

ARIZONA
MONTHLY FISCAL HIGHLIGHTS
January 2005

January General Fund revenue collections were \$755.9 million, which was an increase of 22.8% above the same month a year ago. The January collections are \$83.5 million over the original May FY 2005 forecast for the month and are \$59.6 million higher than the revised JLBC Baseline FY 2005 forecast of last month.

Sales tax collections and individual income tax collections both exceeded the revised forecast. January sales tax collections were once again strong, with an increase of \$42.8 million, or 13.6% compared to last year. Individual income tax withholding increased 15.6% after adjusting for the revised withholding rates. Income tax estimated and final payments grew even more rapidly as they exceeded last January's collections by 51.0%

The existence of surplus FY 2005 revenues does not mean that there will be surplus monies in the next fiscal year. For example, surplus FY 2005 revenues may be used in the FY 2006 budget to offset the loss of one-time FY 2005 financing.

This report includes a summary of the February 9th and 10th JCCR meetings. Also included is information on the state's federal funds.

General Fund Revenues				
Compared to Adopted Forecast and FY 2004 Collections				
(\$ in Millions)				
	<u>FY 2005</u> <u>Collections</u>	<u>Difference From</u> <u>May 2004 Forecast</u> ^{1/}	<u>Difference From</u> <u>May 2005 Forecast</u> ^{2/}	<u>Difference</u> <u>From FY 2004</u>
January	\$ 755.9	\$ 83.5	\$ 59.6	\$ 140.4
Year-to Date	\$ 4,352.8	\$ 350.8	\$ 59.6	\$ 535.4 ^{3/}

^{1/} Enacted FY 2005 budget (May)
^{2/} JLBC January Baseline Budget
^{3/} Including the receipt of \$87.2 million federal cash assistance grant in October, 2003.

Sales Tax revenue increased by 13.6% on a year-over-year basis in January and was \$14.3 million above the forecast for the month. Year-to-date, collections are 10.3% over the first 7 months of last fiscal year. The following is based on collections through January:

- Retail sales tax receipts have increased by 8.6%
- Contracting continues to exhibit the large increases begun last year, with a year-to-date increase of 18.7%.
- Restaurants and bars collections are up 9.6%.
- Use tax receipts (all of which is retained by the state) are up 13.3%.

Individual Income Tax collections for January were 33.8% above last year. Withholding tax collections increased by 21.8% compared to last year. This increase includes the increase in withholding rates which went into effect on January 1st. Adjusting for the rate increase, withholding tax collections were an estimated 15.6% greater than last January.

Estimated/final payments were up 51.0% over last year. Payments for the December/January period are a combined 47.5% over the same period last year. While specific reasons for the increased payments are unknown, there are 3 possible factors which could have contributed. These include increased stock market gains during calendar 2004, a \$32 billion worldwide Microsoft dividend payment, and the Arizona real estimate market for investors.



January individual income tax collections were \$48.1 million over the forecast. Year-to-date total individual income tax collections are 16.9% above last year.

Corporate Income Tax revenue of \$22.2 million was \$4.2 million over January collections last year. Year-to-date corporate collections are 50.0% over the previous year.

Luxury Tax collections for January were 12.7% greater than last January, bringing the year-to-date total to almost 5% more than the first 7 months of last year. However, January collections for the **Tobacco Tax** component of this category were down (16.2%) compared to last year. Year-to-date, tobacco tax collections are 2.6% above the prior year.

Recent Economic Indicators: The nation's economic growth slowed slightly in 2004's fourth quarter. **Real gross national product (GDP)** advanced at a 3.8% annual rate, down from the 4.0% rate posted in the third quarter. Personal consumption expenditures led the way, while a decline in exports reduced the economy's growth pace. **U.S. semiconductor billings** (three-month moving average) dipped (6.2)% in December but posted a strong increase for the year. The annual sales total of \$39.9 billion was a 22% improvement over 2003.

The **U.S. Index of Leading Economic Indicators** lost ground in January, dropping by (0.3)% from the prior month. Vendor

performance and consumer expectations were among the negative contributors to January's results. In February, the nation's **Consumer Confidence Index** declined (1.1)%. While consumers' assessment of current conditions improved, their outlook for the next six months deteriorated.

Although a jump in wholesale prices disturbed the financial markets, the **U.S. Consumer Price Index (CPI)** edged up by just 0.1% in January, leaving the three-month moving average virtually unchanged. On a year-over-year basis, the CPI climbed 3.3% in 2004, the largest increase since 2000.

