



THE CALIFORNIA INSTITUTE FOR FEDERAL POLICY RESEARCH

419 New Jersey Avenue, SE, Washington, D.C. 20003 202-546-3700
fax: 202-546-2390 e-mail:randsell@calinst.org web:<http://www.calinst.org>

California Institute Special Report:

ANALYSIS OF THE PRESIDENT'S FY2003 BUDGET

FEBRUARY 4, 2002

On Monday, February 4, 2002, President George W. Bush released the Administration's Budget Proposal for Fiscal Year 2003, which begins October 1, 2002. In more than 2700 pages, the budget documents outline the Administration's recommendations for \$2.13 trillion in spending for next year, as well as its revenue proposals. This document provides a quick, California-oriented analysis of the proposal prepared by the staff of the California Institute. It is available on the Institute's website at <http://www.calinst.org/pubs/prbdg03.htm>.

TAX PROVISIONS

- Calls for the permanent extension of the Research and Experimentation Tax Credit (also known as the R&D Tax Credit).
- Provides for a refundable tax credit of 50% of the first \$5,000 of qualifying elementary and secondary education expenses incurred with respect to the enrollment or attendance of a child in a qualifying public or private school, or in home school.
- Create a refundable income tax credit for the cost of health insurance purchased by individuals under age 65. The credit would provide a subsidy of up to 90% of the health insurance premium, up to a maximum credit of \$1,000 per adult and \$500 per child for up to two children. The maximum subsidy percentage of 90% would apply for low-income taxpayers and would be phased down at higher incomes. Individuals participating in public or employer-provided health plans would generally not be eligible for the tax credit.
- Create a single-family housing tax credit (SFHTC), with a first-year credit authority of \$1.75 per resident. State or local housing credit agencies would award first-year credits to housing units comprising a project for the development of single-family housing in census tracts with median incomes of 80% or less of area median income.
- The expensing of brownfield remediation expenditures would be made permanent by eliminating the restriction that qualified expenditures must be paid or incurred on or before December 31, 2003.
- The Work Opportunity Tax Credit would be extended for two years, so that the credit would be effective for individuals who begin work before January 1, 2004.
- The Welfare-to-Work Tax Credit would be extended for two years, so that the credit would be effective for individuals who begin work before January 1, 2004.

CONTENTS:

TAX PROVISIONS	1
DEPARTMENT OF JUSTICE	2
DEPARTMENT OF EDUCATION ..	3
DEPARTMENT OF DEFENSE	5
DEPARTMENT OF HEALTH AND HUMAN SERVICES	6
DEPARTMENT OF AGRICULTURE	8
DEPARTMENT OF TRANSPORTATION	8
DEPARTMENT OF ENERGY	10
FEDERAL ENERGY REGULATORY COMMISSION	11
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION ..	11
NATIONAL SCIENCE FOUNDATION	12
DEPARTMENT OF COMMERCE .	12
CORPS OF ENGINEERS	12
DEPARTMENT OF THE INTERIOR	13
DEPARTMENT OF LABOR	14
HOUSING AND URBAN DEVELOPMENT (HUD)	14
ENVIRONMENTAL PROTECTION AGENCY	15
FEDERAL EMERGENCY MANAGEMENT AGENCY ...	15
OTHER PROVISIONS	15

DEPARTMENT OF JUSTICE

The budget calls for total Department of Justice funding of \$21.3 billion, a slight reduction from the \$21.4 billion estimated in FY02.

IMMIGRATION AND NATURALIZATION SERVICE

- The budget divides INS funding into *Immigration Enforcement* and *Immigration Services*. Immigration Enforcement funding is proposed at \$3,241,798,000, rather than the \$2,739,695,000 proposed in the President's FY02 budget. Much of the increase is allocated to expanding INS's information technology infrastructure and the buildings and facilities necessary for the enforcement of immigration laws.

- Immigration Services funding is proposed at \$88.6 million. The budget continues to support a five-year, \$500 million initiative to attain a universal six-month processing period for all immigration applications.

- The budget continues the ban on operation of the San Clemente and Temecula checkpoints unless they are open and traffic is being checked on a continuous 24-hour basis.

- Border enforcement funding is proposed at \$2.95 billion, up from the \$2.38 billion proposed in last year's budget. The additional funding is expected to double the number of Border Patrol Agents on the northern border.

- Funding for detention removal is reduced to \$593 million, as opposed to the \$1.18 billion proposed in FY02.

- \$68 billion is requested to continue the Border Safety program for truck safety inspection, with \$18 million allocated for grants shared by four Mexican border states, including California. A renewable 90-day decal with monitoring systems to ensure compliance with truck safety rules will be instituted. Another \$47 million is provided in 2003 for border safety infrastructure under a program to fund highway projects along the U.S. borders.

- \$380 million is requested for implementation of a system to track the entry and exit of immigrants.

FEDERAL PRISON SYSTEM

Of the \$4.2 billion proposed for the prison system, funds are included for the activation of four new prison facilities, including the one at Victorville, CA.

OFFICE OF JUSTICE PROGRAMS

Justice Assistance

Budget authority for Justice Assistance programs is reduced to \$215.8 million, as opposed to the \$837 million estimated for FY02 spending. Counterterrorism funding of \$235 million, which used to be under Judiciary's Office for Domestic Preparedness, is being shifted in FY03 to the Federal Emergency Management Agency, where \$3.5 billion is proposed to increase terrorism preparedness for state and local first responders.

State and Local Law Enforcement Assistance

The funding level requested for State and Local Law Enforcement Assistance is cut from the estimated \$4.26 billion in FY02 to \$3.07 billion in FY03. Reductions within this category include:

- eliminating funding for the State Criminal Alien Assistance Program (SCAAP), which was funded in FY02 at \$565 million;

- eliminating the \$400 million Local Law Enforcement Block Grant program;

- eliminating the \$500 million Byrne Formula Grant Program, and the \$94.5 million in Byrne Discretionary Grants.

The Budget states that funding for the Local Law Enforcement Block Grant program and the Byrne Formula Grant program has been consolidated into the Community Orient Policing Services program.

In explaining the reason for eliminating SCAAP funding, the Budget states that the programs reimburses the states for only a small portion of the costs of incarcerating undocumented criminal aliens and does not contribute to reducing violent crime. As to the Byrne Discretionary Grants, the explanation given is that the program has been "heavily earmarked" in recent years.

