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SPECIAL REPORT: President's Budget Proposal for Fiscal Year 2009, California Implications - February 4, 2008

On February 4, 2008, President George W. Bush released the Administration's Budget Proposal for Fiscal Year 2009, which begins October 1, 2008. The Budget proposes FY 2009 spending of \$3.1 trillion, a 0.3 percent increase in non-defense discretionary spending, a growth rate that is less than the rate of inflation for domestic programs. The Administration also projects a deficit of \$410 billion, a significant increase over the FY07 deficit of \$162 billion. A portion of the deficit increase is attributable to an economic stimulus package that Congress is expected to approve in the near future.

In nearly 3,000 pages, the budget documents outline the Administration's recommendations for discretionary and mandatory spending, as well as its revenue proposals. Developing a reliable analysis of any budget is difficult. This document provides a California-oriented analysis of the proposal prepared by the staff of the California Institute for Federal Policy Research. It is available on the Institute's website at <http://www.calinst.org/pubs/Budget2009.shtml> or alternatively in pdf format at <http://www.calinst.org/pubs/Budget2009.pdf>.

CONTENTS:	
JUSTICE.....	1
HOMELAND SECURITY.....	2
TRANSPORTATION.....	3
INTERIOR.....	5
CALFED.....	7
CORPS OF ENGINEERS.....	7
AGRICULTURE.....	8
ENERGY.....	9
HEALTH AND HUMAN SERVICES.....	10
LABOR.....	13
EDUCATION: K-12 Programs.....	13
EDUCATION: Student Aid/Higher Ed.....	17
NATIONAL SCIENCE FOUNDATION.....	19
EPA.....	20
COMMERCE.....	21
STATE.....	21
SBA.....	21
GSA.....	21
HOUSING & URBAN DEVELOPMENT.....	22
DEFENSE.....	23
VETERANS AFFAIRS.....	23
NASA.....	24
TAX PROVISIONS.....	24
STATE & LOCAL FORMULA GRANTS.....	25

DEPARTMENT OF JUSTICE

The Budget requests \$26.6 billion in total spending for the Department of Justice, as opposed to the \$25.1 billion estimated for FY08.

Office of Justice Programs

The Budget requests \$134.6 million for the Office of Justice Programs appropriation for FY2009. Last year's budget request was \$196 million. This OJP account includes programs that provide grants, contracts and cooperative agreements for research, development and evaluation; development and dissemination of quality statistical and scientific information; and promotion and expansion of law enforcement information sharing initiatives and systems.

State and Local Law Enforcement Assistance

The Budget requests \$404 million for FY09 programs, as opposed to the \$1.759 billion estimated for FY08. It again proposes consolidating more than 70 State and local law enforcement assistance programs into four grant programs, with funding allocated as follows: Violent Crime Reduction Partnership Initiative - \$200,000,000; Byrne Public Safety and Protection Program - \$200,000,000; Violence Against Women Program - \$280 million; and Child Safety and Juvenile Justice Program - \$185 million. \$4 million is proposed for the COPS program.

Estimated funding for all state and local law enforcement programs for FY08 is almost \$1.8 billion, including: \$587 million for Community Oriented Policing Services (COPS), of which \$20 million is for the Cops on the Beat hiring program; \$170,433,000 for Edward Byrne Memorial Justice Assistance Grant Program formula grants; and \$187,513,000 for Byrne discretionary grants.

SCAAP - The President's Budget proposes eliminating the State Criminal Alien Assistance Program, as it has for the last several years. The FY08 Omnibus appropriates \$410 million for the program. California receives about 40 percent of SCAAP funding.

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Southwest Border Prosecutor Initiative - The Budget proposes creating the Southwest Border Enforcement Initiative, with funding of \$100 million for Department of Justice law enforcement and prosecutorial efforts on the U.S. Southwest border to combat violent crime, gun smuggling, and illicit drug trafficking.

DEPARTMENT OF HOMELAND SECURITY

The FY2009 proposed outlays for the Department of Homeland Security are \$44.3 billion, versus the \$42.4 billion in FY08, an increase of about 7.6 percent.

Immigration

The Budget documents state that the President's Budget proposes increasing security spending by 10.7 percent Government-wide compared to 2008. The Budget includes nearly \$500 million for 2,200 new Border Patrol agents, which would more than double the size of the Border Patrol – from approximately 9,000 agents to 20,000 agents – since September 11, 2001. It proposes funding 1,000 new detention beds – for a total of 33,000 beds – in response to the elimination of “catch and release.” Additionally, \$2 billion in funding over two years is also proposed for SBInet. to continue to construct a mix of technology, fencing, and other infrastructure to protect the border. It also proposes expanding E-Verify, the Employment Eligibility Verification Program, and requests funding of \$100 million.

Finally, the Budget proposes changes to the H-2A, H-2B, and H-1B programs to streamline the process for U.S. employers to hire immigrant labor when no Americans are available, while also providing for labor protections for workers.

Citizenship and Immigration Services

The budget requests \$154,540,000. of which \$100,000,000 is for the E-Verify program to assist U.S. employers with maintaining a legal workforce; and \$50,000,000 (the same as the FY08 Omnibus) is to support implementation of the REAL ID Act to develop an information sharing and verification capability with States.

Immigration and Customs Enforcement

For salaries and expenses of ICE the FY08 Budget proposes \$4.69 billion, roughly the same as last year's request and the FY08 Omnibus. Of that amount, \$2,381,401,000 is for detention and removal operations; and \$200,000,000 is to improve and modernize efforts to identify aliens convicted of a crime, sentenced to imprisonment, and who may be deportable, and remove them from the United States once they are judged deportable. Funding is also provided to increase the collaboration with State and local law enforcement agencies through an expansion of the 287(g) program.

Federal Law Enforcement Training Center

For 2009 the Budget requests \$230,670,000 for a FLETC, which, in addition to providing law enforcement training to federal personnel, provides training to State and local law enforcement personnel on a space-available basis.

Customs and Border Protection

The Budget proposes \$7.3 billion for Customs and Border Protection, as opposed to the \$6.8 billion requested in FY08.

Border Security Fencing, Infrastructure, and Technology

\$775 million is requested, as opposed to the \$1.225 billion requested in FY08.

United States Visitor and Immigrant Status Indicator

The 2009 Budget includes \$390 million for US-VISIT, to create an automated entry and exit system; to integrate existing biometric databases; use available data to match alien arrival and departure records; and use biometrics to screen visa applicants and applicants for admission to the United States against law enforcement databases. The FY08 Omnibus appropriated \$475 million for the program.

HOMELAND SECURITY GRANTS

For State and Local Programs, the Budget proposes funding in FY 2009 of \$1.9 billion in Budget Authority. This amount would be a significant reduction from the \$3.46 billion spent in FY 2008 and \$3.6 billion in FY 2007. The reduction results primarily from an \$800 million cut in the State Homeland Security Grant Program (SHSGP). The shift is significant because it would cut a program (SHSGP) that has yielded California relatively little return over the years, and maintain funding for another program (UASI) of which California's share has been considerably higher. Also cut, however, would be funds for Port Security grants (nearly halved from \$400 million to \$210 million) and public transit security grants (more than halved from \$400 million to \$175 million).

Federal Emergency Management Agency

For State and Local Programs, the Budget proposes funding in FY09 of \$1.9 billion. Allocation of the funding is as follows:

- \$200,000,000 for the State Homeland Security Grant Program, as opposed to the \$950 million requested in FY08 and the \$1.01 billion estimated in FY08 funding
- \$825,000,000 for the Urban Area Security Initiative; the FY08 estimated spending is \$820 million
- \$175,000,000 for Public Transportation Security Assistance, as opposed to \$400 in the FY08 request
- \$210,000,000 for Port Security Grants, versus the \$400 million appropriated in the FY08 Omnibus
- \$12,000,000 for Over-the-Road Bus Security Assistance
- \$8,000,000 for Trucking Industry Security Grants
- \$110,000,000 for the National Security and Terrorism Prevention Grant Program to provide competitive grant awards for projects which address national risks and vulnerabilities identified by the Secretary
- \$79 million for the State and Local Training Program, versus the \$219 million estimated in FY09 funding

Overall, the request for Transportation and Infrastructure funding is \$405 million, as opposed to the \$878 million estimated for FY08.

The FY09 funding request for all programs is \$1.9 billion, versus the \$3.549 billion estimated in FY08 spending.

Firefighter Assistance Grants

The Budget requests \$300 million for firefighter assistance grants, versus the \$1.18 billion estimated spending for FY08. However, the reduction is not likely to do California much harm, since it is rurally-focused and the state received just 4% of funds in one recent year. (FIRE grants are awarded to local fire departments, and no recipient can receive more than \$750,000 ... regardless whether it is a small, rural, volunteer fire department or, say, the Los Angeles County Fire Department. As such, while the program may be housed within the Department of Homeland Security, it operates in a manner that is largely counter to the spirit of protecting the homeland in a targeted fashion.)

Pre-Disaster Mitigation Fund

\$75 million is proposed for Pre-Disaster Mitigation grants, substantially less than the \$178 million in estimated spending for FY08.

DEPARTMENT OF TRANSPORTATION

In FY2009, the President proposes \$69.9 billion in discretionary funds and \$1.2 billion in mandatory funds, totaling \$71.1 billion for Transportation programs.

Transportation Planning Research and Development

The 2008 Budget recommends a \$10.1 million appropriation to finance research activities and studies concerned with planning, analysis, and information development needed to support national transportation policy formulation.

Federal Aviation Administration

The President's Budget requests \$14.6 billion in Federal Aviation Administration (FAA) Budget authority, sub-allocated in the following way: \$8.1 billion for operations; \$2.75 billion for Grants-in-aid for Airports expenses; elimination of funding for facilities and equipment programs; and \$171 million for research, engineering and development. \$9,161 million would be provided from the Airport and Airway Trust Fund for FAA activities. The proposed FAA level would be a \$2,423 million increase from the FY2008 enacted amount.

Federal Highway Administration

The 2008 Federal Highways Administration (FHWA) Budget includes \$0 million in new Budget authority, and \$39.4 billion in obligation limitations for federal-aid highway programs. Going by prior year calculations, California is estimated to receive about 9.5 percent of total highway planning and construction distributions in 2009.

