



Types of Federal Grants

This quick guide provides an overview of the primary types of federal grants available in the United States. It outlines their characteristics, purposes, and implications for recipients such as state and local governments, nonprofits, and educational institutions.

An Overview of the Main Categories of Federal Grant Funding

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Background

Federal grants are financial awards issued by U.S. government agencies to support public purposes authorized by law. Unlike loans, grants do not require repayment. They are governed by the Federal Grant and Cooperative Agreement Act of 1977 and are distinct from federal contracts or cooperative agreements.

Key Components

Main Types of Federal Grants

Note: The types of federal grants listed below are the most commonly listed in various federal sources. Some sources combine types, while others add or reduce the types of grants. For more information on the discrepancies between federal agencies' grant definitions, please review this study from the Congressional Research Service: [Block Grants: Perspectives and Controversies | Congress.gov | Library of Congress](#).

1. **Formula Grants:** An allocation of federal funding to states, territories, or local units of government determined by distribution formulas in the authorizing legislation and regulations.
 - Distributed based on factors like population, poverty, and other demographic information.
 - Sometimes referred to as "mandatory grants."
2. **Block Grants:** Broad-purpose grants with fewer restrictions for general areas such as community development, public health, or education. They

are primarily awarded by the federal government to U.S. state or territory governments.

- Allow recipients more flexibility in how funds are used because the funds have more “broadly defined functions.” These funds are provided with relatively few strings attached, which allow local governments to manage and oversee these programs and determine the best impact on community needs.
 - Block grants are awarded on a formal basis with legislation or enacted appropriations specifying how the funds will be allocated among eligible recipients.
 - Sometimes considered a formula grant in the System for Award Management (SAM.gov) and Grants.gov
3. **Project Grants:** Project grants are sometimes also called discretionary or competitive grants. Funding provided under the specifications of a particular enacting legislation aimed at solving a public issue. This funding allows federal funding agencies discretion to determine which eligible entity will receive an award and the award amount.
- Awarded through a competitive process.
 - Agencies have discretion in selecting recipients based on merit.
4. **Cooperative Agreement:** Provides for substantial involvement between the Federal awarding agency or pass-through entity and the non-Federal entity in carrying out the activity contemplated by the Federal award.

Common Mechanisms for Applying for and Receiving Federal Grants

Prime Recipient Grants: In this scenario, an applicant applies directly to the federal awarding agency, often through Grants.gov. The legal and financial relationship is directly between the recipient and the federal agency. A grant applicant/recipient may be a prime recipient of any of the four types of federal grants. Prime recipients may also grant funds to subrecipients, in which case the prime recipient is also a pass-through entity.

Pass-Through Grants: Funds provided by the federal government to a prime recipient, such as a state government, which then distributes the funds to subrecipients to carry out part of the federal award.

- Funds from any of the four main types of federal grants may be passed through a prime entity to subrecipients.
- Federal compliance requirements flow through the pass-through entity to the subrecipient.
- Pass-through entities are required to monitor the compliance of their subrecipients.

Earmark Grants: A type of funding where specific federal funds are directed toward particular projects, often in specific locations, by Members of Congress. This process, also known as Congressionally Directed Spending (CDS) in the

Understanding the Impact

Senate and Community Project Funding (CPF) in the House, allows local governments and nonprofits to apply for funding directly through their representatives.

- Specifically designated by Congress for particular projects or recipients.
- Often included in appropriations bills.
- Once awarded, earmark grants are paid out through, and administered as, a grant in a pre-existing grant program.

Understanding the types of federal grants is essential for organizations seeking funding. Each type has different application processes, compliance requirements, and allowable uses. Misunderstanding these distinctions can lead to mismanagement or ineligibility.

Understanding the types of federal grants empowers organizations to make informed decisions about their funding strategies and to identify the most suitable funding for their specific needs and projects.

Next Steps & Recommendations

For Applicants: Identify the type of grant that aligns with your project goals, organizational capacity, and eligibility.

For Policymakers: When designing grant programs, it's important to weigh the balance between flexibility and accountability for recipients.

For Grant Administrators: Ensure compliance with federal regulations and reporting requirements per "grant type."

Additional Resources

- [Federal Grant and Cooperative Agreement Act of 1977](#)
- [Block Grants: Perspectives and Controversies | Congress.gov | Library of Congress](#)
- [What Is a Block Grant? \[Updated\] - Grants.gov Community Blog](#)
- [What Is a Formula Grant? - Grants.gov Community Blog](#)
- [What Is a Government Grant and Pass-Through Funding? - Grants.gov Community Blog](#)
- [What Is a Cooperative Agreement? - Grants.gov Community Blog](#)
- [Distinguishing Among Different Types of Federal Awards, Including Block Grants, Cooperative Agreements & More - Grants.gov Community Blog](#)

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