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SPECIAL REPORT: *President's Budget Proposal for Fiscal Year 2007, California Implications - February 7, 2006*

On Monday, February 6, 2006, President George W. Bush released the Administration's Budget Proposal for Fiscal Year 2007, which begins October 1, 2006. The Budget proposes \$2.77 trillion for fiscal year 2007, and reduces non-security spending for the second straight year.

In more than 2500 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 attempts to provide a California-oriented analysis of the proposal, as 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/prbdg07.htm> or in Adobe Acrobat (pdf) format at <http://www.calinst.org/pubs/prbdg07.pdf>.

DEPARTMENT OF HOMELAND SECURITY

The FY2007 programmatic Budget request for the Department of Homeland Security is \$35.6 billion, an increase of \$2.3 billion (7 percent) over FY 2006.

Immigration

The Budget documents state that the President's Budget request includes \$10.5 billion for Customs and Border Protection and Immigration and Customs Enforcement to "improve border security and immigration enforcement, adding 1,500 Border Patrol agents (an increase of 12 percent over 2006) and more than 6,000 detention beds (an increase of 32 percent over 2006), and lays the foundation for immigration reform."

Citizenship and Immigration Services

The Budget proposes \$181.9 million for Citizenship and Immigration Services (CIS) as opposed to the \$114 million requested in FY06.

The Budget reiterates the President's call for a Temporary Worker Program and proposes a total of \$247 million from DHS programs and offices to implement a TWP, as well as \$42 million for additional immigration agents to increase worksite enforcement, and \$111 million to expand the employment verification system known as the Basic Pilot Program.

United States Visitor and Immigrant Status Indicator

Technology

The FY07 Budget proposes \$399.5 million for the US VISIT Program, as opposed to the \$340 million requested last year. The US-VISIT program collects, maintains, and shares information on foreign nationals, including biometric identifiers, through a system that determines when the individual: should be prohibited from entering the United States; has overstayed or otherwise violated the terms of admission; should be apprehended or detained for law enforcement action; or needs special protection/attention.

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The program currently collects two digital fingerprints and a digital photograph. In the future, first-time visitors will be enrolled in the program by submitting 10 fingerprints. DHS, in conjunction with the Departments of State and Justice, will implement this multi-year screening project and the 2007 Budget includes: a \$60 million increase for DHS for 10 print deployment and for interoperability with the FBI's fingerprint system, the Integrated Automated Fingerprint Identification System (IAFIS); a \$71 million increase for the FBI to upgrade IAFIS; and a \$10 million increase for the Department of State to begin implementing these new security measures.

Federal Law Enforcement Training Center

The Budget requests \$202.3 million, as opposed to the \$194 million requested in FY06. The request specifies that as funds are available, law enforcement training will be provided to certain State, local, and foreign law enforcement personnel on a space-available basis.

Additionally, the 2007 Budget provides new resources for FLETC to provide training for 1,500 new Border Patrol agents requested by U.S. Customs and Border Protection and 870 new detention officers and special agents requested by U.S. Immigration and Customs Enforcement as part of the Secure Border Initiative.

Immigration and Customs Enforcement

The Budget requests a total of \$4.2 billion as opposed to the FY06 estimated \$3.6 billion for FY06, an increase of 25 percent. According to the Budget documents, the 2007 Budget provides over \$3 billion dollars for the Border Patrol (an increase of 29 percent over 2006) including funding for 1,500 new agents. It includes \$100 million dollars for new technology, including portable imaging machines, cameras, sensors, and automated targeting systems that focus on high-risk travelers and goods.

The Budget also provides \$2.1 billion to support detention and removal efforts, including \$446.7 million for 6,700 new detention beds, 560 new detention officers and agents, and 18 new Fugitive Operations Teams (\$60 million) to identify, locate, and apprehend immigration fugitives. The request brings the total number of detention beds available to approximately 27,500. The increase in detention beds is intended to facilitate eliminating the practice of "catch and release." DHS will also work to cut the detention time for these aliens from approximately 30 days to 15 days.

The request also includes \$41.7 million to increase worksite enforcement efforts and \$38.5 million for 257 immigration attorneys to process the detained aliens.

The Budget also includes \$5 million for the 287(g) program, which provides State/local law enforcement officials with guidance and training in immigration law, helps State/local law enforcement agencies identify aliens who are in prison or applying for driver's licenses with fraudulent documents, and assists in State investigations and the detention and removal of illegal immigrants.

In addition, the request includes \$4 million for additional personnel for DHS' Law Enforcement Support Center, which checks and validates immigration status inquiries for State/local law enforcement. In addition, the Budget will expand a successful Federal/State partnership—Funding is also included to increase the number of fugitive operation teams that and to hire new compliance enforcement agents (\$10 million) to ensure that visitors who enter our country legally also leave the country when their visas expire.

Customs and Border Protection

The Budget proposes \$6.8 billion for Customs and Border Protection, as opposed to the \$6 billion estimated for FY06.

Construction - The FY07 request is for \$255.9 million, as opposed to the \$270 million requested in FY06.

Homeland Security Grants

The Department of Homeland Security would provide total state and local grants of nearly as much in 2007 (\$2.46 billion) as it did in 2006 (\$2.5 billion) under the President's Budget, but the mixture of funding would change substantially. Unlike 2006, when half of the funds were formula-based and the other half discretionary, the 2007 Budget proposes to make more than 90 percent of the funds discretionary. All but \$205 million would be left for DHS to allocate as it sees fit. Thus, it is likely that California's share of these funds would increase if this approach were implemented as proposed.

The Budget provides \$633 million for the State Homeland Security Grant Program (SHSGP), a reduction from \$950 million in 2006. (Note that in 2006, funds were divided between two programs – \$550 million for formula-based grants and \$400 million for law enforcement grants – but both grants used the same formula; no such division is proposed for 2007.) With the exception of the restriction that no state receive less than 0.25 percent of the funding, how the funds are distributed would be discretionarily left to DHS. As such, none of those funds would be subject to the 0.75 percent small-state-minimum – the "60-40" USA Patriot Act formula that provided Wyoming more than seven times as many grant dollars per person as California.

The President's Budget proposes \$838 million for Urban Area Security Grants (a.k.a. the Urban Area Security Initiative or UASI), an increase from \$765 million in 2006. All of these funds are, and always have been, discretionary.

The Budget proposes to consolidate funding for several smaller state and local grant programs, as well as to increase the total spent. The Administration proposes spending \$600 million for discretionary "Targeted Infrastructure Protection" grants in 2007, replacing \$390 million in disparate infrastructure protection funds (2006 totals had included \$175 million for port security grants, \$150 million for rail and transit grants, \$50 million for buffer zone protection grants, \$10 million for intercity bus security grants, and \$5 million for trucking grants).

The Administration would provide \$180 million for technical assistance and training and exercises, a reduction from \$346 million in 2006, and it would consolidate into this account the Commercial Equipment Direct Assistance Program (CEDAP) grants, which had provided \$50 million for small and rural areas in 2006. It would also reduce funds by more than half, to \$294 million, for DHS firefighter grants, a program that yields relatively little for California (the state received just 4 percent of 2003 funding).

Under the President's plan, only \$205 million for two programs, the \$170 million Emergency Management Performance Grants program and the \$35 million Citizen Corps program, would remain subject to the 60-40 USA Patriot Act formula that fiscally shortchanges California.

Federal Emergency Management Agency

The Budget includes \$3.1 billion for FEMA activities, an increase of \$363 million over the 2006 level. Further, \$1.94 billion is requested for the Disaster Relief Fund to cover disaster response and recovery costs. This is an increase of \$189 million over last year's level and is based on average disaster response costs for small- and medium-scale disasters over the last five years. The Budget also requests nearly \$70 million in additional funding for FEMA's primary operational accounts to improve operational and oversight capacities and to enhance alert and early warning systems.

Pre-Disaster Mitigation

\$150 million is proposed for Pre-Disaster Mitigation grants, an increase of \$100 million over the FY06 enacted level. The Budget documents state that "funding requested through this account will be dedicated to competitive grants for pre-disaster mitigation operating independently of the Disaster Relief programs, assuring that funding remains stable from year to year and is not subject to spikes in disaster activity."

General Provisions

The Budget deletes two provisions in last year's request making certain repairs in Paso Robles, CA and El Dorado County, CA. eligible for funding under FEMA's Public Assistance Program.

DEPARTMENT OF DEFENSE

The President proposes to raise discretionary Budget authority for the Department of Defense from \$411 billion in 2006 to \$439 billion in 2007, a 6.8 percent increase from 2006. These totals exclude emergency supplemental appropriations, however, which were shown at \$126 billion in 2006 -- \$56 billion already appropriated, and an estimated \$70 billion still to come -- and another supplemental request is estimated for 2007 at \$50 billion. With the addition of those amounts, total defense discretionary BA is expected to decrease from \$537 billion in 2006 to \$489 billion in 2007.

Excluding any amounts in the supplementals, the largest proportional increases in Pentagon spending would be slated for procurement and for operations and maintenance (O&M). Defense procurement would increase from \$76.2 billion to \$84.2 billion (a 10.5% rise), and O&M would grow from \$142.6 billion to \$152.3 billion (a 6.8% increase). Although the state's proportional share is smaller today than in recent history, California nevertheless typically receives a relatively large portion of procurement spending growth. However, the procurement increases are not proposed for the state's most lucrative area, aircraft and aerospace.

California might be expected to benefit somewhat from the small increase proposed for the Defense R&D Budget, which would rise from \$71 billion to \$73.2 billion. However, the changes offset growth in engineering and manufacturing development with reductions in basic and applied research and advanced technology development. Also increasing, but probably not likely to inure substantially to the state's benefit, is the military construction Budget, which would jump sharply from \$8 billion to \$12.6 billion.

California's defense procurement advantage is particularly strong in aircraft and missile activities, and some significant changes are proposed there. Navy aircraft procurement would see a sharp rebound in spending for combat aircraft, rising from \$4.7 billion to \$6.9 billion. (The account had seen a sharp drop from a high of \$7.9 billion in 2005.) The "other" Navy aircraft category would drop off sharply, from \$929 million to \$179 million.