In 2006, the Safe, Accountable, Flexible and Efficient Transportation Equity Act: A Legacy for Users or SAFETEA-LU (P.L 109-59) was approved as the new national surface transportation law. SAFETEA-LU authorized highways, bridge and safety spending programs administered by the (FHWA) through 2009. Because of the unique highway spending framework, Budget language remains consistent with SAFETEA-LU's funding structure, i.e. highway spending levels will correspond to Highway Trust Fund (HTF) receipts. SAFETEA-LU authorized a new Highway Safety Improvement (HSIP) program that supports innovative traffic fatality and injury reduction programs on public roads and established an Equity Bonus program that will bring California's HTF return rate to 92 percent by 2009.

Orange County (CA) Toll Road Demonstration Project Program Account

As required by the Federal Credit Reform Act of 1990, this account records for this program, the subsidy costs associated with the direct loans obligated in 1992 and later years as well as administrative expenses of this program. The Department provided these lines of credit for two toll road projects in Orange County, California. Each year, \$24 million of these lines of credit expire if not used. No budget authority is granted to the program in FY 2009.

Federal-Aid Highways (FAH)

\$41,487 million is requested for Federal-aid highways and highway safety construction programs for FY 2009. \$429.8 million shall be available for the implementation or execution of programs for transportation research. For all FAH program funding, \$39.5 billion may be derived from the Highway Trust Fund.

Federal Motor Carrier Safety Administration

The 2009 Budget requests \$307 million for Motor Carrier Safety Grants. Of this amount, \$209 million of this appropriation is dedicated to finance grants to help states implement highway safety programs. \$32 million is provided to support state safety enforcement activities at both northern and southern borders. An additional \$25 million is provided to support state efforts to improve commercial driver's license (CDL) oversight and a \$3 million allocation is proposed for Safety data improvement program to improve the accuracy, timeliness, and completeness of commercial motor vehicle safety data; and \$8 million to modernize its Commercial Driver's License Information System (CDLIS). Furthermore, the 2009 Budget requests \$234 million for Motor Carrier Safety Operations and Programs. This account is used to support federal enforcement of safety regulations at the US/Mexico border to ensure Mexican carrier compliance with federal standards.

National Highway Traffic Safety Administration (NHTSA)

\$851 million is appropriated for this agency, an increase of \$13 million from the 2008 estimated appropriation. These funds are split with \$232 million proposed for operations and research expenses, allocated

from the HTF, while \$620 million is set aside for grants to states to fund targeted highway safety projects and initiatives.

Federal Railroad Administration (FRA)

The President proposes \$1.1 billion to support FRA programs, this includes \$525 million for the National Railroad Passenger Corporation (Amtrak), although funds for Amtrak would be limited to efficiency incentive grants and debt servicing costs.

The '09 Budget recommends \$8 million to support Next Generation High Speed Rail activities and proposes to eliminate the Northeast corridor improvement program.

Federal Transit Administration (FTA)

Reauthorized under SAFETEA-LU, 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. Transit funds are split between formula/ bus and capital investment discretionary grant accounts.

The 2009 Budget proposes \$10.1 billion for the FTA, an increase of \$644 million from the 2008 enacted level.

Research and University Research Centers

The Budget proposes a \$60 million allocation for transit research programs, a cut of \$5 million from prior appropriations.

Capital Investment Grants

New Starts and Small Starts project funds are sourced to the Capital Investment Grants account. Under the proposed budget, \$1.6 billion is provided to finance New Starts projects which are capital investments to establish or extend fixed guideway transit systems.

Transit Formula Grants and Research

Formula and Bus Grants are funded by contract authority provided in SAFETEA-LU. 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. These funds help transit systems alleviate congestion, ensure basic mobility, promote economically vibrant communities and meet the requirements of the Americans with Disabilities Act (ADA) and the Clean Air Act (CAA). The Budget proposes \$5.3 billion for urbanized area programs, of which California typically receives 17 percent. Fixed guideway modernization is budgeted \$1.7 billion, of which California generally receives 12 percent of total apportionments, Bus and Bus Facilities discretionary levels are set at \$1.5 billion, most of which are earmarked for distribution in SAFETEA-LU language (California's share of the 5 year total is 9.7 percent). The Clean Fuels discretionary grant program received a \$15 million increase, now budgeted at \$61 million to improve and accommodate buses powered by low or zero-emission technology.

DEPARTMENT OF THE INTERIOR

The President requests \$10.6 billion in FY09 discretionary authority for the Department of Interior, as compared to the \$11 billion in estimated FY08 authority.

Bureau of Land Management

\$984 million is requested to fund BLM for FY 2009, as compared to the \$1 billion estimated in FY08 spending. This figure is exclusive of Wildland Fire funding.

Oregon and California Grant Lands - \$108 million is requested for the management of these lands, slightly less than the \$110 million requested in FY08.

Payments to Nevada from receipts on land sales - The Budget documents state that the Secretary is authorized by law to sell not more than 700 acres of public lands per calendar year in and around Las Vegas, Nevada, the proceeds of which are to be used to acquire environmentally sensitive lands in the Lake Tahoe Basin of California and Nevada.

Forest Ecosystem Health and Recovery Fund - Funds in this program are used for the purpose of planning, preparing, implementing and monitoring salvage timber sales and forest ecosystem health and recovery activities, such as release from competing vegetation and density control treatments. The Federal share of receipts, which are that portion of salvage timber receipts not paid to the counties, and derived from treatments funded by this account shall be deposited into the Forest Ecosystem Health and Recovery Fund. \$5 million in new authority is requested in FY09, as opposed to the \$7 million estimated for FY07.

Coastal Impact Assistance

The Energy Policy Act of 2005 (P.L. 109-58) amends section 31 of the Outer Continental Shelf (OCS) Lands Act (43 U.S.C. 1356 et seq.) to require that, for a four-year period, \$250,000,000 in OCS revenues be paid annually to coastal States and coastal political subdivisions that have submitted approved coastal impact assistance plans. The formula for distribution is based on the amount of qualified OCS revenues generated off the coastline of each producing State. In addition, 35 percent of each State's allocable share is to be distributed to coastal political subdivisions based on population, coastline, and distance to applicable OCS leases. The payments are to be made starting in 2007 with the last payment to be made in 2010.

Bureau of Reclamation

The Budget proposes \$968 million in funding for BOR, as opposed to the \$1.15 billion estimated for FY08. \$779,320,000 is proposed for Water and Related Resources Funding, compared to the FY08 request of \$949,882,000. This account supports the development, management, and restoration of water and related natural resources in the 17 Western States. The Budget documents state: "In 2009, Reclamation will partner with the U.S. Geological Survey to implement a Water Security Initiative that focuses resources and funding on areas in the West where conflict exists or is most likely to occur. This Initiative will merge two water conservation programs Water 2025 and the Water Conservation Field Services Program and award competitive grants based upon West-wide criteria as one approach to address and prevent such future conflicts."

Central Valley Project Restoration Fund - The Budget proposes \$56,079,000 in CVP funding for FY09, versus the \$59,122,000 requested in FY08. The Budget proposes diverting the Friant Division surcharges to the San Joaquin River Restoration Fund.

San Gabriel Basin Restoration Fund - The Budget proposes no new funding for FY09. The fund is intended 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 by Public Law 107-66.

San Joaquin Restoration Fund - This Fund proposes to receive funding from the Friant Division long-term contractors and other federal and non-federal sources to implement the provisions described in the Stipulation of Settlement (Settlement) for the *NRDC et al. v. Rodgers* lawsuit. The \$56,079,000 request for the Central Valley Project Restoration Fund includes \$7,500,000 derived from Friant Division surcharges that are proposed to be deposited into this Fund.

Fish and Wildlife Service

The Budget proposes about \$1.302 billion in funding for FY09; this compares to the FY08 Budget estimate of \$1.367 billion.

National Park Service

The FY07 request is for \$2.404 billion, roughly the same as last year's request for the National Park Service of \$2.421 billion.

Payments in Lieu of Taxes (PILT)

The Budget proposes \$195 million, as opposed to the \$229 million estimated for FY08. PILT funding is provided to counties and other units of local government 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

Wildland Fire Management - \$850 million is proposed in FY 2009 to fund the program, as compared to the estimated \$809 million in FY08 funding.

General Provisions

Funding is again prohibited for the conduct of offshore preleasing, leasing and related activities placed under restriction in the President's moratorium statement of June 12, 1998, in the areas of northern, central, and southern California, as well as other designated areas.

As in past years, funds are prohibited to 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, which shall conform to the water quality standards of the State of California as approved by the Administrator of the Environmental Protection Agency, to minimize any detrimental effect of the San Luis drainage waters.

In addition, the same provision is included in the FY08 Budget request that was included in the FY07 request relating to the reimbursement or nonreimbursement of the costs of the Kesterson Reservoir Cleanup Program and the costs of the San Joaquin Valley Drainage Program.

CALFED

The Budget request for BOR CALFED funding for FY09 is \$32 million, compared with FY08 estimated funding of \$40 million (\$49 million total including funds carried over from prior years).

The CALFED Budget Crosscut for Federal fiscal years 1998 through FY 2009 reflects a collaborative effort between the Office of Management and Budget, and the Departments of the Interior, Agriculture, Commerce, the U.S. Army Corps of Engineers, and the Environmental Protection Agency.

The Budget documents estimate that across all agencies CALFED spending in 2009 will be \$128.74 million, as compared to \$181 million in 2008, with BOR and Corps spending both falling by about \$20 million, and Natural Resources Conservation Service spending dropping \$10 million.

For more specific information on the CALFED crosscut Budget, go to <http://www.whitehouse.gov/omb/budget/fy2009/pdf/apers/crosscutting.pdf>.

ARMY CORPS OF ENGINEERS

The Budget proposes \$4.741 billion in new federal funding for the annual Civil Works program of the U.S. Army Corps of Engineers, compared to \$4.871 billion in FY08. It also includes an additional \$5.761 billion in an emergency request for New Orleans. The new federal funding in the Civil Works budget consists of \$3.844 billion from the general fund, \$729 million from the Harbor Maintenance Trust Fund, \$167 million from the Inland Waterways Trust Fund, and \$1 million from Disposal Facilities User Fees.

