

REVITALIZING FEDERALISM

Resetting the proper balance between Federal and State responsibilities:

- **Improve Educational Outcomes by Empowering States.** Through a new Department of Education K-12 Simplified Funding Program, the Budget consolidates 18 grant programs—most of which were perverted to impose equity requirements and racial literacy trainings—to substantially lower the costs of both administration and compliance, and ensure that a greater proportion of the funds provides support for students and their families.
- **Department of Housing and Urban Development State Rental Assistance Program.** The Budget empowers States by transforming the dysfunctional Federal rent assistance programs into a State-based formula grant, allowing States to design their own rental assistance programs based on their needs. The Budget would also institute a two-year cap on rental assistance for able bodied adults, and would ensure a majority of rental assistance funding through States would go to the elderly and disabled. In addition, this program would encourage States to provide funding to share in the responsibility to ensure that similar levels of recipients can benefit from the block grant.
- **Restores Environmental Management Responsibilities to the States.** The Budget eliminates 16 Environmental Protection Agency (EPA) Categorical Grants—saving taxpayers over \$1 billion—while maintaining funding at 2025 enacted levels for Tribes and carbon capture utilization and storage, thus encouraging States to achieve primary enforcement authority for these programs and to innovate to find more efficient ways to meet their responsibilities under delegated authority. EPA's Categorical Grant programs were established to help States and local governments comply with environmental statutes—the majority of which have been on the books for several decades—but have become a crutch for States at the expense of taxpayers.
- **EPA Clean and Drinking Water State Revolving Loan Funds.** The EPA Clean and Drinking Water State Revolving Loan Funds (SRFs) were designed decades ago to give money to States via formula allocation for seed money to set up their own water infrastructure loan programs to operate without continued annual federal appropriations. By providing the lowered level of \$305 million to the SRFs, the Budget returns them to their intended structure while saving American taxpayers \$2.4 billion. The Budget recognizes that States are responsible for funding local water infrastructure projects, not the Federal Government, and therefore provides this lowered level to allow States to adjust to alternative funding sources. In addition, the SRFs are largely duplicative of the EPA's Water Infrastructure Finance and Innovation Act program and the U.S. Department of Agriculture's Water and Wastewater Loan and Grant program, which received a massive investment of \$43 billion in the Infrastructure Investment and Jobs Act.

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- **Substance Abuse and Mental Health Services Administration (SAMHSA) Eliminations.** The Budget proposes to reduce waste and eliminate inefficient funding formerly part of SAMHSA from previous administrations—such as “harm reduction,” “safe smoking kits and supplies,” and “syringes” for drug users—to instead focus on combatting the scourge of deadly drugs that have ravaged American communities.
- **Federal Emergency Management Agency (FEMA) Preparedness Grants and State-Level Programs.** The Budget reduces wasteful FEMA grant programs that are redundant and have been abused to impose unnecessary constraints on the States. For example, the National Domestic Preparedness Consortium duplicates and therefore de-emphasizes State-level programs that are duplicative of it and often serve its role more effectively. The Budget maintains the Preparedness Grants Portfolio and other State-level programs to provide resources and encouragement for resilience at the local level.