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# California Institute Special Report:

## ANALYSIS OF THE PRESIDENT’S FY2004 BUDGET FEBRUARY 3, 2003

*On Monday, February 3, 2003, President George W. Bush released the Administration’s Budget Proposal for Fiscal Year 2004, which begins October 1, 2003. In more than 2700 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. The job of assessing President Bush’s FY 2004 budget proposal is made significantly more challenging by the fact that appropriations for the current fiscal year (FY 2003) are still not complete and thus we do not have a firm benchmark for comparison. With that disclaimer, this document provides a quick, California-oriented analysis of the proposal prepared by the staff of the California Institute. It is available on the Institute’s website at <http://www.calinst.org/pubs/prbdg04.htm>.*

### DEPARTMENT OF EDUCATION

#### OFFICE OF ELEMENTARY AND SECONDARY EDUCATION Education for the Disadvantaged (Title I)

For the Title I account, the largest federal education formula grant account and the fourth largest formula grant of any kind, the budget proposes \$14.2 billion. While the use of forward-funding for education spending typically confuses comparison of expenditures from year to year, the proposed amount would be \$1.9 billion more than the \$12.3 billion appropriated in FY 2002.

The budget proposes no increase in the traditional components of Title I focusing 100 percent of the increase on two relative newcomers to the Title I formula funding mix: targeted grants and EFIG. The Administration proposes \$7.2 billion - the same funding level as in FY 2002 - for Title I basic grants. Likewise, the budget would retain the FY 2002 level for Title I concentration grants, providing \$1.365 billion.

For the two Title I formula elements that have only recently received funding, the President proposes spending \$3 billion for Title I’s “targeted grants” component and \$794 million for education finance incentive grants (EFIG). In January, the Senate-passed appropriations omnibus bill for FY 2003, which is awaiting conference with the House, proposed \$1.365 billion for targeted grants and \$1.4 billion for EFIG. (The two programs were funded for the first time in FY 2002 pursuant to a conference amendment by Sens. Mary Landrieu (LA) and Thad Cochran (MS) in 2002. Congress provided \$1.018 billion for newly-funded targeted grants, and \$793 million in first-time funding for EFIG.)

An analysis of the four primary grant components of Title I (basic, concentration, targeted, and EFIG) showed that California generally would receive the highest portion of funds from targeted grants, and the lowest

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share from EFIG. Fortunately, Congress recently changed an EFIG formula factor in order to count only children in poverty, as opposed to all children -- a shift which will improve the share of program dollars for California, which houses a higher percentage of poor children than of children overall. Nevertheless, EFIG grant shares will still be calculated in part on state average per-pupil expenditure and tax effort for education, both of which cut California's share, and its state per capita income factor will also reduce the share.

The President's budget does not include language imposing a 100% special hold harmless language that has plagued past years' bills, although the statutory hold harmless provisions (maintaining each state at 85% to 95% of the prior year's funding level) will still serve to reduce some of the shift of funds to California and other growth states. In addition, without growth in the basic or concentration grant funding, the past imposition of 100% hold harmless on those grants will continue to be felt into the future.

Elsewhere in the Education for the Disadvantaged account, the budget proposes to significantly boost the President's "Reading First" programs, providing \$100 million for early reading and \$1.05 billion for the primary program (in FY02 the programs received \$1 million and \$366 million respectively). The Even Start program would be reduced from \$250 million in 2002 to \$175 million in 2004, and the budget proposes elimination of the \$226 million for comprehensive school reform..

For Title I migrant education, of which California not surprisingly wins a large share, the budget proposes a reduction from \$38 million to \$28 million.

### **Impact Aid**

For the Impact Aid programs, which support schools in areas where the local tax base is reduced by significant federal properties such as military bases, the budget proposes \$1.016 billion in total funding, with \$868 billion allocated to basic payments (down from \$983 million in 2002), and \$40 million for "Part B" payments for children with disabilities (down from \$50 million in 2002). The remaining funds are proposed as follows: \$8 million for facilities maintenance, \$45 million for construction, and \$55 million for federal property payments. The Senate's omnibus appropriations bill had proposed a \$30 million increase to \$1.17 billion in total funding (with \$1.012 billion for basic support payments, \$52 million for payments for children with disabilities, \$47 million for construction, and \$57 million for federal property payments). Because of its dwindling bases presence, California's typical share of Impact Aid funds has declined from about 10% to about 7% over the past few years.

### **School Improvement Programs**

The budget proposes widespread spending reductions in the Department of Education's broad category of school improvement programs, and a number of programs would be consolidated. The funding levels for the academic years - controlling for forward funding - would decline from a total of \$7.8 billion in 2002-2003 to \$5.0 billion in 2004-2005. (The January omnibus bill in the Senate had a proposed level funding of \$7.8 billion for school improvement programs.)

The Administration proposes boosting a program entitled Improving Teacher Quality State Grants from \$1.67 billion in 2002 to \$2.85 billion in 2004. At the same time, it proposes eliminating funding for a number of programs, and shifting funds for other programs to other areas, including a new Office of Innovation and Improvement at the Department. Funding eliminations include the national writing project (\$14 million), preparing tomorrow's teachers to use technology (\$63 million), the Fund for the Improvement of Education (\$618 million), rural education (\$162 million), class size reduction (\$1.15 billion), school renovation grants (\$375 million), charter school financing demonstration (\$25 million), consolidated technical assistance centers (\$9 million), and comprehensive school reform (\$74 million).

In addition to these program eliminations, the budget proposes to cut funding for 21st Century community learning centers from \$984 million in 2002 to \$600 million in 2004. It would also shift funds for the Safe and Drug-Free Schools and Communities program's state grants in part to another new Departmental office. Funds in the original account would decline by \$140 million, from \$470 million in 2002 to \$330 million in 2004. New funds of \$92 million for state grants would be provided in a new Office of Safe and Drug-Free Schools. In addition, the proposal would move the national programs component thereof to the new office and fund it at \$272 million. In

addition to the primary drug-free schools programs, other programs moved to a new Office of Safe and Drug-Free Schools include civic education (\$27 million) and a new \$27 million character education program.

Programs moved to the new Office of Innovation and Improvement include Troops-to-Teachers (boosted from \$18 million in 2002 to \$25 million in 2004), Transition to Teaching (\$35 million to \$49 million), teaching of traditional American history (maintained at \$100 million), charter schools grants (up from \$200 million to \$220 million with an additional \$100 million for credit enhancements for facilities), voluntary public school choice (\$25 million), magnet schools assistance (\$110 million), and ready-to-learn television (\$22 million).

### **English Language Acquisition (formerly Bilingual and Immigrant Education)**

The budget proposes level funding of \$665 million for the English Language Acquisition programs, formerly known as Bilingual and Immigrant Education. Funds would increase substantially for Language Acquisition State Grants (up from \$403 million to \$541 million), whereas funding would decline for bilingual instructional services (from \$120 million to \$54 million) and bilingual professional development (from \$129 million to \$70 million).

Because the funding level remains above a pre-determined threshold, the program will continue use of a new formula for distributing the funds, which is likely to benefit California. Allocations for the renamed English Language Acquisition and Language Enhancement grants are now based 80% on states' relative share of children considered limited English proficient (LEP) and 20% based on states' share of immigrant children, and California's share of both factors is high. The small-state minimum for the program is small (\$500,000), and 7.5% of the total funds are for national activities and grants to Indian tribes. Some funds are also reserved to continue existing grants for a few years. States must pass 95% of the funds they receive to eligible school districts and other eligible entities. The Senate omnibus appropriations bill proposed \$690 million (prior to pending across-the-board cuts), and all levels are well above the FY 2001 appropriation of \$460 million.

## **SPECIAL EDUCATION**

### **Special Education - Grants to States**

The budget proposes \$10.7 billion in total funding for special education programs, up from \$8.6 billion in 2002. The largest portion, \$9.5 billion, would be allocated to Special Education Grants to States, up from \$7.5 billion in FY 2002. Other state grant amounts include level funding of \$390 million for preschool grants and \$447 million for grants for infants and families. The remainder of funds (\$324 million) would be allocated to national activities which would remain constant, except for state improvement, which would fall from \$52 million to \$44 million. The Senate's omnibus appropriations bill proposed \$9.69 billion for Special Education, For IDEA Part B grants to states, which account for about three-fourths of special education spending, California typically receives roughly 10% of special education state grants funding.

### **Rehabilitation Services and Disability Research**

The budget proposes \$3 billion for Rehabilitation Services and Disability Research, an increase of \$130 million from the FY 2002 funding level. The vast majority of funds for this account are used for the Vocational Rehabilitation State Grants program, for which the Administration proposes \$2.67 billion, up from \$2.48 billion in 2002. (Not including across-the-board cuts, the Senate omnibus bill proposed \$2.96 billion for rehabilitation services and disability research). California typically receives roughly 10% of funds for vocational rehabilitation state grants.