Arizona's tourism industry concluded 2004 on a strong note. The **Arizona Tourism Barometer** rose to 100.7 in December, the first time since September 2001 it eclipsed the 100 mark. A surge in overseas visitors and hotel-motel tax collections more than offset a decline in national park visits. Phoenix Sky Harbor **air passenger traffic** also grew 7% over the prior December. A total of 39.5 million passengers passed through the airport in for all of 2004, a 5.6% increase from 2003.

The ongoing housing boom was reflected in the state's **residential building permit** statistics. The single-family sector led the way as the three-month average increased 10.1%. For all of 2004, 78,841 single-family units were authorized, 19.7% more than in 2003.

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RECENT ECONOMIC INDICATORS				
<u>Indicator</u>	<u>Time Period</u>	<u>Current Value</u>	<u>Change From Prior Period</u>	<u>Change From Prior Year</u>
Arizona				
- Unemployment Rate	December	4.2%	(0.3)%	(0.8)%
- Jobs	December	2.41 million	0.2%	2.8%
- Contracting Tax Receipts (3-month average)	Oct-Dec	\$55.7 million	0.6%	18.1%
- Retail Sales Tax Receipts (3-month average)	Oct-Dec	\$134.6 million	2.2%	9.7%
- Residential Building Permits - (3-month moving average)				
Single-unit	December	5,686	(5.2)%	10.1%
Multi-unit	December	849	38.3%	(21.8)%
- Arizona Tourism Barometer	December	100.7	1.4%	6.4%
- Phoenix Sky Harbor Air Passengers	December	3.35 million	3.3%	7.0%
- Arizona Average Natural Gas Price (\$ per thousand cubic feet)	November	\$6.50	18.4%	28.0%
- Leading Indicators Index	November	125.0	0.3%	1.1%
- Business Conditions Index (>50 signifies expansion)	January	64.6	-0.9%	(0.7)%
- Consumer Confidence Index	1 st Quarter 2005	104.3	3.2%	13.1%
- Business Leaders Confidence Index	1 st Quarter 2005	65.5	(4.9)%	(10.9)%
- Arizona Personal Income	3 rd Quarter 2004	\$161.7 billion	1.1%	7.0%
- Arizona Population	July 1, 2004	5.74 million	3.0%	3.0%
- AHCCCS Recipients (3-month average)	Nov-Jan	807,649	3.9%	8.5%
- TANF Recipients (3-month average)	Oct-Dec	109,770	(3.3)%	(13.8)%
- DOC Inmate Growth (3-month average)	Nov-Jan	32,502	31 inmates	1,241 inmates
United States				
Gross Domestic Product (seasonally adjusted annual growth rate)	4 th Quarter 2004	\$11.0 trillion	3.8%	3.9%
- Consumer Confidence Index	February	104.0	(1.1)%	17.5%
- Leading Indicators Index	January	115.6	(0.3)%	0.8%
- U.S. Semiconductor Billings -(3-month moving average)	Oct-Dec	\$3.2 billion	(6.2)%	6.7%
- Consumer Price Index - (3-month moving average)	Nov-Jan	190.7	0.0%	3.3%

State of Arizona

General Fund Revenue: Change from Previous Year and January JLBC Budget January 2005