The following programs are also cut: Juvenile account-ability Incentive Block Grants (-\$34.5 million); Tribal Prison Construction (-\$35.2 million); Cooperative Agreement Program (-\$20 million); Victims of

Trafficking (-\$10 million); Motor Vehicle Theft Program (-\$1.3 million); and the Missing Alzheimers Patients Program (-\$.9 million).

Community Oriented Policing Services (COPS)

The budget calls for a total increase in the COPS funding level from the \$1,050,440,000 requested last year to \$1,381,862,000 for this year.

- Of the funds requested, the budget allocates \$126 million to Public Safety and Community Policing Grants, a decrease from last year's funding of \$560 million;
- \$282.5 million for crime technology, as opposed to the \$351.6 million last year; and
- level funding of \$99.8 million for prosecution assistance.

Justice Assistance Grant Program

Funding of \$800 million is requested for a new Justice Assistance Grant program. This new program will replace the Byrne Grant Program and the Local Law Enforcement Block Grant Program. Funding will be provided to state and local governments. The states' funding may be used for statewide initiatives, technical assistance and training, support for rural jurisdictions in the areas of law enforcement, prosecution and court programs, prevention programs, corrections programs and treatment programs. Local funding may be used for these purposes and could be combined with funding of other jurisdictions to form a regional project

Juvenile Justice Programs

Funding for these Programs is reduced to \$238 million from last year's request of \$286 million. The Budget cites Congressional earmarking as the primary reason for the cut, and states that the funding will be focused on juvenile gun violence and drug use.

DEPARTMENT OF EDUCATION

Discretionary spending authority for the Department of Education would rise \$1.8 billion under the Administration's budget proposal, increasing from \$48.5 billion to \$50.3 billion.

ELEMENTARY AND SECONDARY EDUCATION

The Administration proposes a significant boost in funds in the Title I accounts, and focuses the bulk of those funds on the newly-utilized targeted grants program.

The budget proposes a small increase in Title I basic grant funding, from \$6.89 billion to \$7.19 billion in FY 2003. The concentration grants program would be level funded at \$1.35 billion, and the Education finance incentive grants formula would remain level at \$794 million.

The targeted grants program, however, would jump from \$1.02 billion in FY 2002 to \$2.02 billion in FY 2003. While it had been on the books for several years, the program had never been funded until FY 2002 (and, because ESEA funds are forward-funded, none of those 2002 funds have yet been distributed). California will receive somewhat more under the targeted grants formula than it would under other Title I formulas, though

Other substantial funding levels in the Education for the Disadvantaged account heading include a boost from \$705 million to \$1 billion for the President's Reading First State Grants and level funding of \$75 million for his Early Reading First program. Some of these funds are reprogrammed from the Reading Excellence program. Others include a decrease from \$271 million to \$200 million for Even Start, a slight decline from \$450 million to \$444 million for state agency programs, and a move from \$237 million to \$235 million for comprehensive school reform. Migrant education programs, of which California receives roughly 30%, would remain level at \$38 million.

OFFICE OF ENGLISH LANGUAGE ACQUISITION

Formerly the Bilingual and Immigrant Education office, the newly retitled Office of English Language Acquisition would be level-funded at \$665 million, though some funding would be shifted within the office's accounts. State grants would increase from \$456 million to \$510 million, while corresponding cuts would be made in instructional services (from \$121 million to \$91 million) and professional development (from \$88 million to \$64

million). The recent reauthorization of the Elementary and Secondary Education programs altered these accounts so that more funding would be allocated via a new formula. Previously, bilingual education funding was distributed via competitive grants -- it will now be distributed to states via a formula based on 80% on number of LEP children, 20% on the number of immigrant children. California has a very high proportion under both formula factors, so the state should receive a large share of the funds.

SPECIAL EDUCATION

The Administration proposes an additional \$1 billion for state grants under the Individuals with Disabilities Education Act (IDEA), of which California typically receives 10.5%. Preschool grants would remain level at \$390 million and grants for infants and families would decline from \$472 million to \$437 million.

Under the vocational rehabilitation accounts, the budget proposes to increase state grant funding from \$2.48 billion to \$2.62 billion (California's share is typically about 9.7%), and would add a new \$30 billion incentive grant.

OTHER ELEMENTARY AND SECONDARY PROGRAMS

The impact aid program, which compensates school districts impacted by a significant non-taxpaying federal presence in the local tax base (such as from a military base or Indian reservation), would be level funded at \$953 million, though \$5 million for heavily-impacted districts would be discontinued.

The budget proposes a 60% increase in funding for the new Improving teacher quality State grants, from \$1.7 billion to \$2.85 billion. Also within teacher quality accounts, the budget proposes level funding of \$13 million for math and science partnerships, a slight boost for the troops-to-teachers program, from \$18 million to \$20 million, and a halving of funds (from \$100 million to \$50 million) for teaching of traditional American history.

In the educational technology accounts, the Administration proposes level funding of \$700 million for ed tech state grants, and it would keep 21st Century community learning centers level at \$1 billion.

In school choice and innovation accounts, the budget proposes \$100 million in new funding for credit enhancements for charter schools, and a new \$50 million choice demonstration fund. After leaping from \$54 million in FY 2001 to \$833 million in 2002, The Fund for the Improvement of Education would drop back to \$84 million under the President's plan. Charter schools grants, state grants for innovative programs, and magnet schools assistance, would remain roughly level at \$200 million, \$385 million, and \$110 million, respectively.

State grants for the Safe and Drug Free Schools and Communities program, of which California receives roughly 11%, would slip slightly from \$477 million to \$472 million (funding for national programs would drop sharply from \$275 million to \$172 million). Homeless education (of which California receives 12%) would remain at \$50 million. The class size reduction program, initially proposed by President Clinton and funded at \$1.15 billion in FY 2002, would be eliminated in FY 2003. Likewise, the \$400 million in FY02 funding for school renovation grants would be eliminated in FY03.

Funding for Indian Education, of which California receives less than 7%, would remain level at \$97 million.

The budget includes level funding of \$1.2 billion for vocational education state grants and \$108 million for tech prep education, both of which yield California about 11% typically. Also included is level funding of \$575 million for adult education, of which California's share has recently been 11.4%.