## **VOCATIONAL AND ADULT EDUCATION**

The Administration omits all funding for Adult Education and a large portion of funding for Vocational Education, commenting that it is "working with Congress to develop legislation" to reauthorize the programs and stating that, "when new authorizing legislation is enacted resources for the affected programs will be requested." Adult Education was funded at \$571 million in FY 2002, and the budget proposes no funding. Vocational Education State Grants were funded at \$1.18 billion in FY 2002, and the budget proposes \$791 million. In addition, the budget proposes to eliminate the \$108 million Tech-Prep Demonstration program and the \$20 million

program providing state grants for incarcerated youth offenders. California's share of voc-ed basic grants is typically about 11%) and \$575 million for Adult Education (of which California receives about 10.8%).

#### **POSTSECONDARY EDUCATION**

The budget proposes a total of \$1.9 billion for Higher Education programs, \$125 million below the FY 2002 total, with the reduction primarily borne on the shoulders of the Fund for the Improvement of Postsecondary Education, which would fall from \$181 million to \$39 million. The reduction would allow for increases in a number of other programs in the Higher Education account, including a rise from \$86 million to \$94 million in aid for developing Hispanic-serving institutions, and from \$98 million to \$103 million in international education and foreign language studies.

Federal TRIO programs would remain level at \$803 million, and gaining early awareness and readiness for undergraduate programs (GEAR UP) would be unchanged at \$285 million. Byrd honors fellowships would remain level at \$41 million, Javits fellowships would be flat at \$10 million, and graduate assistance in areas of national need would remain at \$31 million. Teacher quality enhancement would rise slightly, from \$88 million to \$90 million.

#### **STUDENT FINANCIAL ASSISTANCE**

For overall financial aid in FY 2004, the President's budget proposes expenditures of \$14.5 billion, a \$2.2 billion increase above the \$12.3 billion for 2002, which itself had been far above the FY 2001 appropriation of \$10.7 billion. The budget would not increase the maximum Pell grant level above the current \$4,000 level. The Administration reports that it is proposing a total of \$12.715 billion for Pell Grants, anticipating a large increase in applicants over the next several years. Language states, "As a result of this unexpected growth, as well as a \$700 increase in the maximum grant from 2000 to 2002, Pell Grant appropriations for the past few years have been insufficient to fully cover annual program costs. This budget provides \$12.7 billion for Pell Grants to retire the shortfall related to the 2002–2003 award year and maintain a \$4,000 maximum award for the growing numbers of students eligible for Pell Grants." However, in direct obligations, FY 2004 federal Pell Grant spending is listed elsewhere at \$10.8 billion, down from the \$11.6 billion level listed for FY 2002.

The Senate's pre-cut omnibus bill proposed an overall FY 2003 financial aid figure of \$13.152 billion, and it proposed an increase in the maximum Pell Grant level from \$4,000 to \$4,100.

In other financial aid areas, the budget proposes level funding of \$725 million for supplemental educational opportunity grants (SEOG), \$1.01 billion for work study, and \$68 million for Perkins loans cancellations. However, the budget proposes to eliminate funding for the Leveraging Educational Assistance Partnership (LEAP) program (\$67 million in 2002), as well as federal capital contributions for Perkins loans (\$102 million in FY 2002).

#### **DEPARTMENT OF DEFENSE**

President Bush's FY 2004 budget proposes spending \$380 billion for Department of Defense military programs, which represents a \$15.3 billion increase over the prior year's level of \$364.6 billion. When combined with the \$19.3 billion in defense weapons activities at the Department of Energy, total national defense expenditures for FY 2004 would total nearly \$400 billion.

Funding of \$3.7 billion is provided for C-17 cargo airlifters, built in Long Beach, and the F-A18 E/F Superhornet fighter program (\$3.1 billion), a substantial portion of which is built in Southern California, and the California-built and -based GlobalHawk unmanned aerial vehicle. In addition, the missile defense program and satellite program expansions are likely to boost California contract and subcontract procurement dollar levels considerably.

[Because Congress completed work on the FY 2003 the Defense Appropriations bill, the following analysis is able to include comparisons with actual FY2003 figures.]

In operation and maintenance (O&M) funding, the budget calls for \$31.6 billion for the Army, up from \$30.3 billion in 2003. For the Navy, O&M funding would decline slightly, from \$34.0 billion in 2003 to \$33.8 billion in 2004. And Air Force O&M funds would climb by more than \$1 billion, from \$29.4 billion in 2003 to

\$30.5 billion in 2004. Finally, defense-wide O&M spending would increase sharply, from \$15.6 billion in 2003 to \$17.4 billion in 2004.

For DOD environmental restoration activities, the budget proposes level funding of \$1.06 billion, with \$396 million allocated to the Army, \$256 million to the Navy, and \$384 million to the Air Force. A separate \$212 million is used to address environmental restoration at formerly used defense sites. The programs provide for the identification, investigation, and cleanup of contamination resulting from past DOD activities. The budget notes that there are “19,564 sites requiring no further action, leaving 6,741 active sites at 1,733 military installations along with 2,233 projects at formerly used Defense properties.”

### **DEFENSE PROCUREMENT**

The Administration seeks to boost spending for DoD procurement by \$3 billion, from \$71.4 billion in FY 2003 to \$74.4 billion in FY 2004. Thus, procurement would rise at a faster rate than other defense spending. California’s share of the nation’s DoD procurement has declined substantially over the past two decades, from a high of nearly 25% in the mid 1980s to less than 15% currently. Nevertheless, California contractors continue to win the lion’s share of defense procurement awards.

The Administration continues to pursue a ballistic missile defense system. California defense contractors would likely play a central role in a missile defense program.

### **Aircraft Procurement**

For Army aircraft procurement, the budget proposes level funding of \$2.1 billion, with funds for new purchases declining and any increases slated for modification of existing aircraft and support equipment and facilities.

For new combat aircraft purchases for the Navy, the budget would provide \$5.1 billion, up nearly \$500 million from the FY 2003 level of \$4.6 billion. Likely continued additional procurements include the FA-18E/F Super Hornet fighters (a large portion of which is built in California) for the Navy. For other naval aircraft the Administration proposes \$75 million for airlift (up from \$63 million), \$335 million for trainers (up sharply from \$221 million), and \$106 million for other aircraft (down from \$265 million last year). Aircraft modification funds would fall from \$1.62 billion to \$1.34 billion, and naval aircraft spares and repair parts would rise from \$1.04 billion to \$1.15 billion. Aircraft support equipment and facilities would rise from \$497 million to \$530 million.

For Air Force aircraft, the President’s budget proposes an overall decrease from \$12.3 billion to \$11.7 billion. New combat aircraft purchases would rise by just \$13 million, remaining at roughly the \$4.0 billion level in 2004. (Funding includes \$3.5 billion for the F/A-18E/F program to procure 42 aircraft and \$5.2 billion to procure 22 new F/A-22s.) Funding for Air Force airlift aircraft would decline by \$336 million, from \$4.1 billion in 2003 to \$3.8 billion in 2004. (Funding of \$3.7 billion is provided for 11 new C-17 airlifters.) Trainer aircraft purchases would rise by \$67 million, from \$196 million to \$263 million, while other Air Force aircraft expenditures would drop from \$801 million to \$741 million. Funding for modifications of Air Force planes would decline by \$65 million to \$1.9 billion, and spares and repair parts would fall from \$357 million to \$232 million.

### **Communications and Electronic Equipment Procurement**

California competes strongly for procurement contracts in the communications and electronic equipment category. Funds for the Army are slated to decline from \$2.4 billion in 2003 to \$2.3 billion in 2004, while Navy funds would rise from \$1.74 billion to \$1.97 billion and Marine Corps funds would remain stable at \$355 million. Air Force funding for communications and electronic equipment procurement contracts would rise from \$1.44 billion to \$1.59 billion.

### **Other Procurement**

In other procurement areas, Air Force procurement funding for activities entitled “other base maintenance and support equipment” would rise from \$7.6 billion to \$9.1 billion. In addition, the budget proposes procurement funding for major equipment of \$1.5 billion (down from \$2 billion in FY 2003); Special Operations Command

funding of \$1.7 billion, more than double the \$777 million level from the prior year; and Chemical/Biological Defense funding of \$466 million, up slightly from the \$431 million level the prior year.