	Current Month					FY 2005 YTD (Seven Months)				
	Actual	Change From				Actual	Change from			
		January 2005	January 2004		Budgeted Forecast		January 2005	January 2004		Budgeted Forecast
		Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent
<u>Taxes</u>										
Sales and Use	\$356,818,639	\$42,827,926	13.6 %	\$14,294,693	4.2 %	\$2,104,399,437	\$195,968,989	10.3 %	\$14,294,693	0.7 %
Income - Individual	357,209,039	90,144,046	33.8	48,098,377	15.6	1,722,716,708	248,626,932	16.9	48,098,377	2.9
- Corporate	22,209,771	4,162,517	23.1	(2,497,466)	(10.1)	364,950,484	121,688,661	50.0	(2,497,466)	(0.7)
Property	415,827	6,468,552	--	0	0.0	14,450,912	(6,595,628)	(31.3)	0	0.0
Luxury	6,531,087	736,157	12.7	1,384,666	26.9	37,114,161	1,739,982	4.9	1,384,666	3.9
Insurance Premium	3,647,412	(17,337,720)	(82.6)	0	0.0	127,008,600	35,376,453	38.6	0	0.0
Estate	1,641,885	(879,766)	(34.9)	(1,737,513)	(51.4)	22,387,487	(772,230)	(3.3)	(1,737,513)	(7.2)
Other Taxes	72,408	(18,809)	(20.6)	(127,592)	(63.8)	1,678,322	(108,941)	(6.1)	(127,593)	(7.1)
Sub-Total Taxes	\$748,546,068	\$126,102,903	20.3 %	\$59,415,165	8.6 %	\$4,394,706,111	\$595,924,218	15.7 %	\$59,415,164	1.4 %
<u>Other Revenue</u>										
Lottery	3,126,800	(3,256,900)	(51.0)	26,800	0.9	18,459,000	(5,833,300)	(24.0)	26,800	0.1
License, Fees and Permits	2,338,867	292,664	14.3	(159,976)	(6.4)	15,255,628	1,242,339	8.9	(159,976)	(1.0)
Interest	2,393,910	910,823	61.4	1,251,329	109.5	11,527,609	(7,252,814)	(38.6)	1,251,328	12.2
Sales and Services	6,524,291	196,191	3.1	(387,355)	(5.6)	24,510,184	(5,364,617)	(18.0)	(387,355)	(1.6)
Other Miscellaneous	2,115,639	(2,726,595)	(56.3)	(246,229)	(10.4)	11,113,389	(8,666,533)	(43.8)	(246,228)	(2.2)
Disproportionate Share	0	0	--	0	--	0	(5,625,187)	(100.0)	0	--
Transfers and Reimbursements	1,767,126	1,087,584	160.0	(276,835)	(13.5)	18,324,363	(81,220,516)	(81.6)	(276,837)	(1.5)
Sub-Total Other Revenue	18,266,633	(3,496,233)	(16.1) %	207,734	1.2 %	99,190,173	(112,720,628)	(53.2) %	207,732	0.2 %
TOTAL BASE REVENUE	\$766,812,701	\$122,606,670	19.0 %	\$59,622,899	8.4 %	\$4,493,896,284	\$483,203,590	12.0 %	\$59,622,896	1.3 %
<u>One-Time Revenue</u>										
Urban Revenue Sharing	(31,089,382)	(667,285)	2.2	135	(0.0)	(217,625,670)	(4,670,991)	2.2	136	(0.0)
Budget Balancing Transfers	0	0	--	0	--	0	0	--	0	--
VLT Transfer	20,091,537	20,091,537	--	0	0.0	74,248,543	74,248,543	--	0	0.0
Tax Amnesty	0	0	--	0	--	0	(15,080,406)	(100.0)	0	--
Judicial Enhancement	45,000	(1,641,768)	(97.3)	0	0.0	2,241,600	(2,343,125)	(51.1)	0	0.0
Sub-Total Transfers In	(10,952,845)	17,782,484	(61.9) %	135	(0.0) %	(141,135,527)	52,154,021	(27.0) %	136	(0.0) %
TOTAL REVENUE	\$755,859,856	\$140,389,154	22.8 %	\$59,623,034	8.6 %	\$4,352,760,757	\$535,357,611	14.0 %	\$59,623,032	1.4 %

VP% = Percent change from comparable period in prior year

VF% = Variance from forecast

F% = Forecast percent change for the fiscal year.

R% = Average percent change from comparable period in prior year which must be attained over remaining months to realize the forecast for year.

The **number of TANF recipients** (three-month average) declined to 109,770 in December, a (3.7)% drop from the previous three-month period. On the other hand, the **AHCCCS caseload** continued to increase in January. Average enrollment for the most recent three months was 3.9% higher than the previous three-month period and 8.5% above the level from one year ago.

The **Department of Corrections' inmate population** increased by an average of 31 inmates per month from November through January. The increase was significantly less than the budgeted rate of 115 net new inmates per month, mostly due to a reduction of 91 inmates in the month of January.

JCCR MEETING

At its February 9 and 10 meeting, the Joint Committee on Capital Review considered the following issues:

MCCD Bond Proposal – The Committee gave a favorable review to the \$190.3 million General Obligation bond issuance with the provision that the Maricopa Community College District report to the Committee on actual project costs when the district returns for review of the second issuance.

SFB Refinancing – The Committee gave an unfavorable review to the School Facilities Board (SFB) proposal to refinance outstanding lease-purchase agreements in order to create a \$22 million one-time savings. In SFB's debt restructuring, they will take a "payment holiday" and eliminate their annual debt payment in FY 2006. In FY 2007, debt service will resume at \$22 million plus \$1.6 million for 15 years to offset the payment holiday.

