# Major Savings and Reforms in the President's 2008 Budget

FEBRUARY 2007

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General Notes

1. All years referred to are fiscal years, unless otherwise noted.
2. Detail in this document may not add to the totals due to rounding.
3. PART refers to the Program Assessment Rating Tool.
4. At the time of this writing, only two of the appropriations bills for 2007 had been enacted; therefore, the programs provided for in the remaining 2007 appropriations bills were operating under a continuing resolution (P.L. 109–289, Division B, as amended). For these programs, references to 2007 spending in the text and tables in the Budget and this document reflect the levels provided by the continuing resolution.

# INTRODUCTION

## Major Savings and Reforms in the President's 2008 Budget

The President's 2008 Budget continues its focus on pro-growth policies that have helped fuel our Nation's strong economic expansion.  The President's tax relief helped generate increased economic activity that resulted in robust job creation and record tax receipts in the last two years.  Even in the face of historic challenges -- the 2001 recession, corporate scandals, the terrorist attacks on September 11th, and Hurricane Katrina --  America's robust and resilient economy, coupled with fiscal restraint, has helped cut the deficit in half three years ahead of schedule and put the budget on a path to balance by 2012.

Spending restraint in combination with sustained economic expansion is critical to deficit reduction.  While making necessary investments in the Global War on Terror and homeland security, the President has worked with the Congress to successfully reduce the growth in non-security discretionary spending.  The President also signed into law mandatory spending reforms in 2006 that were estimated to generate nearly $40 billion in savings over five years.

The 2008 Budget builds on this record of spending discipline by holding the growth in non-security discretionary spending to one percent, well below the rate of inflation.  It takes steps to improve the budget process, including proposals such as comprehensive earmark reform and the Legislative Line-Item Veto.  The Budget also takes sensible steps toward reforming the Nation's vital entitlement programs like Medicare, Medicaid, and Social Security to ensure they are sustainable in the long term.

To achieve spending discipline and help put the Budget on a path to balance by 2012, the Administration is proposing a number of terminations, reductions, and reforms for discretionary and mandatory spending that are outlined in this volume.  These proposals will result in savings to taxpayers and improved Government services by eliminating or restructuring low-priority programs and programs that are not producing results.  The list of proposed major reforms and budget savings was guided by criteria that considered whether the programs met the Nation's priorities, constituted an appropriate and effective use by the Federal Government of taxpayer resources, and produced the intended results.

In appropriations for 2006, the Congress answered the call for restraint and accepted 89 of the President's 154 proposals -- all or in part -- for a total savings of $6.5 billion, as well as passed the Deficit Reduction Act to deliver the first significant savings from mandatory spending reforms since 1997. Congressional leadership has also indicated that it is going to meet the spending limits established for 2007.

The Administration looks forward to continuing to work with the Congress to maintain budget discipline while ensuring critical investments in America's security and prosperity.

**Savings from Discretionary Program Terminations and Reductions**

About one-third of budget spending comes from discretionary spending, which is the day-to-day Government spending that the Congress must approve each year. The Administration has undertaken a thorough review of these programs to identify duplicative, inefficient programs, or lower priority activities. As a result, the Budget proposes terminations or reductions of 141 discretionary programs, which would reduce spending by $12.0 billion in 2008.

**Savings from Mandatory Spending Reductions and Reforms**

Comprising nearly two-thirds of the Federal spending, mandatory spending is generally not subject to annual congressional review. The resulting automatic growth in mandatory spending, particularly in Medicare, Medicaid, and Social Security, poses a significant challenge to the Nation's fiscal health, placing a growing and unsustainable burden on the budget in the long term.

The 2008 Budget slows spending growth through sensible reforms in entitlement and other mandatory programs, resulting in $96 billion in net savings over five years. This includes $66 billion in savings in Medicare and $6.8 billion in Medicaid and the State Children's Health Insurance Program.

## Budget Enforcement and Other Reforms

The 2008 Budget includes several budget reforms, including:

- New caps on discretionary spending;
- Pay-as-you-go controls to limit mandatory spending;
- A proposal for the enactment of the Legislative Line Item Veto (all savings from the use of this line item veto would, by statute, be directed to deficit reduction);
- Comprehensive earmark reform that brings greater transparency and accountability to the congressional budget process and would cut the number and amount of earmarks by half; and
- Sunset and Results Commissions to review programs and their results and make recommendations about whether to retain, reform, or terminate them.

## The PART: Assessing Government Efficiency and Effectiveness

With the Program Assessment Rating Tool (PART), agencies and OMB ask approximately 25 common-sense questions about each program's performance and management. These include:

- Is the program's purpose clear and is it well designed to achieve its objectives?
- Does the program have clear, outcome-oriented goals?
- Is the program well managed?
- Does the program achieve its goals?

For all the responses to these questions, there is an explanation and the relevant evidence is cited. The website, *www.ExpectMore.gov*, provides easy access to information about the performance of Federal programs. The conclusions in these assessments are based on evidence, including information from reports by agency Inspectors General and the Government Accountability Office.

This marks the fifth year that PART was used to assess programs' strengths and weaknesses and to inform action plans to improve program performance. These assessments, in turn, are factors in decisions about program funding. To date, the Administration has assessed:

- 977 programs, or 96 percent of the Budget, with the following program ratings:
  - 17 percent are "Effective"
  - 30 percent are "Moderately Effective"
  - 28 percent are "Adequate"
  - 3 percent are "Ineffective"
  - 22 percent are "Results Not Demonstrated"

The primary purpose of PART is to make sure that Federal programs live up to their congressionally-mandated intent and are effectively managed to provide the best value for taxpayers. PART is a diagnostic tool and is not the only basis for program funding proposals. When a program is ineffective, it can become a candidate for termination or reduction or it can be reformed so that it achieves results.

In Spring 2005, this assessment tool received the Innovations in American Government Award from the Kennedy School of Government at Harvard University. This award recognized these assessments for their ability to systemically help Federal programs establish clearly defined goals and measure results.

# SAVINGS FROM DISCRETIONARY PROGRAM TERMINATIONS, REDUCTIONS, AND REFORMS

## Discretionary Program Terminations and Major Reductions in the 2008 Budget

## OVERVIEW

**Terminations of Discretionary Programs**
91 programs terminated in the 2008 Budget
$5.0 billion savings over the 3rd 2007 Continuing Resolution (P.L. 109-289, Division B, as amended)

**Major Program Reductions**
50 programs have major reductions in the 2008 Budget
$7.0 billion savings over the 3rd 2007 Continuing Resolution

**Discretionary TOTAL for Program Terminations and Major Reductions**
$12.0 billion in savings over the 3rd 2007 Continuing Resolution

# PROGRAM TERMINATIONS

## Discretionary Program Terminations in the 2008 Budget

(Budget authority in millions)

| Terminations | Has this been proposed before? 2005 | 2006 | 2007 | 2007 Request | 2007 CR level | 2008 Request | 2008 Request less 2007 CR |
|---|---|---|---|---|---|---|---|
| **Department of Agriculture** | | | | | | | |
| Community Connect (Broadband) Grants | Y | Y | Y | --- | 9 | --- | -9 |
| Commodity Supplemental Food Program | N | N | Y | --- | 107 | --- | -107 |
| Community Facility Grants | N | N | N | 17 | 25 | --- | -25 |
| Economic Impact Grants | Y | Y | Y | --- | 15 | --- | -15 |
| Multifamily Housing Direct Loans | Y | Y | Y | --- | 41 | --- | -41 |
| Research & Extension Grant Earmarks/Low Priority Programs | Y | Y | Y | --- | 157 | --- | -157 |
| Rural Business Grants | N | Y | Y | --- | 45 | --- | -45 |
| Rural Enterprise Zones/Empowerment Communities | N | Y | Y | --- | 11 | --- | -11 |
| Single Family Housing Direct Loans | N | N | N | 124 | 117 | --- | -117 |
| Watershed Programs | Y | Y | Y | --- | 46 | --- | -46 |
| **Total, Agriculture Terminations** | | | | **141** | **573** | **---** | **-573** |
| **Department of Commerce** | | | | | | | |
| Emergency Steel Guarantee Loan Program | Y | Y | Y | -49 | -39 | -49 | -10 |
| Public Telecom. Facilities, Planning and Construction Grants | Y | Y | Y | --- | 20 | --- | -20 |
| Technology Administration | N | Y | Y | 1 | 2 | 2 | --- |
| **Total, Commerce Terminations** | | | | **-48** | **-17** | **-47** | **-30** |
| **Department of Education** | | | | | | | |
| Even Start | Y | Y | Y | --- | 112 | --- | -112 |
| Educational Technology State Grants | N | Y | Y | --- | 273 | --- | -273 |
| State Grants for Innovation | N | N | N | 99 | 99 | --- | -99 |
| Small Elementary and Secondary Education Programs: | | | | | | | |
| Comprehensive School Reform | Y | Y | Y | --- | 10 | --- | -10 |
| Javits Gifted and Talented Education | Y | Y | Y | --- | 10 | --- | -10 |
| Education For Native Hawaiians | N | N | N | 31 | 34 | --- | -34 |
| Alaska Native Education Equity | N | N | N | 34 | 34 | --- | -34 |
| National Writing Project | Y | Y | Y | --- | 22 | --- | -22 |
| School Leadership | Y | Y | Y | --- | 15 | --- | -15 |
| Advanced Credentialing | N | N | N | 8 | 17 | --- | -17 |
| Dropout Prevention Program | Y | Y | Y | --- | 5 | --- | -5 |
| Close-Up Fellowships | Y | Y | Y | --- | 1 | --- | -1 |
| Academies for American History and Civics | N/A | N/A | Y | --- | 2 | --- | -2 |
| Star Schools | Y | Y | Y | --- | 15 | --- | -15 |
| Ready to Teach | Y | Y | Y | --- | 11 | --- | -11 |
| Historic Whaling and Trading Partners | Y | Y | Y | --- | 9 | --- | -9 |
| Excellence in Economic Education | Y | Y | Y | --- | 1 | --- | -1 |
| Mental Health Integration in Schools | N/A | Y | Y | --- | 5 | --- | -5 |
| Foundations for Learning | Y | Y | Y | --- | 1 | --- | -1 |
| Arts in Education | Y | Y | Y | --- | 35 | --- | -35 |
| Parental Assistance Information Centers | Y | Y | Y | --- | 40 | --- | -40 |
| Women's Educational Equity | Y | Y | Y | --- | 3 | --- | -3 |
| Alcohol Abuse Reduction | Y | Y | Y | --- | 32 | --- | -32 |
| Mentoring Program | N | N | Y | 19 | 19 | --- | -19 |
| Elementary and Secondary School Counseling | Y | Y | Y | --- | 35 | --- | -35 |
| Physical Education | N | Y | Y | 26 | 73 | --- | -73 |
| Civic Education | Y | Y | Y | --- | 29 | --- | -29 |
| Supplemental Education Opportunity Grants | N | N | N | 771 | 771 | --- | -771 |
| Tech Prep Education State Grants | Y | Y | Y | --- | 105 | --- | -105 |
| Smaller Learning Communities | Y | Y | Y | --- | 90 | --- | -90 |
| Teacher Quality Enhancement | Y | Y | Y | --- | 60 | --- | -60 |
| Small Higher Education Programs: | | | | | | | |
| Strengthening Alaska Native/Native Hawaiian Institutions | N | N | N | 9 | 12 | --- | -12 |
| Higher Education Demos for Students with Disabilities | Y | Y | Y | --- | 7 | --- | -7 |
| State Grants for Incarcerated Youth | Y | Y | Y | --- | 23 | --- | -23 |
| Small Postsecondary Financial Assistance Programs: | | | | | | | |
| Perkins Loan Cancellations | N | Y | Y | --- | 65 | --- | -65 |
| Leveraging Educational Assistance Programs | Y | Y | Y | --- | 64 | --- | -64 |
| Byrd Honors Scholarships | N | Y | Y | --- | 41 | --- | -41 |
| Thurgood Marshall Legal Opportunity | Y | Y | Y | --- | 3 | --- | -3 |
| B.J. Stupak Olympic Scholarships | Y | Y | Y | --- | 1 | --- | -1 |
| Small Vocational Rehabilitation Programs: | | | | | | | |
| Supported Employment State Grants | Y | Y | Y | --- | 30 | --- | -30 |
| Projects with Industry | Y | Y | Y | --- | 20 | --- | -20 |
| VR Recreational Programs | Y | Y | Y | --- | 3 | --- | -3 |
| VR Migrant and Seasonal Farmworkers | Y | Y | Y | --- | 2 | --- | -2 |
| **Total, Education Terminations** | | | | **997** | **2,239** | **---** | **-2,239** |
| **Department of Energy** | | | | | | | |
| University Nuclear Energy Program | N | N | Y | --- | 27 | --- | -27 |
| Oil and Gas Research and Development | N | Y | Y | --- | 12 | --- | -12 |
| Geothermal Technology Program | N | N | Y | --- | 23 | --- | -23 |
| **Total, Energy Terminations** | | | | **---** | **62** | **---** | **-62** |

## Discretionary Program Terminations in the 2008 Budget

(Budget authority in millions)

| Terminations | Has this been proposed before? 2005 | 2006 | 2007 | 2007 Request | 2007 CR level | 2008 Request | 2008 Request less 2007 CR |
|---|---|---|---|---|---|---|---|
| **Department of Health and Human Services (HHS)** | | | | | | | |
| AoA- Alzheimer's Demonstration Project | N | Y | Y | --- | 12 | --- | -12 |
| AoA- Preventive Health Services | N | Y | Y | --- | 21 | --- | -21 |
| ACF- Community Services Block Grant | N | Y | Y | --- | 630 | --- | -630 |
| ACF- Other Community Service Programs: | | | | | | | |
| Community Economic Development | N | Y | Y | --- | 27 | --- | -27 |
| Job Opportunities for Low-Income Individuals | N | Y | Y | --- | 6 | --- | -6 |
| Rural Communities | Y | Y | Y | --- | 7 | --- | -7 |
| CDC- Preventive Health and Health Services Block Grant | N | Y | Y | --- | 99 | --- | -99 |
| HRSA- Bioterrorism Curriculum Development | N | N | N | 12 | 21 | --- | -21 |
| HRSA- Maternal & Child Health Small Categorical Grants | Y | Y | Y | --- | 39 | --- | -39 |
| IHS- Urban Indian Health Program | N | N | Y | --- | 33 | --- | -33 |
| **Total, HHS Terminations** | | | | **12** | **895** | **---** | **-895** |
| **Department of Housing and Urban Development (HUD)** | | | | | | | |
| HOPE VI | Y | Y | Y | -99 | 183 | -99 | -282 |
| Rural Housing and Economic Development | Y | Y | Y | --- | 24 | --- | -24 |
| Section 108 Loan Program | Y | Y | Y | --- | 3 | --- | -3 |
| **Total, HUD Terminations** | | | | **-99** | **210** | **-99** | **-309** |
| **Department of the Interior** | | | | | | | |
| BIA- Housing Improvement Program | N | N | N | 23 | 23 | --- | -23 |
| BIA- Johnson-O'Malley Assistance Grants | N | N | Y | --- | 16 | --- | -16 |
| FWS- Landowner Incentive Grants | N | N | N | 24 | 15 | --- | -15 |
| FWS- Private Stewardship Grants | N | N | N | 9 | 7 | --- | -7 |
| Land and Water Conservation Fund State Recreation Grants | N | Y | Y | --- | 28 | --- | -28 |
| National Park Service Statutory Aid | N | Y | Y | --- | 7 | --- | -7 |
| Rural Fire Assistance Program | | Y | Y | --- | 8 | --- | -8 |
| **Total, Interior Terminations** | | | | **56** | **104** | **---** | **-104** |
| **Department of Justice** | | | | | | | |
| National Drug Intelligence Center | N | Y | Y | 16 | 39 | 16 | -23 |
| State Criminal Alien Assistance Program | Y | Y | Y | --- | 400 | --- | -400 |
| **Total, Justice Terminations** | | | | **16** | **439** | **16** | **-423** |
| **Department of Labor** | | | | | | | |
| Denali Commission Job Training Earmark | Y | Y | Y | --- | 7 | --- | -7 |
| Migrant and Seasonal Farmworkers Training Program | Y | Y | Y | --- | 79 | --- | -79 |
| Susan Harwood Training Grants | Y | Y | Y | --- | 3 | --- | -3 |
| Work Incentive Grants | N | N | Y | --- | 23 | --- | -23 |
| **Total, Labor Terminations** | | | | --- | **112** | --- | **-112** |
| **Environmental Protection Agency (EPA)** | | | | | | | |
| Unrequested Water Infrastructure Projects | Y | Y | Y | --- | 200 | --- | -200 |
| Targeted Watershed Grants | N | N | N | 7 | 16 | --- | -16 |
| **Total, EPA Terminations** | | | | **7** | **216** | **---** | **-216** |
| **National Aeronautics & Space Administration (NASA)** | | | | | | | |
| Red Planet Venture Capital Fund | N | N | N | 12 | 6 | --- | -6 |
| **Total, NASA Terminations** | | | | **12** | **6** | **---** | **-6** |
| **Other Agencies** | | | | | | | |
| National Veterans Business Development Corporation | N | Y | Y | --- | 2 | --- | -2 |
| Postal Service Forgone Revenue Appropriation | Y | Y | Y | --- | 29 | --- | -29 |
| Commission of Fine Arts, National Capital Arts and Cultural Affairs | N | N | N | 7 | 7 | --- | -7 |
| **Total, Other Agencies Terminations** | | | | **7** | **38** | **---** | **-38** |
| **Total, Discretionary Program Terminations** | | | | **1,101** | **4,877** | **-130** | **-5,007** |

# Department of Agriculture: Discretionary Proposal
# Community Connect (Broadband) Grants

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 9 | --- | -9 |

**Administration Proposal and Impact**

The 2008 Budget proposes no new funding for Broadband grants. Funds will still be available through the Rural Utilities Service's (RUS) broadband loan program to provide broadband service to rural areas. Using loans to provide support is less expensive than grants by allowing for more support (loan level) with fewer appropriated dollars. Communities can obtain loans through RUS, which, due to the low interest rate, the communities are able to repay.

**Background**

The purpose of the Broadband Grant Program is to provide broadband transmission service that fosters economic growth and delivers enhanced educational, health care, and public safety services. Grants would be used for the deployment of broadband transmission service to extremely rural, lower-income communities on a "community-oriented connectivity" basis. This program is duplicative of the Broadband Loan Program authorized in the 2002 farm bill. The areas eligible for grants are also eligible for low-cost broadband loans through the RUS.

# Department of Agriculture: Discretionary Proposal
# Commodity Supplemental Food Program

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 107 | --- | -107 |

**Administration Proposal and Impact**

The 2008 Budget proposes to eliminate the Commodity Supplemental Food Program (CSFP). In the limited areas where it is available, the program duplicates two of the Nation's largest Federal nutrition assistance programs: Food Stamps and the Special Supplemental Nutrition Program for Women, Infants and Children (WIC). Instead, the Budget provides funding to serve all eligible individuals who apply for WIC, and provides resources for outreach and temporary benefits to help elderly households transition from CSFP to the Food Stamp Program.

**Background**

CSFP provides a monthly food package to low-income women, infants, children, and elderly in selected sites in 32 States, the District of Columbia, and on two Indian reservations. Many recipients are eligible for the Food Stamp and WIC programs. By contrast, these programs provide nationwide access to generally larger and more flexible nutrition benefits for all eligible individuals who apply.

# Department of Agriculture:  Discretionary Proposal
# Community Facilities Grant Program

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…..................... | 25 | --- | -25 |

**Administration Proposal and Impact**

The Administration proposes no funding for the Community Facilities (CF) Grant Program.  Thirty-five percent of the funds are earmarked.  Also, a program assessment by the Department of Agriculture and the Office of Management and Budget revealed that the grants are not always used in conjunction with the community facilities direct loan program.  In addition, this program is redundant with other Federal programs at the Departments of Commerce and Housing and Urban Development.  The Budget fully funds the community facilities direct and guaranteed loan programs.

**Background**

The CF Grant Program was newly authorized in the 1996 Farm Bill.  Grants were to be used in conjunction with the CF direct loan program or as a stand alone grant to provide financial assistance for essential community facilities such as health care, public safety, and educational/cultural services.  The grants are for rural areas, defined as communities of less than 20,000 people.

# Department of Agriculture: Discretionary Proposal
# Economic Impact Grant Program

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 15 | --- | -15 |

**Administration Proposal and Impact**

The Administration proposes no funding for the Economic Impact Grants Program. Economic Impact Grants are a special kind of community facilities grant designed specifically for areas of high unemployment and out-migration. This program is redundant with other Federal programs at the Departments of Commerce and Housing and Urban Development.

**Background**

Economic Impact Grants were authorized in the Grain Standards and Warehouse Improvement Act of 2000. This is a specialized community facilities grant program that has added criteria requiring the community to be experiencing extreme unemployment and/or severe economic depression and out-migration. It was to be used in conjunction with the community facilities direct loan program or as a stand alone grant to provide financial assistance for essential community facilities such as health care, public safety, and educational/cultural services. The grants are for rural areas, defined as communities of less than 20,000 people.

## Department of Agriculture: Discretionary Proposal
## Multifamily Housing Direct Loan Program

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 41 | --- | -41 |
| Loan Level………......................... | 90 | --- | -90 |

**Administration Proposal and Impact**

The Administration proposes no funding for the Multifamily Housing Direct Loan Program. Instead, the Administration proposes to provide rural multifamily housing units through the multifamily housing loan guarantee program. This will allow the Department of Agriculture (USDA) to provide a similar number of units at a lower cost.

The Budget also proposes funding in the multifamily housing revitalization account to deal with issues currently impacting existing USDA financed properties, including prepayment and dilapidation.

**Background**

The Multifamily Housing Direct Loan Program, authorized in the Housing Act of 1949, provides capital financing for the development of housing for very low- and low-income, elderly or handicapped residents. Loans are made to private developers or non-profits to construct, rehabilitate, and/or repair multi-family rural rental housing in rural areas. To help achieve affordable rents, the interest rate is subsidized to one percent, and, in addition, the tenant's rents are further reduced to 30 percent of their adjusted income through rental assistance grants.

The Administration has never requested funds for this program because focus and funding has been needed to deal with dilapidation in the current portfolio. The dilapidation issue arose because the original loan agreement did not require adequate reserves for major property improvements. In addition, these loans are for 50 years and pre-payment is prohibited.

# Department of Agriculture:  Discretionary Proposal
# Research and Extension Grant Earmarks and Low Priority Programs

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 157 | --- | -157 |

**Administration Proposal and Impact**

The Budget reprioritizes funding for research by eliminating an amount based on what the Congress has traditionally earmarked, as well as several lower priority programs that do not represent the most effective use of Federal dollars.  The Budget redirects a portion of these funds to competitive, peer review grants, such as the National Research Initiative (NRI), the Department of Agriculture's main discretionary competitive grants program.  Such grants could be targeted to national priority needs.

