Implications of Block Grants and the Consolidation of Federal Education Programs

A POLICY & RESEARCH REVIEW

Cara Jackson, PhD
Center for Outcomes Based Contracting

September 2026

Why This Issue Requires Urgent Attention

The Trump administration has repeatedly proposed consolidating many categorical federal education grant programs into less restricted block grants making this an especially critical moment for states to understand the evidence on block grants and how such changes to allocation of funds might impact students. The stated aim of consolidation is to reduce administrative burden and empower states "to use federal funds flexibly to meet their needs without the administrative burden and programmatic siloes of current law, with its dozens of separate elementary and secondary education grant programs" (U.S. Department of Education [USED], 2026a, p. 11). The administration's FY27 budget proposal requests the consolidation of 17 K-12 education programs into one Make Education Great Again (MEGA) program, while reducing overall funding levels. It also proposes consolidating several Individuals with Disabilities Education Act (IDEA) programs while providing additional flexibility in how those funds are spent. Though Congress rejected similar proposals for the FY26 budget, the administration's attempts to drastically alter the way federal funding is allocated still deserve attention.

Overview

Block grants are fixed-sum federal grants that give broad flexibility to state and local governments to design and implement designated programs (Finegold et al., 2004). In theory, block grants could improve program effectiveness by allowing decision-makers to use funds in ways that best meet state and local needs. Potential downsides include misuse of state flexibility and concern that block grants are an indirect means of reducing funding.

The administration's FY27 budget proposal consolidates 17 elementary and secondary school grants in one MEGA grant, while cutting 70% of the funding previously allocated to those programs. It also consolidates six IDEA programs into Grants to States with a small funding increase. The stated purpose is to reduce "unnecessary administrative burden" (USED, 2026a, p.10) and "improve American education by situating dollars and decision-making closest to families and students" (USED, 2026a, p.4).

Whether the proposed consolidations are enacted or not (the House committee rejected the president's proposed consolidation in their FY27 spending bill) (Arundel, 2026), consolidation of federal funds may also come in the form of waivers. In July 2025, the USED issued a Dear Colleague Letter encouraging states to submit requests to waive many of the requirements under the Every Student Succeeds Act (ESSA), the 2015 reauthorization of the Elementary and Secondary Education Act (USED, 2026b). Subsequently, several states have submitted waiver requests; Arkansas, Indiana, Iowa, Louisiana, South Dakota and Vermont have had waivers approved. Iowa's waiver was described as "both notable and unprecedented, as it would functionally result in block granting programs targeted at specific students without congressional approval" (All4Ed, Iowa summary). All4Ed's Louisiana summary noted that the waiver "eliminates guardrails that ensure dedicated funding reaches students with the greatest needs." ESEA waivers could reduce transparency into the use of federal funds to support students.

Importance of Grounding Policy Decisions in Evidence

As enforcement of federal education programs becomes less feasible given reductions in staffing at USED, and if proposed flexibility is delivered, either through the restructuring of federal programs into block grants or through state waivers of ESSA requirements, **state policymakers will play an increasingly central role in determining how unrestricted funds are allocated and whether longstanding inequities in education are identified and addressed**. Grounding state decisions in the evidence can help ensure that changes in federal posture do not weaken protections for students who have been targeted for federal funds, such as students from low-income families, students with disabilities, and multilingual learners, or allow inequities in education to go unaddressed.

Are federal agencies distributing block grant funds in ways that align with student needs?

Past evidence regarding whether block grants shift funding away from those with most need has been mixed (Finegold et al., 2004). In a more recent study, Balio et al. (2024) analyzed state block grant allocations as a function of state-level characteristics for 2015-2019 for all 50 states and concluded that block grant funding **does not align with state characteristics and needs.** They found that block grants were often allocated based on outdated formulas or historical funding amounts, which led to few associations between measures of need and block grant allocations.

