years. Presidents Nixon and Reagan were strong advocates for redistributing money back to the states, and political support for such redistribution has remained strong. Controlling for inflation, in 1990 the national government returned \$162 billion to the states. By 2005, the amount had increased to \$342 billion.²¹ The main trend, as illustrated in Figure 4.2, is an enormous growth in health-care spending, which now approaches 50 percent of all national grant funds to the states.²²

Whatever its form or purpose, grant money comes with strings attached. Some strings are there to ensure that recipients spend the money as the law specifies; other regulations are designed to evaluate how well the grant is working. To these ends, the national government may stipulate that recipients follow certain procedures. The national government may also attach restrictions

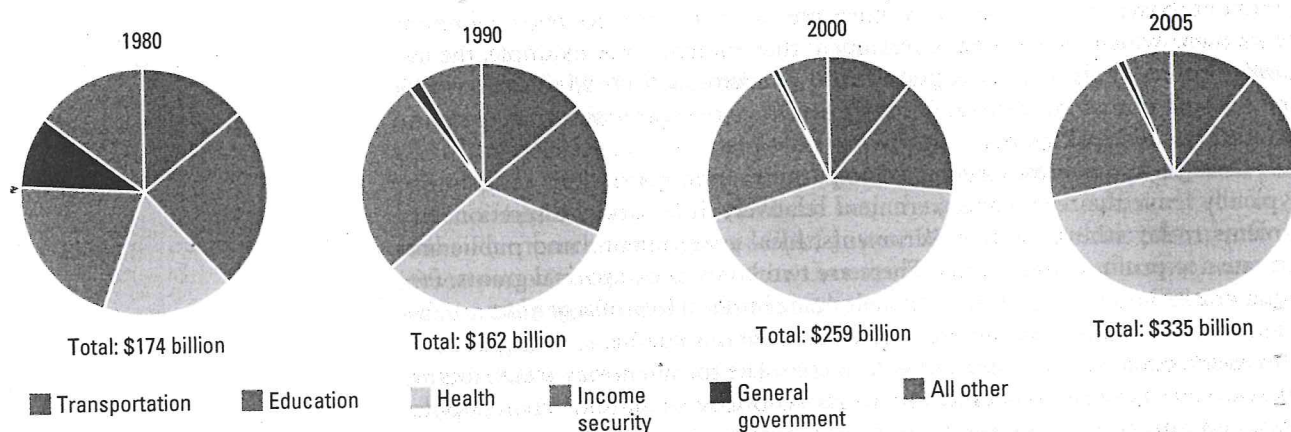
categorical grants Grants-in-aid targeted for a specific purpose by either formula or project.

formula grants Categorical grants distributed according to a particular set of rules, called a formula, that specify who is eligible for the grants and how much each eligible applicant will receive.

project grants Categorical grants awarded on the basis of competitive applications submitted by prospective recipients to perform a specific task or function.

block grants Grants-in-aid awarded for general purposes, allowing the recipient great discretion in spending the grant money.

FIGURE 4.2 Trends in National Government Grants to States and Localities, FY 1990 to 2005



National government grants to states and localities vary substantially. In 1980, education programs accounted for the biggest slice of the national government pie. In 1990, grants for health programs, reflecting the expanding costs of Medicaid, took the biggest slice, reaching more than 30 percent of all national government grants to state and local governments. By 2000, health grants exceeded 43 percent of all such national government spending. By 2005, health grants exceeded 47 percent of national government grants to the states.

Source: Historical Tables, *Budget of the United States Government*, FY2005, Table 12.3. Dollar amounts are in billions of constant FY1996 dollars.

designed to achieve some broad national goal not always closely related to the specific purpose of the grant. Consider the issue of drunk driving, for example.