The Committee recommended SFB pursue an alternative plan, such as refinancing to take advantage of lower interest rates and reduce payments by approximately \$550,000 annually over the course of the debt financing.

The JCCR also received the SFB instructions to the Treasurer to transfer a total of \$150.1 million in FY 2006 for Deficiencies Correction and Building Renewal.

Game and Fish Building Renewal – The Committee gave a favorable review to the Game and Fish Department FY 2005 Building Renewal Allocation Plan of \$350,500 from the Game & Fish Fund. The Committee also requested the department report on capital projects in progress if the department decides to pursue relocating the headquarters facilities.

Treasurer's Office Remodel – The Committee gave a favorable review to the State Treasurer's Office Tenant Improvement Project. This project is funded with \$221,800 from the FY 2005 Building Renewal Allocation, and \$150,000 from the Capital Outlay Stabilization Fund appropriation to the Treasurer's Office.

DJC Unit Conversions – The Committee referred to the full legislature a request from the Department of Juvenile

Corrections to use FY 2005 operational savings to convert two existing housing units to a health unit and a vocational education unit.

Phoenix Civic Plaza Expansion – The Committee received the semi-annual project progress report. The project is on schedule and expected to be completed in 2009. Construction began in late 2003 to increase the rentable space at the facility to over 900,000 square feet.

In addition, the city is undertaking a \$220 million project which is anticipated to begin in early 2006, with completion scheduled for the end of 2008.

The City of Phoenix will provide information on the percentage of hotel operating costs that are accounted for by property tax expenses, and the foregone tax collections resulting from the hotel project having tax exempt status.

FY 2006 Capital Budget – The Committee approved the JLBC recommendations for the FY 2006 Budget, which will now be considered by the Appropriations Committees and the full Legislature.

FEDERAL FUNDS

The President released his federal budget proposal for Federal Fiscal Year (FFY) 2006 on February 7, 2005. The budget includes increases for defense and homeland security while reducing non-defense and non-security discretionary programs by 1%. Since the federal process is in its early stages, there is still uncertainty about final funding levels for many federal programs and uncertainty about how these changes will affect Arizona. Funding to Arizona would increase from \$6.30 billion to \$6.56 billion, an increase of 4.2%. The FFY 2006 number, however, does not include several programs where state funding would be converted from a formula amount to a discretionary grant. If Arizona were to retain the same funding under the discretionary programs, the overall funding level would rise to \$6.70 billion.

The information is compiled from Federal Funds Information for States (FFIS) data. FFIS is a joint effort of the National Governors Association and the National Conference of State Legislatures. They report on the largest federal grant programs, which reflect the overwhelming share of total federal assistance to state governments. However, the amounts do not include discretionary grants, competitive grants or direct cash assistance to individuals, such as Medicare and Social Security. (Please see attached table and program descriptions.) In some cases, state agency estimates for these grants may not match the amounts shown in the table.

The President's budget proposes to make a number of programs which were previously allocated by formula into competitive or discretionary programs. As a result, we cannot determine how Arizona's allocation of these grants (totaling \$171 million in Arizona in FFY 2005) would change. Major program changes include the following:

- The President proposes to consolidate Vocational Education grants with other education programs into a new competitive grant program. He made a similar proposal in his FFY 2005 budget.
- The President's FY 2006 budget proposal restructures Homeland Security grant programs. The Homeland Security secretary would have discretion to distribute the grant in FFY 2006. For example, Arizona received \$20 million in state-level formula grants in FFY 2005. The following table shows no FFY 2006 funding, given the proposed shift to a discretionary grant.
- Community Development Block Grants (CDBG) are among the 18 existing economic and community development programs the President proposes to consolidate into two new programs administered by the Department of Commerce: Strengthening America's Communities Initiative and The Economic Development Challenge Fund.
- As in previous years, the President's budget proposes to merge the Department of Labor's Adult Training, Dislocated Workers, Employment Services, and Youth Activities into a single grant program. No formula for the consolidated program has been specified. However, the president proposes to fund this grant at \$3.9 billion, compared to \$5.7 billion these programs received separately in FFY 2005.

annualization of the FFY 2005 8-month levels and level funding for FFY 2006.