### **Military Transformation**

Under the general heading of Transformation, the FY 2004 budget proposes a number of projects in areas where California's technology is traditionally strong, including: \$7.7 billion for the Missile Defense Agency to continue research, development and testing of an evolutionary missile defense program; \$453 million for Transformational Satellite Communications to further develop a new system based on laser communications and greatly enhanced radio-frequency capability; \$778 million for Advanced Extremely High Frequency (EHF) Capability to continue development of a new satellite constellation to provide much greater protected communications capabilities than the current MilStar satellite communications system; \$299 million for Space Based Radar (SBR) to continue development of a new space-based capability to detect and track global targets; and \$416 million for Cryptologic Modernization to improve protection of DoD networks.

Also under the transformation heading, the budget strongly endorses continued and accelerated development and production of Unmanned Aerial Vehicles (UAV). It specifically singles out the California-based Global Hawk UAV, which is slated for \$610 million in funding including \$250 million to procure upgraded capabilities and four more high-endurance, long-range UAVs – which provide persistent intelligence on opposition forces. Also mentioned is the Predator UAV at \$250 million (\$40 million for continued development and \$210 million for procurement) and unmanned combat aerial vehicles (UCAVs) at \$275 million for continued development.

### **BASE CLOSURES**

The FY 2004 budget documents were less explicit in reaffirming the Administration's commitment to a fifth round of base closures, which was recently approved by Congress and is still slated to take place in 2005, but anecdotal text supports the pending "increased defense investment" in this area. California shouldered a vastly disproportionate share of the burden from the first four closure rounds (conducted in 1988, 1991, 1993 and 1995), bearing 60% of the nation's net personnel cuts.

Interestingly, the budget notes that future base closures may negatively affect the default rate in the VA guaranteed housing program, stating guaranteed loans issued to active duty military and military reservists "are vulnerable to the impact of base closures on the neighboring community".

### **REUSE OF CLOSED BASES**

The budget includes some funds for continued cleanup and disposal activities pursuant to past base closure rounds. While no funds are proposed related to the 1988 or 1991 rounds of base closures, the budget proposes \$18 million (down from \$45 million in 2003) for expenses related to the 1993 closure round, and \$383 million (down from \$475 million) for closure expenses related to the 1995 round. It is widely believed that funding for base closures and particularly cleanup operations has been and continues to be inadequate to mitigate the extensive environmental problems at shuttered military installations, California's included.

### **DEFENSE RESEARCH, TESTING DEMONSTRATION AND EVALUATION**

For Army RDT&E, the Administration proposes an increase from \$9.3 billion in FY 2003 to \$10.8 billion in FY 2004, with most of the increase slated for the system development and demonstration category (to rise from \$2.2 billion to \$4.4 billion). Army basic research would rise from \$210 million to \$330 million, whereas Army applied research would fall from \$796 million to \$677 million and Army advanced technology development would decline from \$1.02 billion to \$845 million.

At the Navy, overall RDT&E accounts would increase from \$13.9 billion to \$14.3 billion. Navy basic research would rise from \$393 million to \$456 million, applied research would slip from \$812 million to \$555 million, and advanced technology development would fall from \$880 million to \$656 million. The Navy's advanced component development and prototypes account would rise from \$1.8 billion to \$2.6 billion, and its system development and demonstration account would add \$1 billion, from \$5.2 billion to \$6.2 billion.

For the Air Force's RDT&E operations, the budget proposes a sharp increase, from \$19.8 billion to \$23.4 billion. Air Force basic research would rise from \$206 million to \$308 million, applied research would fall by \$35 million to \$760 million, advanced technology development would nearly double from \$675 million to \$1.3 billion, advanced component development and prototypes would jump from \$1.3 billion to \$2.1 billion, and system development and demonstration would increase from \$4.2 billion to \$4.5 billion.

In addition to departmental accounts, the defense budget also includes a defense-wide RDT&E category, which would rise from \$17.9 billion to \$18.6 billion. The budget proposes a reduction in defense-wide basic research from \$531 million to \$221 million, level funding of \$1.7 billion for applied research, a slight increase to \$2.6 billion for advanced technology development, an addition of nearly \$1.4 billion for defense-wide advanced component development and prototypes (to \$7.4 billion), and a nearly two-thirds cut in system development and demonstration (from \$1.5 billion to \$499 million).

## **DEPARTMENT OF ENERGY**

The President's budget requests \$23.4 billion budget for the Department of Energy (DOE), comprised of \$8.8 billion for the National Nuclear Security Administration (including California's national labs), \$2.5 billion for energy programs, \$8 billion for environmental activities, and \$3.3 billion for the DOE Office of Science (a key funder of California-based research work such as fusion energy sciences).

DOE prepared a breakout estimating state-by-state impacts of the DOE budget request, which indicates a \$103 million slippage in California funding from \$2.2 billion in FY 2002 to \$2.1 billion in FY 2004. The DOE source tables are available at <http://www.mbe.doe.gov/budget/04budget/content/statetbl/statetbl.pdf>.

### **NATIONAL NUCLEAR SECURITY ADMINISTRATION**

More than one third of the DOE budget would be spent at the NNSA (\$8.8 billion for FY 2004). The bulk of this amount is \$6.4 billion (up from \$5.5 billion in FY 2002), for weapons activities, including continued funding for stockpile stewardship.

DOE specifically highlights the \$467 million request "for the Inertial Confinement Fusion Ignition and High Yield Campaign, including the Lawrence Livermore National Laboratory National Ignition Facility (NIF), one of the major tools to help model and simulate nuclear explosions to ensure the safety and reliability of the weapons in the stockpile." DOE also lauds the NIF program in that it "achieved a major milestone in December 2002, activating the first of four of the 192 laser beams ahead of schedule." The budget includes \$150 million for FY 2004 NIF construction activities.

The request also includes \$751 million for the Advanced Simulation and Computing program to provide super computing platforms and simulation capabilities needed to model and understand weapon processes, components and systems. The amount includes \$12.3 million for construction of a distributed information systems laboratory in Livermore, as well as \$25 million for a Terascale simulation facility at Livermore Laboratory.

Weapons program funding also includes \$9.7 billion (up from \$4.8 billion in 2002) for upgrades at the engineering technology complex upgrade (ETCU) at Livermore Lab, and \$3.5 million for roof repair at Livermore. No 2004 funding is provided to Livermore for either the sensitive compartmented information facility (funded at \$13 million in 2002) or for isotope sciences facilities (funded at \$4.4 million in 2002).

### **DOE OFFICE OF SCIENCE**

The \$3.3 billion budget request for FY 2004 (up \$78 million from FY 2002) for the DOE Office of Science proposes roughly level funding for most of the programs within the account. High energy physics would rise slightly, from \$697 million in 2002 to \$738 million in 2004. Biological and environmental research would decline slightly, from \$512 million in 2002 to \$500 million in 2004. Basic energy sciences would grow from \$981 million to \$1.009 billion, while advanced scientific computing research would rise from \$150 million to \$173 million.

Funding for fusion energy sciences, of which California perennially wins the lion's share, is slated to rise from \$241 million in FY 2002 to \$257 million in FY 2004. Fusion budget language notes that the budget includes funds for DOE to enter multilateral international negotiations aimed at building the International Thermonuclear

Experimental Reactor (ITER), and it notes that the fusion budget provides for “continued operation of DIII-D, Alcator C-Mod, and the National Spherical Torus Experiment.” The DIII-D project is operated by General Atomics in San Diego.

The Senate-passed FY 2003 appropriations omnibus bill proposed a larger increase for the DOE Office of Science, to \$3.329 billion, but that level was prior to imposition of any across-the-board discretionary spending cuts. The bill awaits a House counterpart for conference.

Budget document language noted that the 2004 high energy physics budget request will “support the continued operation of two of the Department’s major high energy physics facilities: the Fermilab Tevatron and the Stanford B-Factor.” Language regarding basic energy sciences noted that the budget provides \$193 million to support nanoscale science research, including support for construction funding for nanoscale science research center (NSRC) at the Lawrence Berkeley, Oak Ridge, and Sandia National Laboratories.

DOE documents state that “The FY 2004 budget request reflects the transfer of several activities to the newly established Homeland Security Department. The transfer includes activities relating to chemical/biological R&D, nuclear smuggling, national security, energy security and assurance, and nuclear threat assessment capability and federal administrative support to build the new department. The transfer of these highly important activities will not impact the department's mission but rather enhance the National Strategy for Homeland Security. Other related homeland security activities will continue to exist at DOE to ensure the Nation's continued security.”

#### **ELK HILLS SETTLEMENT**

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

#### **DEPARTMENT OF JUSTICE**

The President’s Budget requests \$23.3 billion for the Department of Justice. Of the amount billion requested, \$19 billion is for discretionary spending, which would include a 6.3 percent increase in spending for federal law enforcement programs such as the FBI.