Within the funding, \$2.475 billion is allocated for Operation and Maintenance, and \$1.402 billion for Construction

The Budget documents state that the intent of the Corps funding request is to focus on the "highest-performing projects, rather than new starts, and thereby complete[] them sooner. This accelerates the completion of such projects as the Oakland Harbor navigation channels in California, which will be completed in 2009."

Hydraulic mining debris reservoir - The Corps uses fees collected from Pacific Gas and Electric Company to help maintain the Englebright Dam, Yuba River, California, mine debris restraining works and associated hydropower generation facilities.

Projects

Proposed FY 2009 funding for the Corps includes numerous California projects, including:

- American River Watershed (Common Features) - \$13,000,000 for flood damage prevention
- American River Watershed (Folsom Dam Modifications) - \$9,000,000 for flood damage prevention
- California Coastal Sediment Master Plan - \$900,000 for surveys is proposed.
- Coyote and Berryessa Creeks - \$950,000 for pre-construction engineering and design is proposed
- Hamilton Airfield Wetlands Restoration - \$4.9 million for construction is proposed
- Kaweah River - \$1,000,000 for construction
- Los Angeles County Drainage Area - \$5.7 million for construction
- Napa River - \$7.395 million is proposed for construction

- Oakland Harbor 50 Foot Construction Project - \$17 million for construction is proposed.
- Sacramento Deepwater Ship Channel - \$900,000 is proposed for construction
- Sacramento River Bank Protection Project - \$23.968 million for construction is proposed
- Sacramento-San Joaquin Delta Islands and Levees - \$468,500 is proposed for surveys
- Santa Ana River Mainstem - \$8.1 million for construction is proposed.
- Solana Beach - \$171,000 for surveys is proposed
- South Sacramento County Streams - \$12 million is proposed for construction
- Success Dam, Tule River (Dam Safety) - \$16 million for construction.
- Sutter County - \$339,000 for surveys is proposed.
- Upper Penitencia Creek - \$191,000 for surveys is proposed.

For a complete list of Corps of Engineers projects in California, go to the Corps website at: www.usace.army.mil/cw/cecwb/budget/budget.pdf.

DEPARTMENT OF AGRICULTURE

The President has requested \$94 billion for total outlays for FY 09. The 2009 budget aims to build a strong farm economy, reduce trade barriers, design a high-level biosecurity laboratory for poultry diseases, monitor avian influenza, and support the Northwest Forest Plan.

U.S. Forest Service

The President had requested \$1.35 billion for the U.S. Forest Service. The Budget provides full funding for the Forest Service component of the Northwest Forest Plan. The Northwest Forest Plan is an integrated, comprehensive design for ecosystem management, intergovernmental and public collaboration, and rural community economic assistance involving nearly 25 million acres of Federal forests in western Oregon, Washington, and northern California. The Budget allows the Forest Service to offer the Plan's goal of 800 million board feet of timber in 2009. The Budget goes on to state that it "also reflects greater use of streamlined forest planning and authorities included in the President's Healthy Forests Initiative, while providing funding to monitor and protect the long-term health of forests, wildlife, and waterways in the Pacific Northwest."

Farm Bill

The 2009 Budget cuts funds from the Wetlands Reserve Program by \$274 million, from \$455 million to \$181 million. The Commodity Credit Corporation Fund contains \$500 million in outlays for the Farm bill proposal. The Budget proposes to fund the Market Access Program (MAP), which was authorized in the Farm Bill for \$200 million. California agriculture interests have been heavy users of MAP, which seeks to develop and expand commercial export markets for U.S. agricultural products.

Agricultural Research Service

For FY 09, the Budget proposes \$1.12 billion for the Agricultural Research Service, about \$84 million less than the FY08 funding. In 2009, the Service proposes increased emphases for critical research needs in agriculture, such as: support for homeland security efforts to protect the Nation's food supply (emerging and exotic diseases of animals, food safety, and security for overseas biological control laboratories); renewable energy sources; equipment for the National Centers for Animal Health; obesity; genomics; genetic resources (specialty crops and plant introduction stations); organic production systems; and agricultural information services. In the past, programs from research accounts have been used to study Glassy-Winged Sharpshooter/Pierce's Disease, Sudden Oak Death, and other agricultural pests and diseases that negatively impact California's agriculture economy. The budget proposed \$171 million for the National Agricultural Statistics Service and \$20.1 million for the integrated research, education and extension grants programs.

Animal and Plant Health Inspection Service

The proposed Budget funds the Animal and Plant Health Inspection service at \$919 million. Of those funds, the Budget allocates \$4.2 million for the control of outbreaks of insects, plant diseases, animal diseases and for control of pest animals and birds to the extent necessary to meet emergency conditions; \$59.8 million shall be used to prevent and control avian influenza, and \$24.1 million for the National Animal Identification program. Funds from this account have been used in the past to help prevent Glassy-Winged Sharpshooter/Pierce's

Disease and Sudden Oak Death in California and throughout the nation, although specific funding for these diseases is not included in the President's FY09 Budget. In fiscal year 2009, the agency is authorized to collect fees to cover the total costs of providing technical assistance, goods, or services requested by States, other political subdivisions, domestic and international organizations, foreign governments, or individuals.

Food Safety and Inspection Service

The budget requests \$952 million for the Food Safety Inspection Service, an increase of \$22 million from the previous allocation. This service is limited only to meat, poultry and egg products.

Agricultural Marketing Service

Agricultural Marketing Service activities assist producers and handlers of agricultural commodities by providing a variety of marketing services. The budget requests \$76 million for the Agricultural Marketing Service, allotting \$8 million for inspection and standardization.

Conservation

A total of \$764.8 million is proposed for natural resource conservation service purposes in the budget for 2009. Under this section, water conservation activities at the Klamath Basin, located in California and Oregon, as authorized by the Food Security Act of 1985, receives no funding. The 2009 budget does not include funding for the Grazing Lands Conservation Initiative, meant to help ranchers and range managers fight and control priority invasive species by funding a competitive grants program that funds cooperative and cost-effective strategies to address invasive species on private grazing lands. The Farm Security and Rural Investment Act of 2002 (P.L. 107-171) reauthorizes a number of USDA's conservation programs. NRCS is responsible for implementing many of these programs.

National Forest Land Acquisition

For acquisition of lands within the exterior boundaries of the Cache, Uinta, and Wasatch National Forests, Utah; the Toiyabe National Forest, Nevada; and the Angeles, San Bernardino, Sequoia, and Cleveland National Forests, California, as authorized by law, \$1,050,000, to be derived from forest receipts. The purpose of these land acquisitions is to provide soil stabilization and restoration of vegetation within these critical watersheds. In addition, the Administration plans to minimize erosion and flood damage to these areas through this acquisition program.

Wildland Fire Management

The President's Budget includes \$1.97 billion for Wildland Fire Management, about \$548 million less than the FY08 funding.

Food and Nutrition Service

The budget requests \$150 million for nutrition assistance programs. \$3 billion is requested by the Administration for the Food Stamp Program. Women, Infant, and Children (WIC) – a program that serves the nutritional needs of low-income pregnant and postpartum women, infants, and children up to age five – is provided \$6.1 billion in the 2009 Budget.

DEPARTMENT OF ENERGY

The Budget includes a total of \$25 billion in discretionary authority for the Department of Energy for fiscal year 2009, an increase over the \$23.8 billion estimated for FY08. Of that spending, \$9.097 billion (an increase from the \$8.8 billion estimated for FY08) would be provided to the National Nuclear Security Administration, which stewards the nation's nuclear stockpile and includes the federal energy laboratories.

Funding for hydrogen technology will decrease from \$211 million in FY08 to \$146 million in FY09 estimated funding, and solar energy funding will drop from \$168 million to \$156 million. Weatherization and intergovernment activities would drop from \$285 million to \$59 million.

DOE Office of Science

For science programs at DOE, the budget proposes some increases, which would benefit California. High Energy Physics would grow from \$689 million to \$807 million, nuclear physics from \$432 million to \$510 million, advanced scientific computing research would rise from \$351 million to \$369 million, and basic energy sciences from \$1.27 billion to \$1.57 billion.

Fusion

One of the most significant increases would be for fusion energy sciences, of which California continues to receive the lion's share. The total fusion science spending would rise from \$286.5 million in 2008 to \$493 million in 2009, a proposed increase of 72 percent. The fusion energy sciences (FES) program is the national research effort to advance plasma science, fusion science, and fusion technology that is the knowledge base needed for an economically and environmentally attractive energy source.

The budget notes: "The fusion energy sciences program advances plasma science, fusion science, and fusion technology in order to establish the knowledge base necessary for fusion to become an economically and environmentally attractive energy source." Within FES is \$214 million for the U.S. contributions to ITER project, an international burning plasma physics experiment being built in France in collaboration with the European Union (EU), Japan, Russia, Korea, China, and India. The EU is providing approximately 45% of the cost of building the facility, while the remaining parties will each provide approximately 9%. The Budget states: "ITER is an essential next step toward eventually developing fusion as a commercially viable energy source."

The Budget also provides for continued funding for the DIII-D program, a fusion program under way at General Atomics in San Diego.

Language associated with the \$807 million request for the High Energy Physics (HEP) program notes that: "HEP research also makes major contributions to accelerator technology and provides the expertise necessary for the expansion of such technology into fields such as medical imaging and diagnostics as well as materials, biology, and chemistry research using light sources. One notable recent example is the Linac Coherent Light Source, now completing construction at the Stanford Linear Accelerator Center (SLAC); the concept and proof-of-principle for this state-of-the-art basic energy sciences facility grew out of particle accelerator technology developed for the HEP program."

Budget language also notes: "The HEP budget request supports a world leadership program at Fermilab (the Tevatron Collider and Neutrinos at the Main Injector [NuMI]) and phase-out activities at the SLAC B-factory, which has completed its scientific mission."

The \$1.57 billion basic energy sciences (BES) request for FY09 funds basic research material sciences, chemistry, geosciences, and aspects of biosciences. The program supports a substantial basic research budget for materials sciences, chemical sciences, biosciences, and geosciences. Within this amount, the request includes \$60 million for hydrogen and fuel cell research as part of the White House's Hydrogen Initiative. It also includes funding for BES funding for the multi-agency national nanotechnology program, which funds the operation of the Nanoscale Science Research Centers (NSRCs) at the Oak Ridge, Lawrence Berkeley, Brookhaven, and Argonne national laboratories.