**Background**

The Congress provides funding for several hundred research and extension grants that are earmarked to specific locations and for specific purposes, often for work that may not be in the national interest or a Federal responsibility.  Examples of these have included:  asparagus technology and production; jointed goatgrass control; dairy and meat goat research; and alternative salmon products.  Many of these projects have received continuous funding for more than a decade.  Despite the fact that annual budget requests have proposed not to continue such earmarks, the Congress has continued to provide funding at increasingly higher levels in recent years, from $66 million in 1994 to $184 million in 2006. Furthermore, these projects and low priority programs use valuable taxpayer resources that could be devoted to higher priorities, such as competitive research grants that respond to national needs.

# Department of Agriculture: Discretionary Proposal
# Rural Business Grants

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority...................... | 45 | --- | -45 |

**Administration Proposal and Impact**

The Administration proposes no funding for Rural Business Enterprise Grants and Rural Business Opportunity Grants. These programs are duplicative of other Rural Development and Federal programs in the Departments of Commerce, Health and Human Services, Housing and Urban Development, and the Treasury. In addition, the programs are traditionally earmarked limiting their effectiveness.

**Background**

Rural Business Enterprise Grants and Rural Business Opportunity Grants were authorized in the Consolidated Farm and Rural Development Act of 1972. The Rural Business Enterprise Grants program provides grants to public bodies, private nonprofit corporations, and federally-recognized Indian tribal groups to assist emerging businesses in rural communities. The Rural Business Opportunity Grants program funds economic planning for rural communities, technical assistance for rural businesses, and training for rural entrepreneurs or economic development officials.

# Department of Agriculture: Discretionary Proposal
# Rural Enterprise Zones/Empowerment Communities

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 11 | --- | -11 |

**Administration Proposal and Impact**

The Administration proposes no funding for Rural Enterprise Zones/Empowerment Communities program. This program is duplicative of other Rural Development and Federal programs administered by the Departments of Commerce, Health and Human Services, Housing and Urban Development, and the Treasury. These communities will continue to be eligible for other rural development assistance available through the Departments of Agriculture, and Housing and Urban Development, as well as the Small Business Administration.

**Background**

Rural Enterprise Zones/Empowerment Communities grants were authorized in Title XIII of the Omnibus Budget Reconciliation Act of 1993. The program provides grants that encourage public and private partnerships to attract investments for long-term economic and community development in 162 communities designated as "distressed." Designated communities are eligible for various tax incentives and credits as well as priority ranking for many Federal programs.

# Department of Agriculture: Discretionary Proposal
# Single Family Housing Direct Loan Program

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 117 | --- | -117 |
| Loan Level………........................ | 1,165 | --- | -1,165 |

**Administration Proposal and Impact**

The Administration proposes no funding for the Single Family Housing Direct Loan Program, which provides Federal loans for low-income individuals to buy homes in rural areas. Using loan guarantees, instead of direct loans, to provide assistance for single family housing mortgages is consistent with other Federal homeownership programs. In fact, there are no Federal single family direct loan home ownership programs for urban areas.

Furthermore, financial markets have become more efficient and have increased the reach of mortgage credit to lower credit qualities and incomes. While there are still rural areas that are isolated from wide credit availability, these areas are shrinking as broadband internet access and correspondent lending grows. Therefore, utilizing the private banking industry to provide this service, with a guarantee from the Federal Government, is a more efficient way to deliver that assistance.

The Budget includes an increase to the single family housing loan guarantees of $1.2 billion for a total of $4.8 billion. In order to assist very low- to low-income rural borrowers, the Administration will propose legislation to authorize a subsidized guaranteed single family housing program.

**Background**

The Single Family Housing Direct Loan Program, authorized in the Housing Act of 1949, provides Federal loans for low-income individuals or households purchase homes in rural areas. Families must be without adequate housing, but be able to afford the mortgage payments, including taxes and insurance. In addition, interest payment subsidy is available to applicants to enhance repayment ability. The interest rate is based on the borrower's income and can be subsidized down to as low as one percent. Applicants must be unable to obtain credit elsewhere, yet have a reasonable credit history.

The direction of Rural Development's single family housing mortgage assistance over the last two decades has been towards guaranteed loans. The single family housing guaranteed loan program, authorized in 1990, has grown from a $100 million program to a $3 billion program annually. Meanwhile the single family direct loan program has been stagnant at approximately a $1 billion loan level.

# Department of Agriculture:  Discretionary Proposal
# Natural Resources Conservation Service Watershed Programs

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…..................... | 46 | --- | -46 |

**Administration Proposal and Impact**

The 2008 Budget proposes to terminate the Natural Resources Conservation Service's (NRCS') Watershed Protection and Flood Prevention Operations Program.  The program funds local—in many cases privately-owned—flood prevention and water improvement projects that are not Federal priorities. In addition, an Office of Management and Budget analysis in the 2004 Budget found that NRCS' program was the least cost effective Federal flood damage reduction program.  In conjunction with this termination, the 2008 Budget also proposes to terminate the Watershed Surveys and Planning Program. The Department of Agriculture anticipates that local sponsoring organizations, as well as State and local governments, will assume a more active role in identifying water resource problems and their solutions. The Budget proposes to eliminate funding for these programs and to redirect the dollars to other higher priority programs.

**Background**

The Watershed Protection and Flood Prevention Operations program provides technical and financial assistance to local communities to plan, design, and construct flood prevention, water supply, and water quality improvement projects.  The Watershed Survey and Planning Program provides technical assistance to local communities to perform surveys and develop plans to address local water issues, such as water supply and quality.

By agreement with the Army Corps of Engineers, NRCS' watershed programs fund only operations in small, rural watersheds and in communities with small populations.  NRCS has helped to construct thousands of dams and other flood control projects across the country over the program's 60-year history.

In the 2004 Budget, OMB compared the cost effectiveness of the Corps of Engineers, NRCS, and Federal Emergency Management Agency flood damage reduction programs.  Evaluation of projects completed over a five-year period demonstrated that NRCS' program provided the fewest benefits per dollar.

# Department of Commerce: Discretionary Proposal
# Emergency Steel Guarantee Loan Program

### Funding Summary
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…....................... | -39* | -49 | -10 |

*The 2007 House appropriations bill cancelled $39 million from this program; however, the Budget assumes that if the Department is funded under a full-year 2007 continuing resolution, the 2007 cancellation would not be enacted, which would leave $49 million available for cancellation in 2008.

**Administration Proposal and Impact**

The Administration is proposing to cancel all remaining credit subsidy balances for the Emergency Steel Guarantee Loan Program (ESGLP), as the financing assistance that these funds support is no longer needed due to the recovery of the industry.

**Background**

ESGLP was enacted in 1999 to help steel firms suffering financial losses from low prices and the inability to obtain financing for continued operations and facility re-investment. However, since 2003, the Administration has proposed to cancel funds from the program as it has become an unwarranted corporate subsidy and exposes taxpayers to significant costs from loan guarantee defaults. Further, demand for the guarantees has been much lower than expected. No loans have been made from the program since 2003.

Beginning in 2004, international demand for steel increased significantly, and numerous consolidations occurred in the domestic steel production market. The industry's recovery is further evidence that ESGLP is no longer needed.

# Department of Commerce: Discretionary Proposal
# Public Telecommunications, Facilities, Planning, and Construction Grants

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 20 | --- | -20 |

**Administration Proposal and Impact**

The Administration proposes to terminate Public Telecommunications, Facilities, Planning and Construction Program (PTFP) grant funding in the 2008 Budget. The Administration proposes instead that $30.6 million of the Corporation for Public Broadcasting's already-enacted 2008 funding be made available for public television's digital transition, to assist the remaining broadcasters that are not yet meeting Federal Communications Commission (FCC) mandates. Most public broadcasters have completed the transition to digital broadcasting, in order to comply with the rules of the FCC. Termination of PTFP appropriations will reduce redundancy in digital transition funding for public broadcasters.

**Background**

The PTFP program was created in the early 1960s to assist in the planning and construction of public telecommunications facilities through matching grants. The Commerce Department's National Telecommunications and Information Administration has administered the program since 1979.

Since 2000, almost 70 percent of PTFP awards have supported public television stations' conversion to digital broadcasting. Funding for public television's conversion to digital is available elsewhere.

# Department of Commerce: Discretionary Proposal
# Technology Administration

## Funding Summary
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 2 | 2 | --- |

### Administration Proposal and Impact

The Administration proposes to terminate the Technology Administration (TA) with a two-year $1.5 million appropriation in 2008 for transitioning and modernizing the Department's approach to technology policy by elevating the coordination of technology policy activities to the Secretarial level. In place of a stand-alone Technology Administration, the Budget proposes to create a Department-wide Technology Council that will coordinate technology policy activities that are distributed across the Department and to appoint a senior advisor in the Department's Office of Policy and Strategic Planning to serve as the primary coordinator of the Department's technology policy activities. The Budget proposes to shift funds to higher performing programs that have a greater impact on technological competitiveness, including providing a more than 10 percent increase for National Institute of Standards and Technology (NIST) labs as part of the American Competitiveness Initiative for high-priority investments in physical science research.

### Background

TA works on U.S. technology policy and, in principle, is the capstone office above NIST and the National Technical Information Service. The Budget seeks to modernize the Department's approach to technology policy by focusing on coordination of technology policy activities that are distributed in bureaus throughout the Department rather than having a single stand-alone organization. Further, the 2008 Budget supports the President's American Competitiveness Initiative that includes a strong commitment to double over 10 years the investments that support basic research programs in the physical sciences and engineering. The initiative also strengthens science and mathematics education and training programs, and will continue to be carried out through the National Science Foundation, the Department of Energy's Office of Science, the Department of Education, and NIST.

# Department of Education: Discretionary Proposal
# Even Start

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 112 | --- | -112 |

**Administration Proposal and Impact**

In 2008, the Administration proposes to eliminate the Even Start program and redirect funds to programs that are likely to be more effective at improving early childhood education, including Title I. An assessment by the Department of Education and the Office of Management and Budget that rated Even Start as Ineffective due to its poor results on national evaluations over a number of years provides strong justification for terminating the program.

**Background**

Launched as a small demonstration program in 1988, Even Start combines early childhood education, adult education, and parenting classes into "family literacy" programs for low-income children and their parents. However, three national evaluations of the program, including two with rigorous random control trial designs, show that Even Start is not effective. The children and adults who participate in the program do not make greater literacy gains than non-participants. The most recent evaluation concluded that, while Even Start participants made small gains, they did not perform better than the comparison group that did not receive Even Start services. In addition, the scores of Even Start participants after one year of participation in the program were very low. For example, Even Start children scored at the sixth percentile when tested at the end of the program on a measure of vocabulary knowledge and Even Start parents scored at the third grade level when tested at the end of the program on a measure of reading comprehension. Consequently, Even Start received an Ineffective PART rating in 2004.

In 2004, the Administration proposed to fund only continuation awards, based on PART findings and the national evaluations, and to begin phasing out the program. In 2005, the Administration proposed termination. The Congress provided the first funding reduction for the program in 2005 (-$22 million), reducing it from $247 million to $225 million. The Congress reduced the program further in 2006 to $99 million. The 2007 CR level is $112 million.

# Department of Education: Discretionary Proposal
# Educational Technology State Grants

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…....................... | 273 | --- | -273 |

**Administration Proposal and Impact**

The 2008 Budget proposes to terminate the Educational Technology State Grants program and redirect its funding to higher priority programs that are more closely focused on student achievement and have a more rigorous accountability structure in place.

**Background**

The Educational Technology State Grants program supports funding for States and local school districts to utilize technology to improve instruction and student learning. It was created in the No Child Left Behind Act of 2001 as a consolidation of disparate educational technology programs. Funding supports teacher training in educational technology, technology deployment, and a host of other activities designed to utilize educational technology to improve student achievement.

While the program was created to better focus educational technology investments on student achievement, it is not clear that Educational Technology State Grants has been successful in accomplishing this mission. When the Department of Education and the Office of Management and Budget recently completed a PART assessment of this program, they found that there are not yet enough data available to determine the program's impact on improving student academic achievement.

Educational technology may have a positive impact on student achievement, but it is not necessary to have a stand-alone Federal program solely dedicated to this purpose. States can continue to support similar activities through other, larger Department of Education programs such as Title I Grants to Local Educational Agencies ($13.9 billion) and Teacher Quality State Grants ($2.8 billion).

The Congress decreased funding for this program by $224 million in 2006, a 42-percent decrease from the 2005 level. The CR level is $273 million.

## Department of Education: Discretionary Proposal
## State Grants for Innovative Programs

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 99 | --- | -99 |

**Administration Proposal and Impact**

The 2008 Budget proposes to terminate the State Grants for Innovative Programs and redirect its funding to higher priority programs that are more closely focused on student achievement and have a more rigorous accountability structure in place.

**Background**

State Grants for Innovative Programs is a flexible block grant that provides grants to States and school districts for a broad array of projects supporting reform and improvement of elementary and secondary education.

State Grants for Innovative Programs was assessed using the PART in 2005. The Department of Education and the Office of Management and Budget determined that because the program gives States and school districts broad flexibility to fund virtually any K-12 activity, it is duplicative of other Federal, State, and local education programs. The PART analysis also found that the program is neither well-targeted to meet the needs of children in high-need schools nor designed in a manner that allows its effectiveness or efficiency to be measured or enables States and local educational agencies to be held accountable for results.

The Congress has decreased funding for this program by $286 million since 2001. The CR level is $99 million.

# Department of Education: Discretionary Proposal
# Small Elementary and Secondary Education Programs

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 440 | --- | -440 |

**Administration Proposal and Impact**

The Administration proposes to terminate 24 small elementary and secondary education grant programs. Termination of these narrow-purpose programs does not mean that Federal support is no longer available for these activities. States and school districts that view these issues as a high priority can support them with funds provided under broad-purpose Federal education programs, such as Title I, Teacher Quality State Grants, and other programs.

**Background**

The 24 grant programs described below are narrow-purpose and have no demonstrated results. Many of the activities supported by these programs can be supported under large formula grants if localities determine the need to be pressing. Others support activities that do not fill an appropriate Federal role. While most of these programs are intended to support laudable purposes, their design has not allowed them to meet their goals. Many of them lack performance objectives and measures and none have rigorous evaluations, preventing the Department of Education from assessing program effectiveness and identifying successful intervention strategies that could have broad national impact. Further, most of these programs lack administrative mechanisms for holding grantees accountable for achieving results, and several earmark funds for specific service providers rather than running true competitions. These programs differ from many other programs authorized under the Elementary and Secondary Education Act of 1965 (ESEA), such as Title I and Reading First, which have a strong accountability framework and encourage the use of scientifically based interventions, improving the prospects for participants to achieve positive and measurable outcomes.

Most of these programs are authorized by the ESEA and are subject to reauthorization this year. The Administration is not recommending reauthorization for any of these programs.

*Comprehensive School Reform (CSR)* (2007 CR level: $10.1 million) supports research-based reform models that address multiple aspects of schools and instruction, particularly in low-performing schools. In 2004, the Department of Education and the Office of Management and Budget (OMB) used the PART to assess the program and found it to be duplicative of several aspects of Title I Grants to Local Educational Agencies, the largest ESEA program. For example, the current Title I authorization allows significantly more schools than under the prior law to use Title I funds to carry out the kinds of whole-school reforms supported by the CSR program. In addition, within Title I funding, there is a set-aside of over $500 million specifically for improvement activities in low-performing schools, the same group of schools that are the highest priority grant recipients in the CSR program. Data indicate that CSR is unnecessary as a catalyst for change. In the 2000-2001 school year, about 30,000 schools were implementing research-based school reform models, yet fewer than 10 percent were using CSR funds to do so. In 2006, the Congress reduced funding for this program by $197 million.

Javits Gifted and Talented Education (2007 CR level: $9.6 million) supports activities to help high schools meet the educational needs of gifted and talented students. Current grants are not structured to assess program effectiveness and identify successful intervention strategies that could have broad national impact.

Education for Native Hawaiians (2007 CR level: $33.9 million) supports the provision of supplemental education services to the Native Hawaiian population. School districts that wish to implement programs and services tailored to the educational and cultural needs of Native Hawaiian students are able to use funds provided under other Federal programs. For example, significant funds are provided to Native Hawaiian students who receive services through Federal formula grant programs, such as Title I Grants to Local Educational Agencies and Special Education State Grants program.

Alaska Native Educational Equity (2007 CR level: $33.9 million) supports the provision of supplemental educational programs and services to Alaska Natives. The services provided to Alaska Native students through this program are redundant of many of those provided through the Department's Indian Education programs.

National Writing Project (2007 CR level: $21.5 million) provides a non-competitive grant to a nonprofit educational organization that promotes kindergarten through college level teacher training programs in writing. The 2006 PART assessment conducted by the Department of Education and OMB rated this program as Results Not Demonstrated since it lacks long-term and annual performance measures, as well as a rigorous evaluation of its effectiveness. Funds for training teachers in all academic subjects are provided under the Teacher Quality State Grants program.

School Leadership (2007 CR level: $14.7 million) supports recruiting, training, and retaining principals and assistant principals. The activities funded under this program can be funded under other authorities, including Teacher Quality State Grants.

Advanced Credentialing (2007 CR level: $16.7 million) supports the development of advanced credentials based on the content experience of master teachers. Funds also support related activities to encourage and support teachers seeking advanced credentials. Federal support for this program is no longer needed because the development and implementation of advanced credentialing systems through the National Board for Professional Teaching Standards and the American Board for the Certification of Teacher Excellence is complete. In addition, the Administration does not believe that additional funding for outreach, recruitment, or candidate subsidies is warranted without conclusive evidence that advancing credentialing increases student achievement.

School Dropout Prevention (2007 CR level: $4.9 million) supports dropout prevention programs in schools and districts with above-average dropout rates. Districts wishing to implement drop-out prevention programs may use funds from Title I Grants to Local Educational Agencies (LEAs). The 2008 Budget is proposing a significant increase for Title I, which will devote new funds to high schools in proportion to the number of low-income students they educate.

Close-Up Fellowships (2007 CR level: $1.5 million) provides a non-competitive grant to the Close-Up Foundation to provide fellowships to low-income students and their teachers to finance their participation in one-week Washington, D.C. seminar programs to learn about the Federal Government. In 1997, the Congress requested that the Close-Up Foundation provide a plan to continue its fellowships without Federal funding. In the succeeding years, the foundation surpassed its private sector fundraising goals.

Given the popularity of this program and its successful private fundraising, the Administration believes this program would continue without Federal support.

<u>*Academies for American History and Civics*</u> (2007 CR level: $2.0 million) supports intensive workshops for teachers and students in the areas of history and civics. The activities funded under this program can be funded under other authorities, including Teacher Quality State Grants and Teaching American History.

<u>*Star Schools*</u> (2007 CR level: $14.8 million) supports a variety of telecommunications partnerships that utilize technology to deliver educational content electronically (commonly referred to as distance education). An evaluation was initiated in 1999 but yielded no reliable findings of program effectiveness and was never completed. The activities funded under this program can be funded under other authorities, such as the Improving Teacher Quality State Grants program.

<u>*Ready to Teach*</u> (2007 CR level: $10.9 million) supports competitive grants to nonprofit telecommunications entities to carry out programs to improve teaching in core curriculum areas and to develop and distribute innovative educational and instructional video programming. Resources are already available through the Teacher Quality State Grants program.

<u>*Exchanges with Historic Whaling and Trading Partners*</u> (2007 CR level: $8.9 million) provides non-competitive grants to support culturally based educational activities for Alaska Natives, Native Hawaiians, children and families of Massachusetts, and (as amended by Public Law 109-149) any federally-recognized Indian tribe in Mississippi. The program earmarks funds for specific entities serving these populations.

<u>*Excellence in Economic Education*</u> (2007 CR level: $1.5 million) supports a competitive grant to a single non-profit educational organization to promote economic and financial literacy for kindergarten through 12th grade (K-12) students. The activities funded under this program can be funded under other authorities and private sector outreach.

<u>*Mental Health Integration in Schools*</u> (2007 CR level: $4.9 million), first funded in 2005, provides grants to States and school districts to support collaborative efforts between school systems and mental health systems. The activities funded under this program can be funded under other authorities, including through the Safe Schools/Healthy Students initiative within Safe and Drug-Free Schools National Programs.

<u>*Foundations for Learning*</u> (2007 CR level: $1.0 million), first funded in 2003, provides grants for comprehensive services to help children under seven who have multiple at-risk characteristics – including exposure to violence or abuse, low birth weight, and cognitive deficits – be prepared to enter school. Since IDEA, Head Start, and Title I all help at-risk pre-school children enter school ready to learn, a separate program for this purpose is not necessary.

<u>*Arts in Education*</u> (2007 CR level: $35.3 million) makes non-competitive awards to VSA Arts and the John F. Kennedy Center for the Performing Arts as well as competitive awards for demonstration projects and leadership activities to encourage the integration of arts into the school curriculum. Districts desiring to implement arts education activities can use funds provided under other Federal programs. Further, the Kennedy Center and VSA Arts have a long history of obtaining financial support from the private sector, individual donors, and other non-Federal sources, which can be expected to continue.

<u>*Parental Information and Resource Centers*</u> (2007 CR level: $39.6 million) provide training, information, and support to State and local educational agencies and other organizations that carry out parent education

and family involvement programs. Since parent education and support activities are required and funded under other NCLB programs such as Title I, a separate program for this purpose is not necessary.

*Women's Educational Equity* (2007 CR level: $2.9 million) supports activities promoting educational equity of girls and women. Since the enactment of the Women's Educational Equity Act in 1974, the need for a program focused on eliminating the educational gap for girls and women has diminished greatly, as women have made educational gains that match or exceed those of their male peers.

*Alcohol Abuse Reduction* (2007 CR level: $32.4 million) supports programs to reduce alcohol abuse in secondary schools. These activities are already supported by the Safe Schools/Healthy Students program, an initiative under Safe and Drug-Free Schools National Programs, and could be supported by the $60 million in Safe and Drug-Free School National Activities funding in the 2008 Budget that is dedicated to research-based alcohol and drug use and violence prevention programs.

*Mentoring* (2007 CR level; $19 million) supports mentoring programs and activities for children who are at risk of educational failure, dropping out of school, involvement in criminal or delinquent activities, or who lack strong, positive role models. In 2007, the program was in its last year of a three-year phase out. Mentoring activities are supported by many other Federal programs—the White House Task Force on Disadvantaged Youth identified over 100 youth programs which support mentoring in 13 agencies.

