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# SPECIAL REPORT

## California Capitol Hill Bulletin

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*To expand communications between Washington and California, the California Institute provides periodic faxed bulletins regarding current activity on Capitol Hill which directly impacts our state. Bulletins are published weekly during sessions of Congress, and occasionally during other periods. The e-mail edition is made possible in part by in kind donations from Sun Microsystems and*

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### FY2000 ADMINISTRATION BUDGET REVIEW

The following discussion attempts to assess the Administration's FY2000 budget proposals from a California perspective. This analysis was prepared after only a few hours of analyzing more than two thousand pages of budget documents, thus any findings should be considered preliminary at best.

The President's budget can be accessed through the Government Printing Office website at:  
[http://www.access.gpo.gov/usbudget/fy2000/app\\_down.html](http://www.access.gpo.gov/usbudget/fy2000/app_down.html).

### IMMIGRATION

**Incarceration Reimbursement** -- As in the FY99 budget, the President's budget again proposes \$500 million to reimburse the states for the costs of incarcerating undocumented criminal immigrants, under the Violent Crime Reduction Task Force program. Last year, through the efforts of the California Congressional delegation, Congress appropriated \$585 million for FY99, of which California is expected to receive at least 45 percent. However, California alone spends over \$650 million annually to incarcerate undocumented criminal aliens.

**Border Control** -- For the first time in four years, the Administration's budget does not request funding for an additional 1,000 Board Patrol Agents. However, additional funding is being requested for other border and enforcement enhancements, including \$50 million for force-multiplying border technology and equipment, \$20 million for additional resources for the detention and removal of illegal aliens, and \$6 million to staff new land ports of entry.

**Food Stamps** -- The Agriculture Department's budget includes an additional \$300,000, some of which would be used under the President's proposal to restore food stamp benefits to about 15,000 legal immigrants who lost these benefits under the 1996 welfare reform law. Under the President's plan, immigrants in the U.S. by August 1996, the enactment date of the '96 reform law, who reach age 65 after

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that date will be eligible to receive food stamps. With roughly 40% of the nation's legal immigrants residing in California, the state would be major beneficiaries of the increase.

**Medicaid, SSI, and Health Care --** The budget also proposes that those immigrants who entered the U.S. after 1996, but have been in the country at least five years, and become disabled after entering the country, be eligible for Supplemental Security Income and Medicaid benefits. Also, as it did last year, the budget proposes that states be given the option of providing health coverage to legal immigrant children who entered after August of '96, rather than to just those who were already here by that date, as is currently required. The states would also be given the option of providing Medicaid benefits to pregnant, legal immigrant women who entered after August 1996.

## **SOCIAL SECURITY**

The President proposed extending the solvency of Social Security to 2055 from the current estimated date of 2032 by transferring 62 percent of expected surpluses for the next 15 years, or \$2.8 trillion, to the program and investing a portion of the surplus in the stock market.

Californians had been gearing up to fight an item which they expected to be included in the budget, but which appears in the end to have been omitted: mandatory coverage of state and local employees under the Social Security program. Traditionally, the Social Security system has allowed state and local governments to opt out of the retirement system if they provide a parallel system for their employees, but efforts to bring more funds into the program have led to calls for an end of the state and local exemption. California is among seven states (the others being Colorado, Illinois, Louisiana, Massachusetts, Ohio and Texas) which account for 75% of non-covered payroll. Mandating of Social Security coverage, which could still be proposed in Congress, would disproportionately impact teachers, police, fire and other public employees in California and could harm the state's Public Employee Retirement System (PERS) and State Teachers Retirement System (STRS) as well as local plans.

When discussing Social Security and other programs directed toward older persons, it is instructive to note that California has the sixth lowest percentage of residents aged 65 or older (11.1% compared to 12.7% nationwide in 1997).