In 2025, the U.S. Government Accountability Office's (GAO) report on the Temporary Assistance for Needy Families (TANF) block grant indicated that federal agencies need to establish guidance and procedures to plan and conduct regular fraud risk assessments (GAO, 2025). GAO found Health and Human Services (HHS) did not have standard procedures for conducting fraud risk assessments, or finalized guidance to ensure these assessments occur regularly. The GAO report included seven recommendations for executive action, and while HHS agreed with five of the seven, all recommendations remain open, with only one partially addressed. Presumably, block grant versions of USED programs would also benefit from clear guidance and standard procedures to regularly conduct fraud risk assessments. Failure to do so risks federal funds being distributed in ways that are unaligned with student needs. However, given HHS's inaction in responding to existing recommendations to improve the TANF block grant, it seems unlikely that the administration will prioritize this for any new block grants.

Under a block grant, will State Education Agencies (SEA) allocate funds in ways that meet state and local needs and adhere to federal requirements?

Block grants work best when state administrative capacities already exist (Finegold et al., 2004). In 1995, GAO reported that states were able to use existing administrative organizations and service provider networks to implement the 1981 social services, education, and health block grants with few organizational changes (GAO, 1995). However, GAO did flag three concerns:

- Initial funding allocations were not necessarily equitable since they were based on prior categorical grants.
- Congress and program managers do not always have the kinds of information needed to effectively oversee block grants.
- Over time, Congress added constraints to the funding, reducing state flexibility.

Additionally, other evidence indicates that when combined with reduced funding, states have moved away from services with long-term payoffs to concentrate on immediate and short-term solutions (Nathan & Doolittle 1983, 1987). **Often, this priority shift translated into a reduction in services for the neediest populations.**

To what extent might allocation change under a block grant?

Spurrier et al. (2025) identify three paths states would have for allocating block grants: 1) maintain status quo funding mechanisms; 2) leverage the state's primary school funding formula; or 3) drive block grants through new formula(s) beyond a state's primary school funding formula.

Maintaining the status quo (option 1) implies that states gain little from the additional flexibility afforded by the block grant. It follows that allocation would not change in states that selected this option.

The impact of leveraging a state's primary school funding formula (option 2) is likely to vary as a function of the state's existing funding distributions. As evidenced from the Education Law Center's Making the Grade report, in 2023, only 17 states had an even modestly progressive distribution of state and local funding relative to student poverty (Farrie & Kim, 2025). In contrast, most federal funding is allocated based on poverty levels (or other measures correlated with poverty) and is therefore far more progressively distributed. Option 2 will likely lead to a less progressive distribution of federal funds than exists through current federal formulas and could lead to a reduction in services for the neediest populations. This change would be most inequitable in the 12 states with regressive funding distributions by redistributing federal funds away from higher poverty school districts and towards wealthier districts.

While option 3 is most in keeping with the intent of block grants, it likely requires additional state-level capacity to enact relative to the other approaches. That is, the block grant shifts administrative burden from a single federal entity to over 50 different SEAs and territories. As such, block grants would *only* achieve stated goals if the combination of reduced federal reporting requirements and changes in how SEAs allocate funds yield cost efficiencies that offset increased state administrative burdens, and if newly designed formulas prioritize the equitable distribution of funds.

Finally, block grants could change the funding amount. While initial funding for block grants has not been consistently higher or lower, the real value of block grant funding tends to diminish over time (Finegold et al., 2004). Additionally, once in operation, block grants have been subject to new administrative requirements, such as set-asides or cost ceilings, that reduce flexibility. Block grants tend, over time, to attract these types of restrictions that narrow state flexibility, a pattern Posner and Wrightson (1996) call "creeping categorization."

What is likely to be the impact on services for students with disabilities with less federal oversight?

