



Badger Institute: Federal grants are turning states against their own people

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tates are increasingly “lured by the federal government” to receive so-called free money, but in the process have become “branch offices of Washington – or, even worse, indistinguishable from the federal government itself,” according to an analysis published by the state’s fiscally conservative think tank, the Badger Institute.

This costs taxpayers money and increasing intrusion into their personal lives that is unwarranted, the authors of the report argue.

The report, Federal Grantstanding, how federal grants are depriving us of our money, liberty and trust in government, concludes that Wisconsin taxpayers would be better off if the state received fewer federal grants-in-aid, and suggests changes to the state government administration.

A grant-in-aid is the transfer of money from the federal government to a state or local government to fund a specific project or program paid for by federal income tax revenue. The grants are not required to be repaid, but must be spent according to the federal guidelines.

“We want to start to change the mindset in this country that federal money is free,” the authors of the report write.

Grants-in-aid to state and local governments in Wisconsin amount to at least \$10.8 billion, according to the Center for Budget and Policy Priorities. As a result, the Badger Institute argues state workers paid by and working for Washington, D.C., end up “doing the bidding of unelected, unseen and largely unaccountable bureaucrats, not the citizens of Wisconsin, for whom they ostensibly work.”

Federal grants-in-aid to state and local governments grew from \$7 billion in the 1960s to an estimated \$728 billion in 2018 – more than any sector of the federal budget after Social Security and national defense – and account for roughly 30 percent of Wisconsin’s budget.

Wisconsinites also paid more than \$53 billion in taxes to the federal government in 2017, according to the Internal Revenue Service Data Book.

In 2015, the Badger State received \$1,645 per capita in federal grants, including but not limited to grants-in-aid to state and local governments, ranking 37th in the U.S., according to the Council of State Governments.

Nationally, there are 2.7 million full-time-equivalent (FTE) direct employees of the federal government, according to 2018 Congressional Research Service data, excluding uniformed military personnel. Nearly one-third of many state government budgets rely on federal dollars.

The Badger Institute argues that national and state governments should be distinct, holding different powers and purposes, as delineated by the U.S. Constitution. But because they are increasingly less distinct, the system of checks and balances has deteriorated and poses “a danger to our system of government and to individual liberty.”

In Wisconsin, approximately 5,000 full-time state workers are paid with federal funds, excluding thousands paid through the University of Wisconsin System, according to the analysis.

The report analyzed six of the most federalized Wisconsin departments: Workforce Development, Children and Families, Transportation, Health Services, Natural Resources and Public Instruction.

The Wisconsin Department of Workforce Development should be called the U.S. Department of Workforce Development, the Badger Institute argues, because the federal government issues paychecks to 73 percent of its employees.

Approximately 20 percent of employees at the state departments of Health Services and Natural Resources are paid with federal money; 24 percent at the state department of transportation and nearly 50 percent at the both the Departments of Children and Families and Department of Public Instruction are paid by the federal government.

More than 1,100 of the agencies’ federally paid employees, or 29 percent, engage primarily in administrative work, the report found. They receive on average more than \$79,300 per year in salary and benefits, and combined cost taxpayers nearly \$89 million.

“It’s the folks in Milwaukee and Madison and Mosinee, and in thousands of other cities and towns, who have to deal with the loss of their money, independence and self-respect stemming from an intrusive national government that seems increasingly to have no bounds,” Mike Nichols, president of the Badger Institute, said.

The report notes that the institute isn’t the “first to point out that the federal government is using massive amounts of money through grants-in-aid to coerce states and their residents into compliance” and that such grants are at “the crux of the debilitating, inexorable expansion of national power.”

Cato Institute’s Chris Edwards, who has researched federal grants for more than a decade, said they represent “a microcosm of duplication and waste in the federal system.” And “there is no economic or practical purpose” for them.

“The purpose of the federal government to subsidize housing or education is to give politicians talking points on how they are helping the citizens,” Edwards argues. “But it doesn’t help citizens; it actually reduces responsibility. Whenever there are screw ups, fraud or waste, politicians can blame the bureaucrats. It’s a brilliant system.”

The extent of the federal government’s influence over the lives of citizens nationwide “is increasingly personal,” the Badger Institute report states, citing the former Democratic governor of Nebraska, Ben Nelson. Nelson remarked, “I honestly wondered if I was actually elected governor or just branch manager of the state of Nebraska for the federal government.”

Federal government intrusion “frustrates the desires and abilities, and the independence and liberties of so many state residents, no matter their political bent,” the authors write. “And for what reason?,” they ask.

Both the Badger Institute and Cato Institute suggest that federal spending on grant-in aid to states be cut. Other suggestions the Badger Institute makes includes eliminating the U.S. Department of Education, increasing the use of block grants with fewer strings attached, reforming Title 1, increasing state and local government transparency that also demand metrics that measure outcomes, and expanding REINS (Regulations from the Executive in Need of Scrutiny Act), which could better constrain bureaucratic overreach, including the effect of federal grants.

REINS was signed into law by Gov. Scott Walker in August 2017 and was the first such law to go into effect at the state level. It requires legislation be passed to authorize any administrative rule that has compliance or implementation costs of \$10 million or more over a two-year period.