POSTSECONDARY EDUCATION AND STUDENT FINANCIAL AID

The Administration's 2003 budget for Student Financial Aid proposes \$12.77 billion, an increase of \$482 million, or 4%, over the 2002 appropriation. The budget notes that this level together with matching funds would provide nearly 7.5 million awards

The Administration proposes \$10.863 billion for Pell Grants, an increase of \$549 million over the 2002 level of \$9.65 billion.

The budget also separately proposes an FY 2002 supplemental appropriation of \$1.276 billion to fully fund the \$4,000 maximum award in academic year 2002-2003. The FY 2002 supplemental would be offset by cuts

in enacted FY 2002 Labor-HHS-Education appropriations earmarks which will be proposed by the Administration at a later date.

The three campus-based aid programs are level funded: Federal Supplemental Educational Opportunity Grants (SEOG) at \$725 million, work-study at \$1.01 billion, and Perkins loans at \$100 million for capital contributions and \$68 million for loan cancellations.

The Federal TRIO program would be level funded, at \$803 million. Likewise, GEAR UP (gaining early awareness and readiness for undergraduate programs) would be level funded at \$285 million. A small increase is proposed for developing Hispanic serving institutions, from \$86 million to \$89 million.

DEPARTMENT OF DEFENSE

The Administration proposes a major increase in funding for the Department of Defense in its FY 2003 budget proposal. Defense discretionary spending would rise from \$330.8 billion in 2002 to \$369.3 billion in 2003, an increase of \$38.5 billion or 11.6%.

DEFENSE PROCUREMENT

The Administration seeks to boost spending for DoD procurement by \$7.6 billion, or 12.4%, from \$61.1 billion to 68.7 billion. Thus, procurement would rise at a faster rate than other defense spending. California's share of the nation's DoD procurement has declined substantially over the past two decades, from a high of nearly 25% in the mid 1980s to less than 15% currently. Nevertheless, California contractors continue to win the lion's share of defense procurement awards.

The budget notes that the Administration plans to seek a ballistic missile defense system, stating "DoD plans to pursue more aggressive exploration and realistic testing of key technologies counter ballistic missiles in all phases of their flight." It proposes \$7.8 billion for the program. California defense contractors would likely play a central role in a missile defense program.

The budget cites a number of new technologies it seeks to promote, such as the Joint Strike Fighter project, which now appears unlikely to be assembled in California but many components of which are likely to emanate from California defense contractors.

Among other new DoD technology proposals is a plan to develop "space-based radar and space control systems, which enhance our surveillance capabilities and our capabilities to collect and utilize information from space." California competes strongly for space oriented systems. It adds, "Other emerging areas of defense investment focus on America's ability to conduct information and space operations."

AIRCRAFT PROCUREMENT

For Army aircraft procurement, the budget proposes an increase from \$1.99 billion to \$2.04 billion, with funds for new purchases declining and any increases slated for modification of existing aircraft.

For new combat aircraft purchases for the Navy, the budget would provide \$4.90 billion, up \$278 million from the FY 2002 level of \$4.62 billion. The budget notes the intended procurement of 44 new FA-18E/F Super Hornet fighters (a large portion of which are built in California) for the Navy for \$3.18 billion in FY 2003, though advance procurement shifts funding among years. For other naval aircraft the Administration proposes \$4 million for airlift (on the way to eliminating the category), \$212 million for trainers, and \$18 million (down from \$274 million last year). Aircraft modification funds would rise from \$1.25 billion to \$1.28 billion, while naval aircraft spares and repair parts would decline from \$1.36 billion to \$1.24 billion. Funding increases are slated for modifications for F-18 aircraft, as well as for the EA-6 series.

For Air Force aircraft, the budget proposes an overall increase from \$10.2 billion to \$11.4 billion. New combat aircraft purchases would rise far more sharply, from \$2.57 billion in 2002 to \$4.40 billion in 2003. Funding for Air Force airlift aircraft would also rise, with 2002 spending at \$3.43 billion and 2003 spending proposed at \$3.75 billion. The budget includes \$4.36 billion for 23 new F-22 Raptor fighters and \$3.1 billion for FY 2003 procurement of 12 new C-17A airlift aircraft, which are built in a Long Beach facility. Trainer aircraft purchases would decline slightly by \$9 million to \$208 million, while other Air Force aircraft expenditures would drop sharply, from \$696 million to \$256 million. Funding for modifications for Air Force planes would drop from

\$2.12 billion to \$1.76 billion, and spares and repair parts would fall by \$58 million to \$278 million. Proposed funding boosts for modification of inservice Air Force aircraft include an increase from \$23.5 million to \$72.1 million for the B-2, an increase from \$36.8 million to \$98.0 for B-1 modifications, and a raise from \$110 million to \$128 million for mods to the C-17.

Other defense procurement accounts include an increase from \$325 million to \$459 million for chemical and biological defense-wide procurement. In addition, equipment for Reserve forces would decline to \$64 million from the 2002 level of \$119 million, but would remain roughly even with the 2001 level of \$67 million. Likewise, equipment for the National Guard would decline to \$160 million from 2002's allocation of \$308 million, but would remain above the \$108 million level of 2001.

BASE CLOSURES

The budget reaffirms its commitment to a fifth round of base closures, which was recently approved by Congress and will take place in 2005. California shouldered a vastly disproportionate share of the burden from the first four closure rounds (conducted in 1988, 1991, 1993 and 1995), bearing 60% of the nation's net personnel cuts. The budget states "Another round of base realignment and closure, approved by Congress for 2005, is essential to achieving faster replacement and improvement of unsatisfactory DoD facilities."

The budget describes two examples of DOD public-private partnerships used to address military housing shortages via privatization, including, "The Navy, in partnership with the private real estate companies and developers, initiated a \$262 million family housing privatization project at the Naval Complex San Diego, California. This partnership will construct 519 units and operate a total of 3,248 housing units."