Funding for modification of Navy aircraft would slide slightly, from \$1.60 to \$1.54 billion. Navy weapons procurement would be relatively flat, but would include an increase from \$835 million to \$906 million for ballistic missile procurement.

As part of an overall Air Force aircraft procurement spending reduction from \$14.1 billion to \$13.2 billion, the FY 2007 Budget proposes a sharp reduction, from \$5.6 billion to \$4.4 billion, for procurement of Air Force combat aircraft. A slight reduction is proposed for Air Force cargo aircraft (the account that includes the C-17) from \$3.1 billion to \$2.9 billion. However, funds for modifying in-service aircraft would rise by \$479 million, to \$3 billion.

The Budget would delete a provision in the 2006 spending bills that had allowed for a multi-year procurement of the C-17 "Globemaster" cargo aircraft built in Long Beach, a change in line with the Administration's desire to wind-down the program. The bipartisan California Congressional delegation has worked to maintain production of the aircraft and keep the assembly line operation.

The Budget also proposes canceling the Joint Strike Fighter alternate engine program. In separate language, the Budget notes that it expands the Predator Unmanned Aerial Vehicle force from 12 to 21 orbits.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

The President's Budget proposes \$65.9 billion in discretionary Budget authority for the Services, which is \$1.5 billion less than FY06 funding. The Budget funds the entire Department, including mandatory funding obligations, at \$698 billion, which is \$59 billion more than FY06 enacted levels.

Food and Drug Administration

The President's FY 2007 Budget proposes \$1.98 billion for the FDA, \$70 million more than FY06 funding.

Health Resources and Services Administration

The President proposes \$6.3 billion for the Health Resources Administration, which is \$321 million less than FY06 funding. Ryan White HIV/AIDS activities would receive a proposed funding level of \$2.1 billion, which is \$95 million more than FY06 funding. Budget support materials outline plans for the reauthorization of the Ryan White program. The Administration calls for focusing resources on life extending care, greater flexibility and expanding access to minority communities that experience the greatest need, and better demonstration of progress and results within the program.

Indian Health Services

Under the Indian Health Services account, the President's Budget provides \$2.8 billion for Indian Health programs.

Centers for Disease Control and Prevention

Included in the Budget proposal is \$5.8 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 FY06, the Centers received \$5.9 billion in funding, \$67 million more than the proposed level in the Budget. (This is after calculating the cuts to the agency from P.L. 109-148 approval).

National Institutes of Health

The Budget proposal includes \$28.4 billion for the National Institutes of Health, which is \$18 million more than FY06 funding (P.L. 109-148 took a permanent cut of \$287 million from the program).

Substance Abuse and Mental Health Services

Substance Abuse and Mental Health Services are funded at \$3.1 billion in the President's Budget, which is \$71 million less than FY06 funding (when factoring the permanent cuts imposed by P.L. 109-148, the reduction from the prior year would come to \$103 million).

Centers for Medicare and Medicaid Services

The President's Budget request anticipates mandatory outlays of \$594 billion for the Center for Medicare and Medicaid Services in 2006, which would be a \$58 billion increase from 2006. (When observing mandatory programs, outlays are examined rather than Budget authority.)

Medicaid - The Budget predicts federal spending of approximately \$201 billion for Medicaid Grants to States in 2007. California receives slightly more than 10 percent of that amount, or about \$20 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 President's Budget proposes to use regulatory means to reduce spending on Medicaid, indicating that the Administration intends to save more than \$12 billion via Medicaid cuts. Importantly for California, the most immediate cuts in Medicaid would come from limitations set on Medicaid Disproportionate Share Hospital (DSH)

payments, which are made to hospitals (many of which are in California) that serve large numbers of indigent patients.

HHS estimates that it will save \$384 million in 2007 by "curbing questionable practices by recovering federal funds that are diverted from government providers and retained by the State." The proposal would limit payments to government providers at "no more than the cost of furnishing services to Medicaid beneficiaries."

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.

Payments to Healthcare Trust Funds Payments to the Hospital Insurance and Federal Supplementary Medical Insurance trust funds are used to finance Medicare's medical and drug benefits for those qualifying for assistance. The Administration proposes to transfer \$3.1 billion from these accounts to pay for such services. The Budget establishes reforms that will encourage competition, efficiency and productivity in health care, such as requesting that at least 7 Medicare contractors take administrative control of Medicare claims processing activities by the end of the 2007 calendar year. Another is to authorize the Secretary to charge a fee for conducting revisit surveys performed on healthcare facilities cited as deficient. Amounts collected from the trust funds may be reduced by the amounts collected by the fee's collection, according to the proposal. Total proposed funding for Medicare in FY 2007 is \$3.3 billion, \$38 million greater than the FY 2006 enacted figure.

State Children's Health Insurance Program (SCHIP) - The Administration's Budget anticipates SCHIP appropriations of \$5 billion in 2007. California received 16.8 percent of SCHIP funds in 2004, a total of \$534 million of the nation's \$3.1 billion total. SCHIP authorization law is scheduled to expire in FY 2007.

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- Actual new discretionary Budget authority dipped from last year's \$707 million to a proposed \$468 million for this account. A requested \$71.2 billion in mandatory spending from trust fund resources would more than make up for this reduction by adding \$24.2 billion to last year's enacted total. FY 2007 appropriations would reach \$71.2 billion under this Budget proposal.

Administration for Children and Families

For the Administration for Children and Families, the President's Budget proposal would provide \$12.3 billion in discretionary funds, \$1.4 billion less than FY06.

TANF - The mandatory federal welfare program now known as TANF (Temporary Assistance for Needy Families) would receive level funding of \$16.5 billion in 2007. 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 a \$100 million healthy marriage and family formation competitive and matching grant for FY 2007. It would also maintain annual appropriations for the supplemental grants for population increases program through 2008. The Budget proposes to revise the TANF contingency fund, and turn it into a \$232 million mandatory program, that would be more accessible. DRA included \$150 million for healthy marriage and responsible fatherhood competitive grant programs, which is retained in the Budget proposal.

Payments to the States for Child Support Enforcement and Family Support Programs - The Administration proposes funding of \$3.9 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 \$2.78 billion, of which \$1.7 billion would be available to states under the formula block grant system of allocation and \$1 billion would be directed to states in the form of mandatory grants. 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. It is unclear how the Administration would distribute the \$1 billion mandatory LIHEAP funds contained in the FY 2007 Budget.

Refugee and Entrant Assistance - The Budget includes \$615 million for Refugee and Entrant Assistance, which is an increase of \$45 million from FY06 funding.

Child Care Entitlement to States - The proposed Budget recommends a \$2.97 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 \$2.1 billion.

Social Services Block Grant - The proposed Budget requests a \$1 billion or 55 percent cut to the Social Services Block Grant (SSBG). FY 2007 funding would shrink to \$1.2 billion, under the Budget plan.

Children and Families Services Program - The President's Budget includes \$8.3 billion for Children and Families Services Program, which is \$710 million less than FY06 funding. Most of the cuts come from the proposed elimination of the \$631 million Community Services Block Grant, the Rural Community Facilities and the Community Services discretionary programs, all programs the Administration tried to axe in the last Budget proposal. According to Budget language, these programs are eliminated due to poor program performance. Head Start would be reduced by \$90 million compared to its FY06 level, coming to a total of \$6.786 billion in FY2007. California's share of Head Start is slightly more than 12 percent. The Budget also proposes the establishment of a \$37 billion abstinence education program.

Payments to the States for Foster Care and Adoption Assistance - The President's Budget proposal includes \$6.9 billion for Payments to the States for Foster Care and Adoption Assistance, which is \$233 million more than FY06 funding. Within these funds are \$4.8 billion for Foster Care, \$140 million for independent living activities, and 2 billion for Adoption Assistance. In recent years, California has received more than 25 percent of federal foster care entitlement spending. The Budget also includes a \$32 million legislative proposal available to all states that would establish an alternative financing system for child welfare that is said to better meet the needs of each state's foster care population. States choosing to participate face far fewer administrative burdens and will receive funds in the form of flexible grants.

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, a \$28 million reduction from FY 2006 appropriations.

DEPARTMENT OF INTERIOR

The Budget proposes \$10.1 billion in discretionary authority for the Department of the Interior, about the same as last year's request and less than the \$10.77 billion estimated for FY06.

Oregon and California Grant Lands - \$112.4 million is requested for the management of these lands, as opposed to the \$110 requested last year. \$107 million is proposed for payments to the 18 Oregon & California counties as required by the Secure Rural Schools and Community Self-Determination Act.

Wildland Fire Management - \$769.6 million is proposed versus the \$766.6 proposed in FY06. The program funds preparedness, fire suppression operations, hazardous fuels reduction and other related activities. The Budget proposes to eliminate the state and local fire assistance program, begun in 2001, which provides financial support through cost-shared grants to local and rural fire protection districts that protect small communities. The Budget states that the program is duplicative of existing fire assistance grant programs within the Department of Homeland Security and the Forest Service. Instead, the Interior Department will focus more of its fire preparedness resources on training and certification of local firefighters so that they are qualified to assist on federal fires.

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. \$7 million in new authority is requested in FY07, as opposed to the \$6 million estimated for FY06.

Bureau of Reclamation

The Budget proposes \$890 million in funding for BOR, as opposed to the \$1.0 billion estimated for FY06. \$833 million is proposed for Water and Related Resources Funding, which is \$50 million less than last year's \$883

million. This account supports the development, management, and restoration of water and related natural resources in the 17 Western States.

Central Valley Project Restoration Fund - The Budget proposes \$41.5 million in CVP funding for FY07, versus the \$52.2 estimated for FY06.

San Gabriel Basis Restoration Fund - The Budget proposes no new funding for FY07. 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.

Fish and Wildlife Service

The Budget proposes about \$1.29 billion for the U.S. Fish and Wildlife Service, roughly the same as last year's Budget request for about \$1.3 billion.

