



# FEDERAL FUNDS WATCH

Volume IX, Issue 2

FY 2004 PRESIDENT'S BUDGET

April 22, 2003

The President's proposed budget for 2004 was released in February. A few federal programs would receive reduced funding or slight increases over 2003 levels; however, most would retain the previous year's funding level. Numerous programs are recommended to be combined into broader, more flexible programs.

## Health and Human Services

**Medicaid and Children's Health Insurance Program (CHIP).** Under the proposed state option, CHIP and Medicaid would be combined in an annual allotment for acute care and an allotment for long-term care. Allotments would be based on FY 2002 expenditures, adjusted for medical inflation, utilization, and population (formula details are not available). States would maintain comprehensive benefits for mandatory groups but would have flexibility in designing benefit packages for optional groups.

Funding is front-loaded. States would receive \$12.7 billion (nationally) in additional federal funds over seven years. Of that amount, \$3.25 billion (26%) would be available in FY 2004 and federal funding would be reduced in the last three years. There is also a maintenance of effort requirement.

**"Money follows the Individual" Rebalancing Demonstration.** Under another optional program, federal funds would pay 100% of the cost of Medicaid waiver services for individuals transitioning to the community from nursing homes for the first year of a five-year demonstration project. States must continue to provide care to the waiver participants at the Federal Medical Assistance Percentage rate (FMAP) (approximately 60% federal share) for the remaining four years.

**Seniors' Access to Prescription Drugs.** The budget allocates \$6 billion nationally for FY 2004 for Medicare modernization, including access to a subsidized prescription drug benefit.

**Foster Care.** States would have the option to combine the open-funded foster care program (Title IV-E) with other child welfare programs in a capped block grant over a five-year period. States would have more flexibility to use funds for preventive and family support services.

**Promoting Safe and Stable Families.** The President proposes a significant increase over FY 2003 funding levels for this program. Federal funding would increase by 25% or \$100.6 million in FY 2004 (Texas would gain \$8.8 million).

**Head Start.** The President's proposal would allow states to receive a block grant directly to improve coordination of school readiness programs for children from low-income families. Currently, **Head Start** funds are awarded to local grantees (an estimated \$463.4 million to Texas in FY 2003).

## Labor

**Workforce Investment Act.** The President proposes merging three programs authorized by the Workforce Investment Act (**Adult Employment and Training, Dislocated Workers, and Employment Services**) into a new **Consolidated Adult Workers Grant Program**. States could target funding where needed and eliminate duplication among current services for adults.

**Unemployment Insurance (UI) Program.** Over a five-year period, the Administration would reduce the federal share of the **UI** tax and give states responsibility for funding the administration of **UI** programs.

## Education

**No Child Left Behind Act.** Funding for **Title I Grants to Local Educational Agencies** would increase 6% or \$665.7 million. Texas would gain an additional \$63.0 million to assist economically disadvantaged children reach academic achievement standards. The **Comprehensive School Reform Program** would not be funded under the President's FY 2004 budget (a loss of \$24.5 for Texas).

**Individuals with Disabilities Education Act (IDEA).** Federal funding for **Special Education— Grants to States** would be increased by 7% at the national level; Texas would receive \$58.3 million more than its FY 2003 allocation of \$725.9 million.

**Vocational Education.** The **Secondary and Technical Education State Grant** program would be authorized instead of the **Vocational Education State Grants** and

**Tech-Prep Grants.** This new program would receive less funding in FY 2004 under the President's proposal (a loss of \$24.7 million to Texas).

**Language Acquisition State Grants.** Funding for this program in FY 2004 would be reduced nationally to \$665.0 million from \$685.5 million in FY 2003. However, Texas' allocation would increase due to the rising number of eligible students (a gain of \$7.3 million).

### Other

**Criminal Justice.** A new Justice Assistance Program would replace the **Byrne and Local Law Enforcement Block Grants (LLEBG)**. Funding to Texas would be reduced by 48% to \$29.5 million from \$56.6 million in FY 2003. Funding for the **Juvenile Accountability Block**

**Grants and the State Criminal Alien Assistance Program** would be eliminated (losses of \$11.9 million and \$15.8 million to Texas, respectively).