IDEA serves millions of children nationwide, from birth through age 21, and guarantees eligible students receive a free appropriate public education. States receive IDEA funding in exchange for meeting requirements related to service delivery, fiscal management, data reporting, and the protection of students' and families' rights. USED is responsible for monitoring compliance, enforcing civil rights protections, evaluating program effectiveness, and collecting critical data. **Current proposals to consolidate IDEA programs would retain IDEA's legal requirements but would allow states greater flexibility, adding complexity to efforts to enforce and investigate noncompliance with the requirements.**

Our policy review revealed that federal monitoring has prompted corrective action by states identified as struggling to meet IDEA requirements (Jackson, 2026). Longstanding state issues include uneven enforcement of parental rights, shortages of qualified staff, and racial and ethnic disparities in identification and discipline. USED's monitoring identified these issues and prompted states to address them. Absent strong federal standards, oversight, and enforcement, it is unclear what recourse parents will have should issues go unaddressed.

In a research review of special educator teacher preparation, we raised concerns that diminishing federal accountability mechanisms may make it difficult for states to resist pressure to relax certification and licensure requirements to address special education workforce shortages (Turner & Jackson, 2026a). The evidence base suggests that effective educator preparation includes high-quality, structured clinical experiences and coursework connected to instructional practice. Reduced expectations for supervised clinical experience and specialized coursework may lead to more novice educators reporting they are not equipped with the skills needed to meet classroom demands.

In another research review, we noted that monitoring by the Office of Special Education Programs (OSEP) revealed failures in how states monitor and address significant racial disproportionality in identification, placement, and discipline of students with disabilities (Turner & Jackson, 2026b). OSEP also identified critical data collection and reporting failures that compromise states' ability to monitor compliance with IDEA Part B requirements and identify systemic problems affecting students with disabilities. As we stated:

> *Weakening IDEA enforcement risks reducing transparency and accountability at the state level, allowing longstanding inequities in identification, placement, and discipline to continue without systematic response.* (p. 8)

Shifting federal special education funding to block grants would allow Congress to set new rules for how states and districts access and use federal funds. Kolbe and Dhuey (2025) raise several concerns about this approach to IDEA, including:

- States might opt out of IDEA entirely, releasing them from the law's requirements and potentially weakening protections and services for students with disabilities.
- States could decide to spend less on special education, since a "no strings" block grant would free them from IDEA's maintenance of effort requirements.

Since March 2025, the USED offices responsible for conducting evaluations of federal programs, monitoring compliance, and investigating complaints have experienced significant reductions-in-force. Additionally, in June 2026, USED announced that management of the Office of Special Education and Rehabilitative Services (which includes OSEP) would move to the U.S. Department of Health and Human Services, and the Office of Civil Rights would move to the U.S. Department of Justice (USED, 2026c). While USED retains formal authority over IDEA, the staffing reductions and inter-agency agreements may result in less timely or comprehensive enforcement of legislative requirements for students with special needs.

In fact, the Department's capacity to continue to monitor and identify issues in states is already compromised: according to a report from the Council of Parent Advocates and Attorneys (COPAA), the administration reduced its monitoring schedule from ten states per year to only two states per year "demonstrating the Department's utter failure to fulfill its obligation to provide the required oversight of States" (COPPA, 2026, p.2). The number of outstanding issues and "widespread failures" in recent federal monitoring reports "suggest systemic challenges in [states'] capacity and ensure quality special education services as mandated by federal law" (Jackson, 2026). **Further reduced oversight and greater flexibility for states would likely lead to even more failures and less intervention to remedy problems.**

Evidenced-Based Considerations for Federal, State, and Local Policymakers

The history of block grants provides both background context for evaluating the Trump administration's current proposals and reveals reasons for caution. Four patterns from that history bear directly on the design and likely consequences of the proposed consolidation of funds:

Flexibility and accountability are not free trade-offs. Block grant proponents frame flexibility as the mechanism through which local innovation replaces federal inefficiency. But the historical record is more complicated: the Reagan-era education block grants produced not local reinvention but a retreat from targeted populations. States redistributed funds from big-city schools with large minority populations toward broader distributions based on school population rather than need (Hayes, 1995). The MEGA block grant's explicit omission of performance indicators (Godfrey, 2026) recapitulates this dynamic. As Godfrey (2026) notes, MEGA does not establish goals and performance indicators for the consolidated funds.