National Park Service

The FY07 request is for \$2.16 billion, whereas last year's request for the National Park Service was about \$2.26 billion.

Payments in Lieu of Taxes (PILT)

The Budget proposes \$198 million, as opposed to the \$236 million in FY06. 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

Indian Land and Water Claim Settlements - Funds available will be used for the settlement of reservation lands between the Hoopa Valley Tribe and the Yurok Indians in northern California.

General Provisions

Funding is 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 FY07 Budget request that was included in FY06 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 CALFED Budget Crosscut for Federal fiscal years 1998 through FY 2007 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 FY07 Budget proposes total new CALFED funding of \$38.6 million, a \$1.6 million increase over FY06. The Administration projects that total across-the-board agency expenditures for CALFED-related activities will be about \$202 million in FY07.

For more specific information on the CALFED crosscut Budget and specific project funding, go to <http://www.gpoaccess.gov/usBudget/fy07/spec.html>.

DEPARTMENT OF JUSTICE

The Budget requests \$20.7 billion for the Department of Justice, as opposed to the \$20.9 billion for FY06. A new National Security Division is proposed by the Budget to be funded at \$67 million.

Federal Detention Trustee Program -The Budget documents note that as part of the efforts to reduce detention costs, the Detention Trustee has implemented pilot programs to automate the sentencing-to-commitment process and accelerate movement to Bureau of Prisons (BOP) facilities. The automated pilot program, e-Designate, has been implemented in Southern California, as well as other areas of the country. The program accelerates the process required to designate a prisoner to a BOP facility. National roll-out will begin in the last half of 2006 and continue through 2007.

Office of Justice Programs, COPS, Office on Violence Against Women

The FY07 Budget calls for a major reorganization of justice assistance programs. It proposes consolidating the following programs into the Justice Assistance program: State and Local Law Enforcement Assistance; Weed and

Seed; Juvenile Justice Programs; Public Safety Officers' Benefits; and Justice Assistance. The Budget shows a decrease in funding for the Office of Justice Programs (OJP), Community-Oriented Policing (COPS) program, and Office on Violence Against Women from the FY06 figure of \$2.4 billion to \$1.2 billion for FY07.

SCAAP - The President's Budget proposes eliminating the State Criminal Alien Assistance Program, as it has for the last few years. The enacted FY06 appropriations bill, however, includes \$405 million in SCAAP funding. California receives about 40 percent of SCAAP funding. Of the \$301 million appropriated in FY05, California's state and local governments received \$121 million.

Included in the Justice Assistance funding are the following:

- **Southwest Border Prosecutor Initiative** - The Budget proposes \$29,757,000 for the program, as opposed to \$48.4 million proposed in FY06 funding.

- **Project Safe Neighborhoods** - \$165,860,000 is requested for this program to centralize coordination efforts, and assist communities and private citizens in protecting neighborhoods against the threats of violent crime, gang-related violence and drug trafficking.

- \$175,930,000 is requested to assist in reducing juvenile delinquency and crime.

Byrne Memorial Grants - The Budget proposes eliminating Byrne grants. FY06 funding for this program was over \$416 million.

DEPARTMENT OF TRANSPORTATION

In FY2007, the President proposes a \$63.6 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.

Transportation Planning Research and Development

The 2007 Budget recommends a \$8.9 million appropriation to finance research activities and studies concerned with planning, analysis, and information development needed to support national transportation policy formulation. This would represent a cut of \$6.1 million from the prior year's appropriation.

Federal Aviation Administration

The President's Budget requests \$13.7 billion in Federal Aviation Administration (FAA) Budget authority, sub-allocated in the following way: \$8.4 billion for operations; \$2.7 billion for Grants-in-aid for Airports expenses; \$2.5 billion for facilities and equipment programs; and \$130 million for research, engineering and development. The proposed FAA level would be a \$142 million cut from the FY2006 enacted amount. FAA appropriations would shrink for the second consecutive year if the proposed amount is adopted by Congress. The Airport and Airway Trust Fund which uses passenger ticket taxes and other excises to partially fund FAA programs is projected to lose over a billion dollars in unexpended resources by the start of FY2007, according to the Budget.

Federal Highway Administration

The 2007 Federal Highways Administration (FHWA) Budget includes \$42 billion in new Budget authority (roughly a \$6.3 billion increase from the prior funding level), and \$38.7 billion in obligation limitations for federal-aid highway programs. Going by prior year calculations, California is estimated to receive 9.45 percent of total highway planning and construction distributions in 2007.

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.

Federal-Aid Highways (FAH)

\$39,086,464,683 is requested for Federal-aid highways and highway safety construction programs for FY 2007. The president proposes to keep highway formula program spending in line with SAFETEA-LU authorizations.

Federal Motor Carrier Safety Administration

The 2007 Budget requests \$294 million for Motor Carrier Safety Grants. Of this amount, \$197 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 \$5

million allocation is proposed for the PRISM program which helps states monitor unsafe commercial vehicles. Furthermore, the 2007 Budget requests \$223 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):

\$815 million is appropriated for this agency an increase of \$9 million from the 2006 estimated appropriation. These funds are split with \$231 million proposed for operations and research expenses, while \$584 million is set aside for grants to states to fund targeted highway safety projects and initiatives.

Federal Railroad Administration (FRA)

The President proposes \$1 billion to support FRA programs, this includes \$900 million for the National Railroad Passenger Corporation (Amtrak), although funds for Amtrak would be limited to efficiency incentive grants and debt servicing costs. Starting in 2006, federal support for the passenger rail system was divided into capital, operating and efficiency grants. The amount requested for Amtrak includes zero funds for operating subsidies, a cut of \$490 million from the prior year's enacted estimate, although Budget language notes that operating expenses are expected to be funded from Amtrak's efficiency account. The Budget release notes that the Secretary of Transportation would continue to use expanded oversight authority. The Secretary is also tasked with assessing train route costs in the Northeast Corridor, providing grants to intercity passenger rail systems that may experience operating losses not covered by Amtrak. Amtrak is also required to institute savings through operational reforms and the Inspector General is expected to keep a detailed account of the financial impact of these reforms and to report to Congress.

The '07 Budget recommends no funds to support Next Generation High Speed Rail activities and proposes to eliminate the Railroad Rehabilitation and Improvement Financing loan program. The loan program which was recently expanded, could prove to be a liability for the federal government, since no safeguards exist to protect the DOT from defaulting borrowers, according to Budget materials.

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 2007 Budget proposes \$8.875 billion for transit formula and discretionary programs, an increase of \$371 million from the 2006 enacted level.

Research and University Research Centers

The Budget proposes a \$61 million allocation for transit research programs, a cut of \$13 million from prior appropriations.

Capital Investment Grants

New Starts and Small Starts project funds are sourced to the Capital Investment Grants account. Under the Budget blueprint, \$1.47 billion is provided to finance New Starts projects which are capital investments to establish or extend fixed guideway transit systems (a slight increase from \$1.46 billion in 2006. Although it does not earmark funding for any specific projects, the Budget documents acknowledge 2006 funding provided in the Congressional appropriations bills for FY 2006 for several projects, shown here:

- ACE Gap Closure San Joaquin County, \$5,000,000
- Metro Goldline Eastside Light Rail Extension, \$80,000,000
- Mission Valley East, San Diego, \$7,700,000
- Oceanside Escondido Rail Project, \$12,210,000
- San Francisco BART Extension to SFO, \$81,860,000
- San Francisco Muni Third Street Light Rail Project, \$25,000,000
- Santa Barbara Coast Rail Track Improvement Project, \$1,000,000
- Silicon Valley Rapid Transit Corridor Project, Santa Clara County, \$6,500,000

It is important to note that these FY 2006 funding levels are not actually deleted by the FY 2007 budget, but are simply not repeated for the new fiscal year.

In a separate document, FTA proposes new FY 2007 funding for four of these projects. In practice, however, Congress typically earmarks all of the New Starts funds, setting aside these FTA proposals. Nevertheless, the FTA's proposed funding levels, with three of the four projects in wind-down phase, are as follows:

- Metro Goldline Eastside Light Rail Extension, \$100 million
- Mission Valley East, San Diego, \$806,654
- Oceanside Escondido Rail Project, \$684,040
- San Francisco BART Extension to SFO, \$2,424,694

Transit Formula Grants and Research:

The 2007 Budget proposal reflects accounting changes included in the SAFETEA-LU transit reauthorization plan made law in 2006. This account, funded from the Mass Transit account of HTF, would encompass research programs, Job Access and Reverse Commutes (JARC) grants, urbanized area formula (UAF) grants, fixed guideway modernization (FG MOD) grants, nonurbanized area (NAF) grants, Elderly and Persons with Disabilities (EPD) grants and a new freedom disabled persons transit support program, among other initiatives. The Budget proposes \$3.95 billion for UAF, of which California typically receives 17 percent. FG-MOD is Budgeted \$1.45 billion, of which California receives 12 percent of total apportionments, Bus and Bus Facilities discretionary levels are set at \$855.5 million, most of which are earmarked for distribution in SAFETEA-LU language (California's share of the 5 year total is 9.7 percent). NAF funds are proposed at \$446.9 million for FY 2007 (CA-- 4.3%), JARC formula grants are set at \$144 million (CA--17%), while EPD would receive \$117 million (CA--11.2%) and New Freedom's (CA--12.2%) Budget is limited to \$81 million. The Clean Fuels discretionary grant program is Budgeted \$45 million to improve and accommodate buses powered by low or zero-emission technology. No earmarks are contained in this segment of the Budget.

DEPARTMENT OF EDUCATION

Total Budget authority for the Department of Education would decline by more than \$2 billion, from \$56.5 billion to \$54.4 billion. The apparent reduction is actually due primarily to the fact that Pell Grant expenditures for 2006 appeared to have exceeded expected spending, and a special Pell Grant increase of \$4.3 billion was required to compensate for the loss. Factoring out the Pell Grant fluctuation, other Department of Education spending is proposed to increase by nearly \$5 billion.

