

Federal Funds Watch

January 11, 2008

Legislative Budget Board



Spotlight: Highlights of Recent Congressional Actions

On December 26, 2007, the President signed the Consolidated Appropriations bill for FY 2008, a combination of 11 appropriations bills. The Defense Appropriations Act for FY 2008 was signed into law November 13, 2007. The table on page 2 lists programs with significant increases or decreases compared to the previous year's funding level. In addition to targeted amounts, most discretionary programs will receive an across-the-board reduction, which varies from 0.25 percent to 1.747 percent. A description follows of significant impacts to the Texas budget due to Congressional actions at the end of the 110th First Session.

EDUCATION

Congress increased funding for **Title I, Part A Grants to Local Educational Agencies**; Texas will receive an estimated increase of \$96.6 million in FY 2008 over FY 2007. **School Improvement Grants** funding nearly tripled. Texas will see a gain of about \$33.9 million over the FY 2007 funding level. Congress reduced federal funding nationally for **Reading First State Grants** by 62 percent. Texas' FY 2008 estimated allocation for this program is \$62.8 million below the FY 2007 funding level. The **Safe and Drug Free Schools and Communities** allocation to Texas will also be reduced from the previous year's funding level, a decrease of \$3.5 million or 13 percent from FY 2007. Congress eliminated federal funding for the **Innovative Education Program**, a loss of \$8.1 million to Texas.

HEALTH AND HUMAN SERVICES

Congress also passed the **Medicare, Medicaid, and SCHIP Extension Act of 2007**, extending funding for the **State Children's Health Insurance Program (CHIP)** to March 2009. Texas' allocation for CHIP will increase an estimated \$79.7 million (16.7 percent). Congress is expected to take up SCHIP reauthorization later in the year. The Act increases **Medicare** payments to physicians by 5 percent and extends for six months the **Transitional Medical Assistance (TMA) Program, the Abstinence Education Program, and the Medicaid Qualified Individual (QI) Program**. TMA helps low-income individuals transition from welfare to the workforce by maintaining healthcare benefits. The **QI Program** subsidizes Medicare Part B (physician and outpatient services) premiums for low-income persons. A six-month delay on the implementation of federal regulations restricting **Medicaid payments for school-based administrative and transportation services** was also included.

Although reauthorization of the Farm Bill remains pending, the appropriation bill extended the **Supplemental Feeding Program for Women, Infants and Children (WIC), the Food Stamp Program**, and other nutrition programs through March 15, 2008. WIC funding in Texas for FY 2008 increases \$76.1 million (14 percent above the FY 2007 level).

Low-Income Home Energy Assistance Program (LIHEAP). Congress increased funding for LIHEAP by \$409 million over the FY 2007 level. Texas will receive an estimated \$43.4 million in block grant funding in FY 2008. If discretionary allocations are distributed consistent with past allotments, Texas will receive an additional \$25.3 million.

Community Health Centers. Federal funding for Community Health Centers increased by 4 percent in FY 2008 compared to FY 2007. Total

amounts for Community Health Centers in Texas is estimated to be \$133.2 million in FY 2008, an increase of \$4.2 million over FY 2007. The U.S. Department of Health and Human Services distributes these federal funds directly to community health centers.

TRANSPORTATION

The Consolidated Appropriations bill rescinds \$1.2 billion in transportation contract authority. The Texas Department of Transportation estimates the impact on the state will be a \$249 million reduction in FY 2008. Texas will receive \$1 billion from the **Equity Bonus Program**, a reduction of \$31.5 million, compared to FY 2007. The Equity Bonus Program replaced the Minimum Guarantee Program in FY 2005 and was designed to adjust apportionments to ensure that no state's percentage of return drops below a given amount. Rescissions appear to compromise this guarantee to states. Other changes in estimated funding levels include a \$3.5 million reduction to Texas for the **Bridge Replacement and Rehabilitation Program**. **Interstate Maintenance** funds to Texas will increase by \$4.0 million. **National Highway System** funding to Texas will increase by \$4.0 million, and an increase of \$3.8 million is anticipated for the **Surface Transportation Program**. Congress also raised **Mass Transit** funding by 7 percent, which will increase funding to Texas by about \$20.7 million.

HOMELAND SECURITY

Congress made a number of changes in Homeland Security funding for states in FY 2008. First, Congress eliminated funding for the **Law Enforcement Terrorism Prevention Program (LETPP)** for FY 2008 (\$375 million nationally). Texas received \$24.5 million under the LETPP program in FY 2007. However, funding for the **State Homeland Security Grant Program (SHSGP)** increases by a similar amount (\$380 million nationally). Congress lowered the minimum amount each state receives for the SHSGP from 0.75 percent to 0.375 percent of the amount appropriated (each state will receive at least \$3.3 million in FY 2008). Risk factors will determine the allotments from the balance of funds. In FY 2007 Texas was awarded \$34.4 million in SHSGP funds. If risk-based funds are distributed in similar proportions as FY 2007, Texas will receive approximately \$57.0 million in FY 2008, a \$22.6 million increase.

Emergency Management Performance Grants (EMPG), which fund first responders, training, and equipment, increase 50 percent nationally. Texas received \$10 million in EMPG funds for FY 2007 and is expected to receive \$15 million in FY 2008. Texas will also receive an estimated \$42.9 million in FY 2008 from the Centers for Disease and Control and Prevention for **State and Local Capacity, Bioterrorism Grants**, a reduction of \$3.6 million from FY 2007.