*Elementary and Secondary School Counseling* (2007 CR level: $34.7 million) makes grants to support elementary and secondary school counseling programs. Current statute requires all appropriations below $40 million [must] be used for elementary school counseling. School counselors are primarily supported with non-Federal funds, and a small Federal categorical program can have, at best, a marginal impact on the number of counselors employed in schools or the availability of counseling for students, much less on the quality of the counseling provided. In addition, the 2008 Budget requests support for Research-Based Grants to LEAs for drug and violence prevention programs within the Safe and Drug-Free Schools National Programs and for Safe Schools/Healthy Students projects, which districts may use to fund counseling as part of a comprehensive, research-based focus on the school environment.

*Physical Education* (2007 CR level: $72.7 million) supports physical education programs (including after-school programs) for students in K-12. The Department of Education and OMB assessed the program in 2005 using the PART and the program received a rating of Results Not Demonstrated because it had not been able to demonstrate results. Physical Education programs have historically been supported by States and LEAs. In addition, the 2008 Budget includes $17 million in the Department of Health and Human Services to support technical assistance and implementation of science-based curriculum tools to encourage physical education and healthy eating.

*Civic Education* (2007 CR level: $29.1 million) supports several non-competitive grants to organizations that promotes civic responsibility through teacher training and instructional materials, and educational exchanges with developing democracies. The program's contribution to the Department's mission is marginal, and given the popularity of this program and its successful private fundraising, the Administration believes this program would continue without Federal support.

# Department of Education: Discretionary Proposal
# Supplemental Educational Opportunity Grants

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 771 | --- | -771 |

**Administration Proposal and Impact**

In 2008, the Administration proposes to terminate this poorly targeted program that is duplicative of the larger and more targeted Federal Pell Grant program. The savings from this termination, and other student aid reforms, will be redirected to better-targeted programs. The Budget is proposing significant increases in need-based aid broadly available to all eligible students, regardless of the institutions they attend, through Pell Grants and Academic Competitiveness Grants (see Reforming Student Aid in the Mandatory Program Reforms section of this volume). This reallocation addresses the findings and recommendations of the Secretary's Commission on the Future of Higher Education, which called for increasing need-based grant aid and simplifying the student aid programs.

**Background**

The Supplemental Educational Opportunity Grant (SEOG) program provides grant assistance to students through institutions of higher education, which provide 25 percent in matching funds. Only about seven percent of postsecondary students receive funding under SEOG, compared to the nearly one-quarter who receive Pell Grants. The amount of Federal matching funds provided to institutions varies widely and is determined by a statutory formula that benefits more established institutions. This antiquated allocation formula means that proportionately less SEOG funding goes to institutions that educate the largest proportion of low-income students. In 2005 for instance, while nearly 70 percent of Pell Grant recipients enrolled in public institutions of higher education, these institutions only received 46 percent of SEOG funds to provide to needy students.

Additionally, SEOG awards are not optimally allocated based on financial need. Though institutions are required by statute to give "priority" in awarding SEOG funds to Pell-eligible students, there is no requirement that the size of these awards be tied to a student's need, and institutions have discretion to provide larger SEOG awards to students without the highest need.

Compared to Pell Grants, a higher proportion of SEOG funds support administrative costs and a lower proportion goes to students at institutions of higher education. While only 0.2 percent of Pell Grant funding is available to institutions to pay for administrative costs, five percent of SEOG funding is used for this purpose.

In a 2003 PART assessment, SEOG was found to be duplicative of other programs, was not effectively targeted, and was unable to demonstrate results.

# Department of Education:  Discretionary Proposal
# Tech-Prep Education State Grants

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…....................... | 105 | --- | -105 |

**Administration Proposal and Impact**

In 2008, the Administration proposes to terminate Tech-Prep State grants since the populations served and services provided under this program are duplicative of the much larger Career and Technical Education State grants.  In addition, the Administration's No Child Left Behind reauthorization proposal will support linkages between secondary schools and postsecondary institutions.

**Background**

The Tech Prep State Grants program supports partnerships that develop structural links between secondary schools and postsecondary institutions to integrate academic and vocational education.  About two-thirds of the funds support high school activities.  The Department of Education and the Office of Management and Budget assessed the program using the PART and found that the program could not demonstrate results based on a series of national evaluations indicating that the program provides no measurable advantage for high school students in terms of high school completion, postsecondary enrollment, and academic achievement.

# Department of Education: Discretionary Proposal
# Smaller Learning Communities

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…....................... | 90 | --- | -90 |

**Administration Proposal and Impact**

In 2008, the Administration proposes to terminate the Smaller Learning Communities program because of its narrow focus and lack of evidence of effectiveness. The populations served and services provided under this program, are duplicative of Title I Grants to Local Educational Agencies. In addition, the Administration's No Child Left Behind reauthorization proposal will more effectively target funds to high schools with the most need.

**Background**

The Smaller Learning Communities program makes competitive grants to support the creation or expansion of smaller learning communities in large high schools. In 2005, the Department of Education and the Office of Management and Budget assessed the program using the PART and rated it as Results Not Demonstrated. The PART findings noted the lack of rigorous evaluation data about the effects of smaller schools on performance and called attention to the diminished need for a specific Federal program to support the creation of smaller learning communities. Since 2000, non-Federal funds have become available through the Carnegie Corporation of New York and the Bill and Melinda Gates Foundation, among others, to support multi-year high school reform initiatives that focus, in part, on creating smaller learning communities. In addition, records on the 2005 competition indicate that the grant awards were sharply concentrated geographically, with local educational agencies in two States (California and Florida) receiving 30 percent of the available funds. Interest in the program thus appears to be narrowly concentrated.

# Department of Education: Discretionary Proposal
# Teacher Quality Enhancement Program

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 60 | --- | -60 |

**Administration Proposal and Impact**

The Administration proposes to eliminate funding for the Teacher Quality Enhancement program, as the program has failed to demonstrate results and many of its activities can be supported under a number of other programs within the Department of Education, including the Improving Teacher Quality State Grants program. The Budget includes funding for other activities designed to improve teacher quality, including a $90 million increase for the Advanced Placement program, which would expand training for teachers to lead Advanced Placement and International Baccalaureate courses. The Budget also continues support for Transition to Teaching and Troops to Teachers and re-proposes an Adjunct Teacher Corps initiative to bring more qualified mid-career professionals into the classroom.

**Background**

The Teacher Quality Enhancement program, first funded in 1998, provides support for multiple types of activities, including Recruitment and Partnership Grants that support collaboration between schools of education and local school districts to recruit and train teachers to serve in high-need schools, and Grants to States for reforming their teacher preparation and accreditation systems.

In 2004, the Department of Education and the Office of Management and Budget completed a PART review of this program and gave it a rating of Results Not Demonstrated due to its lack of performance information and program management deficiencies.

The Congress has reduced funding for this program by $29 million over the prior three years, from $89 million in 2004 to $60 million in 2006.

# Department of Education: Discretionary Proposal
# Small Higher Education Programs

**Funding Summary**
(In millions of dollars)

| | 2007<br>CR level | 2008<br>Proposed | Change<br>From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 19 | --- | -19 |

**Administration Proposal and Impact**

The Administration proposes to terminate funding in 2008 because these two small higher education grant programs support activities that may be carried out under other Higher Education Act (HEA) programs or have accomplished their intended missions and no longer require additional Federal investment.

**Background**

These two programs provide support to certain postsecondary institutions for highly specialized purposes. These programs have either served their mission or do not have a significant national impact.

*Strengthening Alaska Native and Native Hawaiian-serving Institutions* (2007 CR level: $11.8 million) supports Alaska Native and Native Hawaiian-serving Institutions to enable them to improve and expand their capacity to serve Alaska Native and Native Hawaiian students. The types of activities supported by this program may be carried out under the HEA Title III Strengthening Institutions program.

*Demonstration Projects to Ensure Quality Higher Education for Students with Disabilities* (2007 CR level: $6.9 million) funds technical assistance and professional development activities for faculty and administrators in institutions of higher education in order to improve the quality of education for students with disabilities. This program has achieved its primary goal of funding model demonstration projects. Similar projects can and do receive funding under the Fund for the Improvement of Postsecondary Education.

# Department of Education: Discretionary Proposal
# State Grants for Incarcerated Youth Offenders

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…....................... | 23 | --- | -23 |

**Administration Proposal and Impact**

The Administration proposes to terminate this small, narrow-purpose program that has not demonstrated results. While the program is intended to support laudable purposes, it has not been evaluated and does not have strong administrative mechanisms for holding grantees accountable for outcomes. In addition, States may use up to one percent of the funds they receive from the Department of Education under the Carl D. Perkins Career, Technical, and Adult Education State Grants program to serve individuals in State institutions, including State correctional institutions.

Moreover, the Reintegration of Ex-Offenders (REO) program at the Department of Labor (DOL) can serve many of the needs of this population. REO offers a range of job training, housing, and mentoring services for juveniles and adults. For juvenile offenders, REO provides a greater focus on building basic literacy and numeracy skills and the completion of secondary education through alternative education pathways, leading to career opportunities through postsecondary credentialing programs or pre-apprenticeship and apprenticeship programs. In total, the 2008 Budget includes $39.6 million in DOL and $25 million in the Department of Housing and Urban Development for ex-offender activities to address the problems faced by ex-offenders in a more effective and coordinated way.

**Background**

The State Grants for Incarcerated Youth Offenders program provides formula grants to State correctional agencies intended to assist and encourage incarcerated youth to acquire functional literacy and life and job skills.

# Department of Education: Discretionary Proposal
# Small Postsecondary Student Financial Assistance Programs

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…....................... | 174 | --- | -174 |

**Administration Proposal and Impact**

In 2008, the Administration proposes to terminate five small postsecondary student financial assistance programs that have either achieved their purpose or are duplicative of the more than $90 billion in grants, loans, and work study made available by the Department of Education each year.

The savings from these terminations and other student aid reforms will be redirected to other priorities. The Budget is proposing significant increases in need-based aid broadly available to all eligible students, regardless of the institutions they attend, through Pell Grants and Academic Competitiveness Grants (see Reforming Student Aid in the Mandatory Reforms section of this volume). This reallocation addresses the findings and recommendations of the Secretary's Commission on the Future of Higher Education, which called for increasing need-based grant aid and simplifying the student aid programs.

**Background**

The following five programs provide financial assistance to selected groups of postsecondary students. These programs have either served their mission or are duplicative of other Federal, State, local, or non-profit activities.

*Leveraging Educational Assistance Program (LEAP)* (2007 CR level: $64.5 million) has accomplished its original objective of stimulating all States to establish need-based postsecondary student grant programs. However, beyond the establishment of these programs LEAP does little to encourage States to increase their investment in grant aid for their neediest students, or effectively target this aid to the students who could most benefit from it. The Department of Education and the Office of Management and Budget assessed the program using the PART and rated it Results Not Demonstrated. The PART assessment also identified structural problems with LEAP that limited the program's effectiveness.

*Perkins Loan Cancellations* (2007 CR level: $65.5 million) provide loan forgiveness to certain Perkins Loan borrowers in exchange for undertaking certain public service employment, such as teaching in Head Start programs, full-time law enforcement, or nursing. In 2007, the $65.5 million Federal appropriation reimburses institutional revolving funds for these loan cancellations. The PART analysis conducted in 2004 rated the Perkins Loan program as Ineffective. It found that this program is duplicative of the direct and guaranteed student loan programs and is not well targeted to the neediest students. Eligible Perkins loans would continue to be cancelled but no appropriations would be made to replenish the institutional revolving funds. This program termination is coupled with the Budget's proposal to eliminate the Perkins loan program and recall the Federal portion of these revolving funds.

*Byrd Scholarships* (2007 CR level: $40.6 million) are intended to promote academic excellence through grants to States that support scholarship assistance for up to four years to high-performing high school students entering an undergraduate course of study.  The program received a PART rating of Results Not Demonstrated because it lacks performance data and does not have a need-based component unlike other ED postsecondary aid programs.

*Thurgood Marshall Legal Educational Opportunity* (2007 CR level: $2.9 million) provides minority, low-income, or disadvantaged college students with information, preparation, and financial assistance to help them gain access to and complete law school.  This program is largely duplicative of similar assistance that is available through the Department's traditional postsecondary student financial aid programs.

*B.J. Stupak Olympic Scholarships* (2007 CR level: $1.0 million) provide financial assistance to athletes who are training at Olympic Training centers and who are pursuing a postsecondary education. This program lacks performance data to show progress toward meeting its goals and therefore received a PART rating of Results Not Demonstrated.  Athletes may still receive grant, work-study, and loan assistance through the Department's traditional postsecondary student aid programs.

# Department of Education: Discretionary Proposal
# Small Vocational Rehabilitation Programs

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 54 | --- | -54 |

**Administration Proposal and Impact**

In 2008, the Administration proposes to terminate the small Vocational Rehabilitation (VR) Migrant and Seasonal Farmworkers, Projects with Industry, and Supported Employment programs, since these programs serve the same populations and provide the same services as VR State Grants. In addition, the Administration proposes to terminate the VR Recreational program because the activities are more appropriately supported by State, local, and private entities.

**Background**

The following programs provide life skills or job training services to individuals with disabilities. Most are duplicative of the $2.7 billion Vocational Rehabilitation (VR) State grant program.

*Supported Employment* (2007 CR Level: $29.7 million) was created in 1986 to encourage VR agencies to provide supported employment services to individuals with significant disabilities. At the time, supported employment was a new practice to employ individuals who traditionally would not be employed in integrated settings. Today, VR agencies recognize and utilize supported employment practices as an effective strategy to help individuals with significant disabilities obtain jobs. The Supported Employment program has achieved its original purpose.

In 2006, Congress reduced funding for Supported Employment programs from $37.4 million to $29.7 million.

*Projects with Industry (PWI)* (2007 CR Level: $19.5 million) help individuals with disabilities obtain employment and advance their career in the competitive labor market. PWI is duplicative because the VR State Grants program provides the same services to the same target populations.

*VR Recreational Programs* (2007 CR Level: $2.5 million) supports projects that provide recreation and related activities for individuals with disabilities to aid in their employment, mobility, independence, socialization, and community integration. The program has limited impact, and State and local agencies and the private sector can more appropriately provide these services.

*VR Migrant and Seasonal Farmworkers* (2007 CR Level: $2.3 million) supports rehabilitation services to migratory workers with disabilities. Originally established as a demonstration program in the mid-1970s, the program no longer needs to demonstrate the benefits of serving migratory workers. The much larger VR State grants program serves the same population.

# Department of Energy: Discretionary Proposal
# University Nuclear Energy Program

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 27 | --- | -27 |

**Administration Proposal and Impact**

The University Nuclear Energy Program assists universities in maintaining research and education reactors, as well as providing earmarked fellowships for students studying nuclear engineering. The fellowship came about in response to low enrollment. Enrollment target levels of the program have already been met and students no longer need to be encouraged to enter into nuclear-related disciplines. The number of universities offering nuclear-related programs also has increased. In addition, the Nuclear Regulatory Commission expects to receive from the nuclear industry approximately 20 combined construction and operating licenses for upward of 30 new nuclear power reactors. These trends reflect renewed interest in nuclear power. Students will continue to be drawn into this course of study; universities, along with nuclear industry societies and utilities, will continue to invest in university research reactors, students, and faculty members. In addition, the 2008 Budget proposes $3 million to support fuel and other services for universities elsewhere under the Research Reactor Infrastructure program.

Consequently, Federal assistance is no longer necessary, and the 2008 Budget proposes termination of the University Nuclear Energy Program. This termination is also supported by the fact that the program was unable to demonstrate results from its activities when reviewed using the PART since it lacks long-term performance goals and data.

**Background**

The University Nuclear Energy Program was designed to address declining enrollment levels among U.S. nuclear engineering programs. Since the late 1990s, enrollment levels in nuclear education programs have tripled, although the University Nuclear Energy Program is not able to demonstrate that its actions caused these results. Additionally, the program projected that U.S. enrollment levels reaching upward of 1,500 students would be needed by the year 2015 – with enrollments having reached this level in 2005, there is no longer a need for this program.

# Department of Energy: Discretionary Proposal
# Oil and Gas Research and Development Programs

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 12 | --- | -12 |

**Administration Proposal and Impact**

The 2008 Budget provides for the orderly termination of the Oil and Gas Research and Development (R&D) programs. These R&D activities typically fund development of technologies that can be commercialized quickly, like improved drill motors. As such, they are more appropriate for the private-sector oil and gas industry to perform. In addition, the programs have not demonstrated results, as identified in the 2003 PART review and updated annually. The industry has the financial incentives and resources to develop new ways to extract oil and gas from the ground more inexpensively and safely. The termination of the programs will be structured in an orderly manner so as to avoid disruption to the Federal workforce, respect existing contractual obligations, and minimize new contractual obligations in 2008.

**Background**

The Oil and Gas R&D programs develop technologies that industry can use to reduce the cost of exploration and production of oil and natural gas reserves. On April 25, 2006, President Bush stated, "…energy companies don't need unnecessary tax breaks like the write-offs of certain geological and geophysical expenditures, or the use of taxpayers' money to subsidize energy companies' research into deep water drilling."

The programs focus on incremental and evolutionary technology advances that oil and gas companies have the resources and incentives to conduct, which is not in accord with the Administration's R&D Investment Criteria. The Oil and Gas R&D programs were rated as Ineffective in the PART analysis of program performance, based largely on their inability to demonstrate clear results of the research efforts.

# Department of Energy: Discretionary Proposal
# Geothermal Technology Program

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…....................... | 23 | --- | -23 |

**Administration Proposal and Impact**

The 2008 Budget proposes to terminate the Geothermal Technology Program, which funds research to reduce the cost of energy derived from geothermal sources. Provisions in the 2005 Energy Policy Act (EPAct) should spur commercial development of geothermal resources, including research by the private sector, obviating the need for federally-subsidized research.

**Background**

Research supported by the Geothermal Technology Program has contributed to reduced cost of geothermal power to the point that it is now a mature technology. The 2005 EPAct amended the Geothermal Steam Act of 1970 in ways that should spur development of geothermal resources without the need for additional federally-subsidized research to further reduce costs. Specifically, EPAct changed the royalty structure for leasing on Federal land from a 50/50 State/Federal split to a 50/25/25 split for State/Federal/local governments, providing an incentive for local governments to attract geothermal resource developers. EPAct also streamlined leasing requirements, which lowers costs for potential developers. In addition, EPAct mandated that the U.S. Geologic Survey conduct a detailed resource assessment, since the last assessment was conducted in 1971. Resource mapping technology has greatly improved and should enable developers to more accurately identify areas for potential geothermal resource development. This should lower geothermal power costs because exploration is a major cost factor. In addition, EPAct extended from 2006 to 2008 the production tax credit (1.5 cents per kilowatt-hour, indexed for inflation) for electricity produced from geothermal resources. Geothermal power facilities in place before January 1, 2008, may claim the credit for 10 years thereafter. The Tax Relief and Health Care Act of 2006 extended eligibility to geothermal facilities placed in service before January 1, 2009.

# Department of Health and Human Services: Discretionary Proposal
# Alzheimer's Demonstration Projects

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 12 | --- | -12 |

**Administration Proposal and Impact**

The 2008 Budget proposes to eliminate the Alzheimer's Demonstration Projects. Over the past 15 years, this program has provided grants to all States to seek out innovative practices in caring for people with Alzheimer's disease. Tax dollars can better be used by focusing on disseminating information on successful, replicable, and innovative Alzheimer's care programs.

**Background**

The Alzheimer's Demonstration Projects program provides grants to States to develop innovative approaches in caring for individuals with Alzheimer's disease and supporting families and caregivers of Alzheimer's patients. Examples of previously supported innovations include increasing awareness of dementia in African-American communities through local churches; providing a safe and stimulating environment for Alzheimer's patients in adult care; and targeting low-income, rural, and ethnic communities through local outreach. Since the demonstration project was first created in 1992, all States have received funding. Also, of the 38 States that received funding in 2005, all are former grantees with a quarter of these States having received funding since 1992.

# Department of Health and Human Services: Discretionary Proposal
# Preventive Health Services

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 21 | --- | -21 |

**Administration Proposal and Impact**

The 2008 Budget proposes to terminate the Administration on Aging's (AoA) Preventive Health Services program because it is duplicative of services that States can provide through AoA's Community-Based Supportive Services program.  Also, AoA envisions integrating prevention as an underlying principle in its core programs and advocating use of evidence-based programs to better address preventive health needs versus the current mechanism of providing a small funding stream of unfocused seed money through the Preventive Health Services program.

**Background**

The Preventive Health Services program supports activities that educate and promote healthy behavior that can help to prevent or delay chronic disease and disability among older Americans.  Examples of activities that take place in multi-purpose senior center and other community-based settings include medication management classes; alcohol and substance abuse prevention and smoking cessation programs; physical fitness classes; and health screenings and risk assessments for conditions such as hypertension, diabetes, cholesterol, hearing, vision, and glaucoma.  All of these services can be supported by AoA's Community-Based Supportive Services program.

# Department of Health and Human Services: Discretionary Proposal
# Community Services Block Grant

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 630 | --- | -630 |

**Administration Proposal and Impact**

The 2008 Budget proposes to terminate the Community Services Block Grant (CSBG) because it lacks appropriate performance measures and lacks competition as evidenced by the same grantees receiving funding year after year. For example, over 1,000 Community Action Agencies (CAAs) that receive CSBG funding have little incentive to improve their performance since they are not held to minimum performance standards as a condition for continued grant awards. The Budget also proposes to terminate CSBG because key services provided with program dollars are duplicative of other Federal programs benefiting low-income populations. Further, these other Federal programs are larger and may better address the needs of the poor by focusing resources on a specific service instead of providing for a wide range of services with diffuse CSBG funding.

**Background**

CSBG was created in 1981 to reduce poverty, revitalize low-income communities and empower low-income families and individuals to be self-sufficient. This flexible funding reaches almost every county in the Nation through State-administered networks of local CAAs to promote activities that reduce the incidence and severity of poverty. Services categories include employment, education, housing, nutrition, income management, and health, which are targeted to low-income individuals with a special focus on Temporary Assistance to Needy Families, homeless, migrant farm workers, and low-income elderly.

The program does not have appropriate performance measures and has a program purpose that is too broad and duplicative of other anti-poverty programs. The Administration first proposed CSBG for termination in 2006. The 2006 House-passed appropriations bill reduced the program's funding to $320 million, and in 2007, the House Appropriations Committee reduced funding to $449 million.