Elementary & Secondary Education Programs

Grants to local education agencies, better known as "Title I" grants, would receive essentially level funding (a decline of \$17 million) at \$12.7 billion. The Budget would provide a slight decrease of \$6.8 billion for Title I basic grants (a reduction of \$128 million), and level funding of \$1.365 billion for Title I concentration grants, \$2.27 billion for targeted grants, and an identical \$2.27 billion for education finance incentive grants (EFIG). (California receives its largest proportional share of Title I funding from targeted grants, then, concentration grants, then basic grants, and lastly EFIG.)

Most other K-12 areas would see funding remain stable, except that the Budget would increase funding by \$100 million for Part B State Grants under the Individuals with Disabilities Education Act (IDEA). In addition, the safe and drug free schools program would be reduced from \$569 million to \$216 million.

The Budget proposes nearly \$1.5 billion for a new "high school reform" proposal. The funding would replace funding for several programs, including GEAR UP, TRIO Upward Bound, TRIO Talent Search, and Vocational Education.

A new program, entitled the American Competitiveness Initiative and focused on mathematics and advanced placement education, would be funded at a total of more than \$400 million.

Vocational Education

The president's Budget requests \$1.37 billion for vocational education programs and adult learning aid, which would represent a \$621 million cut from the prior year's enacted level.

Adult Literacy for Immigrants

The president proposes that of \$564 million in state adult education assistance grants, that \$68 million in language literacy assistance be distributed to states using a formula. That formula specifies that 65 percent of the grant will be apportioned based on a state's 10-year average share of legal permanent resident immigrants admitted, and the remaining 35 percent will be based on legal permanent immigration growth rates over the past three years. Each state is granted a minimum apportionment of \$60,000, according to the proposal.

Higher Education

The Budget proposes \$95 million or level funding for Hispanic Serving Institutions (HSIs).

Office of Federal Student Aid

The Budget recommends \$14.5 billion for student assistance programs, a \$4.7 billion cut from the prior year's enacted level.

Pell Grants

The maximum Pell grant award would remain fixed at \$4,050 under the FY 2007 Budget blueprint, meanwhile the average amount is projected to increase by \$18 to reach \$2,463 per student. Overall Pell grant funding would grow by roughly \$240 million to reach a total spending figure of \$13 billion, under the proposal. Merit based academic competitiveness grants would also increase to \$850 million for FY 2007. Furthermore, the president would make Pell grants available year-round, would eliminate tuition sensitivity, and would limit Pell grant availability to a maximum of 18 semesters. Tuition sensitivity elimination would have improved California's share of Pell grants by \$12.5 million in 2001, according to the California Community Colleges. California received 11.9 percent of Pell grants to states in FY 2004.

Many of these Pell grant-related provisions were included in a House higher education reauthorization measure (HR 609) considered last year, that was not enacted by Congress. It is expected to be revived again this year. The Debt Reconciliation Act of 2005 which was signed into law last week contained several student loan restructuring provisions and established a new mandatory Pell Grant supplement program for eligible science, math, and foreign language students. The Budget refers to funds for this program as academic competitiveness grants.

Campus Based Aid Programs

CBAs 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 unflattering share of CBA apportionment programs 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. California's share is historically no more than 10.4 percent of CBA grants. The Budget proposes level funding for SEOG and FWS programs recommending \$976 million for SEOG and \$1.2 billion for FWS. The Budget recommends slashing the Perkins loan program by just over \$1 billion to under \$133 million. The Administration notes its intention to phase out the Perkins program which it calls inefficient and duplicative.

LEAP

The Budget recommends eliminating the Leveraging Educational Assistance Partnership or LEAP grants. Funded at \$165 million in FY 2006, 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.

Student Loans

The federal government appropriated over \$60 billion in Direct Loans (DL) or Federal Family Education Loans (FFEL) in FY 2006. DL's account for 23 percent of loan volume activity, while the most popular loan program remains FFEL. The Budget estimates that \$23 billion will be made available in FY 2007 for DL disbursements and \$74 billion will be available in FFEL disbursements.

DEPARTMENT OF AGRICULTURE

The President has requested \$322 million for protecting America's agriculture and food supply by improving the Department's ability to protect, respond to, and recover from incidents of diseases, pests, or poisonous agents.

U.S. Forest Service

The Northwest Forest Plan, which includes northern California, is provided an increase of \$41 million for the Forest Service timber sales component of the Plan in the 2007 Budget. This funding will allow for 800 million board feet of lumber to be harvested from Forest Service lands. Since 2001, the volume of timber offered by the Forest Service in the Pacific Northwest has increased from 136 million board feet to 415 million board feet in 2005. 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."

Crop Subsidies

The Budget proposes to reduce all crop payments to farmers by five percent, including payments to farmers from all commodity programs, such as marketing loans, direct and counter-cyclical payments, and the Milk Income

Loss Compensation (MILC) program, and it would require subsidy recipients to buy crop insurance (thereby mitigating potential federal disaster relief payments).

Dairy

The dairy industry would be the subject of a number of the changes. The Budget proposes to require USDA to achieve effective dairy price supports at the "least possible costs to the taxpayer" by changing laws to require dairy product prices set by USDA to minimize costs, and allow purchases only when reported prices are below the support rate. It would also initiate a dairy assessment of three cents per hundredweight of milk produced would be paid by all dairy producers on all of their production. The Budget assumes increase from \$2 million to \$35 million the funding for a dairy export incentive program; favorable market conditions in recent years obviated the need for payments, but the USDA predicts a change in 2007.

Market Access Program

For cost savings purposes, the Budget proposes to reduce funding for the Market Access Program (MAP) from \$200 million to \$100 million. California agriculture interests have been heavy users of MAP, which seeks to develop and expand commercial export markets for U.S. agricultural products.

Conservation

A total of \$744,877,000 is proposed for natural resource conservation service purposes in the Budget for 2007. Under this section, water conservation activities at the Klamath Basin, located in California and Oregon, is funded at \$50 million over a six year period, as authorized by the Food Security Act of 1985.

Although no money was allocated for the Tree Assistance Program (TAP) for 2005 or 2006, and no funding was requested in the 2007 Budget, producers in Southern California were paid \$742,665 during FY 2005 from FY 2004 obligations for losses due to wildfires.

Under the 2005 Emergency Conservation Program, cost sharing and technical assistance were provided to 45 states to treat damage resulting from natural disasters. California, a recipient of services under this program, received \$1.6 million for flood damage in the southern part of the state.

National Forest Land Acquisition

The land acquisition account within the exterior boundaries of various national forests, including the Angeles, San Bernardino, Sequoia, and Cleveland National Forests in California, is provided \$1.05 million, to be derived from forest receipts, about the same as FY06. 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 \$1.76 billion for Wildland Fire Management, about \$10 million less than the FY06 funding.

Animal and Plant Health Inspection Service

The proposed Budget funds the Animal and Plant Health Inspection service at \$945 million. Of those funds, the Budget allocates \$340 million for pest and disease management programs, \$324 million for plant and animal health monitoring, and \$321 million for pest and disease exclusion. 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 FY07 Budget.

Research

For FY 07, the Budget proposes \$1 billion for the Agricultural Research Service, about \$134 million than the FY06 funding. Within the Budget, special research grants were provided with \$32 million. 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.

Nutrition Assistance Programs

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 \$5.2 billion in the 2007 Budget.

In step with the President's Ownership Society initiative – which seeks to enable low-income people to save for retirement even when they have an immediate need for food stamps – the Budget proposes to exclude all retirement savings in determining whether a household is eligible for food stamps.

DEPARTMENT OF ENERGY

The Budget includes approximately level-funding for the Department of Energy, a total of \$23.6 billion for fiscal year 2007. Of that spending, \$9.3 billion (an increase of \$200 million) would be provided to the National

Nuclear Security Administration, which stewards the nation's nuclear stockpile and includes the federal energy laboratories.

Science and technology funding, administered by the DOE Office of Science, would increase more than \$500 million, from \$3.6 billion to \$4.1 billion. Within the account, the President proposes to increase spending from \$290 million to \$319 million for fusion energy sciences, from \$721 million to \$775 million for high energy physics, from \$368 million to \$454 million for nuclear physics, from \$235 million to \$319 million for advanced scientific computing research, from \$43 million to \$51 million for science laboratory infrastructure, and -- most substantially -- from \$1.1 billion to \$1.4 billion for basic energy sciences. Only one major area, biological and environmental research, was slated for a decrease, from \$591 million to \$510 million. The high-energy physics request was cited as maintaining funding for the "B-Factory" project at the Stanford Linear Accelerator Center.

The President's Budget specifically highlights fusion energy, a lucrative research area for California. The Budget states that, "In January 2003, President Bush committed the United States to participate in negotiations on the largest and most technologically sophisticated energy research project in the world—the International Thermonuclear Experimental Reactor (ITER)," which it states "will advance progress towards developing fusion's potential as a commercially viable and clean source of energy near the middle of this century." The FY 2007 Budget provides \$60 million in equipment research, design, and fabrication activities for the United States' in-kind contributions for ITER.

The Budget documents note that it includes funding for the nanoscale science research centers (NSRCs), one of which is located at the Lawrence Berkeley National Laboratory, and for a NSRC co-located at Sandia and Los Alamos national laboratories. The request also includes \$105.7 million for construction of the Linac Coherent Light Source at the Stanford Linear Accelerator Center, and \$44.9 million for hydrogen and fuel cell research as part of the President's Hydrogen Initiative. DOE Budget language (under fusion energy sciences) also provides for support of continued operation of DIII-D, which is operated by General Atomics in San Diego.

