

SPOTLIGHT: PRESIDENT'S FISCAL YEAR 2015 BUDGET PROPOSAL

A FEDERAL FUNDS WATCH FROM LEGISLATIVE BUDGET BOARD STAFF

ID: 1324

MARCH 2014

The President's 2015 budget proposal was released on March 4, 2014. Highlights follow on new initiatives, program eliminations and consolidations, and changes in funding levels. Fig. 1 on page 2 shows the estimated fiscal impact to Texas of selected programs.

EDUCATION

Preschool. Like the FY 2014 budget, the President proposes \$1.3 billion in funding for **Preschool for All**. In addition, his budget would provide \$500 million for **Preschool Development Grants**.

K-12. The budget proposes a new \$300 million **Race to the Top Equity and Opportunity** grant competition to close achievement gaps by linking data systems and providing students with access to better teachers and coursework. **Improving Teacher Quality Grants** funding level is reduced \$350 million or 15% (renamed **Effective Teachers and Leaders**). Texas would receive level federal funding for **Title I-Grants to Local Educational Agencies** and **Special Education Basic State Grants** in FY 2015.

HEALTH AND HUMAN SERVICES

The budget would provide states \$5.4 billion to extend for one year for **Affordable Care Act** provisions that pay physicians at the higher Medicare levels for providing certain primary care services to Medicaid patients. The payment increase is set to expire at the end of 2014. In addition, nurse practitioners and physician assistants would also be eligible for the higher payment rates. A new competitive **Graduate Medical Education program** would be funded at \$5.2 billion over ten years to support 13,000 residents. This initiative includes \$100 million in mandatory funding for pediatric training in children's hospitals in FY 2015.

Temporary Assistance for Needy Families funds (\$602 million a year) would be directed to the **Pathways to Jobs Initiatives** which would support state-employer partnerships that subsidize job opportunities for certain low-income individuals.

The proposal makes targeted improvements to **Medicaid** to increase access to mental health services, with an emphasis on youth services. The budget proposes a new **Medicaid Demonstration Project** aimed at reducing the overuse of

psychotropic medications for children in foster care to encourage states to instead rely on evidence-based psychosocial interventions.

The budget includes \$164 million for a new initiative that expands mental health treatment and prevention services. **Now is the Time** funds would be available to states to keep schools safe; provide Mental Health First Aid training in schools and communities; hire mental health professionals to serve students; support transitioning youth and their families in accessing and navigating behavioral health treatment systems; and change the attitudes of Americans about behavioral health workforce needs.

Child Care Mandatory and Matching Funds would be increased to \$3.7 billion nationally in 2015, a 25.7% increase from the FY 2014 funding level of \$2.9 billion. **Children's Health Insurance Program** funds would be increased 10% from the FY 2014 level to a national 2015 funding level of \$21.1 billion. **Preventive Health Block Grant (PHBG)** funds for state programs that address unique public health needs and challenges in innovative and locally defined ways would be eliminated. Texas' allocation in FY 2014 for **PHBG** programs is an estimated \$6.5 million.

The president proposes to repeal mandatory sequestration beginning in FY 2015. National funding for **Vocational Rehabilitation Grants** would be increased to pre-sequestration funding levels, an 8.8% or \$271 million increase. **Social Services Block Grants** would be increased by 7.8% to \$1.7 billion.

TRANSPORTATION

The President's budget recommends that the FY 2015 national funding level for the **Federal-Aid Highways Program** be increased by \$7.1 billion to \$48.1 billion, 17.3% more than FY 2014. Texas received approximately \$3.1 billion in FY 2014 for these transportation programs.

OTHER

Criminal Justice. The budget eliminates funding for the **State Criminal Alien Assistance Program (SCAAP)**. Texas' most recent annual SCAAP award was \$10.3 million. The budget request proposes consolidating the **Justice Assistance Grants**

(JAG), the **Juvenile Accountability Block Grant**, and a new competitive incentive grant to provide additional funding for states and localities adopting evidence-based practices that incorporate outcome driven performance measures. In FY 2014, Texas received \$14.7 million in JAG funds.