**IDENTIFICATION SYSTEMS INTEGRATION** - \$34,077,000 is proposed for the planning, development, and deployment of an integrated identification system. Included in that amount is funding for the IDENT/IAFIS integration program, which is designed to support and enhance the identification and apprehension of criminal aliens and allow state and local law enforcement authorities direct access to Border and Transportation Security data.

**FEDERAL PRISON SYSTEM** - Total FY04 funding of \$4,677,214,000 is proposed. Contained in that funding are program increases for the activation of several U.S. Penitentiaries and Federal Correctional Institutions (FCI), including those at FCI Victorville, CA, and FCI Herlong/Sierra, CA. A Life Connections Program demonstration project is also proposed for FCI Victorville. The Program is a multi-faith-based prison pre-release demonstration project to assist federal inmates to readjust successfully to society.

#### **OFFICE OF JUSTICE PROGRAMS**

##### **JUSTICE ASSISTANCE**

\$2,136,423,000 is proposed in FY04 funding, compared to \$204 million in actual FY02 funding, and \$194 million in the Senate’s Omnibus FY03 Appropriations bill. However, the program structure has been changed to consolidate programs under a single administrative decision unit called “Justice Assistance,” which is broken down into eight broad mission categories. Those categories are: Counterterrorism Research and Development; Improving the U.S. Criminal Justice System; Research and Demonstration, Evaluation and Statistics; Technology for Crime Identification; Strengthening the Juvenile Justice System; Substance Abuse; Direct Services for Victims of Crime;

and, Education and Training to Better Serve Victims of Crime. These categories are proposed to replace previously funded programs, including the **Local Law Enforcement Block Grants, State Criminal Alien Assistance Program, Edward Byrne Formula Grants, and Edward Byrne Discretionary Grants.**

\$1,183,999,000 of the FY04 request is in the category of Improving the U.S. Criminal Justice System, which funds a wide range of programs to state and local governments and tribal authorities to assist in crime and drug control efforts.

Specific funding proposals for programs under the eight categories include:

**Regional Information Sharing System (RISS)** - The budget proposes a \$12 million increase in RISS to \$36,448,000. The program funds state and local law enforcement authorities in the exchange of intelligence information, investigative services, and equipment. The additional funding is to expand RISS's accessibility to state and local law enforcement for the purpose of sharing terrorism alerts and other information.

**Justice Assistance Grant Program** - \$585,990,000 is proposed, a decrease of \$189.78 million from the President's FY03 request. The program provides funding for statewide initiatives, technical assistance, training, and other support in the areas of law enforcement, prosecution and court programs, prevention programs, corrections programs and treatment programs. \$60,000,000 of the requested funding is for the Boys and Girls Clubs in public housing facilities and other areas in cooperation with State and local law enforcement. The Senate's FY03 Omnibus proposes \$90 million for the Boys and Girls Clubs funding.

**Southwest Border Prosecutor Initiative** - \$48,063,000 is requested. The Senate's FY03 Omnibus Appropriations bill proposes \$50 million in funding.

**Safe Schools Technology Program**- Funding is proposed to be eliminated for this program (\$16.799 million), which develops technologies used by schools to deter violence. However, law enforcement technologies, currently under development using other funding resources, may be adapted to school situations.

**Weed and Seed Program** - \$51,811,000 for State and local law enforcement agencies, non-profit organizations, and agencies of local government engaged in the investigation and prosecution of violent crimes and drug offenses in "Weed and Seed" designated communities.

**Crime Identification Technology Act Program** The entire \$79.499 million in prior year funding for this program is proposed to be eliminated. The budget states that the program has been "severely impacted in its ability to fund innovative technologies due to the level of earmarking that has occurred in recent years."

**Juvenile Delinquency and Crime Reduction** - \$214,212,000 is proposed to be allocated as follows: \$200,000 for concentration of federal efforts; \$88,804,000 for State and local programs, of which \$10,000,000 is for training and technical assistance to assist small, non-profit organizations with the application process for all Federal grants; \$37,917,000 for juvenile delinquency prevention block grants; \$7,000,000 for research, evaluation, training and technical assistance; \$3,000,000 for demonstration projects; \$77,291,000 for Title V Delinquency Prevention Grants, including \$12,500,000 for the Tribal Youth Program.

**Juvenile Accountability Incentive Block Grants/Project Childsafe** - The Juvenile Accountability Incentive Block Grants (JAIBG) program, previously funded at \$177.993 million, is proposed to be eliminated in 2004, based on "significant flaws" uncovered in the program. The FY 2004 budget does include \$26 million for Project Childsafe, which has previously been funded under JAIBG. According to the budget, that amount "will allow the Childsafe Program to complete its goals of making gun safety locks widely available ahead of schedule and under budget."

#### **COMMUNITY ORIENTED POLICING SERVICES**

Funding of \$163,755,000 is requested, but a rescission of \$6.38 million is also requested, resulting in new budget authority of \$158 million. Of the amounts provided:

- \$20,662,000 is provided for community policing development initiatives;
- \$30,000,000 is to improve tribal law enforcement including equipment and training;
- \$20,000,000 is for policing initiatives to combat methamphetamine production and trafficking and to enhance policing initiatives in "drug hot spots";
- \$50,000,000 is for the COPS InfoTech grant program, of which \$3,000,000 is for the Law Enforcement Online (LEO) Program;

- \$16,963,000 is for a police integrity program; and
  - not to exceed \$26,130,000 for program management and administration.
- The Senate's FY03 Omnibus bill proposes \$1,120,228,000 in funding.

## **DEPARTMENT OF HOMELAND SECURITY**

Total budget funding for Homeland Security is \$41.3 billion, which includes both mandatory and discretionary programs, and certain homeland security activities under the Department of Defense.

### **DEPARTMENT-WIDE TECHNOLOGY INVESTMENTS**

\$206,000,000 is requested for development and acquisition of information technology equipment, software, services, and related activities for the Department of Homeland Security, and for the costs of conversion to narrowband communications, including the cost for operation of the Land Mobile Radio legacy systems. In particular, this account will fund the Homeland Security Information Technology and Evaluation program, which will work to improve homeland security-related information sharing across the federal government, as well as with state and local governments and the private sector.

### **BUREAU OF CITIZENSHIP AND IMMIGRATION SERVICES**

\$235 million is proposed for citizenship and immigration services. In addition, the budget estimates that \$1.625 billion will be collected in Immigration Examination fees and H-1B Nonimmigrant Petitioner Accounts.

The 2004 Budget continues to provide funding for a five-year, \$500 million initiative to support a universal six-month processing standard for all immigration applications.

### **DIRECTORATE OF BORDER AND TRANSPORTATION SECURITY**

For the enforcement of laws relating to border security, immigration, customs, and agricultural inspections and regulatory activities related to plant and animal imports, including planning, construction, and necessary related activities of buildings and facilities, \$5,644 billion is requested. This account consolidates funding previously provided for specific functions of the U.S. Customs Service; specific functions of the Immigration and Naturalization Service including Border Patrol, intelligence, inspections, and related administrative functions; and the inspections function of the Agriculture Quarantine and Inspection (AQI) program, formerly part of the Department of Agriculture's Animal and Plant Health Inspection Service.

The President's request includes the following funding for specific programs:

- \$1,129,826,000 for implementation of an integrated Entry-Exit System, automation modernization including the Automated Commercial Environment (ACE), acquisition, operation and maintenance of air and marine assets, and conducting special operations.
- \$5,000,000 for payments or advances arising out of contractual or reimbursable agreements with State and local law enforcement agencies while engaged in cooperative activities related to immigration.

### **IMMIGRATION AND CUSTOMS ENFORCEMENT**

\$2,488,000,000 is requested for enforcement of immigration and customs laws, detention and removals, investigations, and planning, construction, and necessary related activities of buildings and facilities.

### **TRANSPORTATION SECURITY ADMINISTRATION**

For FY 2004, the Budget proposes \$4,812,000,000 for the Transportation Security Administration, of which an estimated \$2,488,000,000 will be financed by offsetting collections from aviation passenger security fees and airline security fees. Funds will be used primarily to fund airport security screener and supervisory staff necessary to manage passenger and baggage screening; State and local law enforcement personnel for screening checkpoints; Federal air marshals; research and development of more effective and efficient screening technologies; and activities to improve flight deck safety.

### **OFFICE FOR DOMESTIC PREPAREDNESS**

The Office for Domestic Preparedness (ODP) provides state and local governments with grants, training, and technical assistance to improve their readiness for terrorism incidents. Most of this assistance is aimed at strengthening "first responders," police, fire, rescue, and emergency personnel who are first on the scene in the event of a terrorist attack. In addition to ODP's existing preparedness programs, the 2004 Budget requests significant grant funding for both fire departments and law enforcement anti-terrorism initiatives. ODP will also provide up to \$181 million for Citizen Corps activities.