The Budget notes that the final settlement related to the federal government's divestiture of the Naval Petroleum Reserve at Elk Hills in Kern County has been completed (the last payment was made in FY 2006 to compensate California's State Teachers Retirement System for the 9 percent interest it had held in lands within the reserve). The Budget notes, however, that the most significant post-sale activity remaining is "the settlement of ownership equity shares with the former unit partner, Chevron USA Inc.," as well as environmental remediation and cultural resource activities. The Budget includes \$19 million for reserve accounts, but none of those funds are to be used for Elk Hills activities, which were concluded with \$36 million in 2005 funding and \$48 million in 2006 funding. Additional funds related to share ownership and remediation may be requested at a later time. (In addition, the Department of Energy Budget appendix notes that "The Buena Vista Hills Naval Petroleum Reserve 2 in California was transferred via the Energy Policy Act of 2005 to the Department of the Interior in August 2005.")

NASA

The Budget proposes spending \$16.8 billion for the National Aeronautics & Space Administration (NASA), a slight increase from \$16.6 billion in 2006. California perennially receives a large portion of NASA expenditures. The Administration recommends restructuring NASA funding, moving funds from various science and research accounts into a new, consolidated account for science programs.

The President's Budget would add more than \$1 billion to space flight, research and supporting activities, increasing function spending from \$8.7 billion to \$9.8 billion. (Combined with revenues the government expects to receive, total discretionary Budget authority would grow from \$9.2 billion to \$10.2 billion. (Within the account, however, spending for air transportation would decline, from \$929 billion to \$723 billion.)

For specific programs, the Budget continues the process of consolidation, making apples-to-apples comparisons difficult. For example, while the NASA science item appears to increase from \$4.7 billion to \$5.3 billion, it is accompanied by the simultaneous elimination of \$672 million in funding for space science and \$240 million for earth science.

The other major function in the NASA Budget -- exploration capabilities -- would be reduced from \$6.9 billion to \$6.2 billion in the President's Budget.

NATIONAL SCIENCE FOUNDATION

Research spending, the primary account at the National Science Foundation (NSF), would be funded at \$4.7 billion, an increase from \$4.4 billion in 2006. The proposal still leaves NSF nearly \$3 billion behind funding levels

that had been envisioned by Congress in 2002. Total NSF spending would increase from \$5.6 billion to \$6.0 billion in 2007.

Specific research account changes include biological sciences, increasing from \$577 million to \$608; computer and information science and engineering, increasing from \$496 to \$527 million; engineering, increasing from \$585 million to 629 million; geosciences, increasing from \$703 million to \$745 million, and mathematical and physical sciences, increasing from \$1.08 billion to \$1.15 billion.

ENVIRONMENTAL PROTECTION AGENCY

The President's Budget provides \$7.3 billion in discretionary Budget authority for the Environmental Protection agency, which is \$304 million less than FY06.

Science and Technology

The proposed Budget includes \$788 million for the Science and Technology account, which is \$47 million more than FY06 funding. Funds in this account are used to provide the scientific and technology basis for the EPA's regulatory actions and specifically focus on clean air and water, land preservation, and ecosystem research.

Environmental Programs and Management

The Budget proposes \$2.3 billion for Environmental Programs and Management, \$75 million less than FY06 funding. For 2007, the Administration's primary goals for EPA are: clean air and global climate control change, clean and safe water, land preservation and restoration, healthy communities and ecosystems, and compliance and environmental stewardship.

State and Tribal Assistance Grants

The proposed Budget provides \$2.8 billion for State and Tribal Assistance Grants, which is \$464 million less than FY06. This fund includes: \$688 million for the Clean Water State Revolving funds, \$199 million less than FY06 funding, \$842 million for the Drinking Water State Revolving funds, \$24.7 million for making grants for the construction of drinking water, wastewater and storm water infrastructure and water quality protection, \$89 million for the Brownfield's cleanup funding, the exact same amount as FY05 and FY06 funding, and \$1.1 billion for grants, including associated program support costs, to States, federally recognized tribes, interstate agencies, tribal consortia, and air pollution control agencies for multi-media or single media pollution prevention, control and abatement and related activities.

Superfund

The Budget funds the Hazardous Substance Superfund at \$1,258,955,000 billion, which is \$28 million more than FY06 funding.

GENERAL SERVICES ADMINISTRATION

Within the FY 2007 budget for the General Services Administration (GSA) are two mentions of projects to take place in California.

- \$230,803,000 is proposed for the construction of a United States Courthouse in San Diego.
- \$14,350,000 is proposed for the construction of the Calexico West Border Station in Calexico.

DEPARTMENT OF VETERANS AFFAIRS

Under President Bush's Budget, the Department of Veteran Affairs receives discretionary budget authority (with collections) of \$31.4 billion, representing an increase over FY06 funding of \$28.7 billion.

Medical Funding

The vast majority of VA funding is devoted to veteran health care expenses. For FY07, the President proposes \$25 billion of the department's funding for medical expenses (80 percent of the total VA Budget). The \$25 billion figure is \$2.2 billion more than FY06 funding.

Capital Asset Realignment for Enhanced Services (CARES)

Under the Capital Asset Realignment for Enhanced Services (CARES) activities, which funds major and minor construction projects, the Budget proposes \$399 million, compared with \$607 million in FY06. In FY05, California received \$151 million in CARES funding.

National Cemetery Administration

Additionally, the Budget proposes building a new VA cemetery in California, under the authority of the National Cemetery Administration.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

The President's Budget proposes discretionary Budget authority of \$33.6 billion for the Department of Housing and Urban Development, a slight decrease from \$34 billion of discretionary spending in the FY06 Budget.

Community Development Block Grant programs (CDBG)

As it did last year, the Bush Budget proposes a major reorganization of the Community Block Grant program (CDBG), along with other federal programs for community and economic development, for the year 2007. The Department of Housing and Urban Development (HUD) will propose new legislation to revise the CDBG allocation formulas, to provide bonus funds tied to performance, and to make further reforms to increase CDBG's effectiveness. Under the proposed Budget, the Community Development Fund will receive \$3 billion in funding, compared to the FY06 Budget of \$4.1 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 \$15.9 billion, \$500 million more than FY06 funding. 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 \$5.6 billion, \$600 million more than FY06 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 \$5.7 billion for public housing, compared to FY06 funding for public housing at \$6 billion.

Revitalization of Severely Distressed Public Housing (HOPE VI)

The President proposes to eliminate the HOPE VI program because it has proven to be excessively costly when compared to other programs proposed for funding that produce new affordable housing.

HOME Investment Partnership

The President's Budget proposes \$1.9 billion in funding for the HOME Investment Partnership program, which is \$160 million more than FY06 funding.

Homeless Assistance Grants

President Bush's Budget proposes a \$209 million increase for Homeless Assistance Grants, bumping the total funding for the program up to \$1.5 billion.

Housing Opportunities for People with AIDS (HOPWA)

The Budget proposal fund for HOPWA amounts to \$300 million, which is \$14 million more than in FY06.

Housing for the Elderly

The Budget proposal decreases total funding for Housing of the Elderly by \$190 million. FY07 amounts are estimated to be at \$545 million, compared to FY06 funding of \$735 million.

DEPARTMENT OF COMMERCE

The President's 2007 Budget includes increases for the Department of Commerce programs that foster U.S. leadership in science and technology. The proposed Budget also seeks to reform and improve the Federal Government's economic development activities by consolidating duplicative programs and targeting funding to those communities most in need. The total discretionary Budget authority for FY07 decreases from \$6.375 billion in FY06 to \$6.1 billion in FY07.

Pacific Coastal Salmon Recovery

The proposed Budget fund for this program is \$67 million. However, the Budget states that the funds will be available for grants to the states, rather than as direct payments, and that the grant award will be subject to a matching requirement of funds or documented in-kind contributions of at least 33 percent of the Federal Funds.

Coastal Impact Assistance/Coastal and Ocean Activities - No FY07 funds are requested for these programs.

Advanced Technology Program (ATP) - No new awards are expected in 2006 and the 2007 Budget proposes to terminate the program.

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 \$28.5 million compared to the \$28 million proposed in FY06.

SMALL BUSINESS ADMINISTRATION

For 2007, the Budget requests \$624 million in new Budget authority for the Small Business Administration (SBA), a substantial increase in funding from FY06 of \$534 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.

The President also proposes modest fee increases on very large loans to cover the administrative costs associated with providing Federal Government guarantees on these loans.

DEPARTMENT OF LABOR

The President's Budget proposes \$10.9 billion in funding for the Department of Labor, a slight decrease from FY06 funding levels of \$11.3 billion.

Job Training

The Administration proposes a significant change to the Budgetary structure of the Labor Department, proposing to combine four job training programs into a single block grant to States. The ultimate goal is to provide more flexibility in how funds can be allocated at the state level. Under the new Budget proposal, funding for job training programs will increase from FY06 funding of \$2.5 billion to \$2.65 billion.

Migrant and Seasonal Workers Program

For several years in a row, President Bush's Budget eliminates funding for the Migrant and Seasonal Workers Program, citing the program's ineffective rating from its PART assessment. FY06 appropriations for the program, however, are projected to be \$80 million. The Budget states that the One-Stop Career Centers, 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.

TAX PROVISIONS

R&D Tax Credit - The President's Budget proposes permanently extending the Research and Experimentation Tax Credit, commonly called the R&D tax credit, as it did in FY06. The R&D credit expired on December 31, 2005, although provisions are included in pending tax bills to extend it for two years. The Budget estimates that the cost to make the credit permanent will be about \$6.4 billion through FY2016. Many of California industries strongly support making the R&D Tax Credit permanent to provide certainty in making long-term research and experimentation decisions

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 in the same way that expenses incurred after designation are eligible.

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

Opportunity Zones - The President's Budget proposes the creation of opportunity zones in economically distressed areas, to provide incentives for development and investment in those areas. Included in those incentives are the work opportunity tax credit and the welfare-to-work tax credit.

Brownfields - The Budget proposes permanently extending the expensing of brownfields remediation costs.

Alternative Minimum Tax - In its economic assumptions, the Budget bases future revenues on basis that Congress does not extend a so-called "patch" that reduces that impact of the alternative minimum tax on middle-income taxpayers. 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, and a larger than average percentage of the state's taxpayers fall under its provisions.

