Name _____ Class _____ Date _____

Federalism

Section 3

MAIN IDEA
Today, the balance of power between the states and the national government is characterized by a system of grants and mandates, as well as by a number of key policy areas.

Key Terms

fiscal federalism a system of spending, taxing, and providing aid in the federal system

grants-in-aid money and other resources that the national government provides to pay for state and local activities

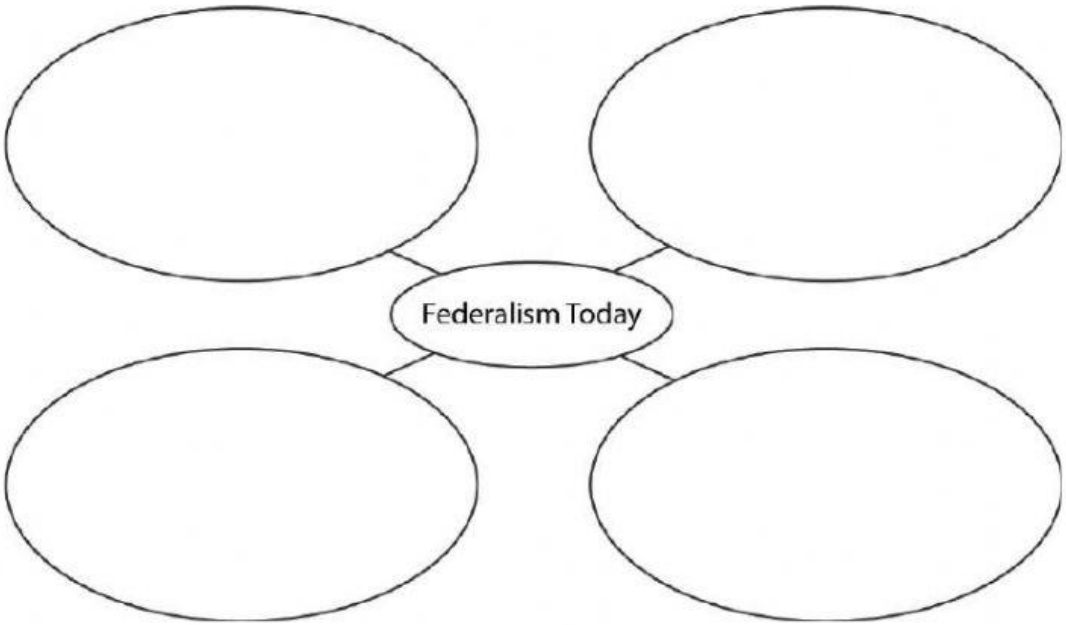
categorical grant a federal grant that can only be used for a specific purpose, or category, of state and local spending

block grant a federal grant that is given for general purposes or for broad policy areas

federal mandates demands on a state to carry out certain policies as a condition of receiving grant money

Taking Notes

As you read, take notes on the features of present-day federalism. Record your notes in the graphic organizer below.



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Section Summary

FISCAL FEDERALISM

Today the national government influences state policies—and its own priorities—through **fiscal federalism**, a system of spending, taxing, and providing aid in the federal system. The national government has been assisting states as far back as the Articles of Confederation, often giving states grants of land to sell or do with as they like. In the twentieth century, the national government's power increased with the use of **grants-in-aid**—money and other resources that the national government provides to pay for state and local activities, ranging from low-income housing to disaster preparedness programs. These grants are funded by federal income taxes.

What makes up the system of fiscal federalism?

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GRANTS AND MANDATES

The national government frequently uses **categorical grants**, or federal grants that can only be used for a specific purpose, or category, of state and local spending, to give aid to states. These kinds of grants can fund a variety of programs, from the construction of a new airport to relief efforts in a region affected by a natural disaster. States are often expected to also contribute money toward the project being funded, and the quantity of the categorical grant may depend on the state's population.

Block grants are federal grants that are given for more general purposes than a categorical grant or for broad policy areas, such as welfare or education. States can spend the money as they see fit. When the era of new federalism began in the 1980s, many categorical grants were changed to block grants.

Federal mandates are the third way the national government gives monetary aid to states. Leaving much less spending control to the states than categorical or block grants do, **federal mandates** are demands to carry out certain policies as a condition of receiving grant money. In the past, the mandates have been applied—and justified by the equal protection clause of the Fourteenth Amendment—to establish affirmative action and certain environmental regulations, including the Clean Air Act of 1970. States who do not meet the demands of a mandate

What is the main difference between block grants and federal mandates?

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may lose the funding. Additionally, some federal mandates are unfunded—a source of contention between the two levels of government.

ISSUES IN FEDERALISM TODAY

Federalism is at the center of many national debates today. One such debate involves welfare systems, over which the states have had control through federal block grants since 1996. Although the number of people on welfare decreased for several years, some people argue that this was due to to a strong economy. Others say it was the flexibility gained when control was passed to the state level. While the number of Americans on welfare remained steady from 2001-2007, an economic downturn made numbers rise again.

The environment is another source of conflict between the national and state governments. While protecting the environment has traditionally been the responsibility of the national government, many Americans believe that state and local governments are better be able to address environmental issues, as they are familiar with regional needs and threats.

While states have assumed many costs of immigration-related issues, Americans are turning to their state and national governments for solutions to rising health care costs. To help address the problem, the national government passed the Affordable Care Act in 2010. The law, also called Obamacare, provided all Americans with new benefits and some with subsidies to help pay for health insurance.

According to supporters, why would it be better to address environmental issues at the state level?

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