The remaining amount Arizona receives is estimated to increase to \$6.4 billion. Changes to existing federal programs under the President's budget include:

- Major grant programs administered through the Departments of Education would increase slightly in FFY 2006.
- Funding across all Health and Human Services programs would increase by \$388 million in FFY 2006. As in previous years, Arizona would show significant gains in Medicaid Vendor Payments. After adjusting for a decrease of \$76 million in the State Children's Health Insurance Program (SCHIP) and an increase of \$11 million in Medicaid Administration, Arizona would receive \$384 million more for Medicaid in FFY 2006 than in FFY 2005. The President's FFY 2006 budget proposal contains some potential Medicaid changes that may affect states. First, the FFY 2006 budget proposes that federal Medicaid spending be reduced by \$60 billion over the next 10 years by reducing intergovernmental transfers and other "overpayments". Also, the President's proposal includes additional Medicaid and SCHIP funding of \$16.5 billion in that same time period for outreach and other coverage initiatives. Specifics on these, and other, proposals are not yet available, therefore it is difficult to determine how they will affect Arizona.
- The President's budget again proposes to eliminate funding for the State Criminal Alien Assistance Program. This represents a decrease of \$11.3 million for Arizona.
- The administration has not yet made its Department of Transportation proposal for the remainder of FFY 2005 and for FFY 2006. The figures for Arizona assume a full

Amount of Federal Grant-in-aid Money Distributed to Arizona for Major Programs

(Dollars in thousands)

Federal Agency	FY 2004	FY 2005	President's Proposed FY 2006	FY06 \$ above FY05	FY06 % above FY05
Department of Agriculture					
Women, Infants & Children (WIC) Suppl. Feeding Program	100,030	104,662	111,419	6,757	6.5%
Department of Education					
Title I – Grants to Local Education Agencies	187,860	248,135	259,425	11,290	4.5%
Vocational Rehabilitation – State Grants	48,460	50,162	52,642	2,480	4.9%
Special Education – Basic State Grant	152,382	162,563	172,800	10,237	6.3%
State Grants for Improving Teacher Quality	48,198	48,327	48,327	0	0.0%
Vocational Education – State Grants ^{1/}	24,282	24,269	0	(24,269)	(100.0%)
Department of Health and Human Services					
Adoption Assistance	20,977	23,137	24,387	1,250	5.4%
CDC: State and Local Capacity	15,926	15,673	13,475	(2,198)	(14.0%)
Child Care and Development Block Grant	47,827	49,265	49,264	(1)	(0.0%)
Child Care Entitlement – Mandatory and Matching	50,749	50,364	50,364	0	0.0%
Child Support Enforcement Administration	44,404	44,998	46,212	1,214	2.7%
Community Services Block Grant	5,217	5,177	0	(5,177)	(100.0%)
Consolidated Health Centers	27,643	29,633	34,828	5,195	17.5%
Foster Care	58,857	57,674	57,411	(263)	(0.5%)
Head Start	102,023	103,043	103,043	0	0.0%
Low-Income Home Energy Assistance Program (LIHEAP)	6,720	7,079	6,760	(319)	(4.5%)
Medicaid – Administration	114,678	103,433	114,727	11,294	10.9%
Medicaid – Vendor Payments	3,809,057	4,076,446	4,525,254	448,808	11.0%
Promoting Safe and Stable Families	6,107	6,107	6,192	85	1.4%
Social Services Block Grant (SSBG)	31,987	31,987	31,987	0	0.0%
State Children’s Health Insurance Program (SCHIP)	139,151	182,833	106,473	(76,360)	(41.8%)
Substance Abuse and Prevention Block Grant	31,921	31,857	31,857	0	0.0%
Temporary Assistance for Needy Families (TANF)	230,168	226,131	226,131	0	0.0%
Vaccines for Children	28,318	32,284	37,154	4,870	15.1%
Department of Homeland Security					
Homeland Security Formula Grants ^{2/}	31,304	20,022	0	(20,022)	(100.0%)

Amount of Federal Grant-in-aid Money Distributed to Arizona for Major Programs

(Dollars in thousands)

