



FEDERAL FUNDS WATCH: PRESIDENT'S BUDGET 2027

A FEDERAL FUNDS SPOTLIGHT FROM LEGISLATIVE BUDGET BOARD STAFF

ID: 9477

JULY 2026

In April 2026, the President released his federal fiscal year 2027 budget, which is the first step toward enacting congressional appropriations to fund the federal government for federal fiscal year 2027, which begins October 1, 2027.

The President's budget for 2027 proposes a decrease in overall funding for select discretionary grant programs by \$47.7 billion (16.2 percent) and an increase in funding for select mandatory programs by \$4.4 billion (0.5 percent) from federal fiscal year 2026 enacted levels. This amount would be a \$43.3 billion (3.7 percent) decrease in overall funding.

The following highlights describe new initiatives, program policy changes, and funding levels. **Figure 1** shows the estimated fiscal impact to Texas based on the proposed funding changes for selected grant programs.

EDUCATION

Elementary and Secondary Education. The proposed budget would provide a \$6.0 billion (13.3 percent) decrease in total funding for select **Department of Education** programs from federal fiscal year 2026 levels. The budget proposes consolidating 17 formula and competitive kindergarten-to-grade-12 grant programs that collectively received \$6.7 billion during 2026 into a \$2.0 billion Make Education Great Again grant program.

The budget would maintain 2026 funding levels for **Head Start** at \$12.4 billion. Total funding for **Title I Education for the Disadvantaged** also would remain the same (\$18.4 billion), but Texas would expect to receive a \$2.0 million (0.1 percent) increase from 2026 levels. Additionally, the budget would increase funding for the **Special Education Basic State Grant** by \$1.2 billion (8.2 percent), and Texas would expect to receive an additional \$121.4 million (9.7 percent) from the program.

Higher Education. The proposal would move the **Career and Technical Education – State Grants** from the Department of Education to the Department of Labor and match the 2026 enacted levels at \$1.4 billion. Funding to Texas from the program would be expected to remain at \$129.0 million.

The President's budget would provide an additional \$10.5 billion for federal **Pell Grants**. This increase addresses funding shortfalls

while maintaining the discretionally maximum Pell Grant award of \$6,335 per recipient for the award year.

The budget also eliminates multiple higher education programs that total \$2.7 billion collectively, including the elimination of the **Minority-Serving Institutions** programs (\$354.0 million).

HEALTH AND HUMAN SERVICES

The President's budget would increase funding for the **Children's Health Insurance Program** by \$3.2 billion (14.3 percent) from federal fiscal year 2026 levels; however, funding for Texas would decrease by an estimated \$25.3 million (2.4 percent).

The budget proposes decreasing funding for the **Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)** by \$200.0 million (2.4 percent). Texas would expect to receive \$55.5 million (7.0 percent) less in WIC funding.

The proposed budget would maintain funding levels for **Temporary Assistance for Needy Families (TANF)** and the **TANF Contingency Fund** at \$17.1 billion in total. Texas' regular TANF block grant funding likely would remain at \$484.7 million.

Funding for the **Child Care and Development Fund** would remain at 2026 enacted levels at \$8.8 billion, and grant funding for Texas is projected to remain at \$982.5 million.

Child Welfare. The President's budget would decrease mandatory **Foster Care** funding by \$151.0 million (2.7 percent), and funding for Texas is estimated to decrease by \$3.6 million (1.9 percent) from 2026 levels. Additionally, the budget would maintain **Promoting Safe and Stable Families** total funding at \$458.6 billion, with funding for Texas projected to remain at \$38.2 million.

Mental Health and Substance Abuse. The President's budget proposes to establish a new program, a **Behavioral Health Innovation Block Grant**, to consolidate three programs: (1) **Community Mental Health Services Block Grant**; (2) **State Opioid Response**; and (3) **Substance Use Prevention, Treatment and Recovery Support Services Block Grant**. The proposed program would receive \$4.7 billion for federal fiscal year 2027, an \$80.0 million (1.7 percent) increase from the 2026 levels for these programs, collectively.