Funding erosion is a real threat under block grants. Across the programs reviewed, real-value funding losses are a consistent long-term pattern, not exceptional cases. Kogan et al. (2025) document a 28 percent decline across 15 block grant programs since 2000 after adjusting for inflation. The block grant literature consistently shows that in the absence of maintenance of effort requirements, per-pupil funding accountability, and data infrastructure to observe whether public investment is producing public benefit, spending on the neediest populations contracts over time (Nathan & Doolittle, 1983, 1987; Hayes, 1995).

Administrative capacity determines who benefits. Block grants work best where state and local administrative capacity already exists (Finegold et al., 2004). Collins and Gerber (2006) found that localities most in need are often least equipped to capture competitive block grant funds.

For better or worse, creeping categorization is likely. Block grants tend, over time, to attract restrictions that narrow state flexibility, a pattern Posner and Wrightson (1996) call "creeping categorization." This could be seen as a failure of block grant design, but the IDEA history suggests an alternative interpretation: federal oversight and monitoring requirements exist because monitoring revealed that states have failed to enforce parental rights, address racial disproportionality in identification and discipline, and ensure appropriate services (Jackson, 2026). The restrictions that eventually accumulate around block grants are not evidence of federal overreach so much as evidence of why accountability structures exist.

Given these evidence considerations, if programs are consolidated into block grants, certain steps can offset risks to the vulnerable populations ESSA is intended to serve. First, USED should establish guidance and procedures to plan and conduct regular fraud risk assessments, in keeping with GAO's 2025 findings. Second, following Godfrey's (2026) suggestion, USED could establish a public scorecard providing information on how funds were distributed and where states stand on a set of performance indicators. This would require synthesizing information from across the different agencies now managing various aspects of IDEA and other elementary and secondary programs. Performance indicators could address states' and districts' compliance with federal requirements, the extent to which resources have been directed to vulnerable students as intended, and timeliness of responses to complaints.

Conclusion

Both policy analysis and research on previous block grant programs suggest that the administrative requirements associated with current funding allocations may, in fact, be necessary to safeguard our nation's most vulnerable students. Restrictions on how funds are allocated and spent are the mechanism through which the federal government ensures funding reaches intended populations and is used on programs and services with demonstrated impact. Monitoring systems have continually shown that, even with clear federal oversight, states often violate regulations and mismanage funds. This is especially clear when it comes to IDEA funding for students with disabilities, where previous federal monitoring has identified cases in which states were not in compliance with many of the core requirements of IDEA.

Research on education and in other social service programs indicates that block grants may reduce services for the neediest populations, either because of stagnant funding or because states lack the capacity to efficiently distribute funds. Block grant consolidation of federal funds, or waivers that result in consolidation, reduce transparency, accountability, and the structure to enforce federal laws designed to protect students.

While we offer evidence-based recommendations to offset the risks inherent in block grants, creating new layers of accountability is not necessarily any more efficient than the approach USED previously took to monitor federal programs. If block grants are established, states and school districts will have greater responsibility for ensuring that funds are targeted to the student populations that are most in need and for whom they are intended. But with no federal oversight, there will likely be great disparities in the extent to which states and districts achieve the goals for which the federal funding was originally designed.

References

Arundel, K. (2026, June 10). *Ed Dept would see 10% budget cut under House committee plan*. K–12 Dive. https://www.k12dive.com/news/house-committee-advances-fy27-plan-to-cut-ed-dept-by-10/822462/

Balio, C. P., Mathis, S. M., Francisco, M. M., Meit, M., & Beatty, K. E. (2024). State Priorities and Needs: The Role of Block Grants. *Public Health Reports®*, *139*(4), 451–457. https://doi.org/10.1177/00333549231205338

Collins, B. K. & Gerber, B. J. (2006). Redistributive Policy and Devolution: Is State Administration a Road Block (Grant) to Equitable Access to Federal Funds? *Journal of Public Administration Research and Theory, 16*, 613–632

Council of Parent Attorneys and Advocates. (2026). *States Are Failing to Meet their Obligations to Students Under IDEA: An Analysis of State Monitoring Reports by the U.S. Department of Education.* https://cdn.ymaws.com/www.copaa.org/resource/resmgr/docs/2026_docs_/idea_state_monitoring.pdf

Farrie, D. & Kim, R. (2025). *Making the Grade: How Fair is School Funding in Your State?* Education Law Center.