Elk Hills School Lands Fund

The Budget states: "Under the settlement agreement, \$300 million has been paid to the State of California. There is no request for funding in FY 2009. The timing and levels of any future budget request are dependent on the schedule and results of the equity finalization process."

DEPARTMENT OF HEALTH AND HUMAN SERVICES

The President proposes cutting the discretionary budget for Health and Human Services by 2.5 percent to \$70.4 billion. The President's Budget proposes \$68.4 billion in discretionary Budget authority for HHS, which is \$1.6 billion less than FY08 funding. The Budget funds the entire Department, including mandatory funding obligations, at \$736 billion, which is \$295 billion more than FY08 enacted levels.

The Budget assumes that Congress will enact the Administration's legislative proposal to trim the growth of Medicare and Medicaid by \$195.7 billion over five years.

Food and Drug Administration

The President's FY 09 Budget proposes \$1.7 billion for the FDA, \$300 million more than FY08 funding.

Health Resources and Services Administration

The President proposes \$5.8 billion for the Health Resources Administration, which is \$1.1 billion less than FY08 funding. This number includes \$585 million for the Nation's preparedness for an influenza pandemic. The Administration calls for focusing resources on medical technology, increased transparency of health care price and quality information, strengthened Medicare sustainability, and Medicaid program integrity efforts that promote sound financial practices, increased market efficiencies, and eliminating Medicaid waste, fraud, and abuse. The Administration proposes to reauthorize the State Children's Health Insurance Program, so states can continue to provide health insurance coverage to targeted low-income, uninsured children. FY09 funding for SCHIP is reduced by \$1.3 billion, from \$6.6 billion in FY08 to \$5.3 billion in FY09.

Indian Health Services

Under the Indian Health Services account, the President's Budget provides \$3.3 billion for Indian Health programs.

Centers for Disease Control and Prevention

Included in the Budget proposal is \$5.7 billion for the Centers for Disease Control to support activities related to countering potential biological, disease, nuclear, radiological, and chemical threats to civilian populations. In FY08, the Centers received \$6 billion in funding, \$300 million more than the proposed FY09 funding level.

National Institutes of Health

The Budget proposal includes \$29.3 billion for the National Institutes of Health, which is consistent with FY08 funding.

Substance Abuse and Mental Health Services

Substance Abuse and Mental Health Services are funded at \$3 billion in the President's Budget, which is \$200 million less than FY08 funding.

Centers for Medicare and Medicaid Services

The President's Budget request anticipates mandatory outlays of \$666 billion for the Center for Medicare and Medicaid Services in 2009, which would be a \$30 billion dollar increase from 2008. (When observing mandatory programs, outlays are examined rather than Budget authority.)

Medicaid - The Budget predicts federal spending of approximately \$216 billion for Medicaid Grants to States in 2009. California generally receives slightly more than 10 percent of that amount, or about \$21 billion. (Because state and local Medicaid expenditures are reimbursed after they are made, a fiscal year's actual spending is not known until later.)

The 2009 Budget includes a package of proposals aimed at program integrity, including: 1) requiring States to report on performance measures and link State performance to Federal Medicaid grant awards; 2) requiring HHS to publish an annual actuarial report assessing the financial status of the Medicaid program, including spending trends and cost drivers; and 3) enhancing existing third party liability policy.

The Budget includes \$35 million in new user fees to finance survey and certification activities. Centers for Medicare and Medicaid Services (CMS) would charge revisit survey fees to health care facilities cited for deficiencies during initial certification, recertification, or substantiated complaint surveys.

Medicaid's formula determines each state's federal share of health care payments on a continuum between 50 and 83 percent, with a national average of 55 percent. California's 50 percent reimbursement percentage (or FMAP - federal medicaid assistance percentage) is artificially low because the formula incorrectly assumes that states with high per capita incomes will have low poverty -- an assumption that is valid for most states but not for California, with large populations of both poor and wealthy individuals. Of total federal Medicaid spending, California's share is typically between 10 and 11 percent. In addition to the state's low FMAP rate, California's

share of federal Medicaid funding is also relatively low because the state has a relatively young population, with fewer long-term care patients that tend to raise program costs.

Medicare - Under current law, Medicare provides billions of dollars in support of graduate medical education (GME) nationwide. The Administration plans to clarify that Medicaid will no longer be available as a source of funding for GME. The proposal aims to increase Medicare's sustainability through various cuts that will reduce the present value of the program's long-term budget shortfall by up to about \$8 trillion over 75 years; cutting Medicare spending by \$66 billion in the next 5 years. Total proposed funding for Medicare in FY 2008 is \$420 billion, \$30 billion greater than the FY 2008 figure.

State Children's Health Insurance Program (SCHIP) - The 2009 Budget proposes reauthorizing the SCHIP program for five years. The goal is to maintain current enrollment levels for targeted low-income children through increasing SCHIP allotments by approximately \$5 billion over five years. The Budget requests \$5.3 billion, \$1.3 billion decrease from FY2008. California requires an additional \$2-3 billion to maintain the current level of coverage. The President's Budget proposes to re-focus SCHIP on low-income, uninsured children below 200 percent of the Federal poverty level as the program was originally intended. California currently covers children below 300 percent of the Federal poverty level. California received 16.8 percent of SCHIP funds in 2004, a total of \$534 million of the nation's \$3.1 billion total.

Reimbursement for Cost of Emergency Health Services for Undocumented Aliens - The President's Budget notes that HHS will spend \$250 million in previously appropriated funding to provide federal reimbursements to states to help cover the costs of emergency health care services to undocumented immigrants. A California Institute analysis estimates that California will receive \$72 million per year from this account from fiscal years 2005 through 2008, nearly 29 percent of the U.S. total. The provision was created by the 2003 Medicare prescription drug benefit bill, which mandated the appropriation of \$1 billion, to be spent over four fiscal years.

Medicare Prescription Drug Account- FY 2009 appropriations would reach \$55 billion under this Budget proposal.

Administration for Children and Families

For the Administration for Children and Families, the President's Budget proposal would provide \$13.2 billion in discretionary funds, \$0.8 billion less than FY08.

TANF - The mandatory federal welfare program now known as TANF (Temporary Assistance for Needy Families) would receive level funding of \$17.0 billion in 2009. Of this amount, California continues to receive \$3.7 billion, 22 percent of total program appropriations.

TANF was recently reauthorized through 2010 under the Deficit Reduction Act (DRA) at level funding. The new authorization law eliminates the out of wedlock bonus and high performance grant programs. The Budget proposes to allow States participating in the child welfare program the option to access the TANF contingency fund if they experience increases in their foster care caseload. The budget proposes \$91 million for the TANF contingency fund.

Head Start - The President's Budget flat funds the program at approximately \$7 billion in FY09.

Payments to the States for Child Support Enforcement and Family Support Programs - The Administration proposes funding of \$3.7 billion for Payments to the States for Child Support Enforcement and Family Support.

Low Income Home Energy Assistance (LIHEAP) - The President proposes to fund LIHEAP at \$1.7 billion, of which \$300 million would be available to states under the formula block grant system of allocation. The Budget provides no emergency LIHEAP funds. California receives a scarce 4.3 percent of the LIHEAP block grant, because of an outdated formula which disproportionately awards cold weather states in the north and east over warm weather states in the south and west. If block grant funds are improved to \$1.975 billion, the statute activates a more equitable formula, but even then, California can receive no more than 6.4 percent of total appropriations.

Refugee and Entrant Assistance - The Budget includes \$628 million for Refugee and Entrant Assistance, which is a decrease of \$28 million from FY08 funding.

Child Care Entitlement to States - The proposed Budget recommends a \$2.9 billion expenditure for mandatory and matching child care grants to States.

Payments to the States for Child Care and Development Block Grant - Discretionary grants to states for child care expenses would be level funding of \$2 billion.

Social Services Block Grant - The proposed Budget requests a \$1.2 billion.

Children and Families Services Program - The President's Budget includes \$8.5 billion for Children and Families Services Program. The Budget also proposes the extension of \$50 million for the Title V abstinence education program.

Payments to the States for Foster Care and Adoption Assistance - The President's Budget proposal includes \$6.8 billion for Payments to the States for Foster Care and Adoption Assistance, which is consistent with FY08 funding. Within these funds are \$4.5 billion for Foster Care, \$140 million for independent living activities, and \$2.2 billion for Adoption Assistance. In recent years, California has received more than 25 percent of federal foster care entitlement spending.

Administration on Aging- The Budget provides \$1.3 billion for aging services programs which provide nutrition, supportive services, and caregiver support services through the aging network.

DEPARTMENT OF LABOR

The President's Budget proposes \$10.5 billion in funding for the Department of Labor, a decrease from FY08 estimated funding levels of \$11.4 billion. According to the Department, the 2009 budget will protect workers' wages, benefits, health and safety, and union member rights; improve job training and trade adjustment assistance programs to train more people and help displaced workers find jobs more quickly; help returning service members transition back into the civilian workforce; safeguard workers' pensions; and support efforts to modernize and improve the temporary foreign labor certification process.

Employment and Training Administration

The 2009 budget proposes to transfer the Job Corps program and administrative funding back to the Office of Job Corps from the ETA.

Under the new budget proposal, funding for community-based job training programs is requested at \$125 million and \$95 million for dislocated worker employment and training activities.

Employee Benefits Security Administration

For the 2009 budget, the Administration requests \$147.8 million for the Employee Benefits Security Administration.

Migrant and Seasonal Workers Program

For several years in a row, President Bush's Budget eliminates funding for the Migrant and Seasonal Workers Program. The Budget states that the One-Stop Career Centers (requested funding at \$49 million, also funded under the Department of Labor) provide many of the same services. California, with its large immigrant population and agriculture industry, typically receives a significant share of the Migrant and Seasonal Worker funds.

Occupational Safety and Health Administration

The Administration requests \$501 million for the Occupational Safety and Health Administration; \$91 million being the maximum amount available for grants to States under 23(g) of the Occupational Safety and Health Act. Training grants address safety and health education needs related to specific topics and industries identified by the agency. The 2009 Budget eliminates funding for these grants, and focuses on increased compliance assistance.