## **WORKFORCE, WELFARE AND POVERTY PROGRAMS**

**TANF --** The Temporary Assistance to Needy Families (TANF) program which was created by the 1996 welfare reform law would be again funded at \$16.5 billion, between 20% and 25% of which would again likely go to California. The budget would increase the TANF supplemental fund for states with population increases from \$160 million to \$243 million. Nearly 22% of federal welfare recipients in 1996 were Californians.

**Welfare-to-Work Grants --** The budget proposes an additional \$1 billion for the welfare-to-work grants -- California receives roughly 17% of such formula funds. The new funds would be divided into \$678 million in formula grants and \$222 million in competitive grants. The budget also proposes \$150 million to help welfare recipients with transportation needs and \$144 million for additional vouchers for welfare recipients who need housing assistance to get or keep a job.

**WIA --** The FY 2000 budget for the Department of Labor increases funding for the dislocated worker program by \$142 million to \$1.53 billion, and makes no change in funding for the Workforce Investment Act (WIA) programs for adult and youth training, formerly known as the Job Training Partnership Act or JTPA. California's high unemployment and poverty rates when compared to other states has kept funding for these programs between 17% and 22% of the nation's total expenditures in recent years.

**Social Services Block Grant --** The Administration stated its intention to propose legislation that freezes TANF supplemental grant funds in FY2000 at the FY1999 level for all eligible states, and will

apply the offset to discretionary spending. The proposal also reduces the cap on TANF transfers to the social services block grant (SSBG) program from 10 percent to 4.25 percent in 2000, consistent with the level already enacted for 2001. The budget proposes to increase SSBG funding by \$471 million to \$2.4 billion. SSBG funding is based simply on state population, so California receives about 12% of the funds.

**Head Start** -- The Head Start program, of which California receives roughly 12%, would increase by 13%, from \$4.66 billion to \$5.27 billion, under the budget request. A portion of Head Start expansion dollars will be used to boost participation by underrepresented groups, particularly in areas with recent influxes of immigrants and limited-English proficient children, including seasonal farmworkers, a shift which could benefit California. The budget would increase funds for the Child Care and Development Fund by \$1.2 billion, to a total of \$4.5 billion in FY2000, anticipating growth of \$7.5 billion over the next five years. The Administration counts total child care spending at \$17 billion.

**Foster Care** -- The budget seeks to help children in foster care once they turn 18 years of age by allowing them to retain their public health insurance. It would also increase funds for transitional assistance for current and former foster children age 16 to 21 who are in high school or other training. The proposals could benefit California disproportionately as the state has a large number of foster children and receives roughly one-fourth of federal foster care spending.

**Refugee Assistance** -- The budget provides \$435 million for federal refugee and entrant assistance payments, of which California and its jurisdictions typically receive between one-fourth and one-third.

## **EDUCATION**

Funding for the federal Department of Education would rise 6% to \$36.3 billion under the President's budget request, with discretionary spending rising by 14% or \$4 billion and mandatory spending declining from \$3.5 billion to \$2 billion.

**Title I Grants** -- The budget proposes a 4.2% increase to \$8 billion for Title I grants for disadvantaged children, the largest federal education grant and fourth largest federal formula grant of any kind. Within Title I, the budget proposes moving \$756 million into targeted grants, which would shift funds to schools with greater concentrations of poverty children, thereby boosting California's perennially low share of Title I funds and causing some shifts of funds within the state. The budget retains the \$3.5 billion program to maintain current poverty data, as the Department seeks to have dollars flow to states where Title I eligible children actually reside, rather than basing the program on outdated poverty counts.

**Migrant Education** -- Funds for state agency migrant education programs would rise 7% to \$380 million, and small programs for migrant high school equivalency and college assistance would rise by \$9 million to \$22 million. The size of California's migrant community ensures a large share of all these funds comes to the state. Impact aid payments, which supplement school funds when they are undercut by non-taxed federal properties or employees, are again slated for a reduction by the President's budget, this time by \$128 million or 14% to a FY2000 total of \$736 million.

