



FEDERAL FUNDS WATCH

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SPOTLIGHT: PRESIDENT'S FY 2003 BUDGET

The President's budget for 2003, which sets the administration's priorities, was released on February 4, 2002. Many federal programs were funded at 2002 levels. Preliminary Texas allocations for selected programs are provided in the table on page 2. Other proposals that may impact the state budget follow.

Health and Human Services

Children's Health Insurance Program (CHIP). The use of 1998, 1999, and 2000 CHIP allotments would be extended until 2006.

Temporary Assistance for Needy Families (TANF). Proposals would restore supplemental grants to low benefit/high growth states (\$53 million to Texas), and create a \$100 million grant program to promote family formation (providing research, demonstration and technical assistance).

Child Support. States would have the option of passing through more child support collections to families, including federal match for states which pass through up to \$100 a month to current TANF recipients. States would be required to collect a \$25 fee from non-TANF families who benefit from the child support enforcement program.

Medicare Low-Income Drug Assistance. States would receive a 90% match for providing a Medicaid prescription drug benefit to low-income Medicare recipients (incomes between 100-150% of the federal poverty level (FPL)). However, states must first provide such drug coverage to Medicare beneficiaries with incomes up to 100% of FPL at the Federal Medicaid Assistance Percentage (FMAP).

Medicaid Drug Rebates. The President's proposal seeks to maximize rebates by changing the formula from the difference between the manufacturer's best price and average manufacturer's price (AMP) to the difference between best price and average wholesale price (AWP). Provisions require reporting of AWP and AMP to the federal government.

Food Stamps. Legal immigrants would be eligible to receive benefits five years after entry into the U. S.

Transportation

Federal-Aid Highway Programs. Federal appropriations would total \$23.8 billion nationally, an \$8.5 billion reduction. This reduction is due to lower Revenue Aligned Budget Authority (RABA) calculations, a mechanism used to adjust funding to states that reflects the latest available actual federal gas tax receipts.

Airport Improvement Program. This program would receive \$3.4 billion nationally, a \$100 million increase.

National Corridor Planning and Coordinated Border Infrastructure Program. Funding would decrease to \$104 million nationally, a \$388 million reduction. Inspection facility construction at the US/Mexico border would receive a \$47 million earmark.

Border Enforcement Program. Federal and state inspections of trucks crossing the border from Mexico would receive \$61 million nationally.

Housing and Community Development

HOME Investment Partnership Program. The President's budget provides a \$238 million increase nationally over 2002 that would expand the down payment assistance set-aside within the HOME program. The HOME program is a formula block grant received by state and local governments for increasing the supply and availability of affordable housing.

Community Development Block Grant (CDBG). Formula funds would be increased nationally by \$95 million over 2002. The CDBG allocation formula would be revised to benefit poorer communities such as colonias.

Other

Emergency First Responders. A proposal would combine several existing programs to provide funds to states for training, equipment and preparation of emergency personnel (a total of \$3.5 billion in 2003).

State allocations are based on population. States would receive 75% of the funds with no match requirement. Governors would have discretion over the remaining 25% with a state match requirement of 25%.

Election Reform Grant. A new program would provide funds for improving voting technologies and administration (\$24.7 million gain for Texas). States would be required to provide a 50% match.

Criminal Justice. Three programs would be eliminated: **State Criminal Alien Assistance Program (SCAAP)**, **Local Law Enforcement Block Grant** and **E. Byrne**

Formula Grants (a potential loss of \$65 million to Texas). A new **Justice Assistance Grant Program** would be funded nationally at \$800 million.

Labor. Changes to Unemployment Compensation (UC) would include a temporary 13-week benefit extension and \$9 billion in additional funds to states called Reed Act distributions. The **Federal Unemployment Tax Act (FUTA)** current 0.8% payroll tax would be reduced over four years with FUTA declining to 0.2 percent of the first \$7,000 by 2007. Unemployment Compensation and Employment Service **administration costs** would be shifted to states over five years.

Estimated Federal Allocations to Texas for Selected Grant Programs (in Millions)				
Programs	FY 2001	FY 2002	President FY 2003	Change from FY 2002
SELECTED EDUCATION				
Special Education - State Basic Grants	\$505.7	\$608.1	\$698.0	\$89.9
Title I - Grants to Local Educational Agencies	711.4	831.5	913.0	81.6
Vocational Rehabilitation State Grants	171.9	177.8	189.7	11.9
Reading First State Grants	0.0	79.0	87.8	8.8
Language Acquisition State Grants ¹	0.0	62.0	70.5	8.5
Special Education - Infants, Toddlers, and Families	31.4	33.5	35.1	1.6
Special Education - Preschool Grants	23.7	23.7	23.7	0.0
Improving Teacher Quality State Grants	0.0	229.9	229.9	0.0
Even Start Literacy Program	17.7	17.8	14.4	-3.4
Total Selected Education	\$1,461.7	\$2,063.2	\$2,262.0	\$198.8
SELECTED HEALTH AND HUMAN SERVICES				
Temporary Assistance for Needy Families (TANF)	539.0	486.3	539.0	52.7
Nutrition for Women, Infants, and Children (WIC)	341.2	365.3	388.7	23.4
Promoting Safe and Stable Families ²	26.8	32.4	43.6	11.2
Substance Abuse Prevention and Treatment	127.2	132.6	137.3	4.7
Child Support Enforcement Administration	201.3	211.6	215.9	4.3
Social Services Block Grant	125.4	125.3	125.5	0.2
Child Care and Development Block Grant	190.2	199.7	199.7	0.0
Maternal and Child Health Block Grant	37.5	38.4	38.4	0.0
Bioterrorism Preparedness Grants	0.0	51.4	51.4	0.0
Ryan White AIDS Comprehensive Care	61.4	69.8	69.8	0.0
Low Income Home Energy Assistance (LIHEAP) ³	31.0	37.7	31.0	-6.7
Total Selected Health and Human Services	\$1,681.0	\$1,750.5	\$1,840.3	\$89.8
SELECTED WORKFORCE				
Adult Training	86.6	87.5	82.9	-4.6
Youth Activities	103.8	104.6	92.8	-11.8
Dislocated Worker ⁴	63.7	62.1	55.4	-6.7
Unemployment Insurance, State Administration	109.5	127	124.3	-2.7
Employment Services, State Administration	52.1	52.1	50.5	-1.6
Total Selected Workforce	\$415.7	\$433.3	\$405.9	-27.4

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

¹ Language Acquisition State Grant replaced Bilingual and Immigrant Education Programs in the reauthorization of the Elementary and Secondary Education Act.

² FY 2002 figure represents preliminary estimate; figure has not been verified by federal award information.

³ LIHEAP funds do not include Emergency Funds.

⁴ FY 2002 figure does not include recession enacted in FY 2001 but expected to take effect in FY 2002.

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

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