# Department of Health and Human Services: Discretionary Proposal
# ACF Other Community Service Programs

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority: | | | |
| *Community Economic Development.* | *27* | --- | *-27* |
| *Rural Community Facilities……......* | *6* | --- | *-6* |
| *Job Opportunities for Low-Income Individuals……………………....* | *7* | --- | *-7* |
| Total…………...…………................ | 40 | --- | -40 |

**Administration Proposal and Impact**

The 2008 Budget proposes to eliminate three community services programs in the Administration for Children and Families (ACF): 1) Community Economic Development; 2) Rural Community Facilities; and 3) Job Opportunities for Low-Income Individuals. These programs do not have performance standards to assess their impact, are too narrowly focused to have a major benefit, duplicate other Federal programs, and award grants on a noncompetitive basis. The Budget focuses resources on other, higher priority programs.

**Background**

The *Community Economic Development* program was created in 1981 to award grants to private and non-profit organizations to create new employment and business opportunities for low-income individuals. Projects include business start-ups, expansions, development of new products and services, and other physical and commercial improvements. The targeted population includes the unemployed, public assistance recipients, residents of public housing, the homeless, and individuals transitioning from incarceration into the community. The program also duplicates the efforts of existing Federal programs such as Temporary Assistance for Needy Families. Forty-six grants were awarded with $27 million in 2006.

The *Rural Community Facilities* program, created in 1981, awards grants to non-profits, and State and local governments to develop affordable, safe water and waste water treatment facilities. Funding is used to provide training and technical assistance in developing and managing water facilities; improve coordination of Federal, State, and local agencies with waste and water management; and distribute information to local communities on available Federal resources. The program is duplicative of other Federal entities such as the Bureau of Reclamation's Rural Water Program, which is responsible for water and waste water treatment facilities. Eight grants were awarded with $7.3 million in 2006.

The *Job Opportunities for Low-Income Individuals* program was authorized in 1988 to award grants to non-profit organizations to create new full-time, permanent employment opportunities for low-income individuals. Examples of job creation projects include expansion of existing businesses and self-employment/micro-enterprises. Local communities may provide similar services targeted to low-income individuals with funding from the Community Development Block Grant program in the Commerce Department. Ten grants were awarded with $5.4 million in 2006.

# Department of Health and Human Services: Discretionary Proposal
# CDC Preventive Health and Health Services Block Grant

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…....................... | 99 | --- | -99 |

**Administration Proposal and Impact**

The 2008 Budget proposes no funding for the Preventive Health and Health Services Block Grant (PHHSBG). The 2008 Budget continues to make substantial investments in the public health system through State and local bioterrorism preparedness grants and increases for pandemic influenza preparedness.

**Background**

PHHSBG was authorized in 1981 through the consolidation of multiple categorical programs. The main uses of PHHSBG are chronic disease prevention, public health infrastructure, access to healthcare, injury reduction, prevention and services for sex offenses, immunizations and infectious diseases, and other activities. In 2006, the average award to States/Territories was approximately $2 million.

PHHSBG lacks national level performance outcome information and overlaps with categorical funding. The block grant was created through the consolidation of multiple categorical grants. Since the establishment of PHHSBG, categorical grants have reemerged that cover many of the same areas. In the main areas covered by the block grant, Centers for Disease Control and Prevention categorical programs have grown to more than $800 million a year.

# Department of Health and Human Services: Discretionary Proposal
# Bioterrorism Curriculum and Training Development Program

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…....................... | 21 | --- | -21 |

**Administration Proposal and Impact**

The 2008 Budget proposes to subsume the Bioterrorism Curriculum and Training Development Program into other Department of Health and Human Services (HHS) homeland security preparedness activities. The future implementation of these activities is more appropriately supported at the State and local level so that training of health care workers can be integrated into preparedness planning and exercises. In addition, continuing education of health professionals is a multi-billion dollar industry funded primarily through unrestricted grants from private industry.

**Background**

The purpose of the Bioterrorism Curriculum and Training Development Program is to improve the capability of the Nation's healthcare workforce to respond to bioterrorism and other public health emergencies. Since its 2002 inception, 225,000 healthcare workers have participated in program supported training. HHS has worked to align training efforts with other preparedness activities in accordance with the national vision established through the efforts of the Department of Homeland Security in developing the National Preparedness Goal. The 2007 Budget proposed to decrease funding for these activities from $21 million to $12 million.

# Department of Health and Human Services: Discretionary Proposal
# Maternal and Child Health Small Categorical Grants

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 39 | -- | -39 |

**Administration Proposal and Impact**

The 2008 Budget proposes no funding for Health Resources and Services Administration's (HRSA) Maternal and Child Health small categorical grants (Universal Newborn Hearing Screening, Traumatic Brain Injury, and Emergency Medical Services for Children). In 2004, the Traumatic Brain Injury and Emergency Medical Services programs both received ratings of Results not Demonstrated when the Department of Health and Human Services and the Office of Management and Budget assessed them using the PART. Both programs lack performance goals and data to report on their health impacts. A 2005 PART evaluation of the Universal Newborn Hearing Screening Program determined that the program had completed its intended objective of helping States to implement universal newborn hearing screening.

**Background**

The activities funded by these small grant programs can continue to be conducted by States through their Maternal and Child Health Block Grant and other sources. The Maternal and Child Health Block Grant at HRSA allocates $693 million to States to fund activities for mothers, children, and their families. These terminations were also proposed in the 2006 and 2007 Budgets.

# Department of Health and Human Services: Discretionary Proposal
# Urban Indian Health

**Funding Summary**
(In millions of dollars)

| | 2007<br>CR level | 2008<br>Proposed | Change<br>From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 33 | --- | -33 |

**Administration Proposal and Impact**

The 2008 Budget reproposes the 2007 Budget policy to phase out Urban Indian Health funding and target funds to health care services for American Indians and Alaska Natives living on or near reservations. It is expected that some Urban Indian Clinics will continue to deliver services using funding from other sources. American Indians and Alaska Natives residing in urban areas will have access to health care services through other public and private health insurance and other sources of care.

**Background**

The Urban Indian Health Program, established in 1976, finances grants and contracts for primary, preventive, and behavioral health care, as well as outreach and referral services, for the 60 percent of American Indians and Alaska Natives that live in urban areas. A PART assessment conducted by the Department of Health and Human Services and the Office of Management and Budget rated the program Adequate but identified flaws, such as the lack of independent evaluations of service delivery and effectiveness. Approximately 60 percent of the operating budgets for providers that receive Urban Indian Health funding come from other public and private sources. Unlike many American Indians and Alaska Natives who live in rural areas and on reservations, urban Indians can readily access publicly and privately financed health care services.

# Department of Housing and Urban Development: Discretionary Proposal
# HOPE VI

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…....................... | 183 | -99 | -282 |

**Administration Proposal and Impact**

The 2008 Budget again proposes no new funding for the Revitalization of Severely Distressed Public Housing (HOPE VI) program. The program has surpassed its primary goal to demolish 100,000 severely distressed public housing units by 2003. While the program has achieved success in removing dangerous public housing, the 2005 PART analysis and a Government Accountability Office (GAO) report showed the program to be slow at completing construction and more costly than other programs that serve the same population. The Budget also proposes to cancel the 2007 funding for this program, which is estimated at $99 million. The Budget includes funding increases for more cost-effective alternatives, such as the HOME block grant and Section 8 Tenant-based Assistance.

**Background**

In 1992, the Congress established the HOPE VI program to address 100,000 of the most severely distressed public housing units in the Nation's urban neighborhoods. Through competitive grants, HOPE VI has awarded local public housing authorities over $6 billion to demolish, rehabilitate, and replace obsolete public housing with mixed-income communities, as well as provide social services to residents.

The program was originally designed with a discrete target – demolish 100,000 dangerous and dilapidated public housing units by the end of 2003. Today, that goal has been exceeded by more than 50,000 units and additional units will be demolished and replaced with less dense units as the program's $1.8 billion in balances are expended over the next several years. GAO found the housing-related costs of a HOPE VI unit were more than 25-percent higher than a housing voucher and more than 40-percent higher when non-housing costs were included. The program has been slow to produce results; typically seven years pass between the time a HOPE VI award is made and when a new unit is occupied. In contrast, other Federal programs, such as HOME block grants, produce new housing units more expeditiously.

Given the program has exceeded its primary objective, has higher per-unit costs than other alternatives, and has had extensive delays, HOPE IV is not the most productive way to address capital needs in public housing.

# Department of Housing and Urban Development: Discretionary Proposal
# Rural Housing and Economic Development Program

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…..................... | 24 | --- | -24 |

**Administration Proposal and Impact**

The 2008 Budget proposes to terminate the Rural Housing and Economic Development (RHED) Program in the Department of Housing and Urban Development (HUD). RHED is duplicative, particularly with programs provided through the Department of Agriculture, which manages a portfolio of rural housing and economic development grant programs that vastly exceed HUD's RHED in terms of programs and services, budget, loan, staffing, and expertise.

**Background**

RHED was first authorized in 1989 to encourage different approaches to serve the housing and economic development needs of the Nation's rural communities. In 2004, the Administration's cross-cutting review of Federal community and economic development programs found that many of these programs, including RHED, had unclear objectives, did not coordinate effectively, were duplicative, and were unable to demonstrate measurable and sustained economic gains for communities. The PART assessment conducted by HUD and the Office of Management and Budget rated RHED as Ineffective. Its major problems include its lack of annual and long-term outcome measures, duplicative mission, and inability to produce transparent information on results.

# Department of Housing and Urban Development: Discretionary Proposal
# Section 108 Loan Guarantee Program

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…..................... | 3 | --- | -3 |

**Administration Proposal and Impact**

The 2008 Budget proposes to terminate the Department of Housing and Urban Development's Section 108 Loan Guarantee Program. Other programs and more attractive financing options are available to fund the program's projects and address its objectives. Communities do not commonly utilize the loan program because they have to pledge their current and potential future Community Development Block Grant (CDBG) funds as the principal security for the loan guarantee, as well as any additional security that may be determined necessary.

**Background**

Section 108 is the loan guarantee provision of the CDBG program, which became an active program in 1979. The program offers communities a source of financing for economic development, housing rehabilitation, public facilities, and large-scale physical development projects. In 2004, a cross-cutting review of Federal community and economic development programs found that many of these programs, including the Section 108 Loan Guarantee Program, had unclear objectives, did not coordinate effectively, were duplicative, and were unable to demonstrate measurable and sustained economic gains for communities.

# Department of the Interior: Discretionary Proposal
# Bureau of Indian Affairs Housing Improvement Program

**Funding Summary**
(In millions of dollars)

| | 2007<br>CR level | 2008<br>Proposed | Change<br>From 2007 |
|---|---|---|---|
| Budget Authority…....................... | 23 | --- | -23 |

**Administration Proposal and Impact**

The 2008 Budget proposes to terminate funding for the Bureau of Indian Affairs' Housing Improvement Program (HIP). A 2004 PART analysis found that the program was duplicative with the Department of Housing and Urban Development's (HUD's) Native American Housing Assistance and Self-Determination Program. HUD allows the Tribes to determine and address low-income housing needs through a block grant program. Often the Tribe requires recipients to repay some portion of the cost provided under the HUD program as a stipulation for receiving funding. The HIP program does not require recipients to repay; however, nothing in the law or HUD's regulations would prevent the Tribe from including these individuals under the HUD grant.

**Background**

The HIP program provides funding to eligible Tribes for renovations of existing homes or for construction of a house for tribal members who do not own a home but own sufficient land suitable for housing on or near a reservation. Funds are provided to the Tribes through grants. Applicants must go through a ranking process each year based on income, age, disability, and dependent children. The HIP program provides funding to approximately 375 recipients each year out of nearly 7,000 applicants.

# Department of the Interior: Discretionary Proposal
# Bureau of Indian Affairs Johnson-O'Malley Assistance Grants

## Funding Summary
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 16 | --- | -16 |

**Administration Proposal and Impact**

The 2008 Budget proposes to eliminate funding for the Johnson-O'Malley Assistance Grants. The Bureau of Indian Affairs' (BIA) core responsibility is to provide a basic education program for the Native American children attending BIA schools. The State public schools have other sources of funding for activities funded by the Johnson-O'Malley grants. These schools would be encouraged to apply for supplemental education funding from other State and Federal agencies; for example, the Department of Education's Indian Education Grants to Local Education Agencies and its Special Programs for Indian Children.

**Background**

Johnson-O'Malley grants are given to federally-recognized Tribes for the Tribes to distribute to local public elementary and secondary schools. About 93 percent of Native American children attend State public elementary and secondary schools across the Nation. This supplemental financial assistance to public schools is provided for these schools to include culturally-related education for Indian students. In addition, the grants allow for tutoring and counseling. The 2007 Budget also proposed to terminate the program.

# Department of the Interior: Discretionary Proposal
# U.S. Fish and Wildlife Service Landowner Incentive Grant Program

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 15 | --- | -15 |

**Administration Proposal and Impact**

The 2008 Budget proposes to terminate the U.S. Fish and Wildlife Service's Landowner Incentive Grant Program (LIP). LIP provides funds to States so that they may in turn give money to private landowners for activities that protect and restore habitats on private lands to benefit at-risk species. The program is largely duplicative of other Department of the Interior programs that may provide funds to private landowners to benefit at-risk species on private lands, including the Partners for Fish and Wildlife ($48 million), State Wildlife Grants ($69 million), and Cooperative Endangered Species Conservation Fund grant ($80 million) programs.

**Background**

LIP provides grants to States to establish or supplement existing State programs that provide funds to private landowners to restore habitats of listed, proposed, candidate, or other species at risk on private lands. LIP, which was first proposed by the Administration in the 2002 Budget, has been slow to obligate funds, and, in 2003, the Congress rescinded all unobligated balances ($40 million) because of the slowness in establishing the program. Moreover, the Congress has not met the Administration's funding requests. For example, the 2007 President's Budget request of $24 million was reduced by 59 percent to only $10 million in the Senate and cut by over $9 million (39 percent) in the House ($15 million). LIP is one of a number of programs that provide funds to conserve imperiled species on private lands. Programs such as the Fish and Wildlife Service's Partners for Fish and Wildlife, State Wildlife Grant program, and the Cooperative Endangered Species Conservation Fund can provide technical and financial assistance to benefit imperiled species.

# Department of the Interior: Discretionary Proposal
# U.S. Fish and Wildlife Service Private Stewardship Grant Program

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 7 | --- | -7 |

**Administration Proposal and Impact**

The 2008 Budget proposes to terminate the U.S. Fish and Wildlife Service's Private Stewardship Grant Program (PSG). The program provides competitive grants to individuals and groups to carry out voluntary conservation actions on private lands to benefit at-risk species. This program largely duplicates other Department of the Interior programs, including the Partners for Fish and Wildlife ($48 million), State Wildlife Grants ($69 million), and Cooperative Endangered Species Conservation Fund grant ($80 million) programs.

**Background**

PSG provides funds for conservation actions to help imperiled species on private lands. Individuals and groups may compete for funds to implement conservation actions on private lands to benefit threatened, endangered, or other at-risk species including those that are proposed to be listed under the Endangered Species Act (ESA) or identified as candidates to be listed under ESA. The U.S. Fish and Wildlife Service administers the program and requires a minimum of 10 percent non-Federal cost-share. The program, which was first proposed by the Administration in the 2002 Budget, has been slow to obligate funds, and, in 2003, the Congress rescinded all unobligated balances ($10 million) because of the slowness in establishing the program. The Congress has not met Administration funding requests for this program. For example, the 2007 President's Budget request of $9.4 million was cut by more than 25 percent in the House ($7.0 million) and more than 22 percent in the Senate ($7.3 million). PSG is one of a number of programs that provide funds to conserve imperiled species on private lands. Programs such as the Fish and Wildlife Service's Partners for Fish and Wildlife, State Wildlife Grant program, and the Cooperative Endangered Species Conservation Fund can provide technical and financial assistance to benefit imperiled species.

# Department of the Interior: Discretionary Proposal
# Land and Water Conservation Fund State Recreation Grants

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 28* | --- | -28 |

*In 2006, the program activity was funded at $28 million. The 2007 House appropriations bill did not provide funding, consistent with the 2007 President's Budget. The Senate Committee proposed funding at $28 million.

**Administration Proposal and Impact**

The 2008 Budget proposes to terminate Land and Water Conservation Fund (LWCF) State recreation grants. These grants pay for improvements to State and local parks, which are decisions better left to State and local taxpayers than to Federal taxpayers. Federal funding for local parks and recreation programs is not a national priority.

In addition, a PART review conducted by the Department of the Interior and the Office of Management and Budget found that this program had not been able to measure performance or demonstrate results.

**Background**

LWCF State recreation grants, first authorized in 1965, provide matching Federal funds for State and local governments to acquire lands or make improvements to State and local parks.

Annual funding for LWCF State recreation grants recently has ranged from zero in 1996-1999 to $140 million in 2002. No funding has been requested in the past three years. LWCF State recreation grants are distinct from LWCF Federal land acquisition programs at the National Park Service, Fish and Wildlife Service, Bureau of Land Management, and the Department of Agriculture's Forest Service.

The Gulf of Mexico Energy Security Act (P.L. 109-432, Division C, Title I) enacted in 2006 allocates 12.5 percent of receipts from new oil and gas leases in the Gulf of Mexico to fund this program as a mandatory program. This mandatory funding could provide up to $10 million a year over the next few years and over $150 million a year in the outyears for LWCF State recreation grants.

The House-passed 2007 Interior Appropriations bill terminated this program.

# Department of the Interior: Discretionary Proposal
# National Park Service Statutory Aid

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 7* | --- | -7 |

*In 2006, the program activity was funded at $7 million. The 2007 House appropriations bill did not provide funding, consistent with the 2007 President's Budget. The Senate Committee proposed funding at $5 million.

**Administration Proposal and Impact**

The 2008 Budget terminates National Park Service (NPS) "statutory aid" grants to various non-Federal entities that conduct historical or recreational activities, such as the Mississippi Delta Interpretive Center and a Native Hawaiian Culture and Arts program. These activities are secondary to the NPS mission and are not a Federal responsibility. They also have no performance requirements and have not demonstrated results.

**Background**

The NPS statutory aid program consists of a variety of small earmarks to different groups that have some connection to conservation, historic preservation, or outdoor recreation.

The Executive Branch historically has sought to limit the number of these grants, because they are not subject to a competitive merit-based process and generally do not fund national priorities. There are no performance requirements for this "pass-through" funding.

Starting with the 2005 Budget, the Administration has proposed to completely eliminate these grants in order to concentrate resources on higher Federal priorities, such as maintaining national parks. As a result, funding for statutory aid has dropped from $14 million in 2001 to $7 million in 2006.

The House-passed 2007 Interior Appropriations bill terminated this program.

# Department of the Interior: Discretionary Proposal
# Rural Fire Assistance Program

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 8* | --- | -8 |

*In 2006, the program activity was funded at $10 million. The 2007 House appropriations bill did not provide funding, consistent with the 2007 President's Budget. The Senate Committee proposed funding at $5 million.

**Administration Proposal and Impact**

The 2008 Budget proposes to terminate the Rural Fire Assistance program. The program is duplicative of other fire assistance grant programs. The items and activities funded by these grants, such as basic wildland fire safety equipment and tools, communication devices, wildland fire training, and community wildfire prevention and education activities, could be funded with existing Department of Homeland Security (DHS) and Department of Agriculture (USDA) Forest Service grant funding. In lieu of these grants, the Department of the Interior (DOI) 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. The classification of fires as Federal or State is typically based on the origination point. Federal fires start on Federal land, while State fires generally begin on State land. The 2008 Budget provides $838 million in funding for DOI's and USDA's preparedness activities and wildland firefighters.

**Background**

Begun as a pilot program in 2001, DOI's Rural Fire Assistance program provides grants to rural fire protection districts that serve communities of less than 10,000. The grants require a 10-percent local cost share and are largely used for the purchase of fire engines and other firefighting equipment, but can also be used for firefighter training and other related support. DHS and USDA's Forest Service both operate grant programs that provide similar services to rural fire departments across the country. The Forest Service 2008 budget for this purpose is $85 million. The proposed termination is consistent with the President's 2006 and 2007 Budgets. The House-passed 2007 Interior and Related Agencies Appropriations bill eliminated the program.

# Department of Justice:  Discretionary Proposal
# National Drug Intelligence Center

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…..................... | 39 | 16 | -23 |

**Administration Proposal and Impact**

The Budget proposes to terminate the National Drug Intelligence Center (NDIC). The NDIC is one of several Federal drug intelligence centers, and it has been slow to delineate a unique and useful role within the larger drug intelligence community.  The Budget concentrates resources on intelligence providers with a better defined and more useful role in the drug intelligence community. The 2008 Budget requests the necessary funding to ensure NDIC shutdown activities occur in a timely and orderly manner.

**Background**

NDIC was established in 1993 to support Federal, State, and local drug enforcement efforts through intelligence reports, technical assistance and national, regional and State drug threat assessments.  The NDIC is currently funded through the Department of Defense but is managed by the Department of Justice.  NDIC has experienced problems with duplication of effort and lack of coordination with other intelligence providers and consumers. Focusing resources on a smaller number of intelligence providers would increase the impact of those resources.

# Department of Justice: Discretionary Proposal
# State Criminal Alien Assistance Program

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 400 | --- | -400 |

**Administration Proposal and Impact**

The 2008 Budget proposes to terminate the State Criminal Alien Assistance Program (SCAAP). SCAAP functions as a form of revenue sharing, because the program does not require that States and localities use funding to address local crime or correctional issues. In addition, a PART analysis conducted by the Department of Justice (DOJ) and the Office of Management and Budget (OMB) found that the program lacked goals and performance measures, and could not demonstrate results. The Budget proposes to cancel funding for this program and redirect the dollars to other higher priority programs.

**Background**

DOJ makes payments through SCAAP to State and local governments to help defray the cost of incarcerating undocumented criminal aliens convicted of state or local felonies. The program was authorized by the Violent Crime Control and Law Enforcement Act of 1994.

The Administration is committed to protecting our borders and enforcing immigration laws. The 2008 Budget reflects this commitment by proposing a 19 percent increase in Government-wide immigration enforcement (a 118 percent increase since 2001). These increases will support 3,000 new Border Patrol agents, as well as 950 new detention beds. Enhancing immigration enforcement addresses the root causes of incarcerated criminal aliens in State/local detention facilities.

In the 2005 Budget, OMB examined the design and performance of SCAAP and found that program design does not ensure that SCAAP funds are used to address crime or correctional purposes. Further, without performance data, the program has not been able to demonstrate results.

# Department of Labor: Discretionary Proposal
# Denali Commission Job Training Earmark

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 7 | --- | -7 |

**Administration Proposal and Impact**

The 2008 Budget proposes to terminate direct funding for the Denali Commission Job Training Earmark–dedicated funding for job training is unnecessary and duplicative. The 2008 Budget requests $6 million ($2 million in the Energy and Water appropriations bill, and $4 million in a trust fund) for the Denali Commission, which will allow it to continue the constructive role the Commission plays as a regional planner and coordinator of other Federal investments in Alaska. Alaska will receive Federal support for job training and employment services through Workforce Investment Act (WIA) formula grants, Native Americans training grants, and a Job Corps center.