DEPARTMENT OF EDUCATION: K-12 Programs

Total discretionary budget authority for the Department of Education would remain nearly flat, increasing by just \$27 million, from \$59.18 billion in FY 08 to \$59.21 billion in FY 09.

For carrying out provisions of the Elementary and Secondary Education Act of 1965 and related programs, President Bush's budget proposal for FY 2009 proposes a total of \$16.6 billion.

Grants to Local Educational Agencies - Title I

For Title I, the largest federal education grant and the 4th largest program overall, President Bush's budget proposal for FY 2009 proposes a total of \$14.3 billion, an increase from \$13.9 billion in 2008. Title I Funds are used for local programs that provide extra academic support to help raise the achievement of eligible students in high-poverty schools or, in the case of school-wide programs, help all students in high-poverty schools to meet academic standards. Fiscal year 2009 funds would be expended under an Administration reauthorization proposal to expand the program to more high school students, refine accountability systems, include science in accountability determinations, and "give students in low-performing schools more options."

Formula Components

Funds for Title I are allocated according to four formulas: Basic Grants, Concentration Grants, Targeted Grants and Education Finance Incentive Grants or EFIG. The President's Budget proposes \$6,597,946,000 for basic grants; \$1,365,031,000 for concentration grants; \$3,373,975,000 for targeted grants; and \$2,967,949,000 for education finance incentive grants (EFIG). (In past years, California has received its largest proportional share of Title I funding from targeted grants, followed by concentration grants, then basic grants, and lastly EFIG. However, it is important to note that these proportions may shift considerably from year to year.)

SAIPE

Of the basic grant funds, up to \$4 million may be used by the Secretary of Education to obtain annually updated local educational-agency-level census poverty data from the Bureau of the Census under the Small Area Income and Poverty Estimates (SAIPE) program. The California Congressional Delegation was instrumental in the creation of the SAIPE program, which allows for intercensal estimates of poverty data. For many years, data on child poverty were collected only every 10 years, so the primary basis for allocating federal Title I dollars were often badly out of date by the end of a decade. For more information on SAIPE estimations or to view state-level, county-level or school district-level estimates, visit the Census Bureau's SAIPE website.

Forward Funding

For a number of years, each fiscal year's budget (and the subsequent appropriations bills for that fiscal year) have provided a portion of funds in the current fiscal year, but shift an additional (often larger) portion of the funds ahead to the next fiscal year. A number of education programs are "forward funded", meaning that funding is provided in advance -- an attempt to allow school and school districts to plan ahead for budgeting. Federal government budgeters have taken advantage of the flexibility this provides in order to shift dollars out of current year budgets and provide the appearance of lower immediate spending amounts. The FY 2009 budget provides that \$16,617,059,000, of which \$8,409,108,000 shall become available on July 1, 2009, and shall remain available through September 30, 2010, and of which \$7,934,756,000 shall become available on October 1, 2009, and shall remain available through September 30, 2010, for academic year 2009-2010.

Administration Proposals for Reauthorizing NCLB

In addition to the new assessments, States would be required, by 2011-12, to use a graduation rate definition that meets the conditions established by the National Governors Association, and would be required to make significant annual improvement in the graduation rate a condition for making AYP (Adequate Yearly Progress). The Administration proposes to provide additional resources at the high school level to help carry out these reforms by "realigning Title I funding so that local allocations to high schools more closely reflect the enrollment of students from low-income families in those schools." LEA would be required to demonstrate that the proportion of Title I, Part A funds allocated to their high schools is at least 90 percent of the share of low-income students enrolled in those schools. The budget documents argue that, "Under current law, the share of Title I dollars reaching grades 9-12 has ranged from just 8-10 percent over the past decade, even though during that period high schools enrolled about one-fifth of the low-income K-12 students who are the focus of Title I." As part of an NCLB renewal package, the Administration proposes to "help ensure that States and school districts have the resources to carry out effective restructuring and other interventions" by repealing the section 1003(e) hold-harmless provision and permitting States to withhold the full 4 percent for school improvement even if it reduces regular Title I, Part A allocations to LEAs below the prior-year level. This provision often prevents

States from withholding the full 4 percent, and occasionally prohibits States from withholding any improvement funding.

For the Impact Aid program in reauthorization, the Administration states that it will "improve the Impact Aid funding formulas, achieving greater equity in allocations, particularly in Basic Support Payments."

Title I State Agency Programs - Migrant Education & Neglected/Delinquent

For the Migrant Education Program, of which California typically receives about one-third, the FY 2009 budget proposes an increase from \$379.8 million to \$399.8 million. For the Neglected and Delinquent program, the budget calls for an increase from \$48.9 million to \$51.9 million. Department of Education supplementary budget materials state that the Administration's reauthorization proposal for the program would "improve and simplify the State allocation formula and ensure that allocations respond to shifts in State counts of migrant students; improve targeting of services to migrant students by strengthening the program purpose language and sharpening the provisions that determine which students receive priority for program services; increase the set-aside for migrant coordination activities (from \$10 million to \$12.5 million); and add a new authority to set aside up to \$5 million of program funds over the life of the authorization for an evaluation of the program."

Other Elementary & Secondary Programs

A number of other K-12 areas funded under the No Child Left Behind Act (which is up for reauthorization in 2009) would see funding remain relatively stable, and many would be level-funded.

Flat Funding for Many Programs

For Impact Aid, which helps to replace the lost local revenue that would otherwise be available to educate federally connected children, the budget proposes level funding of \$1.24 billion. Mathematics and Science Partnerships would receive level funding of \$179 million. The "Troops to Teachers" program would continue at \$14.4 million per year, and the Transition to Teaching would be level funded at \$43.7 million. Level funding would also be provided for the Literacy Through School Libraries program (\$19.1 million), Magnet School Assistance (\$104.8 million), Voluntary Public School Choice (\$25.8 million), Foreign Language Assistance (\$25.7 million), Rural Education (\$171.9 million), Ready-to-Learn Television (\$23.8 million), Indian Education (\$119.6 million), Education for Homeless Children and Youths (\$64.1 million), and Training and Advisory Services under Title IV of the Civil Rights Act (\$7 million). Level funding of \$57.1 million would be provided for Comprehensive Centers, a program that supports 16 regional centers for technical assistance that are located throughout the U.S., including San Francisco-based WestEd.

Also level-funded would be the High School Equivalency Program and College Assistance Migrant Program -- also known as HEP/CAMP. The programs, which return a substantial share of funding to California, would continue to receive \$33.3 million in FY 2009, the same amount as in 2008. The Budget would provide \$3.1 billion for an array of School Improvement Programs, a significant reduction from \$3.8 billion in 2008. School Improvement Grants would be level-funded at \$491 million. The 21st Century Learning Opportunities program would decline from \$1.1 billion to \$800 million, Charter School Grants would climb from \$211 million to \$236 million, and Teacher Quality State Grants would shrink by \$100 million (from \$2.9 billion to \$2.8 billion). The program entitled Teaching American History would be reduced by more than half, from \$118 million to \$50 million, based largely on Department of Education findings of poor performance reviews.

A sharp reduction in the Fund for the Improvement of Education (FIE) program, from \$121.9 million to \$52.3 million, largely reflects a paring back of earmarks.

Boosted Funding for Priority Programs

However, Reading First grants -- a priority of President Bush's Administration -- are slated for an increase from \$393 million to \$1 billion. Other priority programs for the President would see increases as well, including Striving Readers (from \$35 million to \$100 million) and the Teacher Incentive Fund (from \$97 million to \$200 million), and new money (\$300 million) would be provided for a "Pell Grants for Kids" program that is aimed at Title I schools in restructuring status or high schools with significant dropout rates. English Language Acquisition

English Language Acquisition State Grants would grow by 4 percent, from \$700 million to \$730 million. 21st Century Community Learning Centers As noted, the 21st Century Learning Opportunities program would decline from \$1.1 billion to \$800 million. The Department's supplementary budget materials state that the

Administration's NCLB renewal proposal would have the Department continue to allocate funding by formula to States, which would in turn award competitive grants to public or private nonprofit organizations to administer scholarships for students from low-income families who attend schools that have been identified for school improvement, corrective action, or restructuring under Title I, or who attend schools with a graduation rate of less than 60 percent. In making awards, the Department would require States and their subgrantees to ensure the high quality of the academic component of the after-school programs at which students use their scholarships, and to ensure that those components are aligned with State educational standards. States would also have to explain in their applications how they would ensure that families can choose from a variety of high-quality providers, including faith-based and community organizations, and how they would align activities funded under this program with supplemental educational services provided under Title I. Although local projects could provide additional activities, such as recreation programs and arts, the primary use of Federal funds would be supporting efforts clearly geared toward generating higher academic achievement of disadvantaged students.

Teacher Quality State Grants

According to budget support documents, the proposed \$100 million reduction from \$2.9 billion to \$2.8 billion for Teacher Quality State Grants "reflects a decision to increase investment in the Teacher Incentive Fund in order to expand support for State and local initiatives that introduce performance-based teacher and principal compensation systems and provide incentives for the most effective teachers to serve in the most challenging schools. While most teachers are now considered to be highly qualified, these teachers are not distributed equitably across all school districts. It is appropriate to shift a portion of funds to the Teacher Incentive Fund to promote these important compensation reforms and assist districts in their efforts to ensure that all students are taught by effective teachers."