**Immigrant and Bilingual Education** -- No change is proposed in the \$150 million program for immigrant education, of which California typically wins roughly one-fourth. Increases are slated for the competitive grant programs for bilingual education, from \$224 million to \$259 million. California has competed well for these funds, though passage of a recent state ballot initiative may have some impact. The Department states that \$25 million is to be focused on professional development to address the shortage of bilingual and English as a second language teachers, and it cites California's shortage in this area of over 20,000 bilingual and ESL teachers.

**Class Size Reduction** -- The budget proposes to eliminate the innovative education program and boost the class size reduction program begun last year from \$1.2 billion to \$1.4 billion.

**Adult Education** -- An additional \$103 million would be added to the adult education program,

bringing that literacy-focused program to \$468 million, with the increase said to be primarily aimed at expanding State efforts to help immigrant and other limited English proficient adults. A \$70 million adult education initiative would demonstrate methods of providing English as a second language and civics and life skills to immigrants.

**Other Grants** -- Under disabled education, basic grants would be level funded at \$4.3 billion, while preschool grants would rise 7.6% to \$402 million, grants for infants and families would rise 5.4% to \$390 million, and a new primary education intervention program would add \$50 million to the national programs, which will then be funded at \$343 million. Virtually no change is proposed in vocational rehabilitation funding, and no change is proposed for the \$1 billion vocational education grant program.

**Higher Education** -- The Administration proposes raising the maximum Pell Grant award by \$125 to \$3,250, which it estimates would raise the number of recipients by 53,000 to 3.9 million. Total student financial aid would be expanded by 4% to \$52 billion.

## **FOOD AND DRUG ADMINISTRATION**

The Food & Drug Administration's program level would increase \$190.2 million, a 17% increase over FY99 appropriations, to meet responsibilities under the FDA Modernization Act of 1997. Revenues of \$183.2 million are included from user fees, such as those authorized under the Prescription Drug User Fee Act (PDUFA), which helps fund additional personnel to expedite the drug approval process. That figure includes an additional \$17 million, contingent on the enactment of authorizing legislation, to be derived from user fees on the review of medical device applications and food additive petitions. Those revenues, as with the PDUFA user fees, would be earmarked for those specific FDA activities. California is home to one third of the nation's biomedical and medical device industry.

## **TAX PROPOSALS**

**Section 127 Education Assistance Exclusion** -- Under certain circumstances, educational assistance provided by an employer to an employee is excluded from the employee's gross income for tax purposes. Last year's budget limited the exclusion to expenses up to \$5,250 for undergraduate courses only. The President's request this year would retain the exclusion for undergraduate courses and extend it to cover graduate degree courses as well. This expansion is important to California's high technology industry where continuing advanced education is critical. The undergraduate exclusion would cover courses beginning before January 1, 2002; the graduate level exclusion would apply to courses begun after June 30, 1999 and before January 1, 2002.

**R&D Tax Credit** -- The President proposes yet another one-year extension of the research and development (R&D or R&E) tax credit, now scheduled to expire on June 30, 1999. The budget would extend it through June 30, 2000. The technology industry and other California stakeholders have pushed to make the credit permanent, in order to better make long term business planning decisions rather than perpetually relying on annual reevaluation.

**Electricity Restructuring** -- The budget proposes changing the tax rules relating to the use of tax-exempt bonds to finance electric power facilities. Under the proposal, outstanding bonds issued to finance transmission facilities would continue their tax-exempt status even if private use resulted from allowing nondiscriminatory open access to those facilities. Similarly, outstanding bonds issued to finance generation or distribution facilities would continue their tax-exempt status even if the issuer implements retail competition. Also, interest on bonds to finance electric generation or transmission facilities issued after enactment of such legislation would not be exempt/ Distribution facilities could continue to be financed with tax-exempt bonds. These changes would be effective upon enactment.