CLEANUP & REUSE OF CLOSED BASES

The budget includes some funds for continued cleanup and disposal activities pursuant to past base closure rounds. While no funds are proposed related to the 1988 and 1991 base closures, the budget proposes \$32 million (down from \$57 million) for closure expenses related to the 1993 round, and it proposes \$521 million (an increase from \$485 million) for expenses related to the 1995 round of base closings. It is widely believed that funding for base closures and particularly cleanup operations has been and continues to be inadequate to mitigate the extensive environmental problems at shuttered military installations, California's included.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

The President's budget proposes a 5.5% increase totaling \$65.3 billion in budget authority for the Department of Health and Human Services (DHHS).

HUMAN SERVICES: ADMINISTRATION FOR CHILDREN AND FAMILIES (ACF)

- Proposed funding for the Temporary Assistance for Needy Families program (TANF) State family assistance grant remains level at 16.489 billion. FY2003 bonuses to reward high performance states is doubled at \$400,000,000. The TANF block grant provides funding to States.
- Child Care Entitlements to States remain constant (at just over \$2.7 billion) so does State payments for the Child Care and Development Block Grant (\$2.09 billion) and the Social Services Block Grant (\$1.7 billion).
- To encourage increased adoptions, the budget proposes a boost in adoption grants, subsidies and contributions for families adopting eligible low-income children with special needs at \$6.65 billion.
- The budget proposes \$60 million through the Independent Living Program specifically for education and training vouchers to older foster youth who are aging out of foster care while increasing support for eligible low-income children who must be placed outside the home by \$284 million.
- The budget includes over \$25 million in 2003 to establish the Responsible Fatherhood and Healthy Marriages Program to strengthen the role of fathers in the lives of families. \$20 million of this initiative would provide competitive grants to faith-based and community organizations that help unemployed or low-income fathers and their families become more involved in their children's lives. The budget also includes \$10 million in grants for maternity group homes to provide young, pregnant and parenting women with access to maternity group homes.
- The budget includes \$25 million for competitive grants to faith-based and community organizations for programs that supply mentors for children of prisoners.

- The budget provides \$6.667 billion for Head Start, a \$129 million increase over the 2002 level.
- The President proposes a significant 70% augmentation of the "Compassion Capital Fund" (\$100 million from \$30 million) to fund qualified charitable organizations that wish to expand or emulate model programs. In addition, the fund will support and promote research on "best practices" among charitable organizations while money for social services and income maintenance research is slashed from \$31 million in FY2002 to \$6 million in 2003.
- Community Services funds are proposed to be slashed by \$98 million and Low Income Heating and Energy Assistance Program received the largest proposed ACF reduction of \$300 million.

HEALTH SERVICES

\$4.3 billion in 2003 requests among the department's various health services agencies are proposed for counter bioterrorism activities.

CENTERS FOR MEDICARE AND MEDICAID SERVICES (CMS)

The CMS submitted a \$396.3 billion request to fund its 2003 activities, an \$18.3 billion increase from FY 2002.

MEDICARE

The budget spends \$230 billion on Medicare, a federal program providing health insurance and benefits to the elderly. The administration intends to implement a prescription drug card benefit that would assist beneficiaries with the purchase of prescription drugs, not currently a standard Medicare service. \$1.2 billion is assigned to create a Medicare low-income drug assistance program administered through Medicaid to provide comprehensive prescription drug benefits to those eligible.

MEDICAID

Serving \$37 million, Medicaid is a state-federal program that provides medical insurance benefits to low-income groups.

The budget takes steps to implement the final upper payment limit (UPL) rule presented last month to address perceived Medicaid UPL loopholes. As a result, California would lose an estimated \$184 million in Medicaid Disproportionate Share Hospitals funds in FY 2003. DSHs are public hospitals that typically serve low-income individuals and the uninsured.

FOOD AND DRUG ADMINISTRATION

The budget notes that the Food and Drug Administration is awarded \$1.4 billion to regulate foods, drugs, biological products and medical devices. The budget includes \$159 million for counter terrorism measures that specifically manage the protection of products regulated by the FDA, and the availability of medical products for public health preparedness in the event of an attack.

NATIONAL INSTITUTES OF HEALTH (NIH)

The budget for the National Institutes of Health (NIH) proposes a \$4.001 billion increase from the level provided in FY 2002. The increase would bring NIH funding to \$27.446 billion. Composed of 25 institutions, the NIH is government's biomedical and behavioral research organization. Increasing 2002 funding six-fold, \$1.8 billion is provided to NIH for bioterrorism research. Budget language urges continued progress on human genome sequencing and management streamlining.

HEALTH RESOURCES AND SERVICES ADMINISTRATION (HRSA)

HRSA is the agency that ensures fair and equal access to quality healthcare. The FY 2003 budget provides a total of \$518 million to help States implement biological and chemical plans to prepare hospitals and protect medical infrastructure from the threat of bioterrorism.

CENTERS FOR DISEASE CONTROL AND PREVENTION

The CDC is awarded \$1.6 billion (a decrease of \$661 million from FY2002's due to the one-time allocation of supplementary funds in the aftermath of the September 11th, terrorist attacks) bioterrorism readiness. These

funds will be used to advance research, upgrade state and local response capacities to biological agents, and build national vaccine stockpiles.

OTHER HEALTH SERVICES

The Administration proposes a freezing of Ryan White CARE Act AIDS funds at the maintained level of \$1.9 billion.

The budget proposes a \$44 million increase in funds for the National Health Service Corps to support medical personnel in impoverished neighborhoods. \$99 million in nursing school grants are proposed to confront current nursing shortages.

The budget proposes \$1.5 billion in funds for the Substance Abuse block grant and a maintained level of funding for the Mental Health block grant at \$433 million.

DEPARTMENT OF AGRICULTURE

-In 2003, the food stamp program will provide approximately \$20.3 billion in benefits to 20.6 million people. The budget restores benefits to legal immigrants five years after entry to the United States and eliminates the need for a work history for those individuals to be eligible for food stamps. To lower transportation barriers to work, the budget excludes one vehicle per adult from food stamp program asset rules, allowing a low-income worker to own a reliable car for getting to work without losing benefits.

- Although no funds are requested to combat Pierce's Disease in 2003, (an ailment spread by the glassy-winged sharpshooter that infects California grapes), \$4.167 million through Animal and Plant Health Inspection Services (APHIS) is to be used to fund the control of outbreaks of pests and diseases. APHIS is tasked with carrying out inspection, quarantine, and regulatory activities to respond to animal and plant diseases and to protect the environment.

