

Federal Funds Watch

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SPOTLIGHT: PRESIDENT'S 2007 BUDGET

The President's 2007 budget proposal was released on February 6, 2006. The House and Senate are scheduled to adopt budget resolutions, which set spending targets for appropriation committees, by April 15th. Final appropriations should be completed by October 1st, although Congress rarely meets this deadline. A description follows of significant impacts to the Texas budget if the President's 2007 budget were implemented, including a table listing estimated impacts to Texas.

LABOR

WORKFORCE TRAINING. Employment Service State Grants (ES) and Workforce Investment Act (WIA) employment and training grants (for Adult, Youth, and Dislocated Worker activities) would be combined and replaced by Career Advancement Accounts (CAAs). CAAs would be used to establish individualized, self-directed accounts (up to \$3,000 per year, two-year maximum) allowing workers flexibility in paying for education and training to enter the workforce or advance careers. The CAAs would also be used for basic employment services to job seekers and employers. The national funding level for the combined programs is reduced by \$290 million. No formula is specified for allocating CAAs. Assuming Texas' share of CAAs is similar to its FY 2006 share of ES and WIA grants, funding for employment and training services in Texas will drop about \$23.6 million in FY 2007.

EDUCATION

SECONDARY EDUCATION. The President's budget eliminates the Vocational Education State Grants and Tech-Prep Grants (a loss of \$103.2 million to Texas). These grants provide funds to develop the academic, vocational, and technical skills of secondary and postsecondary students who elect to enroll in vocational and technical programs.

A new high school initiative, **High School Reform**, is included in the President's budget. In FY 2007, Texas would receive an estimated \$77.6 million in **High School Reform** funding to support targeted interventions that will increase the achievement of high school students who are at risk of not meeting state academic standards. This initiative would require states to phase in two additional state assessments in grades 9 through 11 over several years.

NO CHILD LEFT BEHIND ACT. The Educational Technology State Grants program would not be funded under the President's budget (a loss of \$24 million for Texas). The President is also proposing the elimination of the Safe and Drug-Free Schools and Communities State Grant. In FY 2006, Texas received \$27.5 million to prevent violence in and around schools and

strengthen programs that prevent the illegal use of alcohol, tobacco, and drugs.

The President's budget would also eliminate funding for the Even Start Program, which has already declined from \$18.6 million in FY 2005 to \$8.1 million in FY 2006. The Even Start Program funds local family literacy projects that integrate early childhood education, adult literacy, and parenting education.

The FY 2007 President's budget proposes new federal funding to be distributed on a competitive basis to improve math, science, and technology education in K-12 grades. The initiative would make available \$250 million in new federal funding to create the **Math Now for Elementary Students** and the **Math Now for Middle School Students** programs. In addition, funding for the Advanced Placement Incentive Program would increase by \$90 million nationally to expand the number of qualified teachers who teach Advanced Placement/International Baccalaureate (AP/IB) math and science programs. States and the private sector would have to match these federal funds to meet the initiative's 5 year goal of training 70,000 teachers and increasing the number of students with passing AP/IB scores to 700,000.

HEALTH AND HUMAN SERVICES

MEDICAID. A number of Medicaid initiatives to generate federal savings are proposed by the 2007 President's budget. Reimbursement for targeted case management services would be lowered from each state's current Federal Medical Assistance Percentage (FMAP) to the administrative matching rate of 50 percent. The federal government's estimated savings for this proposal would be \$208 million in FY 2007 and \$1.2 billion over five years. The President's budget also proposes to change current rules that limit taxes imposed on providers. The proposed change would phase down the allowable provider tax rate from 6 percent of total revenue to 3 percent, saving the federal government an estimated \$2.1 billion over five years. Texas currently assesses a Quality Assurance Fee on Intermediate Care Facilities for the Mentally Retarded at the 6 percent rate. Also over a period of five years, \$3.8 billion in savings would be attributable to capping payments to government providers to no more than the cost of furnishing services to Medicaid clients.