**Public School Construction and Modernization Incentives** -- The Administration's budget proposes a new program of Federal tax assistance for public elementary and secondary school

construction and modernization. Under the proposal, State and local governments would be able to issue up to \$22 billion of "qualified school modernization bonds" (\$11 billion in each of 2000 and 2001). Holders of these bonds would receive annual Federal income tax credits, set according to market interest rates by the Treasury Department, in lieu of interest. Issuers would be responsible for repayment of principal. At least 95 percent of the bond proceeds of a qualified school modernization bond must be used to finance public school construction or rehabilitation.

**Small Business Health Coverage Initiative** -- The budget proposal would encourage small employers to provide health insurance for workers not currently covered, with a maximum credit for businesses of \$200 for individual workers and \$500 for a worker and family. More than 20% of Californians (6.5 million people) are without health insurance, well above the national average of 15.6%. Further, California has room to grow, as just 47% of the state's employers offered health insurance in 1993, compared to 51.6% of companies nationwide.

**Long-Term Care Tax Credit** -- The president's budget seeks a \$1,000 tax credit to defray the costs of caring for a disabled or chronically ill relative, phased out for higher income taxpayers. California's population tends to be younger than most states and might thus make less use of such a credit. In addition, a phase-out could impact the state more due to its residents' higher incomes.

**Cigarette Tax** -- The budget again proposes a 55 cents-per-pack cigarette tax increase to raise \$34.5 billion over five years. California has the second lowest smoking rate in the nation (after Utah), and its taxpayers thus would be less impacted by such a tax than most of the rest of the nation.

**Foreign Source Income** -- Generally, when a U.S. manufacturer sells products abroad, half of the income generated is considered domestic source (earned in production activities, etc.) and half of the income is considered foreign source and, thus, subject to a foreign source tax credit. The President's budget states that this rule generally increases the U.S. exporters' foreign tax credit limitation and thereby allows U.S. exporters that operate in high-tax foreign countries to credit tax in excess of the U.S. rate against their U.S. tax liability. The budget proposes to change this rule to require that the allocation between production activities and sales activities be based on actual economic activity. The proposed change would be effective for tax years beginning after the date of enactment.

**Welfare-To-Work Tax Credit for Employers** -- The budget proposes to extend for one year, until June 30, 2000, the tax credit given to employers who hire welfare recipients. The credit is 35% of the first \$10,000 in wages paid in the first year, and 50% of the first \$10,000 in wages paid in the second year of employment. California is home to more than 20% of the nation's welfare recipients.

## **CRIMINAL JUSTICE**

**Law Enforcement Programs** -- The Budget requests \$1.275 billion under the 1994 Crime bill, including \$600 million for Public Safety and Community Policing Grants to hire, rehire, and redeploy community law enforcement personnel. However, the budget proposes zero funding certain block grant programs to the states, including the Local Law Enforcement Block Grant, which received \$608 million in estimated FY99 funding, and the Juvenile Incentive Block Grant, which received about \$256 million in estimated funding.

## **AGRICULTURE**

The Administration's budget proposes \$55.2 billion in FY 2000 spending on agriculture and nutrition programs, a decrease of \$8.2 billion from fiscal 1999 levels, although most (\$6 billion) of that decrease is due to one-time emergency assistance payments last year.

The Market Access Program (MAP) is level-funded again for FY00 with a request of \$26 million by the Administration. MAP, which falls under the Department of Agriculture's Foreign Agricultural Service, develops foreign markets for U.S. farm products, and provides services to U.S. and foreign trade

sectors to maintain foreign markets for U.S. products. The program is strongly supported by California's agricultural sector.

The budget also proposes a \$5 million competitive grants program to support the discovery and implementation of practical pest management alternatives for commodities affected by the methyl bromide phase-out in 2005. Funds are also provided to maintain payments to California for schools and roads which have lost support due to habitat protection decisions related to the northern spotted owl.