- The budget allocates \$1.69 million, to be derived from forest receipts, for the acquisition of lands within the Angeles, San Bernardino, Sequoia, and Cleveland National Forests in California, as well as other national forests.

- Unspecified funds will be available from the U.S. Forest Service for payments to Del Norte County pursuant to the Smith River National Recreation Area Act.

- The City of Coachella continues to remain eligible for loans and grants provided through the Rural Community Advancement Program.

- The Secretary of Agriculture is to consider the City of Hollister's qualification as a rural area for the purposes of housing programs in the rural development mission areas of the Department of Agriculture.

DEPARTMENT OF TRANSPORTATION

In 2003, the Federal Government will invest over \$108 billion (a 20% increase over FY2002) on transportation to ensure safety for the traveling public, improve the Nation's transportation system, and build and maintain the transportation infrastructure.

A total of \$60.9 million is provided to continue the Border Safety Program. The Border Enforcement Program will support the Federal and state safety enforcement efforts at the U.S./Mexico border needed to ensure that Mexican carriers entering the U.S. are in compliance with Federal Motor Carrier Safety Regulations. To fund state border inspection personnel, \$18 million is provided for grants to be shared between California, Texas, Arizona, New Mexico.

FEDERAL AVIATION ADMINISTRATION

\$14.02 billion is requested for the Federal Aviation Administration. \$150,154,000 to be available as reimbursements for civil aviation security facilitation. \$200,000,000 to be derived from the Airport and Airway Trust Fund, collected from airport and airway users, is to be set aside for expenses related to the terrorist attacks of September 11th.

TRANSPORTATION SECURITY ADMINISTRATION

\$4.8 billion is to be set aside for transportation security services of which \$124 million is to be earmarked for explosive detection systems reimbursements. \$93,300,000 of these funds are to be used to create a competitive grant program intended to finance the costs of providing security at the nation's seaports.

FEDERAL HIGHWAY ADMINISTRATION

The Transportation Equity Act for the 21st Century (TEA-21) reauthorized surface transportation programs through 2003. TEA-21 provides authority for the various programs of the Federal Highway Administration designed to improve highways throughout the nation. The 2003 budget consists of over \$31.1 billion in new budget authority and \$28.496 billion in outlays. Because project selection is determined by the States, the 2002 and 2003 program levels are estimates.

FEDERAL-AID HIGHWAYS

\$23,416,000,000 is provided for Federal-aid highways and highway safety construction programs for FY 2003. There is a \$225,000,000 obligation limitation on Intelligent Transportation Systems which would mean an \$8.679 billion cut in funds for highway aid from last year's level.

FEDERAL TRANSIT ADMINISTRATION

The Federal Transit Administration (FTA) provides funding to transit operators, State and local governments and other recipients for the construction of facilities; the purchase of vehicles and equipment; the improvement of technology, service techniques, and methods; the support of region-wide transportation planning; and transit operations. FTA also provides financial assistance to help implement other national goals relating to mobility for the elderly, people with disabilities, and economically disadvantaged individuals.

The Transportation Equity Act for the 21st Century created the new discretionary Mass Transit Budget Category. Approximately 80% of transit funding in 2003 is derived from the mass transit account of the Highway Trust Fund. The budget proposes \$7.23 billion for transit programs.

Formula grant funding of \$3.893 billion is requested in 2003, above the guaranteed level in TEA-21. The Formula Grant funds can be used for all transit purposes including planning, bus and railcar purchases, facility repair and construction, maintenance and where eligible, operating expenses.

TRANSIT PLANNING AND RESEARCH

- \$122 million is requested for the transit planning and research activities, including \$49 million for research and technology and \$73 million for Metropolitan and Statewide Planning.

- \$49 million is requested for a variety of research activities. The National Research and Technology program is funded at \$31.5 million. These funds will be used to cover costs for FTA's essential safety and transit operations data bases. Additional research programs include \$8 million for Transit Cooperative Research, \$4 million for the National Transit Institute, \$5 million for the Rural Transit Assistance Program.

- The budget proposes for metropolitan and statewide planning activities \$73 million, the guaranteed level in TEA-21. Of this amount, \$60.4 million will be apportioned to States for Metropolitan planning, and \$12.6 million for statewide planning and research activities.

CAPITAL INVESTMENT GRANTS

- Of the \$607,200,000 set aside for specified projects, to remain available until expended, funds remaining unobligated as of, or deobligated after, September 30, 2002. (\$100,000,000 of Capital Investment Grant funds are obligated and are to be made available with priority to those transit agencies most severely impacted by the terrorist attacks of September 11th, 2001.)

For 2003, a total of \$3.036 billion, the guaranteed level in TEA-21, is requested for Capital Investment Grants. That funding will be allocated among the following activities:

- Bus and bus-related facilities.--\$607.2 million for the replacement, rehabilitation and purchase of buses and related equipment and the construction of bus-related facilities.

- Fixed guideway modernization.--\$1.214 billion for the acquisition, reconstruction and improvement of facilities and equipment for use on fixed guideways including heavy and light rail, commuter rail, and ferryboat operations. Funding for this program will ensure the fixed guideway modernization activity remains the stabilization and restoration factor for remedying the conditions of the Nation's older fixed guideway systems.

- New Starts.--\$1,210,400,00 is provided for the construction of new fixed guideway systems and extensions to existing fixed guideway systems.

DEPARTMENT OF ENERGY

The budget proposes nearly \$1 billion in increased spending for the Department of Energy's discretionary budget authority, raising it from \$20.97 billion to \$21.92 billion, with most of that increase slated for weapons activities.

DOE WEAPONS ACTIVITIES AND STOCKPILE STEWARDSHIP

Overall funding for the National Nuclear Security Administration is would receive a substantial increase, from \$7.25 billion to \$8.04 billion.

The budget requests \$6.1 billion for Stockpile Stewardship and associated administrative activities, \$455 million above the 2002 level. It notes that, "Beyond 2003, the Administration will work with DoD to provide resources to meet DOE's requirements outlined in the Nuclear Posture Review."