Finegold, K., Wherry, L., & Schardin, S. (2004). *Block Grants: Historical Overview and Lessons Learned*. *Series A, No. A-63*.

Godfrey, J. (2026, May 1). *New Grants Would Dump Education Money on States With No Way to Measure Success*. The 74. Retrieved from https://www.the74million.org/article/new-grants-would-dump-education-money-on-states-with-no-way-to-measure-success/

Hayes, C. D. (1995). *Rethinking Block Grants: Toward Improved Intergovernmental. Financing for Education and Other Children's Services*. The Finance Project. Washington, DC. https://files.eric.ed.gov/fulltext/ED394193.pdf

Jackson, C. (2026). *How the U.S. Education Department's Oversight Supports Students with Disabilities.* Education Law Center.

Kogan, R., Rachamallu, K., Cureton, J., & Reich, D. (2025). *History Shows That Block-Granting Low-Income Programs Leads to Large Funding Declines Over Time | Center on Budget and Policy Priorities*. The Center on Budget and Policy Priorities. https://www.cbpp.org/research/federal-budget/history-shows-that-block-granting-low-income-programs-leads-to-large

Kolbe, T., & Dhuey, E. (2025, May 6). *Trump Administration Weights Future of Special Education Oversight and Funding.* Brookings Institution. https://www.brookings.edu/articles/trump-administration-weighs-future-of-special-education-oversight-and-funding/

Nathan, R.P., & Doolittle, F.C. (1983). *The Consequences of Cuts: The Effects of the Reagan Domestic Program on State and Local Governments*. Princeton University Press.

Nathan, R.P., & Doolittle, F.C. (1987). *Reagan and the States*. Princeton University Press.

Posner, P. L., & Wrightson, M. T. (1996). Block Grants: A Perennial, But Unstable, Tool of Government. *Publius: The Journal of Federalism*, *26*(3), 87–108. https://doi.org/10.1093/oxfordjournals.pubjof.a029872

Spurrier, A., McMillan, B., & Schiess, J. O. (2025). *Block Grants: A Framework for States' Response to Potential Flexibility in Federal K-12 Education Funds. A Bellwether Memo*. Bellwether. https://eric.ed.gov/?id=ED674189

Turner, A., & Jackson C. (2026a). *Implications of Loosening Federal Oversight for Special Education Teacher Preparation.* Education Law Center.

Turner, A., & Jackson C. (2026b). *Federal Oversight of Racial Disproportionality in Special Education.* Education Law Center.

U.S. Department of Education. (2026a). Fiscal Year 2027 Budget Summary. https://www.ed.gov/media/document/fy-2027-budget-summary-113552.pdf

U.S. Department of Education. (2026b). Dear Colleague...., https://www.ed.gov/media/document/dear-colleague-letter-esea-flexibility-and-waivers-july-29-2025-110440.pdf

U.S. Department of Education. (2026c, June 16). U.S. Department of Education Announces Additional Partnerships to Strengthen Coordination for Students with Disabilities Programs, Bolster Civil Rights Enforcement. https://www.ed.gov/about/news/press-release/us-department-of-education-announces-additional-partnerships-strengthen-coordination-individuals-disabilities-programs-bolster-civil-rights

U.S. Government Accountability Office. (1995). Block Grants: Characteristics, Experience, and Lessons Learned. (GAO-95-74).

U.S. Government Accountability Office. (2025). Temporary Assistance for Needy Families: Additional Actions Needed to Strengthen Fraud Risk Management. (GAO-25-107290).