



Federal Budget and Revenue Update

Updated February 6, 2008

Volume 13, Number 3

An Information Service of the NCSL Budgets and Revenue Committee

President Releases FY 2009 Budget

The FY 2009 budget proposal that President Bush sent to Congress yesterday has significant implications for state budgets and most of the programs that the state and federal governments fund and operate together. Although there are a few bright spots, taken together, the President's proposals would continue the decades-long trend of shifting costs to states and imposing unfunded mandates. The following is a summary of the major features of the FY 2009 budget proposal related to state-federal programs. More detailed analyses can be found on the NCSL web site: <http://www.ncsl.org/statefed/statefed.htm>.

Real ID: The budget proposal includes \$50 million for federal verification system development and connectivity support. The \$50 million state-focused Real ID grant program created in FY2008 is zeroed out in favor of a new \$110 million National Security and Terrorism Prevention Grant program. The program provides competitive grants to specific state and local agencies to support proposals which address national vulnerabilities identified by the Secretary as priorities, which may include the Real ID. The Department of Homeland Security estimates the state cost of implementation to be no more than \$4.0 billion.

Homeland Security: The budget proposal would reduce funds for state and local programs by \$1.277 billion, including a \$690 million reduction for the State Homeland Security Grant Program (SHSGP).

Justice: The budget proposal would reduce funds for numerous state and local law enforcement programs, forcing states to absorb a \$1.35 billion reduction below FY 2008 levels. The Byrne Discretionary Grants and Edward Byrne Memorial Justice Assistance Grant Program would be consolidated into the \$200 million Byrne Public Safety and Protection Program, a reduction of \$158 million below FY 2008 levels.

Education: The budget proposal would increase funds for Individuals with Disabilities Education Act (IDEA) by \$337 million above FY 2008 levels. However, the proposal would cut or eliminate 49 other programs to reduce federal spending by \$3.8 billion. Funding for the Higher Education Leveraging Educational Assistance Partnership (LEAP Program), which provides grants to states to assist them in providing need-based grants and work-study assistance to eligible postsecondary students, would also be eliminated.

Human Services: The budget proposal would reduce funds for Social Services Block Grant by \$500 million below FY 2008 levels, and would eliminate the program in FY 2010; reduces funds for the Low Income Home Energy Assistance Program (LIHEAP) by \$570 million below FY 2008 levels; and eliminates funds for the Community Services Block Grant, a reduction of \$630 million below FY 2008 levels.

Health: The budget proposal would reduce funds for the Medicare program by severely constraining growth in provider reimbursements in general and payments to hospitals in particular. These changes would result in reduced Medicare spending of \$12.8 billion in FY 2009 and \$182 billion in FY 2009- FY 2013. The budget proposal would also reduce Medicaid spending by instituting previously rejected budget proposals, which would result in reduced spending of \$1.7 billion in FY 2009 and \$17.4 billion in FY 2009- FY 2013.

The budget proposal would significantly increase funds for the State Children's Health Insurance Program (SCHIP) over five years (\$19.7 billion between FY 2009 and FY 2013) but retain the majority of the administration's policy proposals regarding the reauthorization, including limiting SCHIP eligibility. The proposal would also include \$50 million for FY 2009 for outreach efforts, and \$100 million for each fiscal year from FY 2010 to FY 2013, for an increase of \$450 million.

Transportation: The budget proposal would reduce funds for the Federal Highway Administration by \$1.1 billion below FY 2008. The reduction fails to account for \$1.0 billion Revenue Aligned Budget Authority (RABA) deduction and \$800 million in other rescissions. State legislators should also note that the SAFETEA-LU authorizing legislation provided for another \$8.5 billion in rescissions in fiscal year 2009 that are not accounted for in the President's proposal.

Labor: The budget proposal, as in previous years, proposes to consolidate funds for dislocated worker assistance, adult and youth training, and employment services state administration. The budget proposal would provide \$1.223 billion for dislocated worker assistance, \$712 million for adult employment and training programs and \$891 million for youth training, a combined reduction of 500 million below FY 2008. The proposal would also allow the Secretary to reallocate unused states funds to other states under certain circumstances and calls for an increase in state matching funds.

Additional information on the fiscal proposals for the President's budget are being provided by the Federal Funds Information for States (FFIS). For more information, visit <http://www.ffis.org/>.

Additional information and analysis on other proposals included in the President's budget proposal are available as follows:

- Budget (General): <http://www.ncsl.org/standcomm/scbudg/scbudg.htm>
- Agriculture, Energy and Environment: <http://www.ncsl.org/standcomm/scagee/scagee.htm>
- Education: <http://www.ncsl.org/standcomm/sceduc/sceduc.htm>
- Law and Criminal Justice: <http://www.ncsl.org/standcomm/sclaw/sclaw.htm>
- Health (Medicaid/ Medicare): <http://www.ncsl.org/standcomm/schealth/schealth.htm>
- Human Services: <http://www.ncsl.org/standcomm/schumserv/schumserv.htm>
- Labor and Economic Development: <http://www.ncsl.org/standcomm/sclaborecon/sclaborecon.htm>
- Transportation: <http://www.ncsl.org/standcomm/sctran/sctran.htm>

Other Resources:

FY 2009 President's Budget Proposal: <http://www.whitehouse.gov/omb/budget/fy2009/>

U.S. House Committee on the Budget Analysis (majority): <http://budget.house.gov/>

U.S. House Committee on the Budget Analysis (minority): <http://budget.house.gov/republicans/>

U.S. Senate Committee on the Budget Analysis (majority): <http://budget.senate.gov/democratic/>

U.S. Senate Committee on the Budget Analysis (minority): <http://budget.senate.gov/republican/index.html>