The use of highway construction funds has proved an effective means to induce states to accept national standards. Congress threatened to reduce millions of dollars in these funds if states did not agree to prohibit the purchase or consumption of alcoholic beverages by persons under the age of twenty-one. Some states objected, claiming that the Tenth and Twenty-first amendments assigned them responsibility for matters such as alcoholic beverage consumption. In *South Dakota v. Dole* (1987), the Supreme Court conceded that direct congressional control of the drinking age in the states would be unconstitutional. Nevertheless, the Constitution does not bar the indirect achievement of such objectives. The seven-member majority argued that, far from being an infringement on states' rights, the law was a "relatively mild encouragement to the States to enact higher minimum drinking ages than they would otherwise choose." After all, Chief Justice William H. Rehnquist wrote, the goal of reducing drunk driving was "directly related to one of the main purposes for which highway funds are expended—safe interstate travel."²³ By 1988, every state in the nation had approved legislation setting twenty-one as the minimum drinking age.

In October 2000, following a three-year battle in Congress, President Bill Clinton signed new legislation establishing a tough national standard of .08 percent blood-alcohol level for drunk driving. Thirty-one states define drunk driving at the .10 percent standard or do not set a specific standard. States that now refuse to impose the lower standard stand to lose millions in government highway construction money.²⁴ The restaurant industry was not cheering the result.

It characterized the law as an attack on social drinkers, who are not the source of the drunk-driving problem. The lure of financial aid has proved a powerful incentive for states to accept standards set by the national government, especially when those standards are aligned with priorities that the states and their citizens generally accept (here, reducing the incidence of drunk driving).

Can you explain why . . .
you have to be twenty-one to drink in all fifty states, even though Congress has never passed a law declaring a national drinking age?

Professionalization of State Governments

A final important factor that has produced dynamic changes in the American federal system has been the emergence of state governments as more capable policy actors than they were in the past. While political scientists generally agree that the rise of competitive party politics in the South (see Chapter 8), the expansion of the interest group system (Chapter 10), and the growth of money in elections (Chapter 9) have all produced significant changes in American politics, nevertheless, many scholars and students rarely consider the expanded capabilities of state governments in the same light. That oversight is important, especially when one considers how far the states have come during the past four decades and how their progress has influenced the shape of American federalism.

It was not long ago that states were described as the weak links in the American policy system. Despite the crucial role that they played in the nation's founding and the legacy of dual federalism, observers both inside and outside the government were skeptical of their ability to contribute actively and effectively to national progress in the post-World War II era. In an oft-quoted book, former North Carolina governor Terry Sanford leveled heavy criticisms at the states, calling them ineffective, indecisive, and inattentive organizations that may have lost their relevance in an increasingly complicated nation and world.²⁵ Writing nearly twenty years earlier, in 1949, journalist Robert Allen was even less kind; he called the states "the tawdriest, most incompetent, most stultifying unit in the nation's political structure."²⁶

But since the 1960s especially, states have become more capable and forceful policy actors. These changes have created better policy outcomes that have benefited citizens across the United States while simultaneously contributing to dynamic changes in the American federal system. If the situation was so bleak less than four decades ago, what happened to bring about the change? Several factors account for the change in perspective.²⁷

First, the states have made many internal changes that have fostered their capabilities. Both governors and state legislators now employ more capably trained and experienced policy staff rather than part-time assistants with responsibilities across a wide range of policy areas. Second, legislatures now meet more days during the year, and elected officials in states receive higher salaries. Third, the appeal of higher salaries, in particular, has helped to attract more highly qualified people to run for state office. Fourth, the increasing ability of states to raise revenue, as a result of state tax and budgetary reforms that have transpired since the 1960s, has also given states greater leverage in designing and directing policy, rather than previous generations, where local property taxes played a more significant role in relation to state budget and tax policy. And, fifth, the unelected officials who work in state departments and administer state programs in areas such as transportation, social services, and law enforcement have become better educated. For instance, the proportion of state administrators possessing a graduate degree increased

from 40 to 60 percent during the period from 1964 to 1994. At the same time, administrators with only some college or less education dropped from 34 percent to just 7 percent.²⁸

As evidence of the dynamic relationships between the national government and the states, changes in national policy have also helped the states to develop. Many federal grants-in-aid include components designed explicitly to foster capacity-building measures in state governments. Because the national government recognizes—often for political or practical reasons—that several of its domestic initiatives depend on capable implementation from state actors, members of Congress and presidents often design national laws with these capacity-building elements in mind.