**Background**

Established in 1998, the Denali Commission is a Federal partnership with Alaska to provide utilities, infrastructure, and economic support to distressed rural communities. Since 2004, the Congress has provided an earmark in the Department of Labor's (DOL) appropriations for job training activities associated with Denali Commission projects. For 2004, this unrequested funding was $5 million, and for each of the years 2005 through 2007, it was $7 million. In addition to this earmark, the Denali Commission received appropriations totaling $130 million in 2006.

This earmark is duplicative of several related DOL programs. Alaska and its citizens receive millions of dollars from the Federal Government for job training and employment services through DOL's WIA programs. For instance, in program year 2006, Alaska received formula grants totaling $10.6 million to provide job training and employment services to adults and youth. Further, certain Alaskan Tribes receive funding from the WIA Native American program. During the last round of grant awards, Alaskan tribes and other entities serving Native Americans received $2.8 million for job training and employment activities. Alaska also has a federally-funded Job Corps center in Palmer.

In addition, recent DOL research indicates that Alaska carries unexpended balances in their WIA accounts. If the State has not exhausted its regular WIA appropriations, there is little reason to continue providing even more funds through this earmark.

# Department of Labor: Discretionary Proposal
# Migrant and Seasonal Farmworkers Training Program

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 79 | --- | -79 |

**Administration Proposal and Impact**

The 2008 Budget proposes to terminate the Department of Labor's (DOL's) Migrant and Seasonal Farmworker program, which provides grants to organizations to provide training, employment, and other services to farmworkers. Program participants could be better served through the nationwide system of more than 3,500 One-Stop Career Centers and other Federal programs. DOL has taken a number of steps to better integrate farmworkers into the broader workforce system, such as holding forums to inform agricultural employers about the workforce system; allowing workforce boards, which operate One-Stop Career Centers, to be eligible grantees to provide services to farmworkers; and overseeing a project designed to demonstrate the feasibility of local workforce boards providing year-round services to farmworkers.

**Background**

This program is intended to provide job training, employment assistance, and other services to help economically disadvantaged farmworkers and their families achieve economic self-sufficiency by strengthening their ability to gain stable employment. A PART assessment conducted by DOL and the Office of Management and Budget found that the program is ineffective in achieving these goals and that the program's services duplicate those provided by other Federal programs.

In addition, the program does not focus enough on job training and employment. The program is supposed to help participants pursue job training and employment assistance that will help them to gain stable, year-round employment. Despite this, fewer than 40 percent of program participants receive job training, and only 26 percent enter unsubsidized employment. Each year, more than 50 percent of the approximately 30,000 participants receive only supportive services like emergency cash assistance. Although supportive services are important to these workers, several other Federal programs provide resources for these services.

The grants are competitively awarded, but because there have been so few applicants there has not always been adequate competition. For example, all grantees in 1999 received continuation grants in 2001 even though many of them had consistently performed poorly.

# Department of Labor: Discretionary Proposal
# Susan Harwood Training Grants

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 3 | --- | -3 |

**Administration Proposal and Impact**

The 2008 Budget proposes to terminate the Susan Harwood Training Grant program and redirect these funds toward compliance assistance activities such as web-based tools, which are a more cost-effective strategy for disseminating safety and health information. Terminating this program would not compromise the Occupational Safety and Health Administration's (OSHA's) delivery of compliance assistance, outreach, and training to employers and workers.

**Background**

OSHA's Susan Harwood Training Grant program was established in 1978 to provide one- to five-year competitive grants to nonprofit organizations to develop or conduct training programs in selected safety and health topics.

Beginning in 2003 and in each year thereafter, the Administration has proposed terminating the Harwood Training Grant program for three main reasons: 1) it duplicates other, more cost-effective OSHA safety education activities; 2) there are no data to suggest that the program is successful or serves an unmet need; and 3) grantees have experienced difficulties recruiting employers and employees to attend the Harwood training programs.

# Department of Labor: Discretionary Proposal
# Work Incentive Grants

## Funding Summary
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 23 | --- | -23 |

**Administration Proposal and Impact**

The 2008 Budget re-proposes to terminate funding for Work Incentive Grants, a pilot program that has accomplished its mission of demonstrating new approaches to improving the accessibility of One-Stop services for job seekers with disabilities. States and localities can now implement these approaches as part of their regular support for these community-based employment and training centers.

Ending this program will not have a detrimental effect on One-Stop accessibility for job-seekers with disabilities. The Department of Education's Vocational Rehabilitation State Grants program will continue to provide technical assistance to One-Stop Centers on program accessibility. More importantly, Section 504 of the Rehabilitation Act mandates that organizations that receive Federal funds be accessible to people with disabilities.

**Background**

The Work Incentive Grants program was created in 2000 as a pilot program to strengthen the capacity of the One-Stop Career Centers, which are centers that link job seekers and workers with job opportunities, training, and other services, to serve people with disabilities. The program provides competitive grants to State and local entities to demonstrate innovative approaches to improving One-Stop services for job seekers with disabilities. Most recently, the program has worked with the Social Security Administration to fund "disability program navigators," or advocates who are responsible for bringing greater awareness of disability-related workforce issues to One-Stop staff. Work Incentive Grants have supported system and capacity building and improved the physical accessibility of One-Stops, but do not finance direct services to job seekers with disabilities.

When the Department of Labor and the Office of Management and Budget assessed this program using the PART it received a rating of Adequate. Grantees have tried varied approaches to improve One-Stop services to job seekers with disabilities, but have not demonstrated sufficient accountability for improving employment outcomes.

# Environmental Protection Agency: Discretionary Proposal
# Unrequested Water Infrastructure Projects

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…....................... | 200 | --- | -200 |

**Administration Proposal and Impact**

The Budget proposes to eliminate the funds that the Congress has traditionally earmarked for specific water infrastructure projects in the Environmental Protection Agency's (EPA's) State and Tribal Assistance Grants (STAG) account. Earmarking funds for specific projects circumvents the normal allocation and State priority setting processes and diverts funding from other higher priority projects.

**Background**

These earmarks are targeted for wastewater or drinking water infrastructure projects in EPA's STAG account. They are not subject to the State priority setting that typically ensures cost-effective and higher priority activities are funded first. These earmarks require even more oversight and technical assistance from EPA than standard grants because many recipients are unprepared to spend or manage the funds. Earmark projects also generally take several years to complete, requiring EPA resources for an extended period of time. The 2008 Budget provides $2.7 billion within the STAG account for grants that are not earmarks.

# Environmental Protection Agency: Discretionary Proposal
# Targeted Watersheds Grants

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 16 | --- | -16 |

**Administration Proposal and Impact**

The 2008 Budget proposes to terminate the Environmental Protection Agency's (EPA's) Targeted Watersheds Grants program to improve efficiency of EPA water quality programs. These grants are not necessary since EPA can provide watershed restoration funds more efficiently through core water quality programs.

**Background**

The Targeted Watersheds Grants program provides competitive grants to State, local, and tribal governments and non-governmental organizations for community-based watershed restoration. The program was established in the President's 2003 Budget and to date, has provided funding to 46 organizations for projects that implement watershed restoration and build capacity in communities. In the recent past, appropriations report language carved out Target Watersheds funding to specific geographic regions, contradicting the intended competitive nature of the program. EPA can more efficiently fund watershed restoration through its core water quality programs.

# National Aeronautics and Space Administration:  Discretionary Proposal
# Red Planet Capital Venture Capital Fund

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 6 | --- | -6 |

**Administration Proposal and Impact**

Government-sponsored venture capital funds provide a mechanism for Government agencies to indirectly take equity stakes in private firms, which potentially creates significant conflicts of interest and market distortions.  The Administration believes that this mechanism poses difficult challenges to Government oversight and should only be used in exceptional situations. The 2008 Budget proposes to cancel funding for the Red Planet Capital Venture Capital Fund and redirect the dollars to other high-priority NASA programs.

**Background**

In 2006, NASA signed a Space Act Agreement with Red Planet Capital, Inc. to help the agency gain access to new and innovative technologies through the venture capital community.  Red Planet Capital, a nonprofit organization, established a strategic venture capital fund for NASA.  The purpose of the fund was to provide NASA earlier and broader exposure to emerging technologies and to promote the future availability of technologies with both Government and commercial applications that could meet NASA's mission needs.

The Administration further evaluated the fund and determined that, for NASA, these funds are better directed towards current priorities that will produce cost-effective, ascertainable outcomes.

# National Veterans Business Development Corporation: Discretionary Proposal

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 2 | --- | -2 |

**Administration Proposal and Impact**

The 2008 Budget proposes to terminate the National Veterans Business Development Corporation (NVBDC). This program has not been an effective or necessary supplement to existing Federal business development and training programs that are available to veterans through the Small Business Administration and the Department of Veterans Affairs.

**Background**

NVBDC was created in Public Law 106-50 in 1999 with the mandate to assist veterans through educational opportunities and access to business opportunities. The law specified that NVBDC should become financially self-sufficient by 2004. The program has not become self-sufficient or demonstrated that it is effective or necessary given other veterans' assistance and business development programs.

# Postal Service: Discretionary Proposal
# Forgone Revenue Appropriation

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 29 | --- | -29 |

**Administration Proposal and Impact**

The 2008 Budget proposes to terminate the $29 million annual appropriation to reimburse the Postal Service (USPS) for revenue forgone for reduced rate mail. In 2003, the Administration worked with the Congress to re-estimate the pension costs of USPS, and the Congress enacted significant pension reforms. USPS benefited from pension savings of approximately $3 billion per year from 2003 through 2005 as a result of that legislation. In addition, postal reform legislation enacted in 2006 shifted the responsibility for funding the costs of military service pension credits from USPS to the Department of the Treasury and provided USPS greater pricing flexibility. The benefits of these reforms more than compensate USPS for the loss of this small forgone revenue appropriation.

**Background**

This program reimburses USPS for its prior years' lost revenue from legislatively mandated reduced rates for non-profit mailers. In 1994, the Congress authorized $1.2 billion to be appropriated to USPS in $29 million increments over a 42-year period. As of the end of 2006, USPS has been reimbursed $377 million. The 2005, 2006, and 2007 Budgets proposed to discontinue this reimbursement.

# Commission of Fine Arts: Discretionary Proposal
# National Capital Arts and Cultural Affairs Program

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…....................... | 7 | --- | -7 |

**Administration Proposal and Impact**

The 2008 Budget proposes to terminate the Commission of Fine Arts' (CFA's) National Capital Arts and Cultural Affairs (NCACA) grant program. NCACA is a non-competitive grant program that earmarks funds for Washington, D.C. organizations that can and should receive equivalent contributions from non-Federal sources. Affected institutions are also able to apply for Federal funding from other national competitive grant programs. The Budget proposes to eliminate funding for this program and to redirect the dollars to other higher priority programs while continuing to fund the core functions of CFA.

**Background**

NCACA, established by the Congress in 1986, is a non-competitive Federal grant program that provides funding to local D.C. arts institutions. It was transferred to CFA in 1988 from the National Endowment for the Humanities because of its "local" (non-State) nature. Rather than allocating funds based on performance or need, NCACA funds are allocated to 21 specific organizations based on a formula. The formula provides the largest amount of funds to those recipients with the highest annual income.

# MAJOR PROGRAM REDUCTIONS

## Discretionary Major Program Reductions in the 2008 Budget

(Budget authority in millions)

| Major Reductions | Has this been proposed before? 2005 | 2006 | 2007 | 2007 Request | 2007 CR Level | 2008 Request | 2008 Request less 2007 CR |
|---|---|---|---|---|---|---|---|
| **Department of Agriculture** | | | | | | | |
| Farm Labor Housing Program | N | N | N | 34 | 27 | 10 | -17 |
| In-House Research | Y | Y | Y | 1,001 | 1,058 | 1,022 | -36 |
| National Forest System | N | N | N | 1,398 | 1,449 | 1,344 | -105 |
| Resource Conservation & Development Program | N | Y | Y | 26 | 51 | 15 | -36 |
| Self-Help Housing Grants | N | N | N | 38 | 34 | 10 | -24 |
| Watershed Rehabilitation Program | Y | Y | Y | 15 | 29 | 6 | -23 |
| Mandatory Reductions Providing Discretionary Offsets | | | | | | | |
| Environmental Quality Incentives Program | Y | Y | Y | -270 | -253 | -270 | -17 |
| Commodity Credit Corporation Cotton Storage Credits | N | N | N | --- | --- | -87 | -87 |
| Conservation Security Program | Y | Y | N | --- | -83 | -80 | 3 |
| Funds for Strengthening Markets, Income and Supply | N | N | N | --- | --- | -65 | -65 |
| Rural Economic Development Grants | N | N | Y | -81 | -79 | -34 | 45 |
| Agricultural Management Assistance | N | Y | Y | -14 | -14 | -10 | 4 |
| **Total, Agriculture Major Reductions** | | | | **2,147** | **2,219** | **1,861** | **-358** |
| **Department of Commerce** | | | | | | | |
| Economic Development Administration Grants | N | N | N | 297 | 231 | 170 | -61 |
| Manufacturing Extension Partnership | Y | Y | Y | 46 | 52 | 46 | -6 |
| **Total, Commerce Major Reductions** | | | | **343** | **283** | **216** | **-67** |
| **Department of Education** | | | | | | | |
| Teaching American History | N | N | Y | 50 | 120 | 50 | -70 |
| Safe and Drug-Free Schools State Grants | N | Y | Y | --- | 352 | 100 | -252 |
| Career and Technical Education State Grants | N | Y | Y | --- | 1,182 | 600 | -582 |
| **Total, Education Major Reductions** | | | | **50** | **1,654** | **750** | **-904** |
| **Department of Energy** | | | | | | | |
| Weatherization Assistance Program | N | N | Y | 164 | 248 | 144 | -104 |
| **Total, Energy Major Reductions** | | | | **164** | **248** | **144** | **-104** |
| **Department of Health & Human Services (HHS)** | | | | | | | |
| ACF- Social Services Block Grant | N | N | Y | 1,200 | 1,700 | 1,200 | -500 |
| CMS- Real Choice Systems Change Grants | N | N | N | 25 | 25 | 10 | -15 |
| OS/CDC- State, Local and Hospital Preparedness Grants | N/A | N/A | N | 1,236 | 1,298 | 1,112 | -186 |
| HRSA- Childrens Hospital Graduate Medical Education Payment | N | Y | Y | 99 | 297 | 110 | -187 |
| HRSA- Health Professions Grants | Y | Y | Y | 159 | 295 | 115 | -180 |
| HRSA- Poison Control Centers | Y | Y | Y | 13 | 23 | 10 | -13 |
| HRSA- Rural Health | Y | Y | Y | 35 | 168 | 25 | -143 |
| SAMSHA- Mental Health Pgms. of Regional & Natl. Significance | N/A | Y | Y | 228 | 263 | 186 | -77 |
| SAMHSA- Substance Abuse Pgms. of Regional & Natl. Significance | N | Y | Y | 551 | 588 | 504 | -84 |
| **Total, HHS Major Reductions** | | | | **3,546** | **4,657** | **3,272** | **-1,385** |
| **Department of Housing and Urban Development (HUD)** | | | | | | | |
| Public Housing Capital Fund | N | Y | Y | 2,178 | 2,208 | 2,024 | -184 |
| Community Development Block Grant (Including Cancellation) | N | Y | Y | 3,032 | 4,215 | 2,681 | -1,534 |
| **Total, HUD Major Reductions** | | | | **5,210** | **6,423** | **4,705** | **-1,718** |
| **Department of the Interior** | | | | | | | |
| Indian Land Consolidation Program | N | N | N | 59 | 31 | 10 | -21 |
| Payments in Lieu of Taxes | N | Y | Y | 198 | 233 | 190 | -43 |
| USGS- Mineral Resources Program | Y | Y | Y | 31 | 53 | 30 | -23 |
| **Total, Interior Major Reductions** | | | | **288** | **317** | **230** | **-87** |
| **Department of Labor** | | | | | | | |
| H-1B Fraud Prevention (Unobligated Balances Cancellation) | N | N | N | --- | --- | -50 | -50 |
| Indian and Native Americans Training Program | N | N | N | 51 | 53 | 45 | -8 |
| International Labor Affairs Bureau | Y | Y | Y | 12 | 73 | 14 | -59 |
| Job Training Grants Consolidation | Y | Y | Y | 3,413 | 3,895 | 3,413 | -482 |
| Office of Disability Employment Policy | N | Y | Y | 20 | 28 | 19 | -9 |
| Pilots, Demonstrations and Research | N | N | N | 18 | 88 | 13 | -75 |
| Senior Community Service Employment | N | N | N | 397 | 432 | 350 | -82 |
| Cancellation of Unexpended Job Training Balances | N | N | N | --- | --- | -335 | -335 |
| **Total, Labor Major Reductions** | | | | **3,911** | **4,569** | **3,469** | **-1,100** |
| **Department of Transportation** | | | | | | | |
| Airport Improvement Grants (ob lim) | Y | Y | Y | 2,750 | 3,514 | 2,750 | -764 |
| Intercity Passenger Rail | Y | Y | Y | 900 | 1,114 | 900 | -214 |
| Essential Air Service | Y | Y | Y | --- | 57 | --- | -57 |
| Railroad Rehab. And Improvement Financing Loan Program | N | Y | Y | --- | --- | --- | --- |
| **Total, Transportation Major Reductions** | | | | **3,650** | **4,685** | **3,650** | **-1,035** |
| **Environmental Protection Agency (EPA)** | | | | | | | |
| Infrastructure Assistance: Mexico Border | N | N | N | 25 | 25 | 10 | -15 |
| State & Local Air Quality Grants | N | N | N | 185 | 220 | 185 | -35 |
| **Total, EPA Major Reductions** | | | | **210** | **245** | **195** | **-50** |
| **Small Business Administration (SBA)** | | | | | | | |
| Small Business Administration Microloan Program | Y | Y | Y | --- | 11 | --- | -11 |
| **Total, Energy Major Reductions** | | | | **---** | **11** | **---** | **-11** |
| **Other Agencies** | | | | | | | |
| Corporation for Public Broadcasting | N | N | Y | 346 | 464 | 350 | -114 |
| Denali Commission Direct Grant-Making | Y | Y | Y | 6 | 12 | 6 | -6 |
| NARA National Historical Publications and Records Commission | N | Y | Y | --- | 7 | --- | -7 |
| **Total, Other Agencies Major Reductions** | | | | **352** | **483** | **356** | **-127** |
| **Total, Major Discretionary Program Reductions** | | | | **19,871** | **25,783** | **18,848** | **-6,935** |

# Department of Agriculture: Discretionary Proposal
# Farm Labor Housing Program

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…..................... | 27 | 10 | -17 |
| Grant BA plus loan level……...... | 45 | 18 | -27 |

**Administration Proposal and Impact**

The 2008 Budget includes $10 million for the Farm Labor Housing Program, a $17 million reduction from the 2007 CR level. The Farm Labor Housing Program, like the Department of Agriculture (USDA's) other direct loan multifamily housing program, needs program changes in order to ensure that projects are adequately maintained. Additional funding should not be provided until these changes are made. At the proposed funding level, USDA will be able to provide rehabilitation and construction financing assistance to only the highest priority farm labor housing projects, leaving much of the demand unfunded.

**Background**

The Farm Labor Housing Loan and Grant program, authorized in the Housing Act of 1949, provides capital financing for the development of housing for domestic farm laborers. A direct loan/grant combination is provided to construct, rehabilitate, and/or repair multi-family rural rental housing for very low- and low-income migrant farm laborers. To help achieve affordable rents, the interest rate is subsidized to one percent.

The multifamily housing direct loan program has not been funded in recent years due to the need to fund the revitalization of the current multifamily housing portfolio. Much of the current portfolio has become dilapidated because the original loans did not require adequate reserves. While the problem of dilapidation is not as severe for farm labor housing properties, the lack of adequate reserves affects all the multifamily housing programs within USDA not just specifically the multifamily housing direct loan program. Therefore, until USDA addresses the flaws in the program going forward by changing their regulation, it is prudent to reduce funding in the farm labor direct program.

# Department of Agriculture: Discretionary Proposal
# Federal (In-House) Research

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 1,058 | 1,022 | -36 |

**Administration Proposal and Impact**

The Budget reduces funding for research by eliminating an amount based on what the Congress has traditionally earmarked, while increasing funding for high priority programs, including human nutrition, Bioenergy, and homeland security including emerging and exotic diseases and food safety. Funds are reduced for projects that do not represent the highest priority national research and avoid the competitive process.

**Background**

This program provides funding for in-house work by Federal scientists on agricultural issues in areas such as agricultural productivity, rural development, agriculture and food safety, human nutrition and environmental stewardship. This program funds over 1,000 projects by about 2,350 Department of Agriculture scientists at 107 locations. The Congress has consistently underfunded research for priority needs, while continuing lower priority projects through earmarks.

# Department of Agriculture: Discretionary Proposal
# National Forest System

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…..................... | 1,449 | 1,344 | -105 |

### Administration Proposal and Impact

The 2008 Budget proposes to reduce funding for the National Forest System (NFS). The reduction reflects organizational improvements that permit the Forest Service to become a more effective, efficient, and integrated operation. The Budget improves performance and increases the percentage of total available budgetary resources provided to "on-the-ground" foresters, even as top line budget authority is constrained, by reducing overhead, streamlining decision-making, and using a new forest planning process. Savings will be realized through reductions in travel, a realignment of administrative functions, and a 10-percent reduction in staff years through attrition and a "soft freeze" on hiring that will not require reductions-in-force.

### Background

NFS covers 193 million acres of land, an area equivalent to the size of Texas. The NFS account funds 155 National Forests and 20 National Grasslands managed under multiple-use and sustained-yield principles. Large overhead and indirect costs associated with national headquarters and regional offices have impeded performance and reduced funding available for managing the resources of the National Forests. The Forest Service has made a goal of reducing its indirect costs, and the Budget builds on this effort by increasing Forest Service administrative efficiencies and allowing the Forest Service to direct its work in a manner that is more integrated with its on-the-ground mission responsibilities.

# Department of Agriculture: Discretionary Proposal
# Resource Conservation and Development Program

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 51 | 15 | -36 |

**Administration Proposal and Impact**

The 2008 Budget proposes to consolidate the Resource Conservation and Development (RC&D) Coordinator functions at the State level, reducing the number of RC&D Coordinators from the current number of 375 to about 50. The Budget would maintain the current number of authorized RC&D areas nationwide without any decreases, substitutions, or consolidations. However, the responsibilities and duties of the RC&D Coordinator position would be modified to provide more programmatic oversight instead of hands-on day-to-day activities. The local RC&D Councils would be responsible for operation of their non-profit corporations without a Natural Resources Conservation Service employee being involved in day-to-day activities.