Advanced Placement

The Administration budget proposes to replace the Advanced Placement program (ESEA I-G) with a combined Advanced Placement and International Baccalaureate Programs (America COMPETES Act VI-A-II). Total funding would be increased from \$43.5 million under the old program to \$70 million under the replaced program. Support documents state, "Under the recently enacted America COMPETES Act, this program presents a new vision for advanced placement, as embodied in the President's American Competitiveness Initiative. As with the program authorized under Title I, Part G of the Elementary and Secondary Education Act (ESEA), the purpose of the new AP/IB program is to support State and local efforts to increase access to advanced placement classes and tests for low-income students in order to better prepare them for success after high school. However, the new authority targets Federal support more specifically on the preparation of teachers to teach classes in the critical subjects of mathematics, science, and the critical foreign languages, and on encouraging more students from high-need schools to take and pass AP and IB courses and tests in those subjects. In addition, by requiring a 2-to-1 non-Federal-to-Federal match, it is designed to leverage Federal support in a manner that, over a period of years, will result in a dramatic increase in the creation of AP and IB programs in critical subjects in high-need schools. Further, by authorizing salary incentives to teachers who become qualified to teach AP and IB courses in the critical subjects or whose students pass the AP and IB tests in those subjects, it is designed to create additional incentives for the expansion of advanced placement programs in the schools that most need them. The request is an increase of \$26.5 million over the 2008 appropriation for the Advanced Placement program authorized under ESEA. The request also includes appropriations language providing that fiscal year 2009 funds will first be used to pay continuation costs under the ESEA Advanced Placement Incentive (API) Grant program and to meet State needs for AP test fees under the ESEA program, with all remaining funds used under the new authority. The inclusion of this language would ensure that State needs for tests fees subsidies continue to be met and that grants made in prior years are not cut off. Of the requested amount, roughly \$12 million would be required to fund State applications for the Test Fees program and approximately \$11 million would fund API continuation grants under the ESEA program, leaving an estimated \$47 million for new grants under the COMPETES Act authority. Funds available for new awards will support projects expanding AP offerings and participation in mathematics, science, and critical foreign languages."

Innovation and Improvement

The budget also proposed \$858 million (\$128 million less than the FY 08 omnibus bill provided) for Innovation and Improvement, which includes a wide range of programs from teacher incentives to book distribution programs. Several smaller programs were slated to be cut entirely including: School dropout prevention, Excellence in economic education, Mental health integration in schools, Arts in education, and Women's educational equity programs.

Safe and Drug Free Schools

The Safe Schools and Citizenship Education programs operated under the Office of Safe and Drug Free Schools would be reduced sharply, from \$693 million in 2008 to \$282 million in 2009. The reduction reflects the Administration's findings that, "the structure of the program is flawed, spreading funding too thinly to support quality interventions and failing to target schools and communities in greatest need of assistance." The Administration states that, in its reauthorization package, is proposing to "consolidate SDFSC National Programs into a single, flexible discretionary program focused on four priority areas: (1) emergency management planning; (2) preventing violence and drug use, including student drug testing; (3) school culture and climate, including character education; and (4) other needs related to improving students' learning environment to enable those students to learn to high academic standards."

Vocational and Adult Education

The President's Budget requests \$1.37 billion for vocational education programs and adult learning aid (termed Career, Technical and Adult Education by the budget). The total would represent a \$576 million reduction from the 2008 enacted level of \$1.94 billion. For adult education grants, the budget proposes \$568 million, compared to \$561 million in 2008. The state grants portion of the program would remain steady at \$554 million -- all of the increase is slated for a doubling of the National Leadership Activities component of the program, from \$7 million to \$14 million. For career and technical education, however, funding is zeroed out. According to the Administration, the request for no funding for activities under the Carl D. Perkins Career and Technical Education Act of 2006 is "consistent with the Administration's policy of eliminating funding for programs that are unable to demonstrate effectiveness, are narrowly focused, or whose objectives would be better accomplished through other programs." A recent evaluation of the program "raised questions about the effectiveness of the program in helping prepare secondary students academically for the transition to postsecondary education and the workforce." The budget states that "the Administration believes that this goal would be better accomplished through funding increases and policy changes aimed at improving the quality of high school education, such as the high school reforms" included in the Administration's NCLB renewal proposals.

Special Education State Grants

For Special Education grant programs, funded under the Individuals with Disabilities Education Act (IDEA), the budget includes \$11.5 billion, nearly \$1 billion more than the year before. According to support materials, the request includes an increase of \$337 million, or 3.1 percent, that would maintain the Federal contribution toward meeting the excess cost of special education at about 17 percent of the national average per pupil expenditure (APPE), and provide a per-child average of \$1,658 for an estimated 6,796,000 children with disabilities. All of the increased funds for Special Education would come in the Grants to States program. The Preschool Grants program would remain steady at \$374 million and the Grants for Infants and Families would remain steady at \$436 million.

DEPARTMENT OF EDUCATION: Student Aid/Higher Ed

Higher Education Programs

The Administration's FY 2009 budget proposal includes \$2.1 billion for Higher Education Programs.

The Budget proposes \$74.4 million (down from \$95 million) for Hispanic Serving Institutions (HSIs). The Department's budget documents argue that this "20 percent reduction in discretionary support for new awards that is more than compensated for by the additional \$100 million in mandatory funding provided for this program in 2008 and 2009 under the CCRAA", the College Cost Reduction and Access Act. The 2009 budget

repeats the President's request for funding for the National Security Language Initiative (NSLI), which would help address the need for skilled professionals with competency in languages critical to U.S. national security. The NSLI request includes \$24 million for a new Advancing America Through Foreign Language Partnerships program, now authorized under the America COMPETES Act, which would make grants to institutions of higher education for partnerships with school districts for language learning from kindergarten through high school and into advanced language learning at the postsecondary level.

TRIO and GEAR UP

The request also would provide level funding of \$885.2 million in combined discretionary and mandatory appropriations to maintain college preparation and college student support services for approximately 830,000 participants in the Federal TRIO Programs.

It proposes level funding of \$303.4 million for an estimated 743,000 middle and high school students preparing for college through the Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP). The GEAR UP funding total includes \$121.8 million for state grants and \$180 million for partnership grants. Typically, California receives a relatively large share (15%) of GEAR UP funds, and a more modest portion of TRIO funds.

Other Higher Education Programs

Level funding would be provided for several other Higher Education programs, including the Child Care Access Means Parents in School or CCAMPS program (\$15.5 million), College Access Challenge Grants (\$66.1 million), and International Education and Foreign Language Studies (\$110 million).

For the Fund for the Improvement of Postsecondary Education (FIPSE), the total spending would be decreased from \$120.3 million to \$37.4 million, though the decline is entirely due to the elimination of Congressional earmarks. In fact, the competitive grant program portion is slated for an increase from \$13.6 million to \$23.4 million and the International Consortia portion would nearly double, from \$7.4 million to \$13.3 million.

Office of Federal Student Aid

The 2009 Budget recommends total budget authority of \$22.0 billion for student aid programs, a \$1.1 billion reduction from the prior year's enacted level. The reduction comes despite the fact that Pell Grant budget authority would increase by \$2.7 billion (to \$18.9 billion); the cuts come largely due to changes in student loan costs and elimination of Supplemental Educational Opportunity Grants.

Pell Grants

The Budget calls for an increase in the Pell Grant program, which is used to help lower-income individuals attend college. The maximum annual discretionary grant per student would return to \$4,310 under the President's stated plan (it had slid slightly in the last year, after having recently risen from a \$4,050 maximum).

Budget tables predict spending of \$18.9 billion in 2009 compared to \$16.2 billion in 2008 and \$13.6 billion in 2007. (These amounts include a mandatory portion of \$2 billion for Pell Grants in FYs 2008 and 2009.) With mandatory and discretionary Pell Grant spending combined, funds will reportedly be adequate to support a maximum award of \$4,800 for FY 2009 (award year 2009-2010).

Referencing separate legislative approaches, the Administration predicts that nearly \$20 billion will be needed between 2008 and 2017 for the Pell Grant expansion, with many of the costs underwritten by reductions in lender subsidies.

Importantly for California, Congress and the Administration recently collaborated to eliminate "tuition sensitivity" for the Pell Grant program. Tuition sensitivity elimination will improve California's share of Pell Grants. The provision, which limited the maximum grant to students at very low cost institutions, affecting students at only one institution nationwide -- the California Community College system. California received 11.9 percent of Pell grants to states in FY 2004.\

Proposed Pell Grant Changes

The administration proposes several changes to the program, including the following:
Pell Grants would be made available year-round at eligible 2- and 4-year degree granting institutions
Pell Grant eligibility would be limited to the equivalent of 16 semesters

"To ensure Federal Pell Grant funds are properly used, the Department and the Internal Revenue Service continue to implement a consent-based approach to matching applicant data reported on the Free Application for Federal Student Aid with Federal tax data."

Campus Based Aid Programs

The three Campus-Based Aid (CBA) programs are Federal Supplemental and Educational Opportunity Grants (SEOG), Federal Work Study (FWS) grants and Federal Perkins Loans (PL). These programs provide student aid to campuses for distribution to low-income students and are apportioned to eligible recipients using a formula.

California historically receives an low share of CBA apportionment programs (no more than 10.4%) because of a provision in the statute that guarantees most funding to schools that have participated in the program the longest, rather than those schools that demonstrate the highest need. New campuses have a decided disadvantage compared to newer campuses.

Of the three CBA programs, the Budget proposes eliminating two. The SEOG program, which received \$1.3 billion in both 2007 and 2008, would be eliminated. SEOG provides grants -- via a different, campus-based mechanism -- to a similar set of targeted students as Pell Grants. The Budget also recommends eliminating the Perkins Loan program, which the Administration considers "inefficient, duplicative, and poorly targeted." Perkins loans received \$1.1 billion in 2006, \$504 million in 2007, and \$504 million in 2008.

The only CBA program that would remain, if the White House plan were to be accepted, would be the Work Study program. It would be level-funded at \$980 million for 2008

LEAP

The Budget again recommends eliminating the Leveraging Educational Assistance Partnership or LEAP grants. Funded at \$165 million in FY 2006 and 2007, and \$162 million in 2008, California received 15.4 percent of these matching grants to needy students. States are awarded funding on the basis of their postsecondary education enrollment share.

ACG and SMART Grants

The budget notes expected mandatory expenditures of \$960 million (up from \$395 million in 2008) for ACG and SMART grants. Academic Competitiveness Grants (ACG) are awarded to first- and second-year undergraduates who complete a rigorous high school curriculum. The National Science and Mathematics Access to Retain Talent (SMART) Grants to third- and fourth-year undergraduates majoring in physical, life, or computer sciences, mathematics, technology, engineering, or a critical foreign language. All funding is mandatory, so annual discretionary appropriations are not required.

