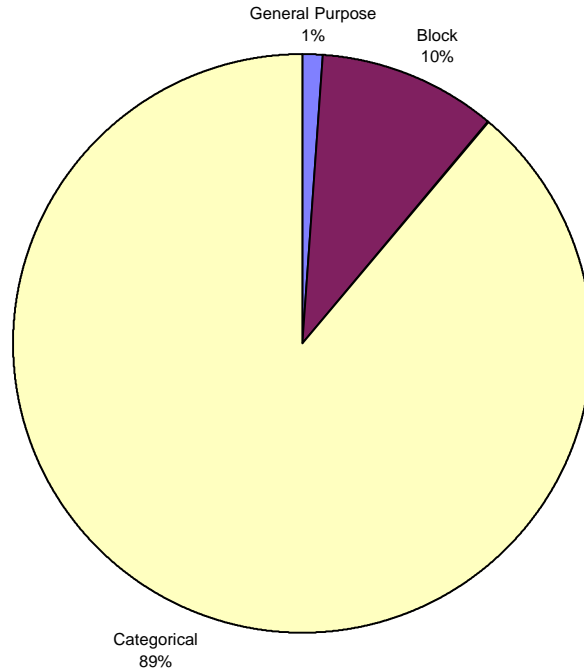


MEMORANDUM

DATE: March 13, 1998
TO: Mr. I. M. Rich
FROM: D. Houston
RE: Federal Grants-in-Aid

As you requested, I have examined the pattern in Federal grants-in-aid for selected fiscal years for the period 1975 to 1995. While it is obvious that Federal grants to state and local governments declined, in real terms (i.e., constant dollars), during the 1980s, a different trend has emerged in the first part of the 1990s. Federal grants have significantly increased in real terms beginning fiscal year 1991. In addition, with all the talk about the trend towards increasing the use of block grants, categorical grants account for the vast majority of grants disbursed to state and local governments during the year 1995. The figure below illustrates this fact.

Federal Grants-in-Aid, FY 1995: Distribution by Type of Grant



If you have any additional questions pertaining to this matter, please let me know.