**Background**

The RC&D program provides assistance to local communities to develop strategic plans that address their locally identified natural resource and economic development concerns. The program's long-term goal is to improve the capability of local communities to plan and deliver improvement projects.

A PART review conducted by the Department of Agriculture (USDA) and Office of Management and Budget for the 2008 Budget found that the RC&D Program was duplicative of other USDA and Federal resource conservation and rural development efforts.

# Department of Agriculture: Discretionary Proposal
# Self-Help Housing Grants

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 34 | 10 | -24 |

**Administration Proposal and Impact**

The Administration proposes to fund Self-Help Housing Grants at $10 million, a reduction of $24 million from 2007. Demand for the program relies heavily on the funding of the Department of Agriculture's (USDA) single family housing program, for which the Administration is requesting no funds in 2008. Approximately 98 percent of the self-help grant beneficiaries currently qualify and get single family direct loans from USDA. The elimination of the single family housing direct loan program will significantly reduce the demand for the self-help grant program. Providing a minimal level of funding will cover those borrowers who will have already secured a single family housing loan from USDA in 2007 or from other sources.

**Background**

These grants, authorized in the Housing Act of 1949, provide financial assistance to non-profit organizations that provide technical assistance to low- and very low-income households to build their own homes in a rural area. Funds may be used to pay salaries, rent, and office expenses of the non-profit organization. Nearly all beneficiaries obtain USDA direct single family housing loans.

# Department of Agriculture: Discretionary Proposal
# Watershed Rehabilitation Program

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 29 | 6 | -23 |

**Administration Proposal and Impact**

The 2008 Budget proposes to reduce funding for the Watershed Rehabilitation Program. This reduction reflects the Administration's position that the maintenance, repair, and operation of certain dams are primarily a local responsibility since program benefits are highly localized. The Budget provides a reduced level of funding to address dams with the greatest risk of catastrophic failure.

**Background**

The Watershed Rehabilitation Program provides technical and financial assistance to communities to perform major retrofit and rehabilitation work on aging flood control infrastructure. The Natural Resources Conservation Service identifies dams that are both most at-risk of failure and pose the greatest risk to public safety and property. The agency then prioritizes rehabilitation funding for projects most in need.

# Department of Agriculture: Discretionary Proposal
# Mandatory Reductions Providing Discretionary Offsets

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Environmental Quality Incentives Program………………………….. | -253 | -270 | -17 |
| Commodity Credit Corporation Cotton Storage Credits…..…….… | --- | -87 | -87 |
| Conservation Security Program…… | -83 | -80 | +3 |
| Funds for Strengthening Markets, Income and Supply……………... | --- | -65 | -65 |
| Rural Economic Development Grants………………………….… | -79 | -34 | +45 |
| Agricultural Management Assistance…………………………. | -14 | -10 | +4 |
| **Total, BA Offsets………………....** | **-429** | **-546** | **-117** |

Notes: This table does not include mandatory cost proposals.
Upon enactment, discretionary proposals to limit mandatory spending are "re-based" thereby reducing the funding of the underlying mandatory program.

**Administration Proposal and Impact**

The 2008 Budget proposes to cancel unneeded funding, and funding for lower-priority and duplicative programs authorized by farm legislation, including the 2002 Farm Bill. The proposed mandatory funding cancellations (listed in order of savings) would affect the programs listed below. In the past the Administration has proposed and the Congress has adopted similar savings indicated by an asterisk (*):

- *Environmental Quality Incentives Program**– This program provides financial and technical assistance to farmers and ranchers to install conservation measures on working lands to address a variety of natural resource concerns, including air, soil, and water quality. The Budget proposes to cancel $270 million of $1.27 billion available in 2008.
- *Commodity Credit Corporation Cotton Storage Credits* – USDA provides storage credits to the producers of cotton to offset storage costs for the period the commodity is under a marketing loan. The Budget proposes to cancel $87 million in 2008.
- *Conservation Security Program* – This program provides financial rewards to good conservation stewards and also provides additional incentives for the program participants to achieve higher levels of environmental performance. The Budget proposes to cancel $80 million of $396 million made available in 2008.
- *Funds for Strengthening Markets, Income and Supply* – This program aims to increase the domestic consumption of agricultural commodities through the purchase and donation of surplus fruits and vegetables. Program funds have also been used to provide disaster assistance to producers suffering from natural disasters. The Budget proposes to cancel $65 million available in 2008.
- *Rural Economic Development Grants** – This program assists electric and telephone utilities to promote sustainable rural economic development and job creation projects. The Budget proposes

to cancel a total of $34 million available in 2008.

- *Agricultural Management Assistance* – The program provides assistance to agricultural producers to mitigate financial risk by using conservation measures to reduce soil erosion and improve water quality. The Budget proposes to cancel $10 million available in 2008.

**Background**

Over the last several years, during the appropriations process, the Congress has routinely deferred funding for mandatory agriculture and conservation programs to offset increased discretionary spending. By deferring – rather than canceling – the funds, the Congress is able to claim an offset or "mandatory savings" for the same programs year after year. Similar to previous Administration proposals, the 2008 Budget again includes proposals to permanently cancel mandatory funds that provide a discretionary offset. Many of these programs are more appropriately funded with discretionary resources.

# Department of Commerce: Discretionary Proposal
# Economic Development Administration

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…....................... | 231 | 170 | -61 |

**Administration Proposal and Impact**

The 2008 Budget proposes to reduce Economic Development Administration's (EDA's) grant funding to $170 million, $61 million below the 2007 level. EDA's grant-making is duplicative of other Federal grant programs, most notably the Department of Housing and Urban Development's Community Development Block Grant (CDBG) program. The proposed funding level will allow EDA to focus and prioritize funding to the Nation's most severely distressed communities.

**Background**

Created in 1965, EDA's mission is to competitively award grants to regions experiencing economic distress or sudden economic downturns (e.g., due to plant or base closings). EDA invests in economic development projects focused on creating jobs and spurring private-sector investment.

A cross-cutting review of community and economic development programs using the PART found that many had unclear objectives, did not coordinate effectively, and were unable to demonstrate measurable and sustained economic gains for communities. As a result, the Administration has proposed substantial reforms to Federal economic development efforts, in both the 2006 and 2007 Budgets, under the Strengthening America's Communities Initiative. The 2008 Budget proposes major reforms to CDBG to better target resources to the most distressed communities and reduce or eliminate other duplicative development programs.

# Department of Commerce: Discretionary Proposal
# Manufacturing Extension Partnership

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 52* | 46 | -6 |

*The 2007 House appropriations bill provides the Manufacturing Extension Partnership (MEP) $92 million; however, the Advanced Technology Program (ATP) is funded in the same account, and OMB has allocated this funding to MEP ($52 million) and ATP ($40 million) to avoid any potential for terminating ATP, consistent with the 2007 Continuing Resolution (CR) provision blocking program terminations under the CR.

## Administration Proposal and Impact

The 2008 Budget funds the Manufacturing Extension Partnership (MEP) at $46 million, a 50-percent reduction from the 2007 grant level. This will maintain a strong network of centers while focusing funding based on centers' performance and needs. MEP centers provide manufacturing firms consulting services that are also provided by private entities. Given the reported benefits MEP clients receive from the program, they have the profit incentive and means to cover the costs of these services through modestly increased fees. Some centers spend significant funds to market their services, and reducing these expenditures is one way they can absorb the proposed reduction. Although intended to benefit small firms, MEP centers also assist larger firms. MEP reports that almost one-fifth of its clients have more than 250 employees. These firms often use outside providers of legal, accounting, and other services and should not require federally subsidized management consulting services. The 2008 Budget proposes to have MEP clients cover more of the cost of the services through modestly increased fees, requiring less reliance on direct appropriations.

## Background

The MEP program was established in 1988 to provide business and technical assistance services to small- and medium-sized manufacturers. MEP's original legislated design called for a phase-out of Federal funds to each center after six years of funding, with the goal of making each center self sufficient. While this requirement was removed in 1998, all centers are now more than six years old and the average center is 12 years old. Currently, fees charged to recipients generally cover one-third of the centers' costs; the Federal Government and State/local matching grants together cover the remaining two-thirds of the costs.

# Department of Education: Discretionary Proposal
# Teaching American History

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 120 | 50 | -70 |

**Administration Proposal and Impact**

The Budget requests $50 million for the Teaching American History program, $70 million below the 2007 level. The number of quality applications for assistance under this program has been insufficient to justify continuing the current level of funding. The request should be sufficient to fund all high-scoring applicants, ensuring that the program effectively supports projects that have well-conceived strategies for increasing teacher knowledge and student achievement and a strong management plan for achieving that goal.

**Background**

The Teaching American History program supports competitive three-year grants to local educational agencies to promote the teaching of American history in elementary and secondary schools as a separate academic subject. Grants are used to improve the quality of history instruction by supporting training for teachers of American history (including elementary school teachers who teach the general curriculum).

The number of quality applications for assistance has been insufficient to justify continuing the current level of funding. For example, in 2005 and 2006 almost 50 percent of funded Teaching American History grant applications earned a score below the usual Department of Education standard for competitive grants. As a result, the Department has had to fund many lower-quality grant applications.

# Department of Education: Discretionary Proposal
# Safe and Drug-Free Schools State Grants

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 352 | 100 | -252 |

**Administration Proposal and Impact**

The Budget requests $100 million for the Safe and Drug-Free Schools (SDFS) State Grants program, $252 million below the 2007 CR level. The Administration, as part of No Child Left Behind reauthorization, is proposing legislative reforms to significantly change the structure of this program to focus resources on building State capacity to assist school districts in creating safe, drug-free schools, and secure school environments. Under the Administration's reauthorization proposal, the Department of Education would allocate SDFS State Grant funds by formula to State Educational Agencies, which would use the funds to provide school districts support for the implementation of effective models that reflect scientifically based research.

**Background**

The SDFS State Grants program as currently structured provides formula grants to States and school districts for an array of activities intended to reduce youth crime and drug-abuse. Even though the State grant program is more than 20 years old, it cannot demonstrate it has had a positive impact on reducing drug use and violence. A 2001 RAND study determined that the structure of the program is fundamentally flawed. It concluded that SDFS State Grants, which distributes funds according to a formula, are spread too thinly to support quality interventions. SDFS State Grants provide about 64 percent of local educational agencies with allocations of less than $10,000 (amounts typically too small to mount comprehensive and effective drug and school safety programs). The Department of Education and the Office of Management and Budget first assessed the program using PART in 2004 and reassessed the program in 2006. The most recent PART assessment found the program was unable to demonstrate results. This program received its first significant reduction in 2004 (-$28 million) and was further reduced in 2006 (-$90 million).

# Department of Education: Discretionary Proposal
# Career and Technical Education State Grants

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…................... | 1,182 | 600 | -582 |

**Administration Proposal and Impact**

The Budget requests $600 million for the Career and Technical Education (CTE) State Grants program, $582 million less than the 2007 CR level, but $600 million more than the 2007 Budget. The Administration had not sought funding for this program in the past few budgets due to poor performance. Using the flexibility provided by the Congress in the 2006 reauthorization of CTE (formerly known as Vocational Education), the Department of Education will use regulatory and other administrative actions to strengthen CTE's accountability provisions with the aim of improving academic achievement for CTE students.

Along with this CTE reduction, the Administration proposes a $1.2 billion increase for Title I, with a significant portion going to high schools. These additional funds will help improve academic achievement and graduation rates for at-risk high school students – many of whom are CTE students. The Administration's No Child Left Behind reauthorization proposal will also seek to close the achievement gap in middle and high schools through high standards and accountability, and to increase the rigor of coursework offered to middle and high school students to better prepare them for postsecondary education or the workforce.

**Background**

CTE State Grants program provides grants to States to support high school and community college activities related to vocational and technical education. About two-thirds of the funding supports high school activities and the remainder support postsecondary technical training. In its 2004 Final Report to the Congress, the National Assessment of Vocational Education found no evidence that high school vocational courses themselves contribute to academic achievement or college enrollment. The Department of Education and the Office of Management and Budget assessed the program using the PART in 2002. The PART rated Vocational Education State Grants as "Ineffective" because the program produced little evidence of improved outcomes for students despite decades of Federal investment.

Congress did not adopt significant reforms in its 2006 reauthorization, but did require more rigorous programs, improved State and local accountability, and increased State flexibility. The Department of Education will use administrative actions, such as revising information collections, issuing guidance, and promulgating regulations to build on the changes made to the Act.

# Department of Energy: Discretionary Proposal
# Weatherization Assistance Program

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 248 | 144 | -104 |

**Administration Proposal and Impact**

The 2008 Budget proposes to reduce funding for the Weatherization Assistance program and focus Department of Energy (DOE) funds on research and development efforts with the potential to provide significant energy and economic benefits to all Americans. The President's Advanced Energy Initiative invests in clean and alternative energy sources to help change the way America powers homes, businesses, and vehicles, and can help reduce the Nation's dependence on oil.

**Background**

The Weatherization Assistance Program provides formula grants to States to improve the home energy efficiency (e.g., by insulating walls and attics) of low-income families, thus reducing their energy bills. A comprehensive external assessment of program benefits and costs is underway.

The 2002 Budget proposed to significantly increase funding for this program, resulting in an increase in appropriations of more than $75 million in 2002 to $230 million. The Congress provided similar funding levels through 2006, resulting in a cumulative funding increase of $387 million since 2001. The 2007 Budget refocused resources on the President's Advanced Energy Initiative. The 2008 Budget re-proposes this funding shift.

# Department of Health and Human Services: Discretionary Proposal
# Social Services Block Grant

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 1,700 | 1,200 | -500 |

**Administration Proposal and Impact**

The 2008 Budget proposes to reduce funding for the Social Services Block Grant (SSBG) by $500 million, to $1.2 billion, through appropriations for 2008, and by reducing the authorization in 2009 and beyond. Federal support for social services will continue through other funding streams.

**Background**

SSBG was established in 1981 to help States provide a broad range of social services to help needy families achieve economic self-sufficiency, to prevent or remedy neglect or abuse, and secure institutional care, when appropriate. States receive a capped block grant with few Federal requirements. While this approach maximizes State flexibility to determine what services to provide and whom to serve, it does not ensure that funds are directed most effectively. The program lacks performance measures or other means to demonstrate that activities supported by SSBG funds are producing results. SSBG overlaps with other Federal social service programs that serve low-income and needy families including Federal child care and child welfare programs, Temporary Assistance for Needy Families, and programs that provide services to the elderly.

# Department of Health and Human Services: Discretionary Proposal
# Real Choice Systems Change Grants

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 25 | 10 | -15 |

**Administration Proposal and Impact**

The 2008 Budget proposes a reduced amount for this Centers for Medicare and Medicaid Services transition grant. Real Choice Systems Change Grants encourage States to develop the infrastructure to move more disabled individuals from institutions into home- and community-based care. After six years, these grants have helped States develop a better understanding of how to improve their home- and community-based support and provide these services more effectively. Starting in 2007, the Deficit Reduction Act of 2005 provides over $1 billion in new mandatory funding over five years for States to support these types of activities, including the Money Follows the Person demonstration project.

**Background**

The Real Choice Systems Change Grants have been funded since 2001. These grants were established to help States provide community-based support for individuals with disabilities. These grants have encouraged States to deliver more home- and community-based services, a goal supported by other programs such as the Money Follows the Person demonstration project included in the Deficit Reduction Act of 2005.

# Department of Health and Human Services: Discretionary Proposal
# State, Local and Hospital Preparedness Grants

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 1,298 | 1,112 | -186 |

**Administration Proposal and Impact**

The 2008 Budget continues to invest substantially in assistance for State, local, and hospital emergency preparedness, requesting $1.1 billion. While this is a reduction of $186 million, it would bring the total investment in this area since 2001 to over $9 billion. There continues to be insufficient information regarding what progress has been made, or where States and localities stand in the continuing effort to become prepared. This reduction also reflects the continuing need to focus investments to expand Federal response capabilities to support effective localities during a public health emergency.

**Background**

State, local, and hospital preparedness grants are awarded directly to the States to support improvements to public health and hospital systems that will increase preparedness against a bioterrorist attack or other public health emergency. In 2001, this program was funded at $67 million. By 2003, funding exceeded $1.5 billion. However, this growth was based on the clear need to improve preparedness following the events of September 11, 2001 and the anthrax attacks of that fall. During 2006, States have received an additional $600 million for similar activities related to pandemic influenza preparedness.

# Department of Health and Human Services: Discretionary Proposal
# Children's Hospital Graduate Medical Education Payment Program

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 297 | 110 | -187 |

**Administration Proposal and Impact**

The Budget proposes to reduce the payment for the Children's Hospital Graduate Medical Education Payment Program. Specifically, this proposal would reduce the average annual payment received by 61 free-standing children's hospitals from approximately $5 million to below $2 million.

**Background**

The Children's Hospitals Graduate Medical Education Payment Program (which began in 2000 and was initially funded at $40 million) finances payments to free-standing children's hospitals that support graduate medical education. This payment activity was created because these hospitals receive little or no Medicare Graduate Medical Education funding. These payments are provided via a statutory formula that incorporates the number of residents, number of discharges, number of beds, and the hospital's case-mix. This payment activity does not purchase services – it awards a general financial subsidy to children's hospitals that can be used for any purpose. A PART assessment conducted by the Department of Health and Human Services and the Office of Management and Budget concluded there is not a demonstrated need for this formula-driven subsidy as children's hospitals are more likely to have positive profit margins than other hospitals. In addition, children's hospitals receive some payments from other public and private sources. The Administration proposed reduced funding for this activity in both the 2006 and 2007 Budgets.

# Department of Health and Human Services: Discretionary Proposal
# Health Resources and Services Administration Health Professions Grants

**Funding Summary**
(In millions of dollars)

| | 2007<br>CR level | 2008<br>Proposed | Change<br>From 2007 |
|---|---|---|---|
| Budget Authority…....................... | 295 | 115 | -180 |

**Administration Proposal and Impact**

The 2008 Budget requests $115 million for health professions training, phasing out most health profession grants, and directs resources to activities that are more effective in placing health care providers in medically-underserved communities. The Budget focuses investments on activities with a demonstrated impact on placing health professionals in underserved areas. Continuing subsidies to persuade individuals to enter well-paid medical careers is not the best use of Federal funds, particularly when there is no documented national shortage of physicians. While there are regions and pockets of the Nation that face shortages, only two of every ten providers who benefit from these training grants enter shortage areas. The Budget invests $105 million for the education and training of registered nurses, including scholarships and loan repayments in exchange for a service commitment in an underserved community.

**Background**

The Health Professions training grants assist academic institutions to help meet the costs of training and educating students to become nurses, doctors, dentists, and other health professionals. These grants were authorized in the early 1960s, partially in response to an anticipated national shortage of physicians that does not exist today. Between 1992 and 2004, the U.S. physician population increased by 36 percent, over twice the rate of growth of the total population. Evaluations have not linked the Health Professions training grants to changes in supply, distribution, and minority representation of physicians and other health professionals. These finding are documented in the PART assessment that the Department of Health and Human Services and the Office of Management and Budget completed. Health Professions training grants received an Ineffective PART rating.

# Department of Health and Human Services: Discretionary Proposal
# Poison Control Centers

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…....................... | 23 | 10 | -13 |

**Administration Proposal and Impact**

The 2008 Budget requests $10 million for the Poison Control Centers (PCC). In recent years, PCCs have stabilized their funding for basic operations and many have partnered with public health and health agencies. Ninety percent of PCCs are now certified, up from 70 percent in 2000. The Department of Health and Human Services funding represents only seven percent of total financing for PCC operations, compared with 15 percent in recent years. Because PCCs have become largely self-sufficient and depend less on the Federal financing for their operations, the 2008 Budget proposes to reduce the Federal subsidy. The Budget level will continue to assist centers to improve their operations and achieve certification and self-sufficiency.

**Background**

Funding for PCCs supports access to poison control services, and encourages the enhancement and improvement of poison education, prevention, and treatment. The Poison Control Center Enhancement and Awareness Act (P.L. 106-174) was enacted in February 2000 and reauthorized in December 2003 (P.L. 108-194). The activities authorized under these Acts have largely accomplished their original intent to stabilize these centers and improve poison education, prevention, and treatment nationwide.

# Department of Health and Human Services: Discretionary Proposal
# Rural Health

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 168 | 25 | -143 |

**Administration Proposal and Impact**

The 2008 Budget requests $25 million for the Health Resources and Services Administration's Rural Health activities. Consistent with previous Budgets, funding is eliminated for activities that no longer support a continuing need or that duplicate other Department of Health and Human Services (HHS) and Federal agencies' programs. The Budget continues to support State rural health offices and furthers rural health policy research. Funding is also included for radiological and black lung diseases that disproportionately affect rural areas. In addition, the Budget proposes nearly $2 billion for Health Centers. More than 50 percent of Health Centers sites are located in rural areas and seven million low-income and underserved individuals will receive health care from these sites in 2008. In addition, Medicare, through the Critical Access Hospital (CAH) program, finances payments that improve the profitability of many rural hospitals and ensure beneficiary access to care.

**Background**

Health Resources and Services Administration's Rural Health activities fund a variety of grants designed to improve health care in rural areas. Many of these grant activities no longer support an existing and/or specific purpose. For instance, the Budget proposes to eliminate funding for Rural Health Hospital Flexibility Grants that are designed to help States determine if rural hospitals might benefit from conversion to CAH Status. The majority of these conversions have already taken place. Also proposed for elimination is funding to help communities purchase defibrillators, as much of the demand for these medical devices has been met through prior grants. The Denali Commission, which funds construction of primary health facilities in Alaska, is also proposed for elimination. This activity has received $171 million in funding since 2000. In addition, the Budget eliminates funding for rural health outreach grants, as many other activities support rural health. A study found that HHS administers 225 health and social services programs that provide resources to rural areas. The Medicare Modernization Act (MMA) contained several provisions to support rural health, for example, increasing Medicare CAH payments to 101 percent of costs and broadening eligibility criteria for CAHs. The number of CAHs receiving enhanced Medicare payments has grown significantly since the passage of MMA.

# Department of Health and Human Services: Discretionary Proposal
# Mental Health Programs of Regional and National Significance

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 263 | 186 | -77 |

**Administration Proposal and Impact**

The 2008 Budget reduces funding of the Mental Health Programs of Regional and National Significance (PRNS) by focusing resources on activities that directly demonstrate improvements in mental health outcomes and increase mental health capacity. Within the Mental Health PRNS, the 2008 Budget eliminates eight less effective or redundant grant activities and increases funding for suicide prevention activities.