The budget proposes an increase from \$5.6 billion to \$5.9 billion in total DOE weapons activities, a substantial portion of which takes place in California. Within this account, the budget slates an increase of \$189 million, to \$1.23 billion, in directed nuclear stockpile work, a decrease from \$2.12 billion to \$2.07 billion for long-term assessment and certification efforts, a boost from \$1.56 billion to \$1.70 billion for technical base and facilities readiness, and an increase from \$197 million to \$243 million for facilities and infrastructure. It proposes a decrease from \$526 million to \$481 million for safeguards and security at DOE labs, including Lawrence Livermore.

The budget reaffirms its commitment to the NIF project and to the inertial confinement fusion program at Lawrence Livermore National Laboratory. It states, "Science Programs develop and maintain capabilities needed to certify the reliability of the nuclear stockpile into the future. One example is the Inertial Confinement Fusion Ignition Campaign that includes construction and operation of the National Ignition Facility at Lawrence Livermore Laboratory in California. This is a technically challenging effort that has led to significant cost growth and delays. However, because this facility is important to understanding the physics of nuclear explosions, DOE continues to place a high priority on allocating a significant amount of resources to it."

The budget also reaffirms the Administration's commitment to high-speed computing, stating, "DOE laboratories also operate some of the world's largest and fastest computers to perform advanced simulations of nuclear weapons explosions. The size and speed of these computers enable DOE to perform calculations and simulations that, previously, were impossible to perform because of their complexity."

For non-defense environmental management at DOE, the budget proposes a reduction from \$238 million to \$166 million, with some of the work to be undertaken by the Oakland operations office.

ELK HILLS SETTLEMENT

The budget includes another \$36 million annual payment to the California State Teachers Retirement System in settlement of a claim regarding the Elk Hills National Petroleum Reserve. In 1996, Congress authorized the \$3.65 billion sale of the Elk Hills Reserve and created a process by which California would be paid for its claims to two sections of the property.

DOE SCIENCE

For overall DOE Science programs, the Administration requests \$3.3 billion. Small increases are slated for several components of the DOE Science budget which are perennial winners for California. Fusion energy sciences, a large share of which is expended in the state, would rise from \$248 million to \$257 million in the President's budget. High energy physics would increase from \$714 million to \$725 million, nuclear physics would rise from \$359 million to \$382 million, basic energy sciences would increase from \$4 billion to \$1.02 billion, advanced

scientific computing research (ASCR) would rise from \$158 million to \$170 million, and Science Facilities Infrastructure would rise from \$31 million to \$43 million. However, the biological and environmental research account is slated for a decrease, from \$528 million to \$504 million.

In addition to basic research in plasma science in partnership with NSF, plasma containment research, and investigation of tokamak alternatives, the budget for fusion energy sciences will support continued operation of the DIII-D, which is operated by General Atomics in San Diego, among other priority projects. It also supports fusion energy as a potential spinoff of inertial confinement fusion defense activities.

The text notes that the ASCR program supports “advanced computational research—applied mathematics, computer science, and networking—to enable the analysis, simulation and prediction of complex physical phenomena. The program also supports the operation of large supercomputer user facilities.” NPACI, a supercomputing center located at U.C. San Diego, is a key component of this infrastructure.

The text notes that, “The 2003 high energy physics budget request will support the continued operation of two of the Department’s major high energy physics facilities: the Fermilab Tevatron and the Stanford B-Factory.”

In budget text, the Administration lauds improvements to the Advanced Light Source (ALS) at Lawrence Berkeley Laboratory, noting a recent review finding that “ALS had established areas of excellence in a number of important scientific areas. It singled out for special mention the unique capabilities of the ALS to study ultrafast processes in solids and gases, which have application for chemical reactions, phase transitions, surface dynamics, and a wide variety of critical biological processes.”

FEDERAL ENERGY REGULATORY COMMISSION

The Administration proposes a slight increase, from \$192 million to \$200 million, for the Federal Energy Regulatory Commission (FERC). The funding increase is allocated across the Commission’s functions, including an increase of \$1 million to \$21 million in order that FERC “foster nationwide competitive energy markets as a substitute for traditional regulation.” Promoting Regional Transmission Organizations, the text notes that, “Since enactment of the Energy Policy Act of 1992, the Commission has introduced a number of initiatives to foster wholesale competition in the generation sector of the electric utility industry.”

The budget notes that, “[T]he National Energy Policy report directs federal agencies to remove constraints on the interstate transmission grid to help ensure that the nation’s electricity can flow more freely. The Administration has made considerable progress this past year working with the state of California and private utilities to secure private-sector financing for construction of transmission facilities that will relieve the transmission bottleneck in northern California.”

The budget documents also note that California is home to a number of geothermal and wind energy projects.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

While overall spending at NASA is slated for an increase from \$14.9 billion to \$15.1 billion, a number of programs within NASA would be cut under the budget proposal. The shifts are largely due to an internal reprogramming sought by a recent VA-HUD appropriations bill. Continuing a decline from the FY 2001 level of \$7.2 billion, the Human Space Flight account would slip from \$6.8 billion in 2002 to \$6.2 billion in 2003. Within this category, the Space Shuttle account would be reduced from \$3.27 billion to \$3.21 billion, and Space Station funding would fall from \$1.7 billion to \$1.5 billion.

On the other hand, the Science Aeronautics and Technology account would see a substantial increase, growing from \$8.1 billion to \$8.9 billion. Within SAT are space science (to increase from \$2.9 billion to \$3.4 billion), earth science (level funded at \$1.6 billion), biological and physical research (to rise slightly from \$823 million to \$851 million), and Aero-Space Technology (which would climb from \$2.53 billion to \$2.86 billion).

The budget notes several instances where the Administration’s hands have been tied by Congressional mandates or prohibitions, and it urges a change. One example cited is that “NASA has been expressly prohibited from relocating aircraft based east of the Mississippi River to the Dryden Flight Research Center in California.”

The budget also lauds NASA's Ames Research Center for increasing outside research and thus beginning to "reduce institutional and in-house activities to expand opportunities for competitive, external research. Such dedication to institutional reform ensures that research per federal dollar is maximized."

NATIONAL SCIENCE FOUNDATION

The Bush Administration proposes to increase spending for the National Science Foundation from \$4.8 to \$5.0 billion. Biological sciences funding would rise from \$508 million to \$526 million, computer and information science and engineering funds would increase from \$515 million to \$527 million, engineering would climb by \$15 million to \$488 million, geosciences funds would spike upward from \$610 million to \$691 million, mathematical and physical sciences funds would rise by \$20 million to \$942 million, and funds for social, behavioral and economic sciences would rise by \$30 million to \$196 million.