Homeland Security. The President's Budget recommends the consolidation of the **State Homeland Security Grant Program**, the **Urban Area Security Initiative**, **Operation Stonegarden**, and other programs into the National Preparedness Grant Program beginning in FY 2015. Texas received an estimated \$81.6 million for these three homeland security grant programs in FY 2014.

Housing. The President's FY 2015 request increases **Weatherization Assistance Program** funding to \$227 million nationally. Texas would receive an estimated \$7.1 million (an increase of \$1.7 million from the FY 2014 level). The budget reduces the **Low-Income Home Energy Assistance Program (LIHEAP)** to \$2.8 billion nationally, a 20 percent reduction compared to FY 2014. Texas would receive an estimated \$96.8 million in FY 2015, excluding emergency contingency funds.

Labor. A \$6 billion, four-year **Community College Job-Driven Training Fund** would be established with \$1.5 billion included in FY 2015. The program would offer competitive grants to partnerships between community colleges, job training entities, industry groups, and employers to launch new programs for in-demand careers. The President's Budget would provide level federal funding for **Workforce Investment Act (WIA)** programs to improve and reform the programs. In FY 2014, Texas received \$168.6 million in WIA funding.

Natural Resources. The request for the **Clean Water State Revolving Fund** is \$1 billion nationally, a 30 percent decrease from the FY 2014's funding level. It is estimated Texas would receive \$45.2 million in FY 2015 (a loss of \$19.7 million). The **Drinking Water State Revolving Fund** would be funded 17% less than FY 2014's funding level. Texas' allocation would be reduced by \$11 million to \$53.1 million in FY 2015.

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

FIG. 1
ESTIMATED FEDERAL ALLOCATIONS TO TEXAS FOR SELECTED GRANT PROGRAMS
FEDERAL FISCAL YEARS 2013 THROUGH 2015

PROGRAMS	FEDERAL FISCAL YEAR 2013	FEDERAL FISCAL YEAR 2014	PRESIDENT'S BUDGET PROPOSAL FEDERAL FISCAL YEAR 2015	CHANGE FROM FEDERAL FISCAL YEAR 2014 TO 2015
SELECTED EDUCATION				
Preschool for All	\$0.0	\$0.0	\$308.0	\$308.0
Title I, Education for Disadvantaged Children	1,311.2	1,320.5	1,320.5	0.0
Special Education Grants to States	926.9	982.9	982.9	0.0
Effective Teachers and Leaders (Improving Teacher Quality)	187.8	187.5	159.6	(27.9)
Total Selected Education	\$2,425.9	\$2,490.9	\$2,771.0	\$280.1
SELECTED HEALTH AND HUMAN SERVICES				
Children's Health Insurance Program	\$891.5	\$936.1	\$1,209.6	\$273.5
Child Care Mandatory and Matching Funds	220.4	220.4	275.0	54.6
Vocational Rehabilitation	237.1	237.0	257.9	20.9
Social Services Block Grant	132.2	130.2	141.4	11.2
Preventive Health Block Grant	3.1	6.5	0.0	(6.5)
Total Selected Health and Human Services	\$1,484.3	\$1,530.2	\$1,883.9	\$353.7
SELECTED OTHER				
State Criminal Alien Assistance Program ¹	\$10.7	10.3	0.0	(10.3)
Community Services Block Grant	30.4	32.3	16.8	(15.5)
Low-Income Home Energy Assistance Program	127.1	128.7	96.8	(31.9)
Total Selected Other	\$168.2	\$171.3	\$113.6	(\$57.7)

NOTES: Texas grant amounts listed above represent preliminary estimates. Numbers may not add due to rounding.

¹ SCAAP awards reimburse previous fiscal year expenses. For the purpose of this table, fiscal year refers to the date of funds receipt rather than award year.
SOURCES: Federal Funds Information for States (FFIS), U.S. Department of Education, U.S. Department of Health and Human Services, U.S. Department of Justice, and Legislative Budget Board.