ARMY CORPS OF ENGINEERS

The Budget proposes about \$1.555 billion for Construction funding for FY07 and \$2.258 billion in Operations and Maintenance funding.

California has a Budget of \$98,232,000 for operations and maintenance in FY 2007. This amount consists of \$50,043,000 for commercial navigation, \$28,265,000 for flood and coastal storm reduction, \$4,237,000 for environment, \$15,602,000 for recreation, and \$75,000 for water supply projects.

Proposed FY 2007 funding for the Corps of Engineers includes numerous California projects, including:

- American River Watershed - \$46.8 million is proposed for construction.
- California Coastal Sediment Master Plan - \$300,000 for surveys is proposed.
- Estudillo Canal - \$600,000 for surveys is proposed.
- Guadalupe River - \$5 million for construction is proposed.
- Hamilton Airfield Wetlands Restoration - \$11.7 million for construction is proposed.
- Los Angeles County Drainage Area - \$5,564,000 for construction is proposed.
- Matilija Dam - \$400,000 for engineering and design is proposed.
- Napa River - \$9 million for construction is proposed.
- Napa River, Salt Marsh Restoration - \$300,000 for engineering and design is proposed.
- Oakland Harbor 50 Foot Construction Project - \$43.5 million for construction is proposed.
- Port of Long Beach (Deepening) - \$5.7 million for construction is proposed.
- Sacramento River Bank Protection Project - \$10,960,000 for construction is proposed.
- Santa Ana River Mainstem - \$54,080,000 for construction is proposed.
- South Sacramento County Streams - \$7,313,000 for construction is proposed.
- Success Dam, Tule River (Dam Safety) - \$25 million for construction.
- Sutter County - \$339,000 for surveys is proposed.
- Upper Penitencia Creek - \$319,000 for surveys is proposed.

For a complete list of Corps of Engineers projects in California, go to the Corps website at:

<http://www.usace.army.mil/civilworks/cecwb/Budget/Budget.pdf> .

PRESIDIO TRUST

The President's FY 2007 Budget Proposal recommends \$19.26 million for the Presidio Trust, compared to the \$20 million proposed last year.

FORMULA GRANT PROGRAMS

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, 29 programs were outlined at this level of detail. Total FY 2007 federal spending for these 29 programs was estimated at \$373.4 billion, which would represent approximately 85 percent of federal spending for all federal grants, of all sizes, to state and local governments. (Only \$366.4 billion of the \$373.4 billion was estimated to be actually distributed to state and local governments; the balance was either not distributed or flowed to inallocable national accounts.)

California was expected to receive \$43.3 billion from those 29 programs in 2007, which would represent an increase from \$42.5 billion in 2006 (although both years would represent a decrease from \$44.0 billion in 2005).

According to the Budget documents, California's predicted share of those 29 programs was expected to decline from 12.0 percent in 2006 to 11.8 percent in 2007 (after having already fallen from 12.6 percent in 2005). However, the 2007 predictions were based on the assumption that the President's proposals, including significant changes in the Medicaid program, would be fully adopted by Congress.

In fact, the Budget suggests that California's predicted percentage share of federal formula grant spending would be expected to either remain stable or increase for nearly every other grant program, except Medicaid. But Medicaid is by far the largest federal grant, and any change in its funding exerts an enormous impact on federal grant expenditure totals. More than nearly of federal grant spending flows through that one grant program.

As a supplement to this Budget analysis, the California Institute has prepared a set of five tables that breaks out California's and the nation's spending totals under these 29 programs, as reported by the Administration. In addition, the tables calculate the state's percentage shares of total spending, as well as of spending that is distributed among the states and territories. These tables are attached to this document or are available at

<http://www.calinst.org> .

As shown in the tables, California is expected to receive \$20.6 billion, or 10.3 percent of the nation's \$201 billion, from the Medicaid program in 2007. Compared to 2006, the state's total receipts (federal payments that reimburse outlays by state and local governments for providing health care services for low-income Californians)

were predicted to total nearly \$180 million more than in 2006, but the nation's spending was expected to grow at a faster rate. Moreover, the spending total (again, a prediction based on the assumption that the President's policy proposals would be enacted) would represent a reduction of nearly \$1.5 billion from the state's \$22.1 billion level in 2005.

For federal-aid highway program spending, the budget predicts \$3.1 billion for California, an increase from \$2.9 billion in 2006 and \$2.5 billion in 2005. These totals, controlled by the SAFETEA-LU transportation reauthorization bill enacted in August 2005, represent an increase in California's percentage share of the national total, from 8.1 percent in 2005 to 8.8 percent in both 2006 and 2007.

Other large predicted formula grant spending totals for California in the President's 2007 Budget Proposal included \$3.7 billion for TANF welfare grants (the state's longstanding strong share of 21.7 percent would be maintained), \$2.9 billion for housing vouchers (of which California would receive 18.6 percent), \$1.7 billion for Title I education grants (13.6 percent of which would go to California), and \$1.1 billion for special education grants to states (10.7 percent of the U.S. total) under the Individuals with Disabilities Education Act or IDEA.

Formula Grant Tables

| Federal Expenditures for the Largest Federal Formula Grant Programs, Table 1 | | | | | | | | | | |
|--|-----|-----------------------|------------|------------|-----------------------|------|------|---------------------|------|------|
| Funding 2005 (actual), 2006 (est.), 2007 (proposed) | | | | | | | | | | |
| California, U.S., and Percentage Share | | | | | | | | | | |
| <i>(figures in thousands)</i> | | | | | | | | | | |
| | | California Total (\$) | | | CA \$ as a % of US \$ | | | | | |
| | | 2005 | 2006 | 2007 | % of all \$ | | | % of distributed \$ | | |
| | | | | | 2005 | 2006 | 2007 | 2005 | 2006 | 2007 |
| Total, All 29 Programs | | 43,964,875 | 42,467,037 | 43,293,312 | 12.4 | 11.1 | 11.6 | 12.6 | 12.0 | 11.8 |
| Medicaid | HHS | 22,102,201 | 20,444,000 | 20,619,586 | 11.4 | 9.5 | 10.2 | 11.6 | 10.6 | 10.3 |
| Federal-Aid Highway | DOT | 2,540,025 | 2,965,512 | 3,119,968 | 7.7 | 7.8 | 7.8 | 8.1 | 8.8 | 8.8 |
| TANF | HHS | 3,693,923 | 3,671,818 | 3,671,815 | 21.4 | 21.4 | 21.3 | 21.4 | 21.7 | 21.7 |
| Housing Vouchers | HUD | 2,571,281 | 2,876,308 | 2,938,939 | 18.6 | 18.1 | 18.6 | 18.6 | 18.1 | 18.6 |
| Title I Grants | Ed | 1,776,543 | 1,727,346 | 1,722,351 | 13.9 | 13.6 | 13.5 | 14.0 | 13.6 | 13.6 |
| IDEA - Part B | Ed | 1,132,573 | 1,130,940 | 1,140,558 | 10.7 | 10.7 | 10.7 | 10.7 | 10.7 | 10.7 |
| Natl School Lunch | Ag | 938,538 | 998,008 | 1,048,162 | 13.3 | 13.4 | 13.4 | 13.4 | 13.4 | 13.4 |
| Head Start | HHS | 829,441 | 822,424 | 822,424 | 12.1 | 12.0 | 12.1 | 13.1 | 13.1 | 13.1 |
| Transit Formula Grants | DOT | 1,077,836 | 713,562 | 909,190 | 23.0 | 14.6 | 14.8 | 23.1 | 14.7 | 14.9 |
| WIC | Ag | 876,412 | 908,594 | 905,484 | 16.9 | 16.8 | 16.9 | 17.0 | 17.0 | 17.0 |
| SCHIP | HHS | 667,444 | 646,682 | 798,393 | 16.3 | 14.8 | 15.8 | 16.3 | 15.8 | 15.8 |
| Foster Care | HHS | 1,081,925 | 1,146,754 | 1,178,747 | 24.8 | 24.8 | 24.6 | 24.8 | 24.8 | 24.8 |
| Child Support Enforc. | HHS | 868,224 | 864,276 | 861,861 | 21.3 | 21.2 | 21.2 | 21.3 | 21.2 | 21.2 |
| HUD-Public Housing | HUD | 67,763 | 99,344 | 98,869 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 |
| CDBG | HUD | 525,106 | 472,940 | 378,922 | 11.2 | 11.3 | 12.5 | 12.8 | 12.7 | 12.7 |
| Teacher Quality Grants | Ed | 339,448 | 335,691 | 335,691 | 11.6 | 11.6 | 11.6 | 11.7 | 11.7 | 11.7 |
| Vocational Rehab | Ed | 248,655 | 259,966 | 271,453 | 9.4 | 9.6 | 9.6 | 9.4 | 9.6 | 9.6 |
| Airport Improvement | DOT | 289,846 | 278,728 | 215,470 | 7.9 | 7.9 | 7.8 | 8.1 | 8.1 | 8.1 |
| Food Stamps | Ag | 352,407 | 379,554 | 394,372 | 14.8 | 15.1 | 15.1 | 15.1 | 15.1 | 15.1 |
| Child & Adult Food | Ag | 241,325 | 268,303 | 282,684 | 11.3 | 12.4 | 12.4 | 12.4 | 12.4 | 12.4 |
| Housing Capital Prog | HUD | 103,240 | 98,535 | 87,992 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 |
| CCDBG | HHS | 229,313 | 229,046 | 229,046 | 11.0 | 11.1 | 11.1 | 11.1 | 11.2 | 11.2 |
| Adoption Assistance | HHS | 291,225 | 320,285 | 348,182 | 17.0 | 17.0 | 17.0 | 17.0 | 17.0 | 17.0 |
| LIHEAP | HHS | 84,940 | 89,287 | 94,490 | 4.5 | 4.5 | 4.7 | 4.6 | 4.6 | 4.7 |
| HOME | HUD | 266,522 | 247,356 | 275,030 | 14.0 | 14.1 | 14.3 | 14.5 | 14.5 | 14.5 |
| Fixed Guideway Mod | DOT | 203,822 | 152,600 | 229,773 | 19.7 | 11.4 | 13.3 | 19.7 | 11.5 | 13.4 |
| CCDF-Matching | HHS | 196,682 | 221,032 | 221,032 | 13.2 | 13.2 | 13.2 | 13.2 | 13.2 | 13.2 |
| CCDF-Mandatory | HHS | 85,593 | 85,593 | 85,593 | 6.9 | 6.9 | 6.9 | 6.9 | 6.9 | 6.9 |
| State Homeland Grants | DHS | 282,622 | 12,553 | 7,235 | 11.2 | 3.0 | 2.6 | 11.2 | 3.0 | 2.6 |