The budget cites a San Diego project as an NSF success story: "In August 2000, the University of California, San Diego received a \$2.3 million NSF award to develop a prototype wide-area network for research and education. The High Performance Research and Education Network is overcoming geographical, social and technical barriers to bring high-speed Internet access to the La Jolla and Pala Native American reservations. In remote San Diego County, the network connects the low-lying San Diego coastline with the county's mountainous eastern region, home of the reservations. This network also links the University with the Mount Laguna Observatory, an earthquake-detection site. The network is a prototype that could be useful for geophysicists, astronomers and ecologists, while demonstrating that the same tools can connect under-served educational users at remote locations like the Pala and La Jolla reservations."

DEPARTMENT OF COMMERCE

BUREAU OF EXPORT ADMINISTRATION (BXA)

The Budget provides an additional \$30 million for homeland security and critical infrastructure protection activities at the BXA, which regulates exports of critical goods and technologies that could be used to damage national interests, while furthering the growth of legitimate U.S. exports to maintain our economic leadership. Total funding for BXA will increase from \$72 million to \$103 million.

ADVANCED TECHNOLOGY PROGRAM

The budget reduces funding for the Advanced Technology Program (ATP) from \$185 million in 2002 to \$108 million in 2003. In 2003, new ATP awards will be reduced to \$35 million. In addition, the budget proposes changes to expand university participation, limit large-firm involvement, and include a cost-recoupment mechanism requiring firms to reimburse the government for up to five times the federal investment in successful projects.

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

The budget provides an additional \$93 million for the National Oceanic and Atmospheric Administration (NOAA) to improve forecasts of severe storms and the satellite infrastructure needed to support weather and climate prediction and research.

PACIFIC COASTAL SALMON RECOVERY

Total funding of \$110 million is requested for the Pacific Coastal Salmon Recovery program. The Budget estimates that California will receive \$15 million, as opposed to the \$17 million it is expected to receive in FY02. Federal funds are to be matched with 25% state and local funds.

ECONOMIC DEVELOPMENT ADMINISTRATION

The budget calls for a funding level of \$317 million, down from the estimated FY02 level of \$335 million.

CORPS OF ENGINEERS

The Budget focuses on completing projects, rather than initiating new ones. It reduces the backlog of ongoing construction projects in the budget from \$21 billion to \$13 billion over the next five years by:

- providing \$1.44 billion for the Corps' ongoing construction program in 2003 and comparable levels in future years;

- providing no funds for discretionary new construction in 2003;
- targeting funding to projects that fall within the Corps' primary missions; and
- dropping funding significantly for studies of potential future construction projects.

According to Budget documents, these actions will allow the Corps to complete 30 projects in 2003, which is 15% of the construction projects in the budget, and to complete other ongoing projects in the budget sooner than possible under current spending trends.

The Budget includes a \$17 million, 13%, increase in funding for activities affecting navigable waters and wetlands, in order to reduce the average time for reviewing permit applications to 120 days in 2004, from 160 days in 2002. The funding increase is expected to also let the Corps issue 70% of individual permits within 120 days, as opposed to the estimated 54% within 120 days in 2002.

The budget also notes that some Corps projects go beyond flood control to address environmental concerns. For example, it states, "the project to protect the City of Napa, California, reestablishes former marshes and floodplains along the Napa River. These areas will provide wildlife habitat as well."

A detailed 7-page list of specific Corps of Engineers projects for California can be viewed at the Corps website: <http://www.hq.usace.army.mil/cepa/2003budget/2003budget.htm> .

DEPARTMENT OF THE INTERIOR

CALFED BAY-DELTA RESTORATION

The President's Budget proposes \$15 million in new funding for CALFED for FY03. The funds are requested for the costs of the Environmental Water Account, Storage Program activities, and CALFED Program management.

SAN GABRIEL BASIN RESTORATION FUND

Total new budget authority of \$5 million is requested for the fund, which will be used to design, construct, operate and maintain water quality projects to remediate contamination of groundwater in the San Gabriel and Central Basins of Southern California, contingent on receipt of local cost share. Administration of the fund was transferred from the Secretary of the Army to the Secretary of the Interior this past year.

PAYMENTS IN LIEU OF TAXES

Federal law authorizes payments in lieu of taxes to county and other local governments for lands within their boundaries that are administered by the Bureau of Land Management, Forest Service, National Park Service, Fish and Wildlife Service, and certain other agencies. \$165 million is requested for these payments in FY03, versus \$210 million in FY02.

OREGON AND CALIFORNIA GRANT LANDS

- \$110.7 million is requested for maintenance and expenses associated with California and Oregon's grant lands.

- Payments for Oregon and California and Coos Bay Wagon Road grant lands, receipts. Annual payments to the 18 Oregon & California (O&C) counties will be derived from any revenues, fees, penalties, or miscellaneous receipts received by the Federal Government from activities by the BLM on O&C and Coos Bay Wagon Road lands. These receipts are exclusive of deposits to any relevant trust fund, i.e., Timber Sale Pipeline Restoration and Forest Ecosystem Health and Recovery funds, or permanent operating funds.

CENTRAL VALLEY RESTORATION FUND

Total funding for the Central Valley Restoration Fund is requested at \$49 million, to be derived from sums collected through revenues from beneficiaries of the fund.

U.S. FISH AND WILDLIFE SERVICE

\$935 million is requested for Resource Management, of which \$76 million is for conservation discretionary spending activities. Not less than \$2,000,000 is provided to local governments in southern California for planning associated with the Natural Communities Conservation Planning (NCCP) program.

GENERAL PROVISIONS

- Funds continue to be prohibited for use to conduct offshore leasing activities off the California coast.
- Funds may not be used to determine the final point of discharge for the interceptor drain for the San Luis Unit until development by the Secretary of the Interior and the State of California of a plan, that conforms to the water quality standards of California as approved by the Administrator of the Environmental Protection Agency, to minimize any detrimental effect of the San Luis drainage waters.
- The costs of the Kesterson Reservoir Cleanup Program and the costs of the San Joaquin Valley Drainage Program are to be classified by the Secretary of the Interior as reimbursable or nonreimbursable and collected until fully repaid pursuant to the Cleanup Program Alternative Repayment Plan and the SJVDP Alternative Repayment Plan. Any future obligations of funds by the United States relating to, or providing for, drainage service or drainage studies for the San Luis Unit shall be fully reimbursable by San Luis Unit beneficiaries of such service or studies pursuant to Federal reclamation law.