The President's Budget requests \$3,558,000,000 for the Office for Domestic Preparedness. Included in this amount is not less than \$500,000,000 for State and local firefighter grants and not less than \$500,000,000 for grants to State and local law enforcement for terrorism prevention activities. Grantees are required to provide a matching amount for each grant of not less than 25 percent at the time of the award.

## **EMERGENCY PREPAREDNESS AND RESPONSE DIRECTORATE**

### **GRANT PROGRAMS**

This account consolidates funding previously provided through the National Pre-Disaster Mitigation Fund, and the National Flood Mitigation Fund. Funding requested through this account will be dedicated to competitive grants for pre-disaster mitigation operating independently of the Disaster Relief programs, which the President's budget states will assure that funding remains stable from year to year and is not subject to spikes in disaster activity. \$300,000,000 is requested for the consolidated grant program.

### **DISASTER RELIEF**

Under the Disaster Relief Fund (DRF), the Department of Homeland Security (DHS) will continue to operate the primary assistance programs formerly run by the Federal Emergency Management Agency: Federal assistance to individuals and households, and public assistance, which includes the repair and reconstruction of State, local, and non-profit infrastructure.

\$1,956,000,000 is requested for the DRF.

## **DEPARTMENT OF HEALTH AND HUMAN SERVICES**

The President's budget proposes a total of \$65 billion in discretionary budget authority for the Department of Health and Human Services (DHHS). The FY04 proposed allocation is \$5.3 billion higher than the FY02 actual appropriation of \$59.7 billion.

### **NATIONAL INSTITUTES OF HEALTH (NIH)**

The budget proposes \$29.8 billion in funding for the National Institutes of Health, which is the government's biomedical and behavioral research organization composed of 25 institutions. The FY04 proposed amount is a \$4.941 billion increase from the FY02 level of funding of \$24.853 billion.

### **MEDICAID/STATE CHILDREN'S HEALTH INSURANCE FUND (SCHIP)**

The Administration requested \$151.204 billion in FY02 for Medicaid and SCHIP expenditures. The FY04 budget proposal provides \$181.909 billion for these programs. The President's FY04 budget does not include an additional \$3.356 billion in mandatory outlays for Medicaid and SCHIP that may occur as the result of other legislative proposals advanced by the Administration during the 108<sup>th</sup> Congress.

### **TEMPORARY ASSISTANCE FOR NEEDY CHILDREN (TANF)**

The Temporary Assistance for Needy Families \$16.7 billion block grant provides funding to States for aid to low-income families with children.

### **PAYMENTS TO STATES FOR CHILD SUPPORT ENFORCEMENT AND FAMILY SUPPORT PROGRAMS**

The budget proposes \$4.572 billion to be made in payments to the states for child support enforcement and other family support programs, including access and visitation programs for families.

**LOW INCOME HOME ENERGY ASSISTANCE**

The Administration's budget proposal requests \$1.85 billion in funding for Low Income Home Energy Assistance, which aids low-income households with high energy costs through payments to eligible households, energy suppliers, and weatherization providers. The FY04 request is a slight increase of \$50 million over the FY02 apportionment.

**REFUGEE AND ENTRANT ASSISTANCE**

To subsidize the states for administering the refugee assistance programs, the budget proposal allocates \$472 million, which is down from \$478 million appropriated in FY02.

**PROMOTING SAFE AND STABLE FAMILIES**

\$555 million is requested for a broad range of child welfare services, including family preservation and family support services. The total also includes \$50 million in funding for competitive grants to mentor children of prisoners.

**CHILD CARE ENTITLEMENT TO STATES**

To disburse child care entitlement to the states the budget proposal calls for \$2.717 billion in funding. The FY02 appropriation for such entitlements was \$2.758 billion.

**PAYMENTS TO STATES FOR THE CHILD CARE AND DEVELOPMENT BLOCK GRANT**

The budget proposes \$2.1 billion in funding to supplement state general revenue funds for child care assistance for low-income families.

**SOCIAL SERVICES BLOCK GRANT**

The budget proposal appropriates \$1.7 billion for the Social Services Block Grant.

**CHILDREN AND FAMILIES SERVICES PROGRAMS**

The Administration proposes \$8.562 billion to fund Children and Families Services Programs, which includes:

- \$6.816 billion for the Head Start Program;
- \$62 million for the Homeless and Runaway Youth Program, which is an increase of \$14 million over the \$48 million funding level appropriated in FY02;
- \$292 million in child welfare services funding;
- \$495 million for community service block grants, a decrease of \$154 million from the FY02 appropriation of \$649 million;
- \$100 million for the "Compassion Capital Fund", which is more than three times the FY02 appropriation of \$30 million, to fund qualified charitable organizations that wish to expand or emulate model programs;
- \$10 million for maternity group homes to provide young, pregnant and parenting women with access to maternity group homes; and
- \$20 million for the Strengthening Fatherhood and Healthy Marriages Program, which provides grants to faith-based and community organizations to assist non-custodial fathers in becoming more involved in the lives of their children.

**PAYMENTS TO STATES FOR FOSTER CARE AND ADOPTION ASSISTANCE**

The budget proposal calls for \$6.839 billion for foster care and adoption assistance payments to the states. This amount represents an increase of \$770 million over the \$6.069 billion allocated for such payments in FY02.

The total proposed includes:

- \$4.939 billion in funding for foster care; California receives 25% of federal funds allocated for foster care; and
- \$1.7 billion to support subsidies for families adopting eligible low-income children with special needs.

## **DEPARTMENT OF AGRICULTURE**

- Under Farm Security and Rural Investment Programs, the President's 2004 budget requests \$8 million to fund the Klamath Basin Water Conservation Program. The President's budget also proposes \$432,160,000 to fund the National Resource Conservation Service in providing technical assistance and administrative support for a number of programs including the Klamath Basin Water Conservation Program. The 2002 Farm bill authorized \$50 million over five years for the Klamath Basin under the Environmental Quality and Incentives Program (EQIP), to promote water conservation activities; improving the quality and quantity of water on agricultural lands.

-The President's budget proposes \$987,303,000 for the Agricultural Research Service (ARS) expenses and salaries. ARS uses coordinated interdisciplinary approaches to perform basic and applied research on soil and water conservation, plant and animal sciences, commodity conversion and delivery, human nutrition, and integrated agricultural systems.

-In 2004, the food stamp program will provide approximately \$27,745,981,000 in benefits to 20.6 million people. The FY2003 budget proposed restoration of nutrition benefits to legal immigrants five years after entry to the United States, eliminating the need for a work history for those individuals to be eligible for food stamps. The Farm Bill, passed in 2002, restored those benefits, as well as benefits for immigrant children under 18 and disabled immigrants without regard to residency requirements. The budget proposes \$11,418,441,000 to fund child nutrition programs, a \$1.08 billion increase from FY2002 levels. Budget language notes plans to introduce legislation this year that would improve the accuracy of National School Lunch Program eligibility starting in 2005. For the Special Supplemental Nutrition Program for Women Infants and Children (WIC), the FY2004 budget proposes \$4,769,232,000, \$491 million more than FY2002 appropriations.

- Regarding the Food Stamp program, the budget also states that, "for the first time ever, California and Michigan, with Food Stamp payment error rates of 17.4 percent and 12.5 percent respectively, are being assessed cash sanctions called for under the law."

- The President requests \$1,369,573,000 for management, protection, improvement and utilization of the National Forest System.

- Although no funds are directly requested to combat Pierce's Disease in 2003, (an ailment spread by the glassy-winged sharpshooter that infects California grapes), \$694,897,000 is requested to fund the Animal and Plant Health Inspection Services (APHIS). APHIS is tasked with conducting inspection, quarantine, and regulatory activities in response to animal and plant diseases and to protect the environment.

- The budget allocates roughly \$1.07 million, to be derived from forest receipts, for the acquisition of lands within the Angeles, San Bernardino, Sequoia, and Cleveland National Forests in California, as well as other national forests.

- The Secretary of Agriculture is authorized to provide an unspecified amount from U.S. Forest Service funds for payments to Del Norte County pursuant to the Smith River National Recreation Area Act.

-Under the Rural Community Advancement Program, \$11.8 million is requested to assist Colonias along the US-Mexican border with rural utilities improvements.

- The FY2004 budget proposal no longer directly makes reference to the City of Coachella eligibility for loans and grants provided through the Rural Community Advancement Program.

- No specific language is included this year authorizing the Secretary of Agriculture to consider the City of Hollister as a qualified rural area for the purposes of housing programs in the rural development mission areas of the Department of Agriculture.

