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March 13, 2003

To: Supervisor Yvonne Brathwaite Burke, Chair
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From: David E. Janssen
Chief Administrative Officer

FEDERAL LEGISLATIVE UPDATE

First Responder Funding: Last week, the Department of Homeland Security (DHS) announced the availability of \$600 million nationally for first responder grants. California's allocation is \$45 million. The funding, made available through the Federal Fiscal Year (FFY) 2003 omnibus appropriations bill (P.L. 108-7), will be released to the state pending the submission and approval of a state plan which is due to DHS by April 22, 2003. The detailed plan would include exactly how the State and its localities intend to use the money and how much funding each local government would receive. DHS has seven days to respond to the State, and the grant would be awarded approximately three weeks later. Once the award is received, the State is required to pass through 80 percent of the funds to local governments within 45 days. According to DHS officials, local governments may receive funding as early as July.

Of the amount allocated to California, \$32 million is targeted to first responder equipment; \$8 million for planning and executing emergency responder exercises; \$2 million for a state training program; and \$3 million for program administration.

FFY 2004 Budget: This week, the House and Senate began drafting their FFY 2004 budget resolutions. While it does not require the signature of the President, the resolution serves as the overall blueprint for the authorizations and appropriations committees to follow when making the actual policy and funding decisions for the next fiscal year.

The House Budget Committee adopted its plan on Thursday by a party-line vote of 24-19. The plan essentially mirrors the spending and tax relief priorities proposed by the Administration in the budget released in February. It includes the

President's \$726 billion economic stimulus package. Part of the cost of the tax relief package would be offset by requiring the authorizing committees to make one percent cuts totaling about \$470 billion in "waste, fraud and abuse" over ten years from the projected growth in mandatory spending programs. Those programs include Medicare, Medicaid, and Food Stamps. However, one-third of those savings would have to be achieved in FFY 2004.

The authorizing committees could decide which programs under their jurisdiction would be cut. Democrats argue that the resolution would require deep cuts in Medicare, Medicaid, and other entitlements. When the resolution reaches the House floor, it is expected to pass, but some Republican members have already expressed concerns about the reductions.

The House resolution includes \$400 billion for Medicare reform and \$12.7 billion for the Administration's Medicaid reform proposal. The Energy and Commerce Committee would be required to make \$110 billion in cuts from the projected growth in programs under its jurisdiction between FFY's 2004-2013. Medicaid would likely absorb a significant share of those cuts.

The House resolution also assumes \$3.5 billion for first responder training and equipment in FFY 2004, including \$500 million to provide firefighters with health and safety equipment and vehicles and \$500 million for state and local law enforcement terrorism prevention initiatives.

Because of the close 51-48 Republican/Democrat split in the Senate, the measure is likely to be modified, with far less tax relief than the House counterpart. There appears to be support from Republican and Democrat centrists for a \$350 billion tax cut.

Under the budget rules, members of the House and Senate are supposed to craft and adopt a compromise resolution by April 15th. Authorizing committees then have until May 15th to draft reconciliation provisions if changes are needed in the tax code or in spending programs. At that point, the House Appropriations Committee may begin considering the spending measures. Congress routinely ignores or misses these deadlines, however. Last year, the House and Senate operated without a budget resolution altogether.

TEA-21 Reauthorization: This week, House Transportation and Infrastructure Chairman Young (R-AK) and Ranking Minority Member Oberstar (D-MN) announced that their Committee is drafting a bipartisan bill to reauthorize the Transportation Equity Act (TEA-21) for six years at a level of \$375 billion for the combined highway, transit, motor carrier, and National Highway Traffic Safety Administration programs. That level

Each Supervisor
March 13, 2003
Page 3

would be 72 percent more than the \$218 billion authorized over the last six years under the original TEA-21 law (PL 105-178).

The most contentious component of the committee's reauthorization bill will be a proposal to increase the federal gas tax and make it subject to automatic increases by linking the gas tax to the Consumer Price Index. The range of the increase may be between 8 to 20 cents-a-gallon over the next six years. While it is projected to raise at least \$70 billion over the six year period of the bill, this proposal is opposed by the House Republican leadership and the Administration. A gas tax increase will probably be included, when the committee drafts a surface transportation bill later this spring, that would increase the current 18.4-cent federal gas tax to more than 30 cents a gallon by 2009.

The Committee proposes to draw down the existing balance in the Highway Trust Fund, which currently stands at about \$18 billion. They would also restore the ability of the fund to accrue interest, which would generate \$12 billion to \$14 billion.

The Committee is proposing changes to the way gasohol taxes are treated, including directing all revenues from existing gasohol user fees to the Highway Trust Fund, which would generate another \$3 billion to \$4 billion. The draft proposal would also either reimburse the Highway Trust Fund for lost revenues from a gasohol user fee subsidy or eliminate the subsidy, which would generate \$7 billion to \$8 billion.

We will continue to keep you advised of any new developments.

DEJ:GK
MAL:TJ:MT:ib

c: Executive Officer, Board of Supervisors
County Counsel
All Department Heads
Legislative Strategist