NATIONAL SCIENCE FOUNDATION

Funding for NSF would increase by 14 percent over FY08 under the President's FY09 budget. Research spending, the primary account at the National Science Foundation (NSF), would be funded at \$5.6 billion, a 16 percent increase over the \$4.8 billion in estimated FY08 funding. The Budget expects the increased funding will support an additional 1,370 research grants.

Total NSF spending would increase to \$6.8 billion in FY09 from \$6 billion in FY2008 estimated funding.

STEM (Science, Technology, Engineering, and Mathematics) Teachers

Funding for the Math and Science Partnership program is increased \$2.5 million to \$51 million. The Robert Noyce Scholarship Program request is \$11.6 million, up \$800,000.

Oceans Research

The Budget requests \$17 million for activities to support the interagency Ocean Research Priorities Plan. In addition, the Integrated Ocean Drilling Program and the Academic Research Fleet budget requests increase by \$21.8 million.

Interagency R&D Priorities

Nanotechnology

The Budget requests \$397 million for nanotechnology research and facilities, an increase of about \$8 million to continue advancing fundamental understanding of those devices and materials with revolutionary properties

Climate Change Science Program

The Budget requests \$220.6 million for the program, an increase of \$15.35 million over FY08 funding.

Climate Change Technology Program

The Budget requests \$23.5 million, an increase of \$2.5 million over the FY08 estimate.

Networking and Information Technology R&D

The Budget requests \$1.09 billion, almost \$159 million more than the estimated FY08 spending of \$931 million.

ENVIRONMENTAL PROTECTION AGENCY (EPA)

The President's Budget provides \$7.14 billion in discretionary Budget authority for the Environmental Protection agency, compared to \$7.47 billion estimated for FY08.

Clean Water State Revolving Fund - The Budget provides \$555 million in new funding for the Clean Water State Revolving Fund, a decrease from the \$689 million estimated in FY08 funding. States use their capitalization grants, along with matching funds, to make loans to localities.

Science and Technology

The proposed Budget includes \$763.5 million, as compared to \$772 million in last year's request for the Science and Technology account. This program finances the activities that provide the scientific and technology basis for EPA's regulatory actions.

Environmental Programs and Management

The Budget proposes \$2.3 billion for Environmental Programs and Management, about the same as requested in FY08.

Clean and Safe Water - The Budget documents state that "EPA's strategy for helping systems provide safe drinking water over the next several years includes developing or revising drinking water standards, supporting States, Tribes, and water systems in implementing standards, promoting sustainable management of water infrastructure, and protecting sources of drinking water from contamination. To better address the complexity of the remaining water quality challenges, EPA will promote local watershed approaches to achieving the best and most cost-effective solutions to local and regional water problems."

Clean Air and Global Climate Change - The documents state: "To ensure that every American community has safe and healthy air to breathe, EPA will apply a variety of approaches and appropriate tools. EPA will develop and implement strategies to attain ambient air quality standards for ozone and particulate matter and reduce regional haze through regional approaches where significant transport of pollutants occurs. EPA will continue to develop and issue national technology-based and riskbased standards to reduce the quantity of toxic air pollutants emitted from industrial and manufacturing processes, as well as from urban sources. EPA will also develop control measures for sources that are best regulated at the Federal level."

State and Tribal Assistance Grants

The proposed Budget provides \$2.6 billion for State and Tribal Assistance Grants, compared to \$2.74 billion for FY08. Included in this funding is: \$555,000,000 for making capitalization grants for the Clean Water State Revolving Funds, to meet the Administration's commitment to provide a total of \$6.8 billion between 2004-2011 for the Clean Water State Revolving Fund (SRF). Over the long term this will result in the Clean Water SRF providing an annual average of \$3.4 billion in loans for wastewater infrastructure. The budget also includes: \$842,167,000 for capitalization grants for the Drinking Water State Revolving Funds. Over the long term this will result in the Drinking Water SRF providing an annual average of \$1.2 billion in loans for drinking water infrastructure.

Brownfields

The Budget states that EPA will provide \$166 million to assess more than 1,000 Brownfields properties, clean up over 60 properties, and make 225 acres ready for reuse. It states that this will bring the cumulative number of sites assessed to over 9,000.

Superfund

The Budget funds the Hazardous Substance Superfund at \$1.3 billion.

San Francisco Bay

According to the office of Senator Barbara Boxer, the Budget also proposes eliminating \$5 million from a program to restore the San Francisco Bay.

DEPARTMENT OF COMMERCE

The President's FY2009 Budget requests discretionary authority of \$8.1 billion for the Department of Commerce, as compared to the \$6.9 billion estimated for FY08 funding. Much of the increase is allocated to the Bureau of the Census; NOAA also receives an increase.

NOAA - The Budget proposes \$4.1 billion in funding for NOAA, compared to an estimated \$3.97 billion in FY08.

The Budget proposes increasing funding for last year's initiative supporting the Ocean Action Plan by \$31 million over the 2008 request, to \$154 million. These funds are to enhance fisheries management and support the Magnuson-Stevens Act requirement of eliminating overfishing by 2011, as well as strengthen efforts to advance ocean observing networks, study ocean acidification, reduce harmful marine debris, support maritime commerce, and protect marine mammals.

Pacific Coastal Salmon Recovery

The proposed Budget fund for this program is \$35 million, as opposed to the \$67 million requested in FY08, for grants to the States of Washington, Oregon, Idaho, California, and Alaska, and the Columbia River and Pacific Coastal Tribes. Funds disbursed to States are subject to a matching requirement of funds or documented in-kind contributions of at least thirty-three percent of the Federal funds. California received \$6 million in FY06 funding under this program.

National Institute of Standards and Technology

American Competitiveness Initiative Funding - The Budget provides \$634 million for investments in quantum and neutron research, nanotechnology, and related scientific work at the National Institute of Standards and Technology.

Reductions

Six programs representing \$375 million have been identified for termination or reduction, including:

- Federal funding for Manufacturing Extension Partnership centers, which are to become independent; and
- Economic Development Administration grants, which the Budget documents state will be reduced and re-focused on economic adjustment assistance, to respond to sudden and severe economic events.

DEPARTMENT OF STATE

Pursuant to treaties between the United States and Mexico and U.S. law, the U.S. Section of the International Boundary and Water Commission is charged with the identification and solution of boundary and water problems arising along the 1,952-mile common border, including Southern borders of Texas, New Mexico, Arizona, and California. The Budget requests about \$32 million in FY09 funding.

SMALL BUSINESS ADMINISTRATION (SBA)

For 2009, the Budget requests \$657 million in new Budget authority for the Small Business Administration (SBA), a healthy increase in funding from the estimated FY08 funding of \$569 million. The SBA's continuing operations will provide more than \$28 billion in new loans to small businesses, funding for non-credit programs, and funding for the disaster loan program.

Disaster Loan Program

The Budget proposes \$174 million in discretionary budget authority for disaster loans.

GENERAL SERVICES ADMINISTRATION (GSA)

The Budget requests \$110,362,000 in construction funding for the San Diego, United States Courthouse Annex; and \$58,910,000 for the San Ysidro, Land Port of Entry.

PRESIDIO TRUST

The Presidio Trust is a Government corporation established to manage, improve, maintain and lease property in the Presidio of San Francisco. After this former military base was transferred to the National Park Service (NPS), the Trust was created to take over responsibility for managing the hundreds of houses, office buildings, and other facilities in an innovative manner that uses private-sector resources, but is consistent with surrounding NPS lands. The Budget requests \$17.45 million to fund the operation and capital improvements of the Trust, as compared to the \$18.45 million requested last year.

DEPARTMENT OF HOUSING & URBAN DEVELOPMENT (HUD)

The President's Budget proposes discretionary Budget authority of \$38.5 billion for the Department of Housing and Urban Development, an increase of about \$1.07 billion in discretionary spending over the FY08 estimated funding. According to the Department, the 2009 budget seeks to ensure housing assistance for those most in need; preserve and promote homeownership by addressing subprime mortgages; strengthen communities by sustaining homeownership gains; make further progress towards ending chronic homelessness; and continue the trend of improving the Department's management and performance.

Community Development Block Grant programs (CDBG)

The Community Development Block Grant (CDBG) program provides flexible annual formula grants to State and local governments to benefit mainly low- to moderate-income persons. Under the proposed Budget, the Community Development Fund will receive \$2.9 billion in funding, compared to the FY08 Budget of \$3.6 billion.

A few of the small Community Development Programs— the Self-Help Ownership Opportunity program (SHOP), Indian Community Development Block Grant program, and Native Hawaiian Block Grant program— will remain in HUD.

Public and Indian Housing

Continuing the new funding structure that replaces the Housing Certificate Fund, the President's Budget funds the majority of housing assistance programs through two main accounts: Tenant- Based Rental Assistance and Project- Based Rental Assistance. The President's Budget funds the Tenant-Based Rental Assistance account at \$11.8 billion, in addition to the \$4,158 billion previously appropriated under this heading that will become available on October 1, 2008. The Tenant-Based Rental Assistance helps low-income individuals afford housing by subsidizing their rental payments. The Project-Based Rental Assistance account is funded under the President's Budget at \$7 billion, \$0.7 billion more than FY08 funding. Project-Based Rental Assistance helps make housing more affordable by subsidizing the landlords who make a certain portion of their residences available to low-income individuals.

Public Housing funding: The budget proposes \$6.3 billion for public housing, compared to FY08 funding for public housing at \$6.6 billion.

Revitalization of Severely Distressed Public Housing (HOPE VI)

The President proposes to eliminate the HOPE VI program because the Administration believes it has proven to be excessively costly when compared to other programs proposed for funding that produce new affordable housing. \$99 million of HOPE VI funding is cancelled in the 2009 budget.

HOME Investment Partnership

The President's Budget proposes \$1.9 billion in funding for the HOME Investment Partnership program, which is \$262 million more than FY08 funding.

Homeless Assistance Grants

President Bush's Budget proposes a \$49 million increase for Homeless Assistance Grants, increasing the total funding for the program to \$1.6 billion.

Housing Opportunities for People with AIDS (HOPWA)

The Budget proposal fund for HOPWA amounts to \$300.1 million, which is consistent with FY08 funding levels.

Housing for the Elderly

The Budget proposal decreases total funding for Housing of the Elderly by \$195 million. FY09 amounts are estimated to be at \$540 million, compared to FY08 funding level of \$735 million.