One example is the Elementary and Secondary Education Act (ESEA), which became law in 1965. This act, passed as part of President Lyndon Johnson's Great Society effort, was designed to provide federal assistance to the nation's disadvantaged students. Though it is often overlooked, Title V of the law contained several provisions designed to strengthen state departments of education, the agencies that would be responsible for administering the bulk of other programs contained in the ESEA. Thus, although the law was often portrayed as an assertion of national power (which it was), it also helped to set in motion changes that would allow state governments to improve their capabilities to make and administer K-12 education policy. Those new capabilities, which subsequent federal laws and internal state efforts have fostered, continued to influence the shape of both federal and state education policy, especially during the most recent revision of the ESEA as the No Child Left Behind Act of 2001.²⁹

All of this is not to say that the states are without problems of their own. In some ways, they have been victims of their own success. Now that state capitals have become more viable venues where citizens and interest groups can agitate for their causes, the states have begun to face ever-increasing demands. Those requests can strain state administrators and legislative or gubernatorial staffs, who, while better educated and equipped than their predecessors, still struggle to set priorities and please their constituents.

★ Ideology, Policymaking, and American Federalism

As the previous section illustrated, American federalism appears to be in constant motion. This is due in large part to what some political scientists call **policy entrepreneurs**: citizens, interest groups, and officials inside government who attempt to persuade others to accept a particular view of the proper balance of freedom, order, and equality. The American federal system provides myriad opportunities for interested parties to push their ideas.

In essence, the existence of national and state governments—specifically, their executive, legislative, and judicial branches, and their bureaucratic agencies—offers these entrepreneurs venues where they can attempt to influence policy and politics. Sometimes when doors are closed off in one place, opportunities may be available elsewhere. The most creative of these entrepreneurs can work at multiple levels of government simultaneously, sometimes coordinating with one another to score political and policy victories.

policy entrepreneurs Citizens, members of interest groups, or public officials who champion particular policy ideas.

In this section, we explore how views about American federalism can influence the shape of the nation's politics and policy. We also relate these issues to our ongoing discussion of political ideology, which we introduced in Chapter 1 (see Figure 1.2).

Ideology, Policymaking, and Federalism in Theory

To begin our discussion in this section, it will be helpful to return to the cake metaphors that describe dual and cooperative federalism. Looking at those models of the nation's federal system helps to capture some of what could be considered conventional wisdom about political ideology and federalism—in particular the views of conservatives and liberals. In their efforts to limit the scope of the national government, conservatives are often associated with the layer-cake metaphor. In contrast, it is often said that liberals, believing that one function of the national government is to bring about equality, are more likely to support the marble-cake approach and more activism from Washington. Let's explore each of these general claims in a bit more detail.

Conservatives are frequently portrayed as believing that different states have different problems and resources and that returning control to state governments would actually promote diversity. States would be free to experiment with alternative ways to confront their problems. States would compete with one another. And people would be free to choose the state government they preferred by simply voting with their feet and moving to another state. An additional claim frequently attributed to the conservative approach to federalism is that the national government is too remote, too tied to special interests, and not responsive to the public at large. The national government overregulates and tries to promote too much uniformity. States are closer to the people and better able to respond to specific local needs. (Consider “Looking to the Future: Water Wars Among the States?”)

In contrast, pundits and scholars often argue that what conservatives hope for, liberals fear. Liberals remember, so the argument goes, that the states' rights model allowed extreme political and social inequalities and that it supported racism. Blacks and city dwellers were often left virtually unrepresented by white state legislators who disproportionately served rural interests. The conclusion is that liberals believe the states remain unwilling or unable to protect the rights or provide for the needs of their citizens, whether those citizens are consumers seeking protection from business interests, defendants requiring guarantees of due process of law, or poor people seeking a minimum standard of living.

Looking in general terms at how presidents since the 1960s have approached federalism issues seems to provide some support for these descriptions of liberals and conservatives.

President Lyndon Johnson's efforts to forge a Great Society are often characterized as the high-water mark of national government activism. With the range of programs in housing, education, and urban renewal developed during Johnson's tenure and his extensions of FDR's New Deal, it was clear to many observers that the marble cake seemed to dominate LBJ's thinking about federalism. In 1969, Richard Nixon advocated giving more power to state and local governments. Nixon wanted to decentralize national policies through an effort dubbed New Federalism. The president's New Federalism called for