## **ENERGY**

**National Ignition Facility, Inertial Fusion and Stockpile Stewardship** – Within the \$4.5 billion proposed in the budget for continuing maintenance of the nuclear stockpile, \$254 million (\$248 million for construction and \$6 million for operations) is contained to continue development of the National Ignition Facility at the Lawrence Livermore National Laboratory. Last fall's Energy & Water appropriations conference report included \$291 million to fully fund the NIF, but the proposed decrease for FY00 is in line with construction expectations and should still be considered full funding. The NIF uses ultra high-powered lasers to concentrate energy in a manner which replicates the energy in the sun or in an atomic weapon, permitting scientists to maintain the nation's nuclear stockpile without violating the nuclear test ban treaty.

In addition, the budget also includes funding for R&D on inertial confinement fusion plus \$543 million for the Advanced Strategic Computing Initiative (ASCI) which complement's NIF in the ability to provide detailed computational models of weapon performance and safety to support the nuclear weapons stockpile. Funding for the ASCI would assist national laboratories as well as private companies in California.

**Energy Sciences and Fusion** – The budget proposes nearly flat funding for high energy physics programs (at \$697 million), a slight increase in nuclear physics funding (from \$335 to \$343 million), a \$26 million decrease in biological and environmental research (to \$411 million), and another substantial increase in basic energy sciences (from \$799 to \$888 million). Within the high energy physics funds, the budget specifies that funds are to be used to continue the B-Factory project at the Stanford Linear Accelerator Center, and specifies \$2.0 million for the SLAC Research Office building.

Unfortunately, the budget proposes no increase in fusion energy sciences, leaving it at last year's \$223 million, a level 40% below its high in the mid 1990s. California is known as a hub for fusion energy science research. Funding for the DIII-D at General Atomics in San Diego continues operation of the facility for 14 weeks, with a slight increase from \$51.1 million in 1999 to \$52.4 million in 2000. In addition to reduced funding for ITER, the Enabling R&D subprogram has reduced funding for engineering research from \$43.1 million in 1999 to \$27.8 million in 2000.

**Other DOE** -- The Department of Energy's 2000 budget request includes \$5.9 billion for environmental management, \$86.4 million (or 2%) of which would be focused on cleanup of 10 sites across California. Also within DOE is a request for \$15 million for the Administration's proposed "Next Generation Internet" Initiative.

Funding is also provided for the second of five annual payments of \$36 million from the federal government to the California State Teachers' Retirement System for settlement of the sale of the Elk Hills Naval Petroleum Reserve. The privatization of the reserve qualifies as the largest such action in the federal government's history.

## **DEFENSE**

Outlays for the Pentagon would be \$261 billion under the proposed 2000 budget, with \$268 billion in budget authority, including a 4.4% pay raise for military members the largest hike since the early 1980s. This is to be followed by increases of 3.9 percent over the ensuing five years. DoD outlays would

slowly rise to \$301 billion in 2004, and BA would rise to \$308.5 billion.

**Procurement** -- According to budget documents, increases are proposed for aircraft procurement by the Air Force, with total spending rising from \$6.1 billion to \$8.2 billion, including spending in 2000 of \$1.4 billion for combat aircraft, \$2.8 billion for airlift aircraft, and 1.8 billion for modifications of in-service aircraft. The budget specifies procurement of the first production lot of six F-22 fighters, many of whose components are built in the state, as well as continued procurement of C-17 airlift aircraft, built in Southern California.

Budget documents also claim a \$517 million increase in combat aircraft procurement for the Navy, including additional funds for the F/A-18 E/F versions which are built by Northrop-Grumman in Southern California. Also reportedly within Navy accounts is \$440 million for initial shipbuilding funding for the TADC cargo ship, a large portion of which could be spent in San Diego.

The Administration proposes \$477 million to continue R&D on new materials and manufacturing processes for the Joint Strike Fighter (JSF) project, a tactical aircraft which would be used by the Air Force, Navy and Marines. The primary bidders on the project are Boeing and Lockheed-Martin, and Californians are urging that the winner build the planes in California.