**Background**

PRNS funds a diverse array of grant activities in the areas of mental health. These grants focus on suicide and HIV/AIDS by disseminating information on effective strategies for treatment and prevention through the National Registry of Evidence Based Programs and Practices. A 2005 PART assessment completed by the Department of Health and Human Services and the Office of Management and Budget found that not all Mental Health PRNS activities were effective or efficient at improving mental health services. The Budget has proposed reductions to this portfolio in the past.

# Department of Health and Human Services: Discretionary Proposal Substance Abuse Prevention and Treatment Programs of Regional and National Significance

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 588 | 504 | -84 |

**Administration Proposal and Impact**

The 2008 Budget reduces funding by focusing resources on areas that directly expand access to drug treatment and prevention activities within the Prevention and Treatment Programs of Regional and National Significance (PRNS). As a result, the Budget eliminates 15 less effective or redundant grant activities and increases funding for activities that have demonstrated improvements in health outcomes. Within the Treatment and Prevention PRNS, the 2008 Budget proposes to increase funding for drug court grants, screening, brief intervention, referral, and treatment activities, and the National Registry of Evidence-Based Program and Practices. The 2008 Budget also maintains funding for Access to Recovery, which has demonstrated success in expanding access to treatment and recovery support services and providers.

**Background**

PRNS funds a diverse array of activities in the areas of substance abuse and prevention. These activities range from providing direct services to disseminating information on effective strategies for treatment and prevention of substance abuse. The Budget has proposed reductions to this portfolio in the past.

# Department of Housing and Urban Development: Discretionary Proposal
# Public Housing Capital Fund

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 2,208 | 2,024 | -184 |

**Administration Proposal and Impact**

The Budget proposes to reduce funding for public housing modernization and renovation by eight percent from the 2007 level. The 2008 Budget level continues to cover the annual accrual of new capital needs, and public housing authorities are able to fund additional capital needs by leveraging non-Federal investment dollars with their Capital Fund allocations.

**Background**

Since the 1930s, the Federal Government has supported the provision of housing assistance to low-income households through the construction and operation of public housing. Although the housing is owned by local public housing authorities, Federal funds pay most operating costs as well as capital improvements. This arrangement often requires assisted households to live in less desirable locations and units in order to receive the housing subsidy. In contrast, other alternatives, such as the Department of Housing and Urban Development's (HUD's) Section 8 Tenant-based Assistance that the Budget proposes to increase and improve, allow families to select housing in neighborhoods with lower poverty and crime rates as well as better schools, and can also be used for homeownership.

The Public Housing Capital Fund currently pays for the annual and long-term modernization needs of 1.2 million public housing units. Public housing capital needs are estimated to accrue at a rate of about $2 billion a year.

The condition of public housing units in general has improved through modernization and, in other cases, demolition of units in the worst condition. Today, almost 86 percent of public housing units meet HUD's physical standards, compared to 82 percent in 2001. Since 1998, in order to pay for more comprehensive capital improvements, public housing authorities have been exercising flexible authority to use their Capital Fund dollars to leverage additional private bond or mortgage financing, repaid from capital funds. The use of such borrowing for capital needs has grown to over $2.9 billion.

# Department of Housing and Urban Development: Discretionary Proposal
# Community Development Block Grant

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| CDBG…......................…............ | 4,215 | 3,037 | -1,178 |
| Cancelled unobligated balances.. | --- | -356 | -356 |
| Budget Authority…...................... | 4,215 | 2,681 | -1,534 |

**Administration Proposal and Impact**

The 2008 Budget proposes to fund the Community Development Block Grant (CDBG) program at $3.0 billion, equal to the 2007 Budget. This funding level is $1.2 billion below the 2007 CR amount. Also, $356 million of prior year unobligated Economic Development Initiative and Neighborhood Initiative funds are proposed to be cancelled. The current CDBG program is not well-targeted and the results of its assistance have not been adequately demonstrated or reported. The Administration continues to support CDBG legislative reforms, similar to the CDBG Reform Act, which was transmitted to the Congress in May 2006. The reform legislation updates an outdated allocation formula that is almost 30 years old, and adds components that would improve the CDBG program. An improved CDBG formula would better target assistance to communities and regions experiencing greater economic distress and reduce or eliminate funding to more affluent communities. The proposed Challenge Grant fund would reward communities that take extra steps to create conditions for community and economic progress. In addition, the Department of Housing and Urban Development (HUD) would establish ambitious performance measures and accountability standards for grantees that receive funds under the CDBG formula.

**Background**

The CDBG program was established in 1974 to provide flexible annual assistance to States and local governments to fund a wide range of community and economic development activities that principally benefit low- to moderate-income persons, eliminate slums and blight, and address urgent needs. The Administration's CDBG reform proposal was motivated by a cross-cutting review of Federal community and economic development programs in 2004. This review found that many of these programs had unclear objectives, did not coordinate effectively, were duplicative, and were unable to demonstrate measurable and sustained economic gains for communities. A HUD and Office of Management and Budget analysis also found that CDBG is ineffective and that its major problems include the lack of a clear purpose and annual and long-term outcome measures; weak targeting of funds to areas of greatest need; and the inability to produce transparent information on results.

The 2007 Budget included the Strengthening America's Communities Initiative (SACI), which consolidated 17 Federal economic and community development programs within HUD and Economic Development Administration. This proposal was strongly opposed by the Congress and other stakeholders. Although the 2008 Budget does not re-propose SACI, the reform objectives have been incorporated into the CDBG Reform Act of 2006, and HUD will continue to administer the CDBG program, and seek legislative reforms.

# Department of the Interior: Discretionary Proposal
# Indian Land Consolidation Program

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 31 | 10 | -21 |

**Administration Proposal and Impact**

The Indian Land Consolidation Program (ILCP) purchases small, fractional interests in tracts of lands held in trust and managed by the Federal Government for individual Indians in order to consolidate ownership of the tracts to a point where they can be effectively managed and put to productive use. The 2008 Budget proposes to reduce funding for the program because the program is changing its strategy for achieving its goals. In the past, the program's strategy has ranged from purchasing interests on a first-come/first-served basis from any willing seller to concentrating on tracts with 200 or more owners. In addition, new provisions in the American Indian Probate Reform Act of 2004, which became effective in June 2006, should substantially reduce the rate of fractionation and have a corresponding impact on the future direction of the program. The Administration is interested in working with the Congress and Tribes to shift the responsibilities for land management to tribal and individual Indian owners under a revised land consolidation program.

**Background**

There are some 3.6 million interests on over 128,000 tracts of land, totaling between 10 million and 13 million acres, held in trust by the Federal Government on behalf of individual Indians. It costs millions of dollars to track and manage these tracts and fractional interests, which is not cost effective relative to the amount of income generated from leases on the lands or the possibility of lawsuits, such as *Cobell vs. Kempthorne*. Since 1999, ILCP has spent nearly $130 million to purchase approximately 262,000 of these interests and consolidated about 230 tracts. The $10 million should be sufficient to allow the program to continue without disruption to its infrastructure.

# Department of the Interior: Discretionary Proposal
# Payments in Lieu of Taxes

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…....................... | 233 | 190 | -43 |

**Administration Proposal and Impact**

The 2008 Budget reduces funding for the Department of the Interior's (DOI) Payments in Lieu of Taxes (PILT) program by $43 million compared to the 2007 CR level; however, the 2008 level is only $8 million below the President's 2007 Budget request. The request remains high by historic standards, and the Administration continues to support higher funding for PILT than previous Administrations.

PILT is a subsidy to States, with no strings attached, particularly popular with western States. However, States and local governments receive many benefits from Federal lands within their borders, including: 1) direct payments to State and local governments from economic uses of the public lands (e.g., mineral revenue payments); 2) jobs and other economic benefits from recreation and tourism, hunting and fishing, grazing, and other public land uses; and 3) the Federal Government's bearing of many of the costs to manage these lands.

Mineral revenue payments, in particular, have dramatically increased in recent years, with some of the largest revenue increases going to States receiving the largest PILT payments. For example, mineral payments to the State of Wyoming have roughly quadrupled since 1999, to a payment level that in 2006 was $1.07 billion, which is over 70 times the total annual PILT payments received by Wyoming. Moreover, the vast majority of States are now reporting budget surpluses.

**Background**

Initiated with passage of the Payment in Lieu of Taxes (PILT) Act in 1976, PILT provides payments to local governments in counties where certain Federal lands are located within their boundaries. PILT is based on the concept that these local governments incur costs associated with maintaining infrastructure on Federal lands within their boundaries but are unable to collect taxes on these lands. Payments are based on a formula established in the PILT Act and are in addition to other Federal land receipts shared with local governments.

The PILT program was funded at roughly $100 million per year through much of the 1990s, increasing to $125 million in 1999. The program received a 48-percent increase (to $200 million) in 2001 during a time of Federal surpluses and State budget troubles, and funding has continued to increase each year since. The Administration proposes reduced funding levels for PILT in order to fund DOI's higher priorities.

# Department of the Interior: Discretionary Proposal
# United States Geological Survey Mineral Resources Program

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…....................... | 53 | 30 | -23 |

**Administration Proposal and Impact**

The 2008 Budget reduces the Mineral Resources Program (MRP) work on national and international mineral assessment products and basic research that benefit States, local governments, industry, and academia. State and local governments, industry, and universities could fund their own mineral assessments and basic research if they consider these products a priority. Remaining funds will be focused on mineral surveys, studies, and commodity reports that are relevant to ongoing Federal land management, regulatory, and remediation activities.

**Background**

MRP maintains national databases and provides information on the location and quantity of minerals, formation of minerals, and the impact of mining on the environment. MRP annually produces one or two systematic analyses, about 650 mineral commodity reports, and maintains five national geologic, geochemical, geophysical databases. Many of the products are directed to the interests of States, local governments, industry, and academia rather than the Federal Government.

# Department of Labor:  Discretionary Proposal
# Cancellation of H1-B Fraud Prevention and Detection Balances

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | --- | -50 | -50 |

**Administration Proposal and Impact**

The 2008 Budget proposes to cancel $50 million in unobligated balances in the Department of Labor's (DOL’s) H-1B Fraud Prevention and Detection account.  Given strict statutory limits on the use of these funds, DOL has been unable to spend more than $5 million in any single year and began 2007 with more than $60 million in unobligated balances.  To remedy this problem and strengthen DOL's enforcement capabilities, the 2008 Budget proposes legislation to expand the allowable uses of these funds.  This cancellation would not have a negative programmatic impact.

**Background**

Under the Immigration and Nationality Act, DOL receives a portion of H1-B fee revenue for the investigation of fraud in the filing of employer certification applications for H-1B visas.  The funds must be used strictly for investigation of filing fraud.  DOL began 2006 with $28 million in balances, received an additional $35 million in new fee revenue, and given the strict limitations on the use of funds, spent just $5 million in that year.  The Administration will also propose legislation to expand the permissible uses of the funds to strengthen enforcement of wage and hour laws in low-wage, immigrant-heavy industries.  The resources remaining in this account after the cancellation would be adequate to support the broader set of proposed allowable uses.

# Department of Labor:  Discretionary Proposal
# Indian and Native Americans Training Program

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 53 | 45 | -8 |

**Administration Proposal and Impact**

The 2008 Budget proposes to reduce funding for the Department of Labor's (DOL's) Indian and Native Americans Program, which funds competitive grants to federally-recognized tribes and other eligible entities to provide academic, literacy, and occupational training. Recent program management initiatives such as the implementation of common performance measures, improvements to program reporting, enhanced review of grantees' financial management to ensure the efficient use of funds, and the use of technology to deliver services should lead to more effective results less funding.

**Background**

Section 166 of the Workforce Investment Act (WIA) makes funds available to Indian tribes, tribal organizations, Alaska native entities, Indian controlled organizations serving Indians, or Native Hawaiian organizations to support employment and training activities for Indian, Alaska Native, or Native Hawaiian individuals.

A PART assessment conducted by DOL and the Office of Management and Budget found the program to be adequate, but noted several areas for improvement. In addition to implementing common performance measures, strengthening grantee reporting requirements, and using technology to deliver services, DOL needs to ensure that this program is aligned and works collaboratively with the numerous other Federal and State agencies and programs that assist Indian and Native Americans with employment, training, and other related services. The Administration is exploring opportunities to reduce program duplication between the WIA Indian and Native American program and similar programs in other agencies.

# Department of Labor: Discretionary Proposal
# International Labor Affairs Bureau

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…....................... | 73 | 14 | -59 |

**Administration Proposal and Impact**

The 2008 Budget proposes $14 million for the International Labor Affairs Bureau (ILAB), moving the agency closer to its core mission of research and policy analysis. In 2008, ILAB will continue to focus on administering over $530 million in projects that were launched in previous years, including in the field of child labor. In addition, the Budget includes $1.5 million to support child labor activities related to the Trafficking Victims Protection Reauthorization Act.

**Background**

The 2008 Budget seeks to restore ILAB to its original mission of research and advocacy by eliminating its grant making activities. Between 1996 and 2001, ILAB's funding rose by 1,500 percent, when the agency embarked on an expansive grant-making mission intended to combat international child labor, develop and disseminate AIDS prevention information in the international workplace, support core labor standards development, and provide bilateral technical assistance.

Grant making activities are appropriately financed through the Department of State, U.S. Agency for International Development, and other international agencies. For example, the 2008 Budget includes $3 billion to continue international assistance activities in developing countries through the Millennium Challenge Account (MCA). The Administration created MCA to provide targeted, accountable international development assistance to poor countries with a demonstrated commitment to ruling justly, investing in people, and encouraging economic growth.

# Department of Labor: Discretionary Proposal
# Job Training Grant Consolidation

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 3,895 | 3,413 | -482 |

**Administration Proposal and Impact**

The 2008 Budget proposes reforms to the Workforce Investment Act (WIA) that will provide training opportunities to more workers, provide States more flexibility to deliver services, and increase individual choice. The President's reforms would maintain the existing nationwide system of One-Stop Career Centers, but reduce duplication by consolidating several similar funding streams into one large State grant program, limiting the amount of funds that could be spent on overhead, cutting Federal red tape, and creating Career Advancement Accounts – worker-directed vouchers to give individuals the resources necessary to increase their skills and better compete for jobs. Through these reforms, the Budget proposal will save almost $0.5 billion in taxpayer dollars while significantly increasing the number of workers who have access to training opportunities.

**Background**

WIA authorizes formula grants to States and localities to provide job training and employment-related services to adults, dislocated workers, and disadvantaged youth. Services are provided primarily through a nationwide network of One Stop Career Centers.

Currently, under WIA, too few workers are trained and duplicative programs produce excessive overhead costs and administrative complexity. As a result, not enough of the nearly $4 billion invested in the following Department of Labor programs goes to train workers: Dislocated Worker Assistance; Adult Employment and Training Activities; Youth Activities; Wagner-Peyser Employment Service State grants; Labor-Market Information funding; and State grants to administer the Work Opportunity and Welfare-to-Work tax credits. For example, a recent Government Accountability Office study found that less than 40 percent of funding provided to local workforce investment boards was used to provide job training.

WIA's authorization expired in 2003. This reform builds on previous Administration proposals to reform and reauthorize WIA.

# Department of Labor: Discretionary Proposal
# Office of Disability Employment Policy

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…....................... | 28 | 19 | -9 |

**Administration Proposal and Impact**

The 2008 Budget proposes $19 million, returning the Office of Disability Employment Policy (ODEP) closer to its core mission of policy analysis, technical assistance, and dissemination of effective practices to increase the employment opportunities for people with disabilities. In 2008, ODEP will focus its efforts on developing and implementing disability employment policy to increase the recruitment, retention, and promotion of people with disabilities, and eliminate duplicative grantmaking activities. Staff will be reduced to reflect the diminution of ODEP's grant making functions, which duplicate activities in other Federal agencies.

**Background**

The Congress created ODEP in 2001 to bring a heightened focus within the Department of Labor (DOL) on disability employment through policy evaluation, technical assistance and development of best practices. ODEP succeeded the President's Task Force on Employment of Adults with Disabilities that was terminated in 2002 after submitting its final report.

ODEP was tasked with implementing a sustained, coordinated, and aggressive employment strategy to eliminate job barriers for people with disabilities. However, between 2001 and 2005, ODEP expanded its responsibilities to include a $26 million grant program that included homelessness, mental health, international disability, veterans, and homeland security issues – activities that were well beyond ODEP's original mission and duplicative of activities undertaken by other Federal agencies, like the Department of Education and Social Security Administration. A PART assessment conducted by DOL and the Office of Management and Budget rated ODEP Results Not Demonstrated due to limited performance outcomes and insufficient evaluation data that could help assess the impact and effectiveness of ODEP's policy and coordination efforts.

# Department of Labor: Discretionary Proposal
# Pilots, Demonstrations, and Research

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 88 | 13 | -75 |

**Administration Proposal and Impact**

The 2008 Budget proposes funding slightly below the 2007 Budget request for Workforce Investment Act (WIA) Pilots, Demonstrations, and Research. The proposed level eliminates unrequested funding that has been added in recent years for numerous narrow-purpose projects that duplicate existing Labor Department programs and have little accountability for performance outcomes. In addition, the 2008 Budget redirects some funding to conduct an impact evaluation of the Workforce Investment Act's Adults, Dislocated Worker, and Youth State grant programs.

**Background**

Section 171(b) of the Workforce Investment Act of 1998 authorizes the Secretary of Labor to carry out pilots, demonstrations, and research projects for the purpose of developing and implementing approaches and demonstrating the effectiveness of special methods in addressing training and employment needs. WIA stipulates that grants or contracts awarded for carrying out such projects should be awarded on a competitive basis.

The Congress has traditionally included earmarks and unrequested funding in the WIA Pilots, Demonstrations, and Research account. The 2005 appropriation included a total of $55 million in unrequested funding. The 2007 House and Senate Committee Reports provided over $25 million in funding for specific earmarks. Congressional earmarks are awarded without competition and insufficient accountability. Further, the activities funded through the earmarks are not coordinated with existing Department efforts and often duplicate programs that are supported through the regular WIA State grant programs.

# Department of Labor:  Discretionary Proposal
# Senior Community Service Employment Program

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 432 | 350 | -82 |

**Administration Proposal and Impact**

The 2008 Budget proposes $350 million for the Senior Community Service Employment Program (SCSEP), $82 million (19 percent) below the 2007 CR level.  This program was rated Ineffective when assessed by the Department of Labor and the Office of Management and Budget, largely due to inadequate competition in the grants process, lack of data on program performance and impact, and duplication with other Federal programs.  In addition, the Older Americans Act of 2006 allows the Department of Labor to train and serve workers more efficiently than possible under prior law.  The Budget reduces funding for SCSEP, which will support approximately 59,000 participants in 2008, and redirects dollars to other higher priority and more effective programs.

**Background**

SCSEP distributes grants to States and public and private non-profit organizations to provide part-time work experience in community service activities to unemployed low-income persons ages 55 and over to perform community service.  In 2008, SCSEP will increase the program's focus on training, and related employment-related services.  It will also continue to introduce more competition to the grant process, and collect data that measures participants' employment, job retention, and earnings outcomes.

# Department of Labor: Discretionary Proposal
# Cancellation of Unexpended Job Training Balances

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…....................... | --- | -335 | -335 |

**Administration Proposal and Impact**

The 2008 Budget proposes to cancel $335 million in unexpended carry-over balances for the major Workforce Investment Act (WIA) State grant programs: Dislocated Worker Assistance, Adult Employment and Training, and Youth Activities. At the end of program years 2005 and 2006, the States had over $1 billion in unexpended WIA balances. The 2008 Budget also proposes to reduce from three years to two years the period of time that States have to spend their funding, providing a stronger incentive for States and local areas to better monitor and manage their funds.

**Background**

Under WIA, the Department of Labor provides job training grants to States, which then provide a portion of the funding to local areas. Each year, States combine current program year funds with unexpended funds carried over from the previous two program years. Despite regulations encouraging local areas to expend funds within two years and requiring States to use funds within three years, there are usually significant amounts of unexpended balances. States ended both program years 2005 and 2006 with over $1 billion in unexpended carryover balances.

# Department of Transportation: Discretionary Proposal
# Airport Improvement Program

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 3,514 | 2,750 | -764 |

**Administration Proposal and Impact**

The 2008 Budget proposes a funding level of $2,750 million for the Airport Improvement Program (AIP) – a $764 million reduction from 2007. This level of funding is robust by historical standards. AIP was funded at just $1,900 million as recently as 2000 ($2,200 million adjusted for inflation). From 2007 to 2010, seven airports will commission nine airfield projects, providing these airports with the potential to accommodate more than 300,000 additional annual operations.

Restraining the growth of AIP will encourage airports to make greater use of revenues generated from passenger facility charges (PFC), which funds projects at an airport from the passengers of that airport. Many airports do not take full advantage of this legal authority, which the Federal Aviation Administration (FAA) estimates could produce an additional $300 million annually for airport development needs. FAA's reauthorization proposal will provide financially strong and sophisticated airports with additional authority to increase – and flexibility to utilize – PFC revenue.

**Background**

AIP, which includes formula and discretionary grants, is used to improve airport capacity through the rehabilitation and construction of new and existing runways, taxiways, and facilities. In 1946, the Federal-Aid Airport Program was authorized to promote the development of a system of airports around the country. The current program, now renamed as AIP, was established by the Airport and Airway Improvement Act of 1982. AIP funding is drawn from the Airport and Airway Trust fund, which is supported by user fees, a passenger ticket tax, fuel taxes, and other revenue sources. Funds are also used to improve airport safety and address noise and environmental concerns.

A PART review of the program conducted by the Department of Transportation and the Office of Management and Budget found the program to be Moderately Effective. However, as large airports are less dependent on Federal funds because of their ability to access different revenue sources, such as landing fees, rental and leasing of space, retail concessions, and passenger facility charges, the Administration is proposing reforms to eliminate taxpayer subsidies to those large airports that are capable of financial self-sufficiency.

# Department of Transportation: Discretionary Proposal
# Intercity Passenger Rail

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 1,114 | 900 | -214 |

**Administration Proposal and Impact**

The Budget proposes $900 million for intercity passenger rail, largely for Amtrak, which is $214 million less than the 2007 CR level. The 2008 request is part of a multi-year effort by the Administration to reduce, and eventually eliminate, Amtrak's reliance on Federal operating assistance. This reflects the long-standing Administration principle to create an intercity passenger system driven by sound economics. Of the $900 million request, only $800 million is for Amtrak directly, including $300 million for operating costs. That amount would create a very tight operating budget, but it would also force the railroad to make hard but necessary choices about which services to provide. The Budget includes $500 million for Amtrak's capital budget, which would support its ongoing efforts to rehabilitate the Northeast Corridor between Washington, D.C. and Boston. The Budget also proposes $100 million for capital matching grants to States for intercity passenger rail projects. This would be a new program to enable States and localities, rather than Amtrak, to direct capital investment in the system.