## **DEPARTMENT OF TRANSPORTATION**

In FY2004, the President proposes a \$54.285 billion investment in transportation activities to: ensure safety for the traveling public, improve the Nation's transportation system, and build and maintain US transportation infrastructure.

### **FEDERAL AVIATION ADMINISTRATION**

\$14.007 billion is requested for Federal Aviation Administration expenditures of which \$254 million would be allocated to improve aviation efficiency.

### **FEDERAL HIGHWAY ADMINISTRATION**

The Transportation Equity Act for the 21st Century (TEA-21) authorized surface transportation programs through 2003. TEA-21 provided authority for the various programs of the Federal Highway Administration designed to improve highways and bridges throughout the nation. The Bush Administration will issue a reauthorization proposal for Congress' consideration over the next few weeks; however until surface transportation is reauthorized, 2004 budget language remains consistent with TEA-21's funding structure, i.e. highway spending levels will correspond to Highway Trust Fund (HTF) receipts. The 04 budget directs 2.5 cents per dollar in gasohol tax revenue currently tagged for the General Fund to be transferred to the Highway Account of the HTF. This proposal will result in an increase of \$600 million in HTF reserves available for highway spending. The 2004 FHA budget consists of over \$30.412 billion in new budget authority. Because project selection is determined by the States, 2004 program levels are estimates.

### **FEDERAL-AID HIGHWAYS**

\$29,293,948,000 is requested for Federal-aid highways and highway safety construction programs for FY 2003. Actual obligation limitations in FY2002 totaled \$31,799,104,000 (with over \$2.5 billion of this amount awarded to California) roughly resulting in a \$2.5 billion cut from prior levels. The Senate FY2003 Omnibus bill currently awaiting Conference action recommends \$31.8 billion (not including a pending 2.9% across-the-board cut).

### **SURFACE TRANSPORTATION SAFETY**

\$222,594,000 is requested for Federal Motor Carrier Grants to help states implement highway safety programs, of which \$60.9 million is provided to fund state safety enforcement activities at both northern and southern borders. \$224,406,000 is requested for Motor Carrier Safety Operations and Programs including federal safety enforcement activities along the US-Mexico border (this account was not funded in FY'02 or '03) possibly supplanting Border Enforcement Program (BEP) finances. Receiving \$44 million in 2002, no request for BEP funding is included in the 2004 budget. The Border Enforcement Program supports federal and state safety enforcement efforts at the U.S./Mexico border to ensure that Mexican carriers entering the U.S. are in compliance with Federal Motor Carrier Safety Regulations.

### **FEDERAL RAILROAD ADMINISTRATION**

The President proposes \$1.089 billion in support for FRA programs, this includes \$900 million for the National Railroad Passenger Corporation (Amtrak). This FY04 Amtrak request total constitutes a \$74 million increase from FY2002 grant levels; however it is \$300 million less than Amtrak officials say they need in order to remain operational in FY03. The Administration plans to eliminate expensive long-distance routes; possibly the Sunset Limited route (Los Angeles to Chicago) and the Southwest Chief (Los Angeles to Orlando) will be among these discontinued routes to reduce operations costs. Budget report language also denotes a commitment to establishing Amtrak reform and future self-sufficiency.

### **FEDERAL TRANSIT ADMINISTRATION**

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

The Transportation Equity Act for the 21st Century created the new discretionary Mass Transit Budget Category. Approximately 80% of transit funding in 2003 is derived from the mass transit account of the Highway Trust Fund. The budget proposes \$7.26 billion for transit programs.

### **TRANSIT GRANTS**

-The budget proposes \$1.336 billion in 2004 for transit Formula Grants (to be funded now as a Trust fund account). 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.

- \$1.918 billion is requested for Capital Investment Grant funds translating into almost an \$1 billion decrease from FY2002 levels. That funding will be allocated among the following activities:

- \$1.534 billion is requested for Major Capital Investment Grants of which \$1.515 billion is provided for New Starts, the construction of new fixed guideway systems and extensions (“small starts”) to existing fixed guideway systems. Furthermore, in lieu of including a direct bus and bus related facilities item for funding, the budget proposes expansion of New Starts eligibility criteria to include new non-fixed guideway modernization projects and extensions.

- Metropolitan Planning.– \$19.1 million is requested for Metropolitan and statewide transit planning needs.

#### **TRUST FUND TRANSIT FORMULA GRANTS AND RESEARCH**

The President’s budget directs \$5.615 billion in transit formula grants and research expenditures to be distributed from the Mass Transit Account of the Highway Trust Fund. Of this amount, \$2.643 billion would be derived for urbanized area formula programs; \$1.214 would be spent on fixed guideway modernization programs; \$741.4 million on state administered programs; \$70.2 million on metropolitan and statewide planning activities; and \$49.8 million on national research.

#### **DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)**

The budget calls for total Department of Housing and Urban Development funding of \$31.3 billion, a slight increase from the \$29.3 billion appropriated in FY02.

#### **COMMUNITY DEVELOPMENT BLOCK GRANTS (CDBG)**

Community Development Block Grants provide funds for various community development activities directed primarily at low-and-moderate-income persons. The budget provides for a total of \$4.751 billion in funding for Community Development Block Grants (CDBG) in FY04 of which:

- \$4.4 billion is proposed to fund formula grants to states and entitlement communities;

- \$65 million to fund Self Help Homeownership Opportunity Program;

- \$16 million for the funding of a private non-profit “Colonias Gateway Initiative” to enhance housing availability, opportunity, and infrastructure in the Colonias, which are underdeveloped rural communities within 150 miles of the US-Mexico border. The Administration proposed the establishment of the “Colonias Gateway Initiative” in the FY 2003 budget proposal. The amount included in Administration’s FY04 budget proposal remains unchanged from the FY03 funding level.

#### **HOUSING ASSISTANCE FOR NEEDY FAMILIES**

The Administration proposes a new block grant program to States called Housing Assistance for Needy Families (HANF). This block grant program will replace the current tenant-based Housing Choice Voucher Program, formerly known as the Housing Certificate Fund. The Housing Choice Voucher Program is proposed to be level-funded at \$4.823 billion in FY04 decreasing substantially from \$16.407 billion in funding appropriated for the program in FY02. The newly-established Housing Assistance for Needy Families would be funded at \$13.607 billion, which includes:

- \$11.5 billion for renewals of expiring section 8 subsidy contracts;

- \$609 million for section 8 subsidy contracts or amendments to such contracts;

- \$252.2 million for section 8 rental assistance for relocation and replacement of housing units that are demolished or disposed of; and

- \$72 million for Family Self-Sufficiency Coordinators.

#### **PUBLIC HOUSING CAPITAL FUND**

The budget calls for \$2.557 billion in funding for Public Housing Capital Fund Program to carry out capital and management activities for public housing agencies.

**PUBLIC HOUSING OPERATING FUND**

The budget provides for \$3.574 billion in funding for the Public Housing Operating Fund, a decrease of \$62 million appropriated in FY02. The amount proposed for FY04 remains virtually unchanged from the \$3.5 billion provided for the Public Housing Operating Fund in the FY03 omnibus bill passed by the Senate on January 24, 2003.

**REVITALIZATION OF SEVERELY DISTRESSED PUBLIC HOUSING (HOPE VI)**

The Administration proposes \$568 million for the HOPE VI Program, which funds the rehabilitation and restoration of severely distressed public housing projects.

**HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS (HOPWA)**

The budget provides \$297 million for the Housing Opportunities for Persons with AIDS Program, an increase of \$21 million from the \$276 million allocated to this program in FY02. This program provides States and localities with resources and incentives to devise long-term comprehensive strategies for meeting the housing needs of persons with HIV/AIDS and their families.

**EMPOWERMENT ZONES/ENTERPRISE COMMUNITIES**

The Administration's FY04 budget proposes no new funding for the Empowerment Zones/Enterprise Communities Program, an initiative that helps revitalize city neighborhoods by attracting business development and providing employment opportunities to residents of empowerment zones. The FY03 omnibus bill passed by the Senate in January, 2003 provided \$30 million for grants in connection with a second round of empowerment zones and enterprise communities, which constituted \$15,000,000 less than the amount appropriated in the FY02 Appropriations conference report.

**BROWNFIELDS REDEVELOPMENT**

The budget provides no new funding for the Brownfields Redevelopment Initiative, which funds competitive economic development grants. The FY02 funding level for this program was \$22 million and the FY03 omnibus bill passed by the Senate in January, 2003 provided \$25 million. EPA's budget request, however, does include Brownfields clean-up and revitalization funding of \$210.7 million (see below)

**HOME INVESTMENT PARTNERSHIPS PROGRAM**

Total new budget obligation of \$2.2 billion is requested for the program, which will be used to expand the supply and affordability of housing. The FY04 proposed amount is an increase of \$372 million over the funding level appropriated for FY02.