**Missile Defense** -- The budget seeks \$3.7 billion for missile defense. Of that, \$837 million is slated for ballistic missile defense, which would protect the nation as a whole, and \$2.9 billion would be for theater missile defense to protect U.S. forces in specific theaters of conflict. A national ballistic missile defense scheme is being developed by Boeing in Anaheim and Downey, while a theater missile defense scheme is under development at Lockheed-Martin Missiles and Space in Sunnyvale and at Massachusetts-based Raytheon. The Senate Armed Services Committee is planning to mark up a bill to deploy a national ballistic missile defense system immediately upon availability, rather than deferring a decision as previously planned.

**Base Closings** -- The budget proposes two new rounds of base closings -- in 2001 and 2005. California shouldered a disproportionate share of the impact from the last four rounds of base closures, in 1988, 1991, 1993 and 1995. While California began in 1988 with just 15% of the nation's DOD personnel, the state took 60% of the nation's net cuts during those base closure rounds. There is doubt whether Congress will agree to allow another set of base closures to begin in the near future. The budget for the Pentagon also proposes to further downsize the defense department's civilian workforce by another 60,000 jobs. DoD has cut civilian jobs by 269,000 (29%) since 1993.

## **FEDERAL R&D**

According to the FY2000 budget, federal research and development would be increased by \$1.2 billion (3%) to \$38.1 billion. The small increase is better than none for California, which historically has won more than 22% of federal R&D dollars awarded.

The bad news, however, is that the two agencies from which California historically has won the greatest R&D share, DoD and NASA, are the only two which are slated to decrease R&D spending under this budget. NASA R&D would decline by \$220 million to \$4.8 billion, while defense R&D would slip \$190 million to \$4.1 billion.

In FY00, the National Science Foundation (NSF) would be funded at \$3.9 billion, which would represent a 7% or \$250 million increase over FY99 levels. Most of the increase for NSF is slated for the President's "information technology initiative" which includes funds for advanced computational work, supercomputer centers and the like -- funds for which California could compete well. California typically wins a significant but not overwhelming share of NSF research dollars: 15.6% in 1993.

R&D funding at the National Institutes of Health would be boosted by \$320 million to \$15.9 billion under the President's budget proposal, a 2% increase. This funding will support research on diabetes, brain disorders, cancer, genetic medicine, disease prevention strategies, and development of an

AIDS vaccine. Overall AIDS research funding would increase 3.3% to \$1.8 billion.

While overall research and development spending at the U.S. Department of Agriculture is slated to decline by 4%, the budget would significantly increase (by \$81 million) the portion of research conducted by competitive grant. The shift would be good news for California which competes well for R&D funding generally, but which typically receives less than 6% of USDA funds for R&D.

## **NASA**

The Administration proposes a \$13.578 billion budget for the National Aeronautics and Space Administration, a decline of \$87 million from NASA's \$13.665 billion level for FY1999. NASA's science, space & technology functions are essentially flat funding the agency with a \$40 million increase to \$12.5 billion that does not make up for inflation. California is a perennial winner of as much as one-third to one-fourth of NASA funding, so continued constriction in NASA spending is a down note for the state.

Within NASA, the budget proposes a \$158 million increase (to \$5.6 billion in 2000) followed by several years of anticipated decline in funding for human space flight, while it proposes an \$80 million decrease in science/aeronautics/technology NASA funding (to \$4.8 billion in 2000) followed by several years of proposed long term increase. Within human flight, funding for the space station would rise from \$2.40 billion to \$2.47 in 2000 (including \$148 million for a crew return vehicle), and space shuttle funding would rise from \$2.9 billion to \$3.0 billion.

Space science would increase \$77 million to \$2.2 billion, life and microgravity sciences and applications would decline slightly to \$256 million, and earth science would grow \$45 million to \$1.46 billion. Mission communications would increase \$26 million to \$406 million.

There would be a significant drop in the aerospace technology accounts, with advanced space transportation declining from \$430 million to \$254 million, and the termination of several programs, including High Speed Research (HSR) and Advanced Subsonic Technology. Instead, NASA says it plans to realign resources to focus on several high payoff objectives, namely aviation safety, capacity, next generation design tools, experimental aircraft, and access to space.