FIGURE 1
ESTIMATED FEDERAL ALLOCATIONS TO TEXAS FOR SELECT GRANT PROGRAMS, FEDERAL FISCAL YEARS 2026 AND 2027

(IN MILLIONS)

PROGRAMS	2026	PRESIDENT'S BUDGET 2027	CHANGE FROM 2026
Select Education			
Title I Education for the Disadvantaged	\$18,426.8	\$18,426.8	\$0.0
Head Start	\$12,356.8	\$12,356.8	\$0.0
Career and Technical Education – State Grants	\$1,439.8	\$1,439.8	\$0.0
Special Education Basic State Grants	\$14,233.7	\$15,400.8	\$1,167.1
Total Select Education	\$46,457.2	\$47,624.3	\$1,167.1
Select Health and Human Services			
Children's Health Insurance Program (CHIP)	\$22,379.5	\$25,570.8	\$3,191.3
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	\$8,200.0	\$8,000.0	(\$200.0)
Temporary Assistance for Needy Families (TANF)	\$17,119.9	\$17,119.9	\$0.0
Child Care and Development Fund	\$8,831.4	\$8,831.4	\$0.0
Promoting Safe and Stable Families	\$458.6	\$458.6	\$0.0
Behavioral Health Innovation Grants	\$0.0	\$4,701.0	\$4,701.0
Mental Health Block Grant	\$1,012.6	\$0.0	(\$1,012.6)
State Opioid Response	\$1,595.0	\$0.0	(\$1,595.0)
Substance Abuse Prevention and Treatment Block Grant	\$2,013.1	\$0.0	(\$2,013.1)
Total Select Health and Human Services	\$61,610.0	\$64,681.7	\$3,071.7
Select Other			
Byrne Justice Assistance Grants	\$346.3	\$358.5	\$12.2
Low-Income Home Energy Assistance Program (LIHEAP)	\$4,145.0	\$0.0	(\$4,145.0)
Weatherization Assistance Program (WAP)	\$369.0	\$0.0	(\$369.0)
Unemployment Insurance State Administration	\$3,226.6	\$3,276.6	\$50.0
Total Select Other	\$8,086.9	\$3,635.1	(\$4,451.8)

NOTES: Texas grant amounts represent preliminary estimates. Totals may not sum due to rounding.

SOURCES: Legislative Budget Board; Federal Funds Information for States.

TRANSPORTATION

The President's budget would provide a total of \$87.2 billion for highway, highway safety, and transit formula programs, a \$12.1 billion decrease (12.2 percent) from federal fiscal year 2026 levels. Within the funding decrease, the budget proposes to cancel unobligated balances for two electric vehicle-related programs: the **National Electric Vehicle Infrastructure Formula Program** and the **Charging and Fueling Infrastructure Grants Program**. The unobligated balances for the programs nationwide total more than \$4.2 billion.

OTHER

Criminal Justice. The proposed budget would increase funding for the **Byrne Justice Assistance Grants** program by \$12.2 million (3.5 percent) to \$358.5 million.

Housing. The proposal eliminates the **Low-Income Home Energy Assistance Program**, which received \$4.1 billion in 2026.

Additionally, the proposed budget would cancel unobligated funding made available from federal fiscal years 2022 to 2026 for 61 appropriations in the Infrastructure Investment and Jobs Act, totaling \$15.2 billion. This action would include canceling funding provided to carry out activities for the **Weatherization Assistance Program**.

Labor. The proposed budget would increase funding for the **Unemployment Insurance State Administration** program by \$50.0 million (1.5 percent) from 2026 levels, with funding for Texas estimated to increase by \$4.0 million (2.0 percent). However, the budget would decrease overall funding for the **Department of Labor** by 1.7 percent from 2026 levels and replace 12 workforce development programs with a **Make America Skilled Again Grant**.

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