**HOMELESS ASSISTANCE GRANTS**

The Homeless Assistance Grants Program funds the Shelter Plus Care, Supportive Housing, Emergency Shelter Grants, and Section 8 Moderate Rehabilitation Single Room Occupancy programs. The budget proposes \$1.365 billion for Homeless Assistance Grants. The FY02 funding level for the Homeless Assistance Grants program was \$994 million.

**SAMARITAN HOUSING**

The Samaritan Housing Initiative is a new effort to end chronic homelessness. The Administration calls for \$50 million to support the most promising local strategies to move chronically homeless persons from the streets to safe permanent housing with supportive services.

**DEPARTMENT OF THE INTERIOR**

**BUREAU OF LAND MANAGEMENT**

The President requests \$828,079,000 for BLM. \$20,973,000 of that is to be derived from the Land and Water Conservation Fund.

**Oregon and California Grant Lands** - \$106,672,000 is requested. \$6 million of the funding is for the Jobs in the Woods program, which offers resource-based job opportunities to displaced timber workers in the Pacific Northwest.

**Wildland Fire Management** - \$698,725,000 is requested. The Senate Omnibus Appropriations bill requests \$654,254,000 for the program.

**Land Acquisition** - \$23,686,000 is requested, to be derived from the Land and Water Conservation Fund.

**Payments for Oregon and California and Coos Bay Wagon Road** - Under provisions of the Secure Rural Schools and Community Self-Determination Act of 2000 annual payments to the 18 Oregon counties will be derived from any revenues, fees, penalties, or miscellaneous receipts received by the Federal Government from activities by the BLM on O&C and Coos Bay Wagon Road lands. These receipts are exclusive of deposits to any relevant trust fund, i.e., Timber Sale Pipeline Restoration and Forest Ecosystem Health and Recovery funds, or permanent operating funds.

**BUREAU OF RECLAMATION**

For management, development, and restoration of water and related natural resources under the Bureau of Reclamation, \$771,217,000 is requested.

In FY 2004, Reclamation will implement 4 initiatives, totaling \$11 million, that are directed at enhancing the Bureau of Reclamation's efficiency and performance in water and power delivery. The initiatives will: "develop pilot projects that can demonstrate how to prevent crisis-level water conflicts in the West; expand the use of science to find a way to reduce the cost of water desalination and waste disposal; design water management programs that address environmental needs on a basin-wide scale; and enhance Reclamation managers' understanding of the purpose, process, and requirements of the Endangered Species Act, as it relates to federal actions."

**CALFED Bay-Delta Program** - \$15 million is requested, some or all of which may be transferred to other Federal agencies to carry out authorized CALFED purposes and/or to be used for the federal share of the costs of CALFED program management.

**Central Valley Project Restoration Fund** - \$39,600,000 is requested, which will be derived from the funds collected in the CVP Restoration Fund.

**San Gabriel Basin Restoration Fund** - The Budget requests no funding for the design, construct, operate and maintain water quality projects to remediate contamination of groundwater in the San Gabriel and Central Basins of Southern California.

**Land and Water Conservation Fund** - The President's budget provides funding of \$900 million for the LWCF.

**U.S. FISH AND WILDLIFE SERVICE**

\$941,526,000, to remain available until September 30, 2005, is requested, of which \$70,248,000 is to be derived from the Land and Water Conservation Fund. The Senate Omnibus Appropriations bill provides \$902,697,000.

**NATIONAL PARK SERVICE**

\$1,631,882,000 is requested, of which \$21,980,000 is to be derived from the Land and Water Conservation Fund.

#### **PAYMENTS IN LIEU OF TAXES**

The President's Budget requests \$200,000,000. The Senate Omnibus Appropriations bill calls for \$210 million in funding. Public Law 94-565 authorizes payments in lieu of taxes 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. The President's Budget proposes transferring this account from the Bureau of Land Management to Departmental Management in recognition of the fact that it is not just BLM lands that are included as the basis of the PILT payment.

#### **GENERAL PROVISIONS**

Section 107 of the Budget provides that no funds provided may be expended by the Department of the Interior 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; the North Atlantic; Washington and Oregon; and the eastern Gulf of Mexico south of 26 degrees north latitude and east of 86 degrees west longitude.

Section 120 of the President's Budget provides that notwithstanding other provisions of law, the National Park Service may authorize, through cooperative agreement, the Golden Gate National Parks Association to provide fee-based education, interpretive and visitor service functions within the Crissy Field and Fort Point areas of the Presidio.

Section 202 provides that (a) None of the funds appropriated or otherwise made available may 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. (b) The costs of the Kesterson Reservoir Cleanup Program and the costs of the San Joaquin Valley Drainage Program shall be classified by the Secretary of the Interior as reimbursable or nonreimbursable and collected until fully repaid pursuant to the "Cleanup Program-Alternative Repayment Plan and the "SJVDP-Alternative Repayment Plan" described in the report entitled "Repayment Report, Kesterson Reservoir Cleanup Program and San Joaquin Valley Drainage Program, February 1995", prepared by the Department of the Interior, Bureau of Reclamation. Any future obligations of funds by the United States relating to, or providing for, drainage service or drainage studies for the San Luis Unit shall be fully reimbursable by San Luis Unit beneficiaries of such service or studies pursuant to Federal reclamation law.

Section 306. None of the funds in the President's Budget may be used to plan, prepare, or offer for sale timber from trees classified as giant sequoia (*Sequoiadendron giganteum*) which are located on National Forest System or Bureau of Land Management lands in a manner different than such sales were conducted in fiscal year 2003.

### **DEPARTMENT OF COMMERCE**

#### **ECONOMIC DEVELOPMENT ADMINISTRATION (EDA)**

The President's Budget requests \$33,377,000 in funding to administer the EDA, and \$331,027,000 for EDA grants. The Economic Development Administration (EDA) provides investments for public works facilities, other financial assistance, and planning and coordination assistance needed to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions. EDA also provides technical assistance, through a national network of 12 Trade Adjustment Assistance Centers, to certified U.S. manufacturing firms and industries economically injured as the result of international trade competition.

**NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION**

The Budget requests \$2,389,300,000 for the operations and programs under NOAA.

**PACIFIC COASTAL SALMON RECOVERY**

\$90,000,000 is requested for the program, as opposed to \$110 million under the President's FY03 Budget. The Senate Omnibus bill calls for a total of \$98,650,000 for the Pacific Coastal Salmon Recovery fund.

**Advanced technology program (ATP)**

The President's 2004 Budget proposes funding for administrative costs and close-out of the program.

**DEPARTMENT OF LABOR**

The budget proposes \$58.5 in total funding for the Department of Labor, which is a decrease of \$6.3 billion from the FY02 appropriation.

**TRAINING AND EMPLOYMENT SERVICES**

The Administration calls for \$5.2 billion for Training and Employment Services, which remains virtually the same as the FY02 appropriation. Elements of this program include:

- the FY04 budget proposal provides no federal money to fund migrant and seasonal farm workers, while FY02 appropriated \$117 million for such workers;
- the Administration proposes \$900 million to fund grants designed to provide financial assistance to States and territories to design and operate training and employment assistance programs for adults, including low-income individuals and public assistance recipients;
- the budget provides for \$1.469 billion in funding for grants to provide re-employment services and retraining assistance to individuals dislocated from their employment; and
- the budget proposal sets aside \$1.573 billion for Job Corps, a residential vocational training program for disadvantaged youth

**STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS**

Total funding for the State Unemployment Insurance and Employment Service Operations is requested at \$3.634 billion. The total includes:

- \$2.640 billion for State Administration which provides administrative grants to State agencies that pay unemployment compensation to eligible workers and collect State unemployment taxes from employers; and
- \$773 million to fund Reemployment Services grants to states, which finance the reemployment needs of unemployed workers who lose their jobs through no fault of their own and who need extra help finding a job.

**ENVIRONMENTAL PROTECTION AGENCY**

- The 2004 budget calls for total discretionary funding of \$7.627 billion, as compared to \$7.9 billion appropriated in FY'02.

-Environmental Programs and Management expenditures are set at \$2.19 billion. Of this total, \$196 million is proposed to fund waste management improvement, restoration and emergency response.

-The President's budget calls for \$3.1 billion in State and Tribal Assistance grants (\$863 below FY'02 levels) of which \$2.378 billion is requested for Clean and Safe Water Grants. These funds will be used as capitalization grants to States for The Clean Water State Revolving Fund and the Drinking Water State Revolving Fund. The Global and Cross-Border program funded at \$50 million in FY2004 (\$40 million above the FY'02 level) assists US-Mexico border states with environmental and human health management assistance of untreated, industrial and municipal sewage.