## **TRANSPORTATION**

On May 22, 1998, Congress passed a six-year reauthorization of the nation's surface transportation laws called TEA-21 (Transportation Equity Act for the 21<sup>st</sup> Century). The act authorized over \$217 billion in total transportation funding over fiscal years 1998-2003: almost \$170 billion for highways; just under \$42 billion for transit; over \$1.7 billion for highway safety programs; upwards of \$2.9 billion for transportation research; about \$644 million for the Motor Safety Carrier program; and approximately \$545 for rail and miscellaneous safety programs.

Overall, the President's FY00 budget proposes \$50.5 billion for Department of Transportation programs, a 4.5% increase over the 48.4 billion enacted in FY99.

### **FEDERAL HIGHWAY ADMINISTRATION**

The Federal Highway Administration (FHWA) would be funded at \$28.5 billion, over half the total transportation proposed budget. The proposed obligation limitations for the Federal-aid Highway programs is \$27.3 billion, a 7% increase over the \$25.5 billion enacted in FY99.

**State Infrastructure Banks (SIBs) program** -- TEA-21 authorized California along with three other states to participate in the SIBs program. In accordance with TEA-21, new funding for the SIBs program is from within the Federal-aid highway program.

**Congestion Mitigation and Air Quality Improvement (CMAQ)** -- The Department of Transportation proposes several programs to protect the environment including \$1.8 billion for the CMAQ program, an increase of 43% over the FY99 proposal of \$1.26 billion. Given that California received about 15% of CMAQ dollars in FY96, increased CMAQ funds could return well to the state.

**Research and Technology** – The President’s FY00 budget proposal includes over \$641 million for Research and Technology, including \$271 million for the Intelligent Transportation System (ITS) Program.

**FEDERAL TRANSIT ADMINISTRATION**

The budget would fund the Federal Transit Administration (FTA) at \$6 billion dollars, about 12% of the total proposed transportation budget. This total represents a 13% increase over FY 1999 appropriations. Of the proposed FTA budget, \$2.5 billion is directed for capital investment, and \$3.3 billion for formula programs. Over recent years, California has received about 14% of federal transit dollars. The following are some of the major proposals regarding federal transit funding:

**Major Capital Investments** -- The President’s budget proposes a total of \$980.4 million for new fixed guideway projects, including several existing projects under Full Funding Grant Agreements (FFGAs):

- Los Angeles Metro Rail - North Hollywood \$50,000,000
- Sacramento South Corridor LRT project \$25,000,000
- San Francisco BART Extension to the Airport project \$84,000,000
- San Jose Tasman West LRT project \$31,870,289

In addition, several new projects that will be construction-ready in FY 2000 would be funded, including \$35 million for the San Diego Mission Valley East LRT project.

**Access to Jobs and Training** -- The Administration also proposes \$150 million to support the administration’s welfare reform initiatives. This program makes grants to states, local government and non-profit organizations to provide transportation services to people moving from welfare rolls to payrolls.

**National Transit Planning and Research Programs** -- \$51 million is requested in funding for programs designed to develop innovative transit technologies such as hybrid electric buses, and supports the Transit Cooperative Research Program, the National Transit Institute, and the Rural Transit Assistance Program. A separate \$6 million is proposed for university transportation research, including education and technology transfer activities aimed at addressing regional and national transportation problems.

**COAST GUARD**

A total of \$4.1 billion is proposed for the Coast Guard, 8% of the transportation budget. Of this money, \$344 million are to go to Coast Guard marine environmental protection programs.

**FEDERAL AVIATION ADMINISTRATION**

The Federal Aviation Administration (FAA) is proposed to be funded at \$10 billion, approximately 20% of the total transportation proposed budget. This is up 4% from FY 1999, and continues the Administration's desire to focus on safety, efficiency and modern aviation systems.