<u>Federal Agency</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>President's Proposed FY 2006</u>	<u>FY06 \$ above FY05</u>	<u>FY06 % above FY05</u>
HUD and Independent Agencies					
Community Develop. Block Grant (CDBG) – Entitlement ^{3/}	49,135	46,589	0	(46,589)	(100.0%)
CDBG – Non-entitlement ^{3/}	14,409	13,624	0	(13,624)	(100.0%)
Economic Development Grants ^{3/}	0	0	0	0	0.0%
EPA – Clean Water SRF	9,042	7,350	4,918	(2,432)	(33.1%)
Department of Justice					
Edward Byrne Memorial Grant Program ^{4/}	8,825	0	0	0	0.0%
State Criminal Alien Assistance Program	11,301	11,298	0	(11,298)	(100.0%)
Justice Assistance Grants ^{4/}	0	0	0	0	0.0%
Department of Labor					
Workforce Investment Act – Adult Employment ^{5/}	16,109	15,967	12,759	(3,208)	(20.1%)
Dislocated Workers ^{5/}	19,644	19,814	14,317	(5,497)	(27.7%)
Employment Service State Grants ^{5/}	12,629	13,115	0	(13,115)	(100.0%)
Workforce Investment Act – Youth Activities ^{5/}	17,629	17,469	0	(17,469)	(100.0%)
Consolidated Worker Grants ^{5/}	0	0	0	0	0.0%
Unemployment – State Administration	26,733	25,952	26,868	916	3.5%
Department of Transportation ^{6/}					
Federal Aid Highways – Bridge R & R	11,412	11,766	11,766	0	0.0%
Federal Aid Highways – Interstate Maintenance	92,543	95,408	95,408	0	0.0%
Federal Aid Highways – Minimum Guarantee	71,618	68,279	68,279	0	0.0%
Federal Aid Highways – National Highway System	100,206	103,307	103,307	0	0.0%
Federal Aid Highways – Surface Transportation Program	113,571	117,086	117,086	0	0.0%
Department of Treasury					
State Fiscal Relief Payments	87,234	0	0	0	0.0%
Total Arizona Funding	6,026,286	6,302,285	6,564,840	262,555	4.2%
Total US Funding	314,448,859	314,111,629	321,059,507	6,947,878	2.2%
Arizona % Share of US Total	1.92%	2.01%	2.04%		
Arizona % Share of US Total (without Medicaid)	1.56%	1.58%	1.50%		

^{1/} Vocational Education grants with other education programs are proposed to be consolidated into a new competitive grant program.

^{2/} Homeland Security Funds for FY 2006 would be allocated by DHS secretary.

^{3/} Community Development Block Grants are among the programs being consolidated into two new programs: Strengthening America's Communities Initiative and the Economic Development Challenge Fund. No formula is specified.

^{4/} Replaced by new Justice Assistance Grants in FY 2005. No formula is available.

^{5/} The president's budget consolidates Dislocated Workers, Adult Training, Youth Services and Employment Services into a new Consolidated Worker Grants program.

^{6/} The President's budget has not yet made a Transportation proposal. Figures reflect full annualization of FY 2005 8-month levels and level funding for FY 2006

Program Descriptions for Existing Major Federal Grants

Department of Agriculture

Women, Infants & Children (WIC) Supplemental Feeding Program

To provide, low-income pregnant, breastfeeding and postpartum women, infants, and children to age five determined to be at nutritional risk, at no cost, supplemental nutritious foods, nutrition education, and referrals to health care providers.

Department of Education

Title I – Grants to Local Education Agencies

To help local education agencies (LEAs) and schools improve the teaching and learning of children failing, or most at-risk of failing, to meet challenging State academic standards.

Vocational Rehabilitation – State Grants

To assist States in operating programs of vocational rehabilitation; to provide vocational rehabilitation services for individuals with disabilities so they may prepare for and engage in competitive employment.

Special Education – Basic State Grant

To provide grants to States to assist them in providing a free appropriate public education to all children with disabilities.

State Grants for Improving Teacher Quality

To provide grants to State Education Agencies (SEAs) on a formula basis to increase student academic achievement through strategies such as improving teacher and principal quality and increasing the number of highly qualified teachers in the classroom and highly qualified principals and assistant principals in schools and hold local educational agencies and schools accountable for improvements in student academic achievement.

Vocational Education – State Grants

Basic grants assist States and outlying areas to expand and improve their programs of vocational education and provide equal access in vocational education to special needs populations. The populations assisted by Basic Grants range from secondary students in pre-vocational courses through adults who need retraining to adapt to changing technological and labor market conditions.

Department of Health and Human Services

Adoption Assistance

To provide Federal Financial Participation to States in adoption subsidy costs for the adoption of children with special needs and who meet certain eligibility tests.

Centers for Disease Control and Prevention: State and Local Capacity

To ensure that state and local health departments, hospitals, and other health care entities are able to mount a collective response featuring seamless interaction of their event-specific capabilities in areas related to bioterrorism.