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Federal Budget Proposal for FY 2007, internal calculations.

| Federal Expenditures for the Largest Federal Formula Grant Programs, Table 2 | | | | | | | |
|--|------------------------------|----------------|----------------|-------------------------|----------------|----------------|--|
| Funding 2005 (actual), 2006 (est.), 2007 (proposed), by State | | | | | | | |
| | (obligations in \$ millions) | | | (percent of U.S. Total) | | | |
| | FY 2005 (actual) | FY 2006 (est.) | FY 2007 (est.) | FY 2005 (actual) | FY 2006 (est.) | FY 2007 (est.) | |
| US Grand Total | 354,461 | 383,912 | 373,392 | 100.00 | 100.00 | 100.00 | |
| US Distributed Total | 348,989 | 354,933 | 366,411 | 98.46 | 92.45 | 98.13 | |
| Alabama | 5,220 | 5,236 | 5,383 | 1.50 | 1.48 | 1.47 | |
| Alaska | 1,634 | 1,751 | 1,849 | 0.47 | 0.49 | 0.50 | |
| Arizona | 6,617 | 7,156 | 7,631 | 1.90 | 2.02 | 2.08 | |
| Arkansas | 3,818 | 3,776 | 4,016 | 1.09 | 1.06 | 1.10 | |
| California | 43,965 | 42,467 | 43,293 | 12.60 | 11.96 | 11.82 | |
| Colorado | 3,375 | 3,464 | 3,572 | 0.97 | 0.98 | 0.97 | |
| Connecticut | 4,064 | 4,302 | 4,368 | 1.16 | 1.21 | 1.19 | |
| Delaware | 910 | 951 | 985 | 0.26 | 0.27 | 0.27 | |
| District of Columbia | 1,910 | 1,787 | 1,934 | 0.55 | 0.50 | 0.53 | |
| Florida | 16,266 | 16,176 | 17,041 | 4.66 | 4.56 | 4.65 | |
| Georgia | 9,014 | 9,008 | 9,355 | 2.58 | 2.54 | 2.55 | |
| Hawaii | 1,387 | 1,415 | 1,422 | 0.40 | 0.40 | 0.39 | |
| Idaho | 1,465 | 1,540 | 1,729 | 0.42 | 0.43 | 0.47 | |
| Illinois | 12,902 | 12,699 | 13,205 | 3.70 | 3.58 | 3.60 | |
| Indiana | 6,476 | 6,913 | 7,318 | 1.86 | 1.95 | 2.00 | |
| Iowa | 2,951 | 3,056 | 3,119 | 0.85 | 0.86 | 0.85 | |
| Kansas | 2,561 | 2,663 | 2,755 | 0.73 | 0.75 | 0.75 | |
| Kentucky | 5,251 | 5,555 | 5,647 | 1.50 | 1.57 | 1.54 | |
| Louisiana | 6,600 | 6,897 | 6,949 | 1.89 | 1.94 | 1.90 | |
| Maine | 2,197 | 2,125 | 2,245 | 0.63 | 0.60 | 0.61 | |
| Maryland | 5,163 | 5,337 | 5,537 | 1.48 | 1.50 | 1.51 | |
| Massachusetts | 8,589 | 8,892 | 8,217 | 2.46 | 2.51 | 2.24 | |
| Michigan | 10,355 | 10,078 | 10,210 | 2.97 | 2.84 | 2.79 | |
| Minnesota | 5,493 | 5,154 | 5,783 | 1.57 | 1.45 | 1.58 | |
| Mississippi | 4,532 | 4,746 | 4,876 | 1.30 | 1.34 | 1.33 | |
| Missouri | 7,045 | 7,023 | 7,581 | 2.02 | 1.98 | 2.07 | |
| Montana | 1,263 | 1,269 | 1,289 | 0.36 | 0.36 | 0.35 | |
| Nebraska | 1,893 | 1,927 | 1,994 | 0.54 | 0.54 | 0.54 | |
| Nevada | 1,652 | 1,714 | 1,759 | 0.47 | 0.48 | 0.48 | |
| New Hampshire | 1,243 | 1,253 | 1,271 | 0.36 | 0.35 | 0.35 | |
| New Jersey | 8,694 | 9,086 | 9,509 | 2.49 | 2.56 | 2.60 | |
| New Mexico | 3,018 | 3,070 | 3,142 | 0.86 | 0.86 | 0.86 | |
| New York | 38,313 | 40,606 | 41,817 | 10.98 | 11.44 | 11.41 | |
| North Carolina | 9,657 | 10,285 | 10,800 | 2.77 | 2.90 | 2.95 | |
| North Dakota | 935 | 908 | 921 | 0.27 | 0.26 | 0.25 | |
| Ohio | 13,734 | 14,011 | 14,301 | 3.94 | 3.95 | 3.90 | |
| Oklahoma | 4,047 | 4,197 | 4,424 | 1.16 | 1.18 | 1.21 | |
| Oregon | 3,682 | 3,745 | 3,767 | 1.06 | 1.06 | 1.03 | |
| Pennsylvania | 15,561 | 16,324 | 16,846 | 4.46 | 4.60 | 4.60 | |
| Rhode Island | 1,697 | 1,752 | 1,790 | 0.49 | 0.49 | 0.49 | |
| South Carolina | 4,918 | 4,843 | 4,972 | 1.41 | 1.36 | 1.36 | |
| South Dakota | 1,010 | 1,101 | 1,097 | 0.29 | 0.31 | 0.30 | |
| Tennessee | 8,086 | 7,890 | 8,114 | 2.32 | 2.22 | 2.21 | |
| Texas | 22,347 | 23,000 | 23,782 | 6.40 | 6.48 | 6.49 | |
| Utah | 2,107 | 2,144 | 2,252 | 0.60 | 0.60 | 0.61 | |
| Vermont | 1,019 | 1,053 | 1,080 | 0.29 | 0.30 | 0.29 | |
| Virginia | 5,269 | 5,495 | 5,744 | 1.51 | 1.55 | 1.57 | |
| Washington | 6,213 | 6,232 | 6,414 | 1.78 | 1.76 | 1.75 | |
| West Virginia | 2,960 | 2,861 | 3,045 | 0.85 | 0.81 | 0.83 | |
| Wisconsin | 5,547 | 5,418 | 5,600 | 1.59 | 1.53 | 1.53 | |
| Wyoming | 675 | 697 | 713 | 0.19 | 0.20 | 0.19 | |
| American Samoa | 131 | 64 | 61 | 0.04 | 0.02 | 0.02 | |
| Guam | 129 | 135 | 135 | 0.04 | 0.04 | 0.04 | |
| Northern Mariana Islands | 72 | 67 | 58 | 0.02 | 0.02 | 0.02 | |
| Puerto Rico | 2,269 | 2,417 | 2,455 | 0.65 | 0.68 | 0.67 | |
| Freely Associated States | 7 | 7 | 8 | 0.00 | 0.00 | 0.00 | |
| Virgin Islands | 139 | 150 | 149 | 0.04 | 0.04 | 0.04 | |
| Indian Tribes | 942 | 1,048 | 1,079 | 0.27 | 0.30 | 0.29 | |

Federal Expenditures for the Largest Federal Formula Grant Programs, Table 3

FY 2005 Actual Appropriations

California, U.S., and Percentage Share

(figures in thousands)

| | | California | Fiscal Year 2005 | | CA % of US | |
|------------------------|-----|------------|----------------------------|-------------|------------|---------|
| | | | U.S. Total Spending All | Distributed | All | Distrib |
| Total, All 29 Programs | | 43,964,875 | 354,461,328 | 348,989,166 | 12.4 | 12.6 |
| Medicaid | HHS | 22,102,201 | 193,197,944 | 191,264,285 | 11.4 | 11.6 |
| Federal-Aid Highway | DOT | 2,540,025 | 33,189,329 | 31,354,454 | 7.7 | 8.1 |
| TANF | HHS | 3,693,923 | 17,284,204 | 17,276,646 | 21.4 | 21.4 |
| Housing Vouchers | HUD | 2,571,281 | 13,856,120 | 13,853,238 | 18.6 | 18.6 |
| Title I Grants | Ed | 1,776,543 | 12,739,568 | 12,731,132 | 13.9 | 14.0 |
| DEA - Part B | Ed | 1,132,573 | 10,589,748 | 10,579,748 | 10.7 | 10.7 |
| Natl School Lunch | Ag | 938,538 | 7,037,739 | 7,007,782 | 13.3 | 13.4 |
| Head Start | HHS | 829,441 | 6,842,348 | 6,322,231 | 12.1 | 13.1 |
| Transit Formula Grants | DOT | 1,077,836 | 4,692,274 | 4,675,107 | 23.0 | 23.1 |
| WIC | Ag | 876,412 | 5,192,530 | 5,160,624 | 16.9 | 17.0 |
| SCHIP | HHS | 667,444 | 4,082,400 | 4,082,400 | 16.3 | 16.3 |
| Foster Care | HHS | 1,081,925 | 4,371,198 | 4,354,961 | 24.8 | 24.8 |
| Child Support Enforc. | HHS | 868,224 | 4,083,491 | 4,083,491 | 21.3 | 21.3 |
| HUD-Public Housing | HUD | 67,763 | 2,439,790 | 2,431,854 | 2.8 | 2.8 |
| CDBG | HUD | 525,106 | 4,701,782 | 4,116,834 | 11.2 | 12.8 |
| Teacher Quality Grants | Ed | 339,448 | 2,916,600 | 2,902,017 | 11.6 | 11.7 |
| Vocational Rehab | Ed | 248,655 | 2,635,843 | 2,635,843 | 9.4 | 9.4 |
| Airport Improvement | DOT | 289,846 | 3,673,299 | 3,586,005 | 7.9 | 8.1 |
| Food Stamps | Ag | 352,407 | 2,388,219 | 2,330,475 | 14.8 | 15.1 |
| Child & Adult Food | Ag | 241,325 | 2,134,418 | 1,939,641 | 11.3 | 12.4 |
| Housing Capital Prog | HUD | 103,240 | 2,555,422 | 2,555,422 | 4.0 | 4.0 |
| CCDBG | HHS | 229,313 | 2,082,921 | 2,066,802 | 11.0 | 11.1 |
| Adoption Assistance | HHS | 291,225 | 1,712,125 | 1,712,125 | 17.0 | 17.0 |
| LIHEAP | HHS | 84,940 | 1,884,796 | 1,857,222 | 4.5 | 4.6 |
| HOME | HUD | 266,522 | 1,899,680 | 1,838,178 | 14.0 | 14.5 |
| Fixed Guideway Mod | DOT | 203,822 | 1,032,539 | 1,032,537 | 19.7 | 19.7 |
| CCDF-Matching | HHS | 196,682 | 1,490,841 | 1,487,581 | 13.2 | 13.2 |
| CCDF-Mandatory | HHS | 85,593 | 1,235,397 | 1,231,865 | 6.9 | 6.9 |
| State Homeland Grants | DHS | 282,622 | 2,518,763 | 2,518,666 | 11.2 | 11.2 |