**HOUSING**

The President’s FY2000 budget proposes \$28 billion for the Department of Housing and Urban Development, a \$2.5 billion 10% increase.

**Affordable Housing** -- There was an increase in the Federal Housing Administration (FHA) loan limit in the VA/HUD appropriations bill for FY99. Previously, the FHA loan limit range was \$86,317 to \$170,362, depending on the cost of housing in the area. In California, 23 of the 58 counties had already reached the maximum, and the average housing cost in many metropolitan areas was higher than the loan limit. The Appropriations bill raised the range to \$109,000 as the floor and \$197,000 as the ceiling. The President’s FY00 budget requests a \$10 billion increase in the cap on loan volume from \$110 billion to \$120 billion. Ginnie Mae (Government National Mortgage Association) is requesting a guarantee limitation of \$200 billion, a \$50 billion increase over FY99.

The HUD budget also proposes a \$10 million dollar increase to the HOME Program for a total of \$1.6 billion in that program, estimated to increase the supply of affordable housing by 84,400 units.

Additionally, \$580 million is proposed to create 100,000 new rental assistance vouchers to enable low-income individuals and families to afford apartments. The proposal also includes \$1.12 billion for the Continuum of Care for the homeless including an increase in homeless assistance, plus 18,000 new vouchers to assist in making the transition back into homes and community life.

**Community Development** -- The budget proposes \$105 million for new funding for newly designated Empowerment Zones and \$45 million in new funding to 15 new Strategic Planning Communities. It also includes an increase for Community Development Block Grants (CDBG) of \$25 million to a total of \$4.8 billion. There are two classes of CDBG grants: formula funded grants, and set-aside project grants. In FY 1999, formula funding comprised 88.8% of the CDBG pot, and that percentage rises to 91% in this proposed budget. Historically, while California does not usually receive a large share of CDBG project funds, it has received approximately 16% of similar CDBG funds. With a larger total pot, and a greater percentage of that pot allocated by formula, California could see an increase in CDBG funds.

**Housing Assistance for People with AIDS/HIV** -- The budget proposes an increase of \$15 million, to \$240 million, for the Housing Opportunities for People with AIDS (HOPWA).

## **WATER, NATURAL RESOURCES, AND PUBLIC LANDS**

**Headwaters Forest** -- The Department of the Interior budget states that FY98 appropriated funds remain available for land acquisition, and singles out the acquisition of 7,500 acres of old-growth redwoods and adjacent lands in the Headwaters Forest in Humboldt County as a "high priority" for the Administration. Budgetary resources of \$532 million are available for this purchase, as well as other land acquisition priorities.

**Bay-Delta** -- Unlike the previous two years, the President's proposal requests only \$95 million for funding of the Bay Delta restoration proposal. In FY98 and FY99, the Administration requested the full \$143.3 million annual authorization. Last year Congress only appropriated \$75 million, and only \$85 million in FY98, so the reduction in the President's budget comes as no great surprise. Of the \$95 million requested this year, \$75 million is earmarked for ecosystem restoration activities.

**Salton Sea** -- The FY99 Omnibus Appropriations bill contained \$8.5 million in funding for the Salton Sea Authority under the Environmental Protection Agency budget. Although there is no line item request for FY00 funding to clean up the Salton Sea in the President's budget, the Department of the Interior has stated that it has sufficient funds in its budget to continue work on providing Congress with proposals on how to restore the Sea.

**Presidio** -- The budget request calls for \$24.4 million for the Presidio Trust, an increase of almost \$10 million over last year's request. Additionally, the Trust is authorized up to \$20 million in borrowing authority from the U.S. Treasury.

**Other Interior Provisions** -- Included in the Interior Department budget are provisions for a swap of federal lands in Nevada for acquisition of environmentally sensitive lands in the Lake Tahoe region. The documents state the Administration's intent to acquire approximately 500,000 acres in the California Desert region. And the budget also noted that the Administration will continue the moratorium on offshore oil leasing activity off the California coastline.

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