Child Care and Development Block Grant (includes Entitlement – Mandatory and Matching program)

To make grants to States and Tribes to assist low-income families with child care and to: (1) Allow each State maximum flexibility in developing child care programs and policies that best suit the needs of children and parents within State; (2) promote parental choice to empower working parents to make their own decisions on the child care that best suits their family's needs; (3) encourage States to provide consumer education information to help parents make informed choices about child care; (4) assist States to provide child care to parents trying to achieve independence from public assistance; and (5) assist States in implementing the health, safety, licensing, and registration standards established in State regulations.

Child Support Enforcement Administration

To enforce the support obligations owed by absent parents to their children, locate absent parents, establish paternity, and obtain child, spousal and medical support.

Community Services Block Grant

To provide assistance to States and local communities, working through a network of community action agencies and other neighborhood-based organizations, for the reduction of poverty, the revitalization of low-income communities, and the empowerment of low-income families and individuals in rural and urban areas to become fully self-sufficient.

Consolidated Health Centers

To support the development and operation of health centers which provide preventive and primary health care services, supplemental health and support services and environmental health services to medically underserved areas/populations.

Foster Care

To help States provide safe, appropriate, 24-hour, substitute care for children who are under the jurisdiction of the administering State agency and need temporary placement and care outside their homes; and to provide Federal Financial Participation in costs related to the program.

Head Start

To promote school readiness by enhancing the social and cognitive development of low-income children, including children on federally recognized reservations and children of migratory farm workers, through the provision of comprehensive health, educational, nutritional, social and other services; and to involve parents in their children's learning and to help parents make progress toward their educational, literacy and employment goals.

Low-Income Home Energy Assistance Program (LIHEAP)

To make Low Income Home Energy Assistance Program (LIHEAP) grants available to States and other jurisdictions to assist eligible households to meet the costs of home energy.

Medicaid: Title XIX – Administration

Medicaid: Title XIX – Vendor Payments

To provide financial assistance to States for payments of medical assistance on behalf of cash assistance recipients, children, pregnant women, and the aged who meet income and resource requirements, and other categorically-eligible groups. Financial assistance is provided to States to pay for Medicare premiums, copayments and deductibles of qualified Medicare beneficiaries meeting certain income requirements. More limited financial assistance is available for certain Medicare beneficiaries with higher incomes.

Promoting Safe and Stable Families

To fund community-based family support services that promote the safety and well-being of children and families by enhancing family functioning and child development; to fund family preservation services that serve families at risk or in crisis, including the following services: reunification and adoption services, preplacement/preventive services, follow-up services after return of a child from foster care, respite care, services designed to improve parenting skills; and infant safe haven programs; to fund time-limited family reunification services to facilitate the reunification of the child safely and appropriately within a timely fashion; and to fund adoption promotion and support services designed to encourage more adoptions out of the foster care system, when adoptions promote the best interests of children.

Social Services Block Grant (SSBG)

To enable each State to furnish social services best suited to the needs of the individuals residing in the State. Federal block grant funds may be used to provide services directed toward one of the following five goals specified in the law: (1) To prevent, reduce, or eliminate dependency; (2) to achieve or maintain self-sufficiency; (3) to prevent neglect, abuse, or exploitation of children and adults; (4) to prevent or reduce inappropriate institutional care; and (5) to secure admission or referral for institutional care when other forms of care are not appropriate.

State Children’s Health Insurance Program (SCHIP)

To provide funds to States to enable them to initiate and expand child health assistance to uninsured, low-income children. Assistance should be provided primarily by two methods: (1) Obtain health insurance coverage that meets the requirements relating to the amount, duration, and scope of benefits; or (2) expand eligibility for children under the State’s Medicaid program.

Substance Abuse and Prevention Block Grant

To provide financial assistance to States and Territories to support projects for the development and implementation of prevention, treatment and rehabilitation activities directed to the diseases of alcohol and drug abuse.

Temporary Assistance for Needy Families (TANF)

To provide grants to States, Territories, or Tribes to assist needy families with children so that children can be cared for in their own homes; to reduce dependency by promoting job preparation, work, and marriage; to reduce and prevent out-of-wedlock pregnancies; and to encourage the formation and maintenance of two-parent families.

Vaccines for Children

To assist States and communities in establishing and maintaining preventive health service programs to immunize individuals against vaccine-preventable diseases (including measles, rubella, poliomyelitis, diphtheria, pertussis, tetanus, hepatitis B, hepatitis A, varicella, mumps, haemophilus influenza type b, influenza, and pneumococcal pneumonia).