Several other appropriations were made for homeland security programs in FY 2008, but the impact on Texas has not yet been determined. **Urban Area Security Initiative (UASI)** grants increase nationally from \$770 million in FY 2007 to \$820 million in FY 2008. In FY 2007, four metropolitan areas in Texas received UASI grants: Houston, San Antonio, Dallas/Fort Worth/Arlington and El Paso. National funding for **Port Security** grants increases \$190 million (from \$210 million in FY 2007 to \$400 million in FY 2008). Funding for **Public Transportation and Railroad Security Assistance** grants increases from \$175 million to \$400 million (a \$225 million increase).

REAL ID grants for the enhancement of state drivers' licenses and identification cards, which was not funded in FY 2007, received \$50 million, and **Operation Stonegarden**—to assist border states with grants for operational and equipment expenses—was funded at \$60 million. Congress also appropriated \$50 million for **Interoperable Emergency Communications** and \$35 million for **Regional Catastrophic Preparedness** grants.

OTHER

Labor. Congress rescinded \$250 million of **Workforce Investment Act (WIA)** funds for FYs 2005 and 2006; Texas' share of the rescission is estimated to be about \$9.0 million. Federal funding for the major workforce programs decreased 1 percent overall from FY 2007. Texas'

allocation for these combined programs will decline by about \$3.0 million.

Housing. Congress increased funding in FY 2008 for the Section 8 Rental Assistance program. National funding for Tenant-Based and Project-Based Rental Assistance increased by \$471 million (3 percent) and \$406 million (7 percent) respectively over FY 2007 appropriation levels. Most Section 8 funds flow directly to Public Housing Authorities.

Criminal Justice. Congress reduced funding for the **Byrne Justice Assistance Grant (JAG)** program in FY 2008 by more than 67 percent. Texas' estimated allocation of JAG funds for FY 2008 is \$7.1 million, a decrease of \$14.5 million from FY 2007 appropriations.

ESTIMATED FEDERAL ALLOCATIONS TO TEXAS FOR SELECTED GRANT PROGRAMS

(in Millions) PROGRAMS	FY 2007	FY 2008	CHANGE FROM FY 2007
SELECTED EDUCATION			
Title I - Grants to Local Educational Agencies	\$1,169.5	\$1,266.1	\$96.6
School Improvement Grants	11.6	45.5	33.9
Special Education Grants to States	903.7	916.2	12.5
Language Acquisition State Grants	87.9	92.0	4.1
Improving Teacher Quality	240.4	243.5	3.1
21st Century Community Learning Centers	87.9	94.1	6.2
Even Start Literacy Program	6.8	5.5	(1.3)
Safe and Drug-Free Schools and Communities	27.5	24.0	(3.5)
State Grants for Innovative Programs	8.1	0.0	(8.1)
Reading First State Grants	101.7	38.9	(62.8)
Total Selected Education	\$2,645.1	\$2,725.8	\$80.7
SELECTED HEALTH AND HUMAN SERVICES			
State Child Health Insurance Program (CHIP)	\$476.5	\$556.2	\$79.7
Women, Infants & Children (WIC)	485.5	561.6	76.1
Low-Income Home Energy Assistance Program ¹	46.5	68.7	22.2
Vocational Rehabilitation Grants to States	212.1	214.9	2.8
Community Services Block Grant	30.4	31.5	1.1
Promoting Safe and Stable Families	36.2	34.1	(2.1)
Total Selected Health and Human Services	\$1,287.2	\$1,467.0	\$179.8
SELECTED HOMELAND SECURITY			
State Homeland Security Grant Program ²	\$34.4	\$57.0	\$22.6
Emergency Management Performance Grants	10.0	15.0	5.0
CDC-State and Local Capacity, Bioterrorism Grants	46.6	43.0	(3.6)
Law Enforcement Terrorism Prevention Program	24.5	0.0	(24.5)
Total Selected Homeland Security	\$115.5	\$115.0	(\$0.5)
SELECTED TRANSPORTATION			
Mass Transit ³	\$296.6	\$317.3	\$20.7
National Highway System ³	493.3	497.3	4.0
Interstate Maintenance ³	391.5	395.5	4.0
Surface Transportation Program ³	531.3	535.1	3.8
Bridge Replacement and Rehabilitation ³	140.0	136.5	(3.5)
Equity Bonus ³	\$1,082.0	\$1,050.5	(\$31.5)
Total Selected Transportation	\$2,934.7	\$2,932.2	(\$2.5)
SELECTED OTHER			
Community Development Block Grant (Non-entitlement)	73.6	71.1	(2.5)
Justice Assistance Grant	21.6	7.1	(14.5)
Total Selected Other	\$95.2	\$78.2	(\$17.0)

NOTE: Texas grant amounts listed above represent preliminary estimates and include the FY 2008 across-the-board reductions for discretionary programs. Numbers may not add due to rounding.

¹Texas will receive an estimated \$44.2 million in block grant funding. Remaining \$24.5 million is an estimate of Texas' share of discretionary LIHEAP funds based on prior formula and discretionary distributions.

²Increases in the State Homeland Security Grant Program will depend on risk criteria developed by the U.S. Department of Homeland Security; estimates are based on previous funding history.

³Amounts do not reflect rescissions of previous contract authority or the impact of the Revenue Adjusted Budget Authority (RABA) mechanism.

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