A total of \$5.9 billion in Medicaid savings over five years would be generated under the President's budget by clarifying allowable services that can be claimed as rehabilitation services, and by prohibiting federal reimbursement for administration or transportation costs under the School Health and Related Services program.

FOCUS ON THE CHRONICALLY ILL.

The President proposes a competitive grant program for states to implement innovative policies that promote affordable insurance for chronically ill individuals, funded at \$500 million in FY 2007.

SOCIAL SERVICES BLOCK GRANT (SSBG).

The administration proposes a 29.4 percent reduction in funding for the SSBG, excluding \$550 million in funding for hurricane relief in FY 2006. Texas will receive approximately \$90.8 million, a drop of \$37.8 million from the FY 2006 level (excluding roughly \$88 million in funding for hurricane relief in FY 2006). SSBG funds are used in Texas to provide a variety of social services, primarily adult protective services and community care services for the elderly and disabled.

PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT (PHHSBG).

The administration proposes to eliminate this block grant which was funded at \$99 million in FY 2006. These funds provide states with resources to improve population health status through services and activities such as rodent control, community-school fluoridation, certain emergency medical services and sex offense prevention. The amount of PHHSBG funds Texas will receive in 2006 is estimated at \$4.2 million.

OTHER

COMMUNITY SERVICES BLOCK GRANT (CSBG).

The President's FY 2007 budget proposes to eliminate CSBG funding (a loss of \$30.2 million to Texas). CSBG funds provide financial assistance to states for use in poverty-stricken areas to help reduce the causes of poverty, coordinate governmental and nongovernmental programs, and provide emergency services to the poor.

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG).

The President's budget proposes a 20 percent reduction in CDBG funding in FY 2007. Texas' allocation would be decreased by \$14.8 million to \$58.5 million. Additionally, the President's budget proposes to revise CDBG allocation formulas while consolidating and eliminating programs that duplicate the CDBG's purpose.

CRIMINAL JUSTICE.

The President's budget proposes to eliminate the **State Criminal Alien Assistance Program (SCAAP)** and the **Justice Assistance Grant (JAG) Program** (a loss of \$25.2 million and \$21.2 million respectively to Texas). SCAAP funds provide assistance to states and units of local government that incur costs associated with incarcerating undocumented persons, while JAG

programs are designed to reduce and prevent illegal drug activity, crime, and violence.

HOMELAND SECURITY. The President's homeland security budget recommends an overall increase of 6 percent in FY 2007. The Administration recommends that the State Homeland Security Grant Program (SHSGP) receive a 16 percent increase nationally (totaling \$633 million). The bulk of funding from these grants will be based on a new formula, which includes risk criteria to be developed by the U.S. Department of Homeland Security. It is not yet known what the overall impact will be for Texas. The SHSGP provides funding for state and local planning, equipment, and training capabilities to prevent, deter and respond to terrorist incidents. Federal grants for the Law Enforcement Terrorism Prevention Program

would be eliminated, although these activities could be continued through SHSGP funding.

TRANSPORTATION. The President's budget proposes to fully fund the new Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). SAFETEA-LU includes funds for the new Equity Bonus Program, which replaces the Minimum Guarantee Program and adjusts apportionments to ensure that no state's rate of return drops below a given amount (91.5 percent in FY 2007). Additional increases to Texas in the President's FY 2007 transportation budget include \$20.7 million for the National Highway System, \$19.1 million for Interstate Maintenance, \$16.7 million for Surface Transportation, and \$7.5 million for Bridge Replacement and Rehabilitation.

The President's budget recommends an overall reduction of national funding for the Airport Improvement Program totaling \$765 million. Funds from this program are used to improve airport capacity, safety, taxiways and facilities. The Administration anticipates that airports can address infrastructure needs through increased revenue generated from passenger facility charges (estimated at \$300 million by the Federal Aviation Administration).