Department of Homeland Security

Homeland Security Formula Grants

SHSP: The State Homeland Security Program (SHSP) enables states to prepare for and mitigate the effects of attacks from chemical, biological, radiological, nuclear and explosive terrorist attacks. The SHSP replaces the counterterrorism grants formerly awarded by the Justice Department’s Office for Domestic Preparedness (ODP).

LETPP: The Law Enforcement Terrorism Prevention Program (LETPP) may be used for law enforcement planning, organizational activities and equipment to enable information sharing, reducing vulnerability of potential targets, threat recognition, intervention activities and interoperable communications. The LETPP is similar in structure to the prior Critical Infrastructure Grants.

HUD and Independent Agencies

Community Development Block Grant (CDBG) – Entitlement

To develop viable urban communities, by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for persons of low and moderate income.

Community Development Block Grant (CDBG) – Non-entitlement

This grant has the same basic objective as the previous CDBG. However grant recipients also must demonstrate that each activity funded meets one of the program’s National Objectives by either: benefiting low and moderate income families; aiding in the prevention or elimination of slums or blight; or meeting other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community where other financial resources are not available.

Economic Development Grants

These grants are proposed as a consolidation of existing economic and community development programs. They are: (1) Strengthening America’s Communities Initiative, a unified economic and community development grant program, and (2) The Economic Development Challenge Fund, a bonus grant program for development-ready communities. A development-ready community is identified as one that has

already taken steps to improve conditions in ways that have been proven to attract businesses, including: Improving schools by meeting No Child Left Behind adequate yearly progress goals; Reducing regulatory barriers to business creation and housing development; and Reducing violent crime rates within the community.

EPA – Clean Water SRF

To create State Revolving Funds (SRFs) through a program of capitalization grants to States which will provide a long term source of State financing for construction of wastewater treatment facilities and implementation of other water quality management activities.

Department of Justice

Edward Byrne Memorial Grant Program

To provide leadership and direction in controlling the use and availability of illegal drugs, with emphasis on violent crime and serious offenders. Replaced by new Justice Assistance Grants program.

State Criminal Alien Assistance Program

The State Criminal Alien Assistance Program (SCAAP) provides Federal assistance to states and units of local government incurring costs of incarcerating illegal aliens convicted of one felony or two misdemeanor offenses and to expedite the transfer of custody for certain deportable aliens.

Department of Labor

Workforce Investment Act – Adult Employment and Training Activities

To provide workforce investment activities that increase the employment, retention and earnings of participants, and increase occupational skill attainment by the participants. This program is designed to increase employment, as measured by entry into unsubsidized employment, retention in unsubsidized employment six months after entry into employment, and wage gain.

Workforce Investment Act – Dislocated Workers

This grant has the same basic objective as the prior program with an emphasis on employing dislocated workers.

Employment Service State Grants

To place persons in employment by providing a variety of placement-related services without charge to job seekers and to employers seeking qualified individuals to fill job openings.

Unemployment – State Administration

To administer this program of unemployment insurance for eligible workers through Federal and State cooperation; to administer payment of trade adjustment assistance; disaster unemployment assistance; unemployment compensation for Federal employees and ex-service members.

Workforce Investment Act – Youth Activities

To design, with States and local communities, a revitalized, workforce investment system that will help low income youth between the ages of 14 and 21 acquire the educational and occupational skills, training and support needed to achieve academic and employment success and successfully transition to careers.

Department of Transportation

Federal Aid Highways – Bridge R & R

Federal Aid Highways – Interstate Maintenance

Federal Aid Highways – Minimum Guarantee

Federal Aid Highways – National Highway System

Federal Aid Highways – Surface Transportation Program

To assist State transportation agencies in the planning and development of an integrated, interconnected transportation system important to interstate commerce and travel by constructing and rehabilitating the National Highway System, including the Interstate System; and for transportation improvements to all public roads except those functionally classified as local; to provide aid for the repair of Federal-aid roads following disasters; to foster safe highway design; to replace or rehabilitate deficient or obsolete bridges; and to provide for other special purposes. The Federal Lands Highway Program provides assistance to the Federal Land Management Agencies for Federally-owned roads.

Department of Treasury

State Fiscal Relief Payments

To provide fiscal relief to each state as part of the Jobs and Growth Tax Relief Reconciliation Act of 2003. Amount is based on relative state population. Permitted use of the funds include financing essential government services or covering the state cost of complying with an unfunded federal intergovernmental mandate (as defined in section 421(5) of the Congressional Budget Act of 1974). A state may use funds only for the types of expenditures permitted under the most recently approved budget for the state. State fiscal relief was provided in FY 2003 and FY 2004 only.