DEPARTMENT OF LABOR

The Budget proposes \$9.3 billion for Department of Labor programs that finance job training and related services, 36% above 2002 figures. The Administration is proposing long and short term reforms of Unemployment Insurance (UI) and the Employment Service (ES) system. Short term strategies include proposing a 13 week extension in unemployment benefits and distributing funds available from the US Treasury Unemployment Trust Fund. Long term plans are directed at improving responsiveness of UI and ES programs to workers and providing greater administrative flexibility to states. The 2003 Budget proposes \$1.5 billion for Job Corps, a residential vocational training program for disadvantaged youth.

The 2003 Budget will transfer \$197 million to Veterans Affairs that the Department of Labor currently uses to finance three veterans employment programs. This proposal would implement a recommendation of the 1999 Congressional Commission on Servicemembers and Veterans Transition Assistance.

The budget proposes self-regulation among employers to promote bureaucratically streamlined methods of improving workplace security.

HOUSING AND URBAN DEVELOPMENT (HUD)

Community Development Block Grants (CDBG) provide funds for various community development activities directed primarily at low-and moderate-income persons. The budget directs that CDBG support \$4.716 billion in formula grants to States and entitlement communities in FY2003.

The President's budget proposes the establishment of a private non-profit "Colonias Gateway Initiative" that would provide \$16 million to enhance housing availability, opportunity, and infrastructure. The Colonias are underdeveloped rural communities within 150 miles of the US-Mexico border.

The 2003 budget provides \$2.08 billion for HUD's HOME Investment Partnerships Program to expand the supply of affordable rental and homeownership housing for low and moderate-income families through acquisition, new construction and rehabilitation. HOME funds are provided to every State and over 550 local governments that design the affordable housing programs that best address their needs. The funding request for 2003 is expected to produce 104,000 units of affordable housing through new construction, rehabilitation or acquisition and it is to provide tenant-based assistance for 12,700 units.

The budget proposes to transfer the Emergency Food and Shelter Program from the Federal Emergency Management Agency (FEMA) to HUD to improve coordination efforts. The program is a government-community partnership designed to help community and faith-based efforts at providing emergency food and shelter services. 2003 funding for this program is proposed at \$153 million, a \$13 million increase.

Reducing chronic homelessness and its effects is a HUD priority this year. The Agency is thus proposing to combine separate homelessness assistance programs into one entity to improve and streamline delivery of services and to promote an end to the problem of chronic homelessness in ten years.

Up to \$120 million from the Public Housing Capital Fund and up to \$130 million from the Public Housing Operating fund is proposed to create a new initiative that would facilitate private investment to improve public housing conditions and to develop sound management of properties. The Capital Fund provides funding to oversee and carry out capital and management activities on public housing units.

ENVIRONMENTAL PROTECTION AGENCY

- The budget calls for total discretionary funding of \$7.6 billion, as compared to \$7.9 billion for FY02.
- The Clean Water State Revolving Fund is funded at \$1.2 billion in FY03, rather than the \$1.35 billion in FY02.
- The Drinking Water State Revolving Fund is level funded at \$850 million, the same as last year.
- In the \$4 billion allocated for Operating Costs, an additional \$79 million is included for brownfields funding of personnel and state program grants.
- The budget focuses on ensuring that sound science has been incorporated into EPA decisions and that the analysis behind decisions is transparent to the public.

FEDERAL EMERGENCY MANAGEMENT AGENCY

- The budget provides for a program level of \$2.9 billion for FEMA disaster relief, a level consistent with the five-year average of obligations. To fund the program, the budget provides \$1.8 billion in new budget authority and commits to an intensive review of unspent balances beginning with the 1994 California Northridge earthquake that is expected to result in \$1.1 billion in grant recoveries over a two-year period. Unspent balances often result from mitigation and other projects that appeared to be needed in the aftermath of a disaster but were not pursued after public review or further examination."

- Total FEMA funding is increased to \$6.5 billion, which includes new funding of \$3.5 billion for new equipment and training to enhance state and local preparedness against terrorist attacks.
- Most of the additional funding will be used for terrorism-related equipment for states and localities, as well as training grants for first responders, including firefighters, police, and emergency medical technicians. While state and local jurisdictions will have discretion to tailor the assistance to meet local needs, according to the Budget documents, it is anticipated that more than one-third of the funds will be used to improve communications. It is further assumed that an additional one-third will be used to equip state and local first responders and that the remainder will be used for training, planning, technical assistance and administration.
- The Budget estimates that more than 11,000 emergency response personnel could be equipped and trained in 2003 with the new funding. The funding also would allow FEMA to provide grants to states to train 400,000 citizen volunteers for Community Emergency Response Teams, which provide assistance and support to first responders following terrorism incidents and other emergencies.
- Replaces the formula-based Hazard Mitigation Grant Program with a new pre-disaster competitive grant program. The budget documents cite as the rationale that formula funding and the "lack of rigorous cost-benefit criteria" for funded projects limits the program's effectiveness.

OTHER PROVISIONS

GENERAL SERVICES ADMINISTRATION

- Construction** - \$23.9 million is requested for the construction of the U.S. Courthouse Annex in San Diego.
- Maintenance and Repairs** - \$93.2 million is requested for the Federal Building in Los Angeles;
- \$20.3 million is requested for the Appraisers Building in San Francisco; and
- \$7.9 million is requested for the Tecate U.S. Border Station.

FEDERAL DRUG CONTROL PROGRAM

- \$206 million is requested for the High Intensity Drug Trafficking Areas Program (HIDTA), compared to the \$226 million estimated for FY02. The program provides funding for joint local, state, and federal initiatives in areas designated as HIDTAs. Los Angeles, Southern California, the San Francisco Bay Area, and the Central Valley have been designated as HIDTAs under the program.

PRESIDIO TRUST FUND

The budget requests \$22.6 million for the operations and capital improvements of the Presidio Trust, a slight reduction from the \$23.1 million requested last year.