-The budget requests \$210.7 million to fund Brownfields cleanup and revitalization of contaminated sites throughout the US.

- The budget authorizes \$1.1 billion for general fund payments to the Superfund, an increase of \$424 million from FY02 allocations, to cleanup hazardous waste sites.

## **NATIONAL SCIENCE FOUNDATION**

The Bush Administration proposes to increase spending for the National Science Foundation in FY04 to \$5.48 billion, a substantial boost from the FY 2002 level of \$4.8 billion.

Comparing FY'02 actual appropriations to the FY'04 budget request for NSF: Biological sciences funding would rise from \$510 million to \$562 million; Computer and Information Science and Engineering funds would increase from \$515 million to \$584 million; Engineering would climb by \$66 million to \$537 million; Geosciences funds would increase from \$610 million to \$688 million; Mathematical and Physical Sciences funds would rise by \$81 million to \$1.06 billion; and funds for Social, Behavioral and Economic Sciences would rise by \$34 million to \$212 million.

Prior to any across-the-board cuts, the Senate-passed omnibus appropriations bill for FY 2003 would provide that total NSF funding would rise to \$5.26 billion, up from \$4.8 billion in 2002. Research and Related Activities funding would be set at \$4.1 billion.

## **NATIONAL AERONAUTICS AND SPACE ADMINISTRATION**

Funding for NASA would climb from \$14.9 billion in FY 2002 to \$15.5 billion in FY 2004 under the President's budget proposal. (The omnibus appropriations bill passed by the Senate would provide total funding of \$15.1 billion.)

### **SCIENCE, AERONAUTICS AND EXPLORATION**

The budget proposes an increase from \$6.5 billion to \$7.7 billion for Science, Aeronautics and Exploration activities. The prime beneficiary of the increase is the space science account, which would rise from \$2.9 billion in 2002 to \$4.0 billion in 2004. Earth Science funding would decline by \$40 million, from \$1.59 billion to \$1.55 billion. NASA expenditures for Biological and Physical Research would be slated to rise from \$824 million in 2002 to \$973 in 2004. For the Aeronautics program, the budget requests a reduction from \$997 million to \$959 million. And for Education programs, the budget proposes a reduction from \$227 million to \$170 million. (The Senate omnibus appropriations bill, prior to cuts, provides that the account for Science, Aeronautics and Technology would receive a total of \$9 billion in FY 2003.)

Budget text indicates that NASA intends to shift funding away from commercial space product development, and the budget proposes terminating the commercial technology program.

### **SPACE FLIGHT CAPABILITIES**

The President's budget proposes to reduce funding for Space Flight Capabilities from \$8.3 billion in FY 2002 to \$7.8 billion in 2004. Within the account, Space Flight funding would fall by \$663 million, from \$6.7 billion to \$6.1 billion, and Crosscutting Technology would rise from \$1.55 billion to \$1.67 billion. (The Senate's omnibus bill proposed that the account for Human Space Flight receive \$6.1 billion.) Space Flight is further broken down into three categories, with Space Station funds at \$1.7 billion, Space Shuttle at \$4.0 billion, and Space Flight Support at \$434 million.

It should be noted that the budget was drafted prior to the Space Shuttle Columbia disaster on February 1, and that these priorities may be altered in the future. Particularly affected may be the deferment of a Reusable Launch Vehicle to replace the Space Shuttle, for which the budget documents stated "NASA will need to operate the Space Shuttle longer. The budget provides additional funding to extend the Shuttle's service life."

Space Station funding language states, "While not yet complete, NASA has demonstrated progress in its efforts to reform the [space station] program. The agency has strengthened cost and management controls and secured independent reviews of Space Station cost estimates. 2002 was the first year that the program did not need to tap its reserves. Independent cost reviews ranked the program cost estimates as credible and commended the program for improved cost analysis. However, these independent cost estimates also showed that the Space Station program will likely need additional budget reserves to manage risks associated with the transition from Station development to its operation."

## **CORPS OF ENGINEERS**

The Budget requests a total program funding level of \$4,688,490,000 for Army Corps of Engineers-Civil Works projects focusing on providing engineering services to the country.

- \$1.35 billion would be used for the Corps' construction program in 2004;
- \$1.94 billion would be used for Operation and Maintenance activities;
- \$144 million for the Corps' Regulatory program; and
- \$70 million for Flood Control and Coastal Emergencies activities.

The President's budget requests \$16 million to fund three projects covered under Corps of Engineers Permanent Appropriations, including the mine debris restraining works and associated hydropower generation facilities at the Engelbert Dam, Yuba River in California.

A detailed six-page tabular list of specific Corps of Engineers projects for California may be viewed at the Corps website at <http://www.usace.army.mil/civilworks/cecwb/budget/>.

## **OTHER PROVISIONS**

### **PRESIDIO TRUST FUND**

\$20,700,000 is requested. The Senate Omnibus Appropriations bill provides funding of \$21,327,000.

### **HIGH INTENSITY DRUG TRAFFICKING AREAS PROGRAM**

\$206,350,000 million is requested for the High Intensity Drug Trafficking Areas Program (HIDTA), compared to the \$226 million estimated for FY02. The program provides funding for joint local, state, and federal initiatives in areas designated as HIDTAs. Los Angeles, Southern California, the San Francisco Bay Area, and the Central Valley have been designated as HIDTAs under the program.

## **GENERAL SERVICES ADMINISTRATION**

### **FEDERAL BUILDINGS FUND**

**New Construction** - For the San Diego Border Station is \$34,211,000 is requested.

**SUPPLY AND TECHNOLOGY COSTS** - To optimize operating costs, the Supply program completed consolidation of its distribution operations into two Distribution Centers at Stockton, California and Burlington, New Jersey, in January 2002. FSS is also relocating operations from Stockton, California to Sharpe Army Depot, California. The relocation will be accomplished by March 2003, allowing operating, transportation and space costs to be reduced by over \$9 million annually. Payback of an approximate \$20 million relocation investment will be within 3 years.

## **TAX PROVISIONS**

The President unveiled a \$674 billion/10 year economic stimulus package in January 2003. With the release of the President's Budget on February 3, 2003, the Treasury Department now estimates that the tax cut proposal will cost about \$1.5 trillion. An increase of \$21 billion over 11 years is attributed to a recent change allowing businesses to offset some 2002 earnings by their 2003 losses. Additionally, Treasury estimates that other proposals will cost \$800 billion over ten years, including \$523 billion to through 2013 the provisions in the 2001 tax bill that are set to expire in 2010.

The major items in the plan call for:

- accelerating all tax rate cuts included in the 2001 tax bill to 2003;
- excluding from taxable income all stock dividends;
- accelerating the marriage penalty relief to 2003;
- increasing the child tax credit to \$1,000 from the current \$600;
- accelerating the expansion of the 10 percent tax bracket;
- raising the amount for equipment purchases that small businesses can write off to \$75,000;
- establishing personal re-employment accounts that would give unemployed individuals up to \$3,000 to help defray the expenses of looking for employment; and
- establishing new after-tax "retirement savings accounts" and "lifetime savings accounts."

**CALIFORNIA FORMULA GRANT RECEIPTS, SELECTED PROGRAMS**

[State estimates as presented in President's Budget for FY 2004, Analytical Perspectives]

Grant Program	2002 Actual	2004 Est.	% of U.S.
National School Lunch Program	818,613	909,124	13.60
Special Supp. Nutrition for WIC	801,615	882,339	18.03
Food Stamp Program- State Matching	301,418	304,069	13.47
Title I Grants to Local Ed. Agencies	1,380,486	1,769,988	14.34
Special Education Grants to States	776,324	1,009,245	10.62
Vocational Rehabilitation Grants	243,137	252,173	9.45
State Children's Health Insurance (SCHIP)	528,467	548,808	17.28
Medicaid	15,417,626	16,773,353	9.84
TANF Family Assistance Grants	3,698,141	3,693,721	22.30
Child Support Enforcement	643,480	736,172	16.40
Child Care and Development Block Grant	243,602	239,515	11.41
Child Care & Devt (Mandatory)	85,592	85,592	6.93
Child Care & Devt (Matching)	202,346	192,511	12.99
Head Start	801,430	835,542	12.26
Foster Care - Title IV-E	1,088,647	1,183,534	23.79
Public Housing Operating Subsidy	112,608	111,161	3.11
Housing Choice Vouchers	2,041,365	2,548,340	18.73
Public Housing Capital Fund	124,321	94,686	4.07
Community Development Block Grants	484,817	521,004	16.80
SUBTOTAL - ALL GRANT PROGRAMS	29,794,000	32,691,000	12.08