DEPARTMENT OF DEFENSE

The President's budget proposes total Defense Department spending of \$585.4 billion for FY 2009, a reduction from \$624.6 billion for 2008 and \$600.9 billion in 2007. The 2009 total includes \$515 in discretionary spending (some consider this the "non-war" portion) and an additional \$70 billion in emergency discretionary BA associated with military activities in the middle east. In addition, DOD indicated that it will submit an additional request for more money at a later time.

Procurement

California receives a far smaller share of total federal defense spending than it had in past decades, as defense procurement has diversified around the nation. In addition, to the extent a larger portion of defense spending is focused on operations and personnel rather than on procurement contracts, California's share of the total also declines. Nevertheless, California is and will likely continue to be a significant recipient of federal defense contract spending, which comprises approximately two-thirds of all federal procurement expenditures.

Aircraft

The President's Budget again includes no new funding for procurement of C-17 cargo airlifters, despite the fact that top Air Force leaders want to keep the program open. The C-17 is built in Long Beach and represents the last major aircraft production line in the state.

For total Navy aircraft procurement, the 2009 budget would increase by \$2.4 billion, from \$12.4 billion to \$14.7 billion. Aircraft procurement by the Air Force would also rise, from \$11.9 billion to \$12.7 billion.

The budget proposes an increase in Air Force missile procurement from \$4.9 billion to \$5.5 billion.

RDT&E

Total federal funding for DOD's research, development, testing, and evaluation would see a small increase, from \$21.2 billion in 2008 to \$21.5 billion in 2009. (The totals for these years remain below the 2007 level of \$21.8 billion.)

DEPARTMENT OF VETERANS AFFAIRS

Under President Bush's Budget, the Department of Veteran Affairs receives discretionary budget authority (with collections) of \$47.2 billion, representing an increase over FY08 funding of \$41.8 billion.

Medical Services

The vast majority of VA funding is devoted to veteran health care expenses. For 2009, the budget requests total resources for the VA Medical Services appropriation of \$36.5 billion. This includes \$34.0 billion in appropriated budget authority and \$2.5 billion to be collected in the Medical Care Collections Fund.

Medical Administration

In the FY 2009 request, the Medical Administration appropriation is being consolidated into the Medical Services appropriation. For 2008, the budget requested total resources for the VA Medical Administration appropriation of \$3.4 billion.

Medical Facilities

For 2009, the budget requests total resources for the VA Medical Facilities appropriation of \$4.7 billion, compared to the FY08 Budget request of \$3.6 billion. Medical Facilities provides for the operations and maintenance of the capital infrastructure required to provide health care to the Nation's veterans.

Construction Major Projects

The Budget documents state: the "Construction major projects" appropriations fund construction projects costing more than \$10 million, support cemetery expansions in the vicinity of San Juan, PR; southeastern MA; and New York, NY; and fund facility improvements, realignments, and seismic corrections as related to the new hospitals at Denver, CO; and Orlando, FL; and improvements and other projects at San Juan, PR; Lee County, FL; St. Louis, MO; Bay Pines, FL; Tampa, FL; and Palo Alto, CA.

NASA

The Budget proposes spending \$17.6 billion for the National Aeronautics & Space Administration (NASA), up from the \$17.1 billion estimated in discretionary authority for FY08. California perennially receives a large portion of NASA expenditures.

For the Science account, the Budget proposes \$4.4 billion in funding, as compared to the roughly \$5.5 billion in FY08 estimated funding. The Aeronautics account will also drop from \$622 million in FY08 to \$447 million in FY09, and the Space Operations account will drop to \$5.775 billion from \$6.734 billion.

The Exploration account will drop from the FY08 estimate of \$3.8 billion to \$3.5 billion in FY09 funding. Activities in this account include the Space Shuttle, International Space Station, and Space and Flight Support programs. Included in this funding is \$1 billion for a new human spaceflight vehicle, the Orion, which is expected to be safer and more reliable than the Space Shuttle. The Budget also includes \$1 billion for development of a new kind of rocket, Ares I, to launch Orion.

Shortfalls in the other programs will be made up for in Cross-Agency Support programs, where the FY09 request is \$3.3 billion, as compared to \$376 million in FY08 estimated funding. This program provides for the Agency supporting functions associated with the science, aeronautics, education, space operations, and exploration activities of the agency. This account provides for the research; development; operations; salaries and related expenses; design, repair, rehabilitation, modification of facilities, and construction of new facilities; and other general and administrative activities supporting the themes within the five other program accounts.

The New Millennium Technology Demonstration Program is reduced by \$54 million.

TAX PROVISIONS

Among the tax provisions of interest to California are:

Research and Experimentation (R&D) Tax Credit - The Administration proposes to extend permanently the tax credits for research and experimentation expenditures, which expired with respect to expenditures incurred after December 31, 2007.

Alternative Minimum Tax - A temporary provision of current law increased the alternative minimum tax (AMT) exemption amounts to \$44,350 for single taxpayers, \$66,250 for married taxpayers filing a joint return and surviving spouses, and \$33,125 for married taxpayers filing a separate return and estates and trusts. Effective for taxable years beginning after December 31, 2007, the AMT exemption amounts decline to \$33,750 for single taxpayers, \$45,000 for married taxpayers filing a joint return and surviving spouses, and \$22,500 for married taxpayers filing a separate return and estates and trusts. A temporary provision of current law permits nonrefundable personal tax credits to offset both the regular tax and the AMT for taxable years beginning before January 1, 2008. The Administration proposes to increase the AMT exemption amounts to \$46,250 for single taxpayers, \$70,050 for married taxpayers filing a joint return, and \$35,025 for married taxpayers filing a separate return and estates and trusts through taxable year 2008 to prevent the number of AMT taxpayers from increasing. Non-refundable personal tax credits also would be allowed to offset both the regular tax and the AMT through taxable year 2008. With incomes slightly above the national average and high home and property values and costs, Californians are becoming increasingly more likely to be subject to the provisions of the AMT. A larger than average percentage of the state's taxpayers fall under its provisions, and California shouldered approximately 22 percent of the nation's AMT bill in 2006.

Orphan Drug Credit - The proposal would expand the credit by treating expenses incurred before FDA designation as an orphan drug as eligible for the credit if designation occurs before the due date (including extensions) for filing the tax return for the year in which the FDA application was filed. The proposal would be effective for qualified expenses incurred after December 31, 2007.

Classroom Expenses - The Budget would permanently extend the above-the-line deduction for qualified out-of-pocket classroom expenses for teachers.

Mortgage Bond Program - The Administration proposes expanding the tax-exempt qualified mortgage bond program to assist subprime borrowers.

Brownfields - The Budget proposes permanently extending the expensing of brownfields remediation costs, making it available for expenditures paid or incurred after December 31, 2007, and facilitating its use by businesses to undertake projects that may be uncertain in overall duration.

BUDGET CROSSCUT: STATE & LOCAL FORMULA GRANTS

The budget includes a breakout of estimated spending for a variety of federal formula grant programs on a state-by-state basis. Located again in the Analytical Perspectives supplement, the associated tables indicate that California receives 11.6 percent of total spending -- an share substantially below the state's 12.2 percent share of the nation's population. Further, the 11.6 percent share is a decline from the FY 2008 budget documents' estimate of 11.7 percent.

For the 30 programs broken out, California is expected to receive \$46.4 billion of the nation's \$400 billion in anticipated FY 2009 spending. (This compares to \$45.7 billion of the nation's total 2008 spending of \$391 billion for listed programs). For every item, each state's percentage of the U.S. total remains constant for 2007 through 2009, meaning that no new calculations are made to better predict the latter years.

To view a California Institute breakout of California's share of funding from each grant program for FY 2007-2009, visit <http://www.calinst.org/pubs/budget2009/grants.shtml> , or for a pdf version, go to <http://www.calinst.org/pubs/budget2009/grants.pdf> .

A supplementary document to the President's Budget outlines current, predicted, and proposed allocations under some of the largest federal formula grant programs, and lists expenditure totals for each state. In total, 31 programs were outlined at this level of detail. It is important to note that relatively little can be determined at this early stage regarding any of these programs; future demographic, economic, usage, and other factors will determine states' actual shares in most cases.

The \$400 billion in total FY 2009 federal spending for these 30 programs would represent more than 85 percent of federal spending for all federal grants, of all sizes, to state and local governments.

Medicaid is by far the largest federal grant, and any change in its funding would exert an enormous impact on federal grant expenditure totals. More than half of federal grant spending flows through that one grant program. As shown in the table, California is expected to receive \$22.9 billion, or 10.41 percent, of the nation's \$221 billion, from the Medicaid program in 2009. Federal payments reimburse outlays by state and local governments for providing health care services for low-income residents of California -- where the program funds the Medi-Cal program -- and residents of other states. (Because Medicaid is a reimbursement program, actual spending totals will not be known for some time.)

For federal-aid highway program spending, the budget predicts \$3.16 billion for California, approximately level with the \$3.0 billion predicted for FY 2008 (but an increase from \$2.4 billion predicted for in 2006 and \$2.9 billion in 2007). The total spending amount, controlled by the SAFETEA-LU transportation reauthorization bill enacted in 2005, would represent an 8 percent share of the national total.

Other large predicted formula grant spending totals for California in the President's 2009 Budget Proposal included \$3.66 billion for TANF welfare grants (the state's longstanding strong share of 21.5% would be maintained), \$2.9 billion for Section 8 housing vouchers (of which California's receipts would constitute 18.1%), \$1.73 billion for Title I education grants (a further slippage to 12.1% for California from a high-water mark several years ago when the state received in excess of 14%), \$1.2 billion for special education grants to states (10.6% of the U.S. total) under the Individuals with Disabilities Education Act or IDEA, \$1.26 billion for federal transit formula grants (a 14.6% share of the program), and \$1.24 billion from the federal Foster Care Title IV-E program (a notable 27.7% of total U.S. spending).

Other federal grant programs for which California's 2009 receipts are expected to exceed \$1 billion include the National School Lunch Program, where the state's \$1.15 billion represents 13.35 percent of total spending, and the titularly long-winded Special Supplemental Nutrition Program for Women Infants and Children (WIC), where California's \$1 billion is expected to account for 16.2 percent of U.S. grant awards.