The Federal Funds Analysis Team of the Legislative Budget Board conducts research on federal legislation and federal funding issues which impact the state budget.

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ESTIMATED FEDERAL ALLOCATIONS TO TEXAS FOR SELECTED GRANT PROGRAMS
(in Millions)

Programs	FY 2005	FY 2006	President's Budget FY 2007	Change from FY 2006
SELECTED EDUCATION				
High School Reform	\$0.0	\$0.0	\$77.6	\$77.6
Special Education Grants to States	889.5	888.3	895.8	7.5
Title I - Grants to Local Educational Agencies	1,176.4	1,182.2	1,175.4	(6.8)
Even Start Literacy Program	18.6	8.1	0.0	(8.1)
Tech-Prep Education State Grants	8.4	8.4	0.0	(8.4)
Educational Technology State Grants	44.0	24.0	0.0	(24.0)
Safe and Drug-Free Schools and Communities	34.9	27.5	0.0	(27.5)
Vocational Education State Grants	95.7	94.8	0.0	(94.8)
Total, Selected Education	\$2,267.5	\$2,233.3	\$2,148.8	\$(84.5)
SELECTED HEALTH AND HUMAN SERVICES				
Vocational Rehabilitation Grants to States	\$196.0	\$201.8	\$212.1	\$10.3
AIDS Comprehensive Care - Title II	73.9	73.2	76.6	3.4
Low-Income Home Energy Assistance Program ¹	42.0	44.1	46.7	2.6
Preventive Health and Health Services Block Grant	5.5	4.2	0.0	(4.2)
Social Services Block Grant	128.6	128.6	90.8	(37.8)
Total, Selected Health and Human Services	\$446.0	\$451.8	\$426.2	\$(25.7)
SELECTED EMPLOYMENT AND SUPPORTIVE SERVICES				
Career Advancement Accounts ²	\$0.0	\$0.0	\$250.8	\$250.8
Employment Services State Grants ²	53.2	49.3	0.0	(49.3)
Workforce Investment Act - Adult ²	74.3	71.0	0.0	(71.0)
Dislocated Workers ²	93.9	75.6	0.0	(75.6)
Workforce Investment Act - Youth ²	82.3	78.5	0.0	(78.5)
Total, Selected Employment and Supportive Services	\$303.7	\$274.4	\$250.8	\$(23.6)
OTHER				
National Highway System	\$474.8	\$484.6	\$505.3	\$20.7
Interstate Maintenance	365.0	382.0	401.1	19.1
Surface Transportation Program	552.3	517.8	534.5	16.7
Bridge Replacement & Rehabilitation	155.4	140.8	148.3	7.5
High Threat Urban Area Security Grants	49.8	46.5	51.1	4.6
Law Enforcement Terrorism Prevention Program	20.2	2.9	0.0	(2.9)
Community Development Block Grant	82.0	73.3	58.5	(14.8)
Justice Assistance Grant	35.2	21.1	0.0	(21.1)
State Criminal Alien Assistance Program	18.6	25.2	0.0	(25.2)
Community Services Block Grant	30.5	30.2	0.0	(30.2)
Total, Other	\$1,783.8	\$1,724.4	\$1,698.8	\$(25.6)

NOTE: Texas grant amounts listed above represent preliminary estimates of funding sources and include the FY 2006 1.0% across-the-board reduction. Numbers may not add due to rounding.

¹Amounts shown for the President's FY 2007 budget do not include \$750 million for emergency appropriations allocated by the Deficit Reduction Act of 2005.

²The President's 2007 budget eliminates Dislocated Workers, Adult Training, Youth Services, and Employment Services and replaces them with Career Advancement Accounts. Data reflect program years rather than fiscal years.

SOURCES: Federal Funds Information for States (FFIS), U.S. Department of Education, Bureau of Justice Assistance, and Legislative Budget Board.