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Federal Budget Proposal for FY 2007, internal calculations.

Federal Expenditures for the Largest Federal Formula Grant Programs, Table 4

FY 2006, Estimated Expenditures
California, U.S., and Percentage Share
(figures in thousands)

| | | California | Fiscal Year 2006 | | CA % of US | |
|------------------------|-----|------------|---------------------|-------------|------------|---------|
| | | | U.S. Total Spending | Distributed | All | Distrib |
| Total, All 29 Programs | | 42,467,037 | 383,912,098 | 354,932,888 | 11.1 | 12.0 |
| Medicaid | HHS | 20,444,000 | 215,563,672 | 192,810,398 | 9.5 | 10.6 |
| Federal-Aid Highway | DOT | 2,965,512 | 37,945,701 | 33,740,394 | 7.8 | 8.8 |
| TANF | HHS | 3,671,818 | 17,190,628 | 16,885,919 | 21.4 | 21.7 |
| Housing Vouchers | HUD | 2,876,308 | 15,892,767 | 15,886,929 | 18.1 | 18.1 |
| Title I Grants | Ed | 1,727,346 | 12,713,125 | 12,704,688 | 13.6 | 13.6 |
| IDEA - Part B | Ed | 1,130,940 | 10,582,957 | 10,567,957 | 10.7 | 10.7 |
| Natl School Lunch | Ag | 998,008 | 7,457,572 | 7,451,831 | 13.4 | 13.4 |
| Head Start | HHS | 822,424 | 6,875,771 | 6,268,750 | 12.0 | 13.1 |
| Transit Formula Grants | DOT | 713,562 | 4,896,591 | 4,859,962 | 14.6 | 14.7 |
| WIC | Ag | 908,594 | 5,398,636 | 5,350,126 | 16.8 | 17.0 |
| SCHIP | HHS | 646,682 | 4,365,400 | 4,082,400 | 14.8 | 15.8 |
| Foster Care | HHS | 1,146,754 | 4,633,000 | 4,615,916 | 24.8 | 24.8 |
| Child Support Enforc. | HHS | 864,276 | 4,069,494 | 4,069,494 | 21.2 | 21.2 |
| HUD-Public Housing | HUD | 99,344 | 3,565,223 | 3,565,223 | 2.8 | 2.8 |
| CDBG | HUD | 472,940 | 4,177,800 | 3,710,917 | 11.3 | 12.7 |
| Teacher Quality Grants | Ed | 335,691 | 2,887,444 | 2,873,007 | 11.6 | 11.7 |
| Vocational Rehab | Ed | 259,966 | 2,720,191 | 2,720,191 | 9.6 | 9.6 |
| Airport Improvement | DOT | 278,728 | 3,514,509 | 3,424,324 | 7.9 | 8.1 |
| Food Stamps | Ag | 379,554 | 2,510,000 | 2,510,000 | 15.1 | 15.1 |
| Child & Adult Food | Ag | 268,303 | 2,156,445 | 2,156,445 | 12.4 | 12.4 |
| Housing Capital Prog | HUD | 98,535 | 2,438,964 | 2,438,964 | 4.0 | 4.0 |
| CCDBG | HHS | 229,046 | 2,062,081 | 2,046,123 | 11.1 | 11.2 |
| Adoption Assistance | HHS | 320,285 | 1,883,000 | 1,883,000 | 17.0 | 17.0 |
| LIHEAP | HHS | 89,287 | 1,980,000 | 1,952,478 | 4.5 | 4.6 |
| HOME | HUD | 247,356 | 1,757,250 | 1,704,780 | 14.1 | 14.5 |
| Fixed Guideway Mod | DOT | 152,600 | 1,343,948 | 1,330,036 | 11.4 | 11.5 |
| CCDF-Matching | HHS | 221,032 | 1,677,343 | 1,673,842 | 13.2 | 13.2 |
| CCDF-Mandatory | HHS | 85,593 | 1,239,657 | 1,235,865 | 6.9 | 6.9 |
| State Homeland Grants | DHS | 12,553 | 412,929 | 412,929 | 3.0 | 3.0 |

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Federal Budget Proposal for FY 2007, internal calculations.

Federal Expenditures for the Largest Federal Formula Grant Programs, Table 5

FY 2007 President's Budget Proposal
California, U.S., and Percentage Share
(figures in thousands)

| | | Fiscal Year 2007 | | | | |
|------------------------|-----|------------------|---------------------|-------------|------------|---------|
| | | California | U.S. Total Spending | | CA % of US | |
| | | | All | Distributed | All | Distrib |
| Total, All 29 Programs | | 43,293,312 | 373,392,431 | 366,410,524 | 11.6 | 11.8 |
| Medicaid | HHS | 20,619,586 | 201,829,235 | 200,601,045 | 10.2 | 10.3 |
| Federal-Aid Highway | DOT | 3,119,968 | 39,922,066 | 35,497,730 | 7.8 | 8.8 |
| TANF | HHS | 3,671,815 | 17,270,625 | 16,885,916 | 21.3 | 21.7 |
| Housing Vouchers | HUD | 2,938,939 | 15,840,000 | 15,834,101 | 18.6 | 18.6 |
| Title I Grants | Ed | 1,722,351 | 12,713,126 | 12,704,689 | 13.5 | 13.6 |
| IDEA - Part B | Ed | 1,140,558 | 10,682,957 | 10,662,957 | 10.7 | 10.7 |
| Natl School Lunch | Ag | 1,048,162 | 7,832,333 | 7,826,303 | 13.4 | 13.4 |
| Head Start | HHS | 822,424 | 6,785,771 | 6,268,750 | 12.1 | 13.1 |
| Transit Formula Grants | DOT | 909,190 | 6,149,810 | 6,101,980 | 14.8 | 14.9 |
| WIC | Ag | 905,484 | 5,360,832 | 5,331,832 | 16.9 | 17.0 |
| SCHIP | HHS | 798,393 | 5,040,000 | 5,040,000 | 15.8 | 15.8 |
| Foster Care | HHS | 1,178,747 | 4,786,000 | 4,744,698 | 24.6 | 24.8 |
| Child Support Enforc. | HHS | 861,861 | 4,071,162 | 4,071,162 | 21.2 | 21.2 |
| HUD-Public Housing | HUD | 98,869 | 3,564,000 | 3,548,160 | 2.8 | 2.8 |
| CDBG | HUD | 378,922 | 3,032,000 | 2,974,579 | 12.5 | 12.7 |
| Teacher Quality Grants | Ed | 335,691 | 2,887,444 | 2,873,007 | 11.6 | 11.7 |
| Vocational Rehab | Ed | 271,453 | 2,837,157 | 2,837,157 | 9.6 | 9.6 |
| Airport Improvement | DOT | 215,470 | 2,750,000 | 2,647,159 | 7.8 | 8.1 |
| Food Stamps | Ag | 394,372 | 2,608,000 | 2,608,000 | 15.1 | 15.1 |
| Child & Adult Food | Ag | 282,684 | 2,272,053 | 2,272,053 | 12.4 | 12.4 |
| Housing Capital Prog | HUD | 87,992 | 2,178,000 | 2,178,000 | 4.0 | 4.0 |
| CCDBG | HHS | 229,046 | 2,062,081 | 2,046,123 | 11.1 | 11.2 |
| Adoption Assistance | HHS | 348,182 | 2,047,000 | 2,047,000 | 17.0 | 17.0 |
| LIHEAP | HHS | 94,490 | 2,032,000 | 2,004,478 | 4.7 | 4.7 |
| HOME | HUD | 275,030 | 1,916,640 | 1,903,279 | 14.4 | 14.5 |
| Fixed Guideway Mod | DOT | 229,773 | 1,729,579 | 1,715,101 | 13.3 | 13.4 |
| CCDF-Matching | HHS | 221,032 | 1,677,343 | 1,673,842 | 13.2 | 13.2 |
| CCDF-Mandatory | HHS | 85,593 | 1,239,657 | 1,235,865 | 6.9 | 6.9 |
| State Homeland Grants | DHS | 7,235 | 275,560 | 275,558 | 2.6 | 2.6 |

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Federal Budget Proposal for FY 2007, internal calculations.