**Housing Assistance for Needy Families.** States would have the option of converting the **Section 8 Housing Choice Vouchers Program**, currently administered by the federal government, to a state run block grant called **Housing Assistance for Needy Families (HANF)**. States could design the program to coordinate with other aid programs such as the **Temporary Assistance for Needy Families (TANF)** program.

**Community Services Block Grant (CSBG).** Under the President's budget, funding for the **CSBG** program would be reduced by 23%. Texas would lose an estimated \$7.2 million in FY 2004.

Estimated Federal Allocations to Texas for Selected Grant Programs				
(in Millions)				
Programs	FY 2002	FY 2003	President's Budget FY 2004	Change from FY 2003
<b>SELECTED EDUCATION</b>				
Title I - Grants to Local Educational Agencies	\$862.8	\$976.4	\$1,039.4	\$63.0
Special Education - Grants to States	608.1	725.9	784.2	58.3
Language Acquisition State Grants	55.4	65.6	72.9	7.3
Reading First State Grants	79.0	87.1	91.7	4.6
21st Century Community Learning Centers	24.0	45.6	48.5	2.9
Improving Teacher Quality State Grants	230.1	236.8	230.1	-6.7
Comprehensive School Reform	23.8	24.5	0.0	-24.5
Secondary and Technical Education State Grants <sup>1</sup>	101.4	102.3	77.6	-24.7
<b>Total Selected Education</b>	<b>\$1,984.6</b>	<b>\$2,264.2</b>	<b>\$2,344.4</b>	<b>\$80.2</b>
<b>SELECTED HEALTH AND HUMAN SERVICES</b>				
Vocational Rehabilitation State Grants	179.3	183.2	195.0	11.8
Head Start <sup>2</sup>	454.3	463.4	473.6	10.2
Promoting Safe and Stable Families	32.8	35.2	44.0	8.8
WIC Nutrition Program	374.1	411.2	419.8	8.6
Substance Abuse Prevention and Treatment	132.6	130.1	137.3	7.2
Ryan White AIDS Comprehensive Care	63.8	68.6	70.4	1.8
Child Care and Development Block Grant	202.5	200.9	202.3	1.4
Social Services Block Grant	125.3	126.6	127.7	1.1
Community Services Block Grant	31.2	30.9	23.7	-7.2
Child Support Enforcement Administration	173.0	206.0	189.5	-16.5
<b>Total Selected Health and Human Services</b>	<b>\$1,768.9</b>	<b>\$1,856.1</b>	<b>\$1,883.3</b>	<b>\$27.2</b>
<b>OTHER</b>				
Public Health Preparedness	51.4	48.3	51.4	3.1
Hospital Preparedness	8.3	33.3	34.0	0.7
Election Reform <sup>3</sup>	0	81.5	33.9	-47.6
<b>Total Other</b>	<b>\$59.7</b>	<b>\$163.1</b>	<b>\$119.3</b>	<b>-\$43.8</b>

Note: Texas grant amounts listed above represent preliminary estimates and include the FY 2003 0.65 % across-the-board reduction. Numbers may not add due to rounding.

<sup>1</sup> Includes the FY 2002 and FY 2003 amounts for Vocational Education State Grants and Tech-Prep Grants.

<sup>2</sup> FY 2002 and FY 2003 amounts for Head Start were distributed directly to local grantees.

<sup>3</sup> FY 2003 amount includes administration of elections, voter machine replacement, and voting system requirements payments. The President's Budget for FY 2004 only includes funding for voting system requirements payments.

Sources: Federal Funds Information for States (FFIS) and Legislative Budget Board.

The Federal Funds Analysis Team of the Legislative Budget Board conducts research on federal legislation and federal funding issues which impact the state budget. Questions or comments may be directed to Maria Hernandez at (512) 463-1200 or e-mail at [Maria.Hernandez@lbb.state.tx.us](mailto:Maria.Hernandez@lbb.state.tx.us)