**Background**

Amtrak is the federally-subsidized monopoly provider intercity passenger rail service. Created in 1971, it connects all but four States, and in 2006 it carried 24 million riders. The Administration has sought to reform the railroad because it has consistently suffered major financial losses, provided inferior service, and has failed to prioritize its limited resources. For example, the Government Accountability Office recently concluded that Amtrak's long-distance trains, "show limited public benefits for dollars expended," and that, "these routes account for 15 percent of riders but 80 percent of financial losses." These same long distance trains had an on-time performance rate of 30 percent in 2006. For the 2007 Budget, the Department of Transportation and the Office of Management and Budget assessed the performance of Amtrak and found that is purpose was ambiguous and that Amtrak's flawed design contributes to its poor performance.

# Department of Transportation: Discretionary Proposal
# Essential Air Service

## Funding Summary
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 57* | ---* | -57 |

*Does not include a mandatory $50 million appropriation for this program from overflight fees. The Administration is proposing to continue the $50 million mandatory appropriation in 2008, which is sufficient to fund Essential Air Service to the neediest and most-isolated communities.

### Administration Proposal and Impact

The Essential Air Service (EAS) is statutorily funded by a mandatory appropriation of $50 million from overflight fees that has historically been supplemented with a discretionary general fund appropriation. The Administration proposes no discretionary appropriation for this program, along with other reforms. The $50 million is sufficient to subsidize air service to communities that are truly needy of subsidized air service to maintain transportation connectivity with the rest of the country. Additionally, the Administration proposes revising the criteria to limit eligibility for EAS subsidies to those communities that need them, as well as reforms to permit the program to use the most cost-effective solutions to connect rural communities to the air transportation network, including the use of ground transportation, where appropriate.

### Background

The EAS program was established concomitant with airline deregulation in 1978 to mitigate anticipated service reductions at small rural airports resulting from deregulation. For airports with scheduled service prior to 1978, and meeting certain other standards of eligibility based on distance from other airports, EAS subsidizes flights from that airport to a larger airport. Originally anticipated to last for 10 years, the program was first extended for an additional 10 years, and then made permanent.

EAS, however, has been made obsolete over time, particularly by the growth in surface transportation. Consumers in many rural areas now regularly travel the distances required to take advantage of shopping and other services in larger, relatively nearby urban areas, including air transportation services. In some cases, EAS-subsidized flights are averaging less than three passengers at a time, as consumers opt for the price and convenience of ground travel to the nearest large airport, rather than using the EAS-subsidized flight. The program assessment conducted by the Department of Transportation and the Office of Management and Budget showed the program did not use annual and long-term goals to manage the program and it received a rating of Results not Demonstrated.

# Department of Transportation: Discretionary Proposal
# Railroad Rehabilitation and Improvement Financing Loan Program

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | --- | --- | --- |

**Administration Proposal and Impact**

The 2008 Budget introduces the Administration's plan to reform the Railroad Rehabilitation and Improvement Financing Loan Program (RRIF) with the aim of better defining the program's purpose. Following the Budget submission, the Administration will transmit authorizing language to the Congress that would ensure the RRIF program makes loans only to those railroads that are in need of Government assistance. For example, the Administration proposes that eligible RRIF applicants demonstrate that their Government loan would address public, not simply private, interest. The Administration also proposes targeting assistance to small and regional railroads and significantly reducing the program's size. The Budget recommends an annual loan limitation of $700 million for 2008, reflecting a more realistic level of demand for credit assistance from small railroads. Moreover, the Department of Transportation (DOT) plans to work with the private lending community to develop new opportunities for railroads to obtain private credit including promoting private loans guaranteed by the RRIF program.

**Background**

The RRIF program, created in 1998, offers low-cost loans to railroads for infrastructure improvement projects or refinancing debt. The latest highway reauthorization bill, the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), substantially expanded the scope of the program, particularly by increasing its size from $3.5 billion to $35 billion. In the previous two budgets, the Administration has recommended terminating the program because it lacks a clear purpose and an adequate justification for subsidizing private rail companies. According to the law, project eligibility is virtually open-ended and there are few limits on which companies may apply. Consequently, instead of assisting struggling small railroads as the program was first envisioned, DOT has provided RRIF loans to a range of applicants some which have substantial projected revenues.

RRIF is a zero subsidy loan program, meaning it does not receive appropriated funds to make loans. However, the program exposes the Government to the risk of loan defaults, which is captured in the annual credit subsidy reestimate process.

# Environmental Protection Agency: Discretionary Proposal
# Infrastructure Assistance – Mexico Border

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…....................... | 25 | 10 | -15 |

**Administration Proposal and Impact**

The 2008 Budget proposes to reduce Mexico Border Infrastructure Assistance funding for water infrastructure projects in the border region in both the United States and Mexico. In 2004, the Environmental Protection Agency and the Office of Management and Budget completed a PART assessment of the Mexico Border Infrastructure Assistance Program, which identified the need to improve project completion rates to reduce unobligated balances. Over $880 million has been appropriated for the Mexico Border Infrastructure Assistance Program; however, funds have not been dispersed in a timely manner and over $300 million has accumulated in unobligated balances. Currently approved construction projects for this program can be completed utilizing the requested funding and unobligated balances.

**Background**

The Mexico Border Infrastructure Assistance program is one of the components of the Border 2012 Program. The Border 2012 Program was established in 2002 as a result of the signing of the 1983 Agreement on Cooperation for the Protection and Improvement of the Environment in the Border Area, also known as the La Paz Agreement. One objective of the Border 2012 Program is to provide access to drinking water to reduce health risks to residents as well as basic sanitation services with the goal of restoring the quality of impaired transboundary surface waters in the border region.

# Environmental Protection Agency: Discretionary Proposal
# State and Local Air Quality Grants

**Funding Summary**
(In millions of dollars)

| | 2007<br>CR level | 2008<br>Proposed | Change<br>From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 220 | 185 | -35 |

**Administration Proposal and Impact**

The 2008 Budget continues air quality grant funding reductions proposed in the 2007 Budget. Several components of the program can be reduced reflecting attainment of air quality standards, completion of analyses, and funding certain air monitoring efforts through cost-shared grants.

**Background**

As in the 2007 Budget, the 2008 Budget provides $185 million, $35 million less than the 2007 CR level for Air State Grants. This decrease comprises three elements: a reduction to reflect attainment of carbon monoxide (CO) and lead national ambient air quality standards in the majority of the Nation (-$15.5 million); a reduction to reflect the completion of analyses by Regional Planning Organizations (-$2.5 million); and a reduction that results from shifting funding for fine particulate matter monitoring from a grant program that does not have a recipient cost-share requirement to grants that do require the beneficiary to cover a portion of the costs (-$17 million).

# Small Business Administration: Discretionary Proposal
# Microloan Program

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 11 | --- | -11 |

**Administration Proposal and Impact**

The 2008 Budget proposes to eliminate direct loan subsidy costs and technical assistance funding for the Microloan program and operate the program at no cost to the taxpayer. This builds upon the significant success of similar changes made to the Small Business Administration's (SBA) 7(a) guaranteed loan program. With modest appropriate reforms, the Microloan program can operate without a need for appropriations, potentially expanding the amount of assistance it can provide.

**Background**

The Microloan program provides small loans to start-up and growing small businesses through intermediaries, which also receive SBA technical assistance. Under this program, SBA makes funds available to nonprofit community-based lenders (intermediaries) that, in turn, make loans to eligible borrowers up to a maximum of $35,000.

Between loan subsidy and technical assistance, the program costs taxpayers nearly $1 for every $1 lent. Taxpayer-funded credit subsidy costs can be eliminated with only marginally increased (but still below-market) interest rates charged to loan intermediaries. Further, intermediaries can absorb technical assistance costs under existing interest rate formulas and funding from other sources.

# Corporation for Public Broadcasting: Discretionary Proposal

**Funding Summary**
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 464 | 350 | -114 |

### Administration Proposal and Impact

The 2008 Budget proposes to cancel $50 million of the Corporation for Public Broadcasting's (CPB's) enacted 2008 advance appropriation and to permit CPB to use a portion of the remaining funding on digital television transition and broadcasting system interconnection activities. This proposal reflects the changing television market, as well as the public broadcasting system's diverse funding sources that the Administration believes should be further emphasized going forward. To ensure Federal funding provides the greatest benefit, CPB, in consultation with public broadcasting licensees, will continue to explore more effective means for targeting resources to areas of most need.

### Background

The Public Broadcasting Act of 1967 established the Corporation for Public Broadcasting (CPB) as an independent non-profit corporation charged with encouraging educational, cultural, and community-based broadcasting, and the distribution of such services to all citizens. At the time of its establishment, there were approximately four million cable subscribers and only three television networks. Currently, over 94 million (86 percent of all U.S.) households receive television through cable or satellite and may choose among hundreds of channels.

CPB typically receives appropriations two years in advance, and its funds make up only about 15 percent of public broadcasting revenue. Under the Public Broadcasting Act, CPB is required to allocate Federal funds in part with the intent of stimulating non-Federal support of the system. CPB, following consultation with public broadcasting licensees, allocates much of the funding by formula based on the size of non-Federal funding each station receives, with the result that the largest stations tend to receive the largest Federal contribution. Donations from individuals, businesses, foundations, universities, and State and local governments provide the balance of public broadcasting revenue.

# Denali Commission: Discretionary Proposal
# Direct Grant-Making

## Funding Summary
(In millions of dollars)

| | 2007 CR level | 2008 Proposed | Change From 2007 |
|---|---|---|---|
| Budget Authority…....................... | 12 | 6 | -6 |

### Administration Proposal and Impact

The 2008 Budget requests $6 million for the Denali Commission, which will end the Commission's direct grant-making, but will allow it to continue its constructive role as a regional planner and coordinator of other Federal investments in Alaska. Alaska will continue to receive funding for economic development, health care, and job training through other Federal sources, and the Denali Commission will assist distressed communities and Federal agencies in developing and carrying out development projects and strategies.

### Background

The Denali Commission, established in the Omnibus Consolidated and Emergency Supplemental Appropriations Act of 1999, is a Federal partnership with Alaska to fund utilities, infrastructure, and other assistance to distressed rural communities in Alaska. While Alaska faces some unique development challenges, the Commission's grant-making is duplicative of other Federal investments in the State. Community and economic development, infrastructure development, and training activities are also supported by several other Federal agencies, including the Departments of Agriculture, Commerce, Health and Human Services, Housing and Urban Development, Labor, and Transportation. In addition, the PART assessment of the Commission found that it has challenges evaluating the performance and results achieved with its funds. While the Commission has established long-term performance goals, the extent to which its investments are having an impact on economic development in rural Alaskan communities is unclear.

# National Archives and Records Administration: Discretionary Proposal
# National Historical Publications and Records Commission

**Funding Summary**
(In millions of dollars)

| | 2007<br>CR level | 2008<br>Proposed | Change<br>From 2007 |
|---|---|---|---|
| Budget Authority…...................... | 7 | --- | -7 |

**Administration Proposal and Impact**

The Administration proposes no new funding for grants for the National Historical Publications and Records Commission (NHPRC) in order to fund higher priority areas within the National Archives and Records Administration, such as management of electronic records. The Commission itself would retain all other authorized functions, such as its advisory roles.

**Background**

NHPRC provides grants to States, local governments, universities, and other institutions for projects to preserve and publish non-Federal records. Other Federal agencies, such as the National Endowment for the Humanities, also provide grants for which many NHPRC recipients would be eligible to apply.

# DEPARTMENT OF DEFENSE RESTRUCTURING

## Department of Defense Restructuring Proposals

(In millons of dollars)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2008-2013 |
|---|---|---|---|---|---|---|---|
| **Savings from Restructuring** | | | | | | | |
| Reduction in Missile Defense Deployment Funding ........................ | -471 | -462 | -489 | -236 | -491 | -491 | -2,640 |
| Restructured Future Combat System ............................................... | -109 | -238 | -846 | -2,227 | -1,470 | 1,529 | -3,361 |
| Reduction in Science and Technology Growth ................................ | -434 | -781 | -342 | -538 | -409 | -159 | -2,663 |
| Air Force Organizational Restructure and Process Efficiencies ....... | -283 | -1,255 | -1,939 | -2,062 | -2,163 | -2,281 | -9,983 |
| Navy Military Manpower Reductions................................................ | -473 | -1,106 | -1,326 | -1,427 | -1,491 | -1,622 | -7,445 |
| New Defense Health User Fees........................................................ | -1,862 | -2,322 | -2,815 | -3,424 | -4,061 | -4,796 | -19,280 |
| **Total Savings.........................................................................** | **-3,632** | **-6,164** | **-7,757** | **-9,914** | **-10,085** | **-7,820** | **-45,371** |

# Department of Defense: Restructuring Proposal
# Missile Defense Agency

## Funding Summary
(In millions of dollars)

| | 2007 Enacted | 2008 Old Plan | 2008 Proposed | Change From 2008 Old Plan | 2008 to 2013 Savings |
|---|---|---|---|---|---|
| Budget Authority ……….. | 9,389 | 9,370 | 8,899 | -471 | -2,640 |

**Proposal Description**

The Missile Defense Agency (MDA) is developing a multi-layered, global defensive system against ballistic missiles. The first increment of this capability provides a limited defense against long-range missiles from North Korea. In addition, MDA is developing a range of defensive systems to protect U.S. deployed troops and their allies in theaters around the world. MDA continues to improve its capabilities by adding interceptor missiles, new radars, and support equipment. However, most of the missile defense systems still require considerable testing to improve their reliability and reach full operational maturity. The Budget reduces the MDA research and development program by approximately $500 million each year, for a total of $2.6 billion through 2013.

**Proposal Impact**

MDA has adopted a very flexible acquisition strategy that allows for rapid adjustments to program plans based on ballistic missile threats, technology, and system maturity, among other factors. The Department of Defense continually reviews its missile defense needs and makes adjustments; fielding systems that are mature; slowing down those with high-risk; and redirecting resources as needed.

MDA has experienced delays in testing for the Ground-based Midcourse Defense element, Navy sea-based systems, the Airborne Laser, and other components such as the Sea-Based X-Band radar. The funding reduction reflects a slow-down in future, follow-on system development as MDA focuses on testing these systems and completing their integration into the overall defensive architecture.

# Department of Defense: Restructuring Proposal
# Future Combat System

## Funding Summary
(In millions of dollars)

| | 2007 Enacted | 2008 Old Plan | 2008 Proposed | Change From 2008 Old Plan | 2008 to 2013 Savings |
|---|---|---|---|---|---|
| Budget Authority ………….. | 3,426 | 3,845 | 3,736 | -109 | -3,361 |

**Proposal Description**

The Future Combat System (FCS) is the Army's next generation of manned and unmanned combat vehicles, aircraft, artillery, and sensors that are designed to be linked together by an advanced communications network into an integrated "system of systems." This proposal would terminate four of the eighteen planned FCS systems in order to maintain the affordability of the entire FCS program. The four systems to be terminated are the Class II and Class III Unmanned Aerial Vehicles, the Intelligent Munitions System, and the Armed Robotic Vehicle. Existing systems, many of them newly acquired to support the Army transition to modular combat brigades, will continue to be used with FCS in place of the terminated systems.

**Proposal Impact**

The Department of Defense remains committed to the continued development and procurement of FCS to ensure that the Army possesses the lethality, mobility, and situational awareness to decisively win future conflicts. This restructuring will allow the Army to continue developing and acquiring critical FCS core capabilities while addressing the significant costs of transforming the current force to a modular configuration. Six year savings total $3.4 billion.

# Department of Defense: Restructuring Proposal
# Science and Technology Programs

## Funding Summary
(In millions of dollars)

| | 2007 Enacted | 2008 Old Plan | 2008 Proposed | Change From 2008 Old Plan | 2008 to 2013 Savings |
|---|---|---|---|---|---|
| Budget Authority ……….. | 13,329 | 11,206 | 10,772 | -434 | -2,663 |

**Proposal Description**

Science and Technology (S&T) programs include early-stage research and development (R&D) efforts, and the first stage of technology development prior to full scale development of weapons and supporting systems.

The Budget cuts back slightly on planned S&T programs in order to increase funding for defenses against chemical and biological weapons and other programs supporting the war on terrorism, and to address higher priority needs of the Department of Defense.

**Proposal Impact**

In the 2002 Budget, the Administration proposed a goal of increasing R&D for new technologies by $20 billion over a five-year period. This goal was achieved within three years. As of the beginning of 2007, the Department of Defense has invested about $128 billion in additional R&D funding (i.e., over what projected in 2001) for new weapons and supporting technologies, including $19 billion more in S&T alone.

As the fastest-maturing of these defense technologies are now being incorporated into new systems, it is appropriate to concentrate more budgetary resources on the procurement and operation of the resulting weapon systems and on technologies that could reduce current vulnerabilities of U.S. forces, than on growth in underlying S&T. The 2008 proposed S&T funding level is still about 20 percent higher than the Cold War average (in constant dollars). The 2007 enacted funding includes over $2 billion in congressional earmarks that the Administration does not propose to extend and which detract from the overall efficiency of the S&T investments. This accounts for almost all of the drop in funding from the 2007 enacted level to the 2008 Proposed level.

# Department of Defense: Restructuring Proposal
# Air Force Organizational Restructure and Process Efficiencies

**Funding Summary**
(In millions of dollars)

| | 2007 Enacted* | 2008 Old Plan* | 2008 Proposed* | Change from 2008 Old Plan* | 2008 to 2013 Savings* |
|---|---|---|---|---|---|
| Budget Authority …………………….. | --- | --- | --- | -283 | -9,983 |

*Budget Authority for this savings proposal spans a wide variety of accounts and programs.

**Proposal Description**

The Air Force proposes to realign resources so that it can transform to a smaller, more lethal, more agile, streamlined force with an increased emphasis on supporting the warfighter. The Air Force restructuring plans focus on three areas: organizational efficiencies; process efficiencies; and personnel reductions tied to legacy force structure changes.

The Air Force will flatten organizational structures, eliminate functional overlaps, streamline and centralize information technology, and reduce the number of contractors required. The majority of the proposed savings will be generated through process efficiencies and associated active military manpower reductions of about 13,000 in 2008.

| **Strength Profile** | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|
| Active | 348,953 | 334,200 | 328,600 | 313,300 | 311,900 | 311,800 | 311,600 | 311,100 |
| Reserve | 74,075 | 74,900 | 67,500 | 67,400 | 67,700 | 67,900 | 67,700 | 67,700 |
| Total Air Force | 423,028 | 409,100 | 396,100 | 380,700 | 379,600 | 379,700 | 379,300 | 378,800 |

**Proposal Impact**

The end-strength reductions are the planned result of process efficiencies. For example, the Air Force is reviewing how to reduce the personnel and equipment associated with aircraft maintenance at bases to the minimum needed to meet daily training missions, while at the same time maintaining an appropriate deployment capability.

# Department of Defense: Restructuring Proposal
# Navy Military Manpower Reductions

## Funding Summary
(In millions of dollars)

| | 2007 Enacted* | 2008 Old Plan* | 2008 Proposed* | Change from 2008 Old Plan* | 2008 to 2013 Savings* |
|---|---|---|---|---|---|
| Budget Authority ………………... | --- | --- | --- | -473 | -7,445 |

*Budget Authority for this savings proposal spans a wide variety of accounts and programs.

### Proposal Description

The Navy is committed to properly sizing its active and reserve military end strength. It is in the process of reducing the total force size by 11,797 end strength in 2007, and it will make a similar reduction of 12,700 in 2008. After 2007, the Navy will be very close to achieving a properly sized force.

| **Strength Profile** | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|
| Active | 350,197 | 337,600 | 328,400 | 325,700 | 324,200 | 323,800 | 323,700 | 322,200 |
| Reserve | 70,500 | 71,300 | 67,800 | 67,000 | 67,800 | 68,200 | 68,000 | 68,000 |
| Total Navy | 420,697 | 408,900 | 396,200 | 392,700 | 392,000 | 392,000 | 391,700 | 390,200 |

The Navy will achieve such reductions through many initiatives, including: decommissioning older, manpower-intensive platforms; improving its training and employment processes; increasing its reliance on technology to reduce shipboard manning and shorten training pipelines; and converting military positions to lower-cost civilians or contractors.

### Proposal Impact

The end strength reductions will not impact the Navy's ability to fight the Global War on Terror. The reductions are intended to help the Navy achieve the right sized force so it can operate more effectively and efficiently.

# Department of Defense: Restructuring Proposal
# New Defense Health User Fees

## Funding Summary
(In millions of dollars)

| | 2007 Enacted | 2008 Old Plan | 2008 Proposed | Change From 2008 Old Plan | 2008 to 2013 Savings |
|---|---|---|---|---|---|
| Budget Authority ……….. | --- | --- | -1,862 | -1,862 | -19,280 |

**Proposal Description**

TRICARE is the Department of Defense's (DOD) health care program, which delivers care through military treatment facilities, contracted civilian facilities, and private sector-care covered by an insurance program. The proposal gives DOD the authority to increase enrollment fees and deductibles for military retirees under age 65 and their families. These changes do not apply to active duty members and their families. The new fees differ for officer and enlisted retirees and for those in different Tricare plans. The proposal also includes increased retail pharmacy co-payments for military retirees and active duty family members.

DOD will also take into account the cost saving recommendations of the Task Force on the Future of Military Health Care before final implementation of its regulations to implement these new Tricare fees.

**Proposal Impact**

The 2008 Budget re-proposes the fees contained in the 2007 Budget for enrollment fees and prescription drugs that were not enacted. The 2008 enrollment fee proposal, for retirees under age 65, eliminates the two-year phase-in period contained in the 2007 Budget and moves directly to the second-year ultimate rates that would be in effect if the proposal had been enacted in 2007. The new increased user fees and drug co-pays more closely align with other public and private fees and co-pays. The total 2008 savings for these proposals is estimated to be $1.9 billion.

## SUMMARY OF PROPOSED TRICARE CHANGES

### Annual Enrollment Fees (2008 Proposal)

| Retirees under age 65 | Tricare Prime (managed care) Enrollment fees | Tricare Extra and Standard (fee-for-service) | |
|---|---|---|---|
| | | Enrollment fees | Deductible |
| **Retired Officers (self/family)** | | | |
| **Current Annual Fees** | $230/$460 | $0 | $150/$300 |
| **New Annual Fees*** | $700/$1,400 | $280/$560 | $280/$560 |
| **Senior Enlisted Retired (self/family) (E-7 to E-9)** | | | |
| **Current Annual Fees** | $230/$460 | $0 | $150/$300 |
| **New Annual Fees*** | $475/$950 | $200/$400 | $185/$370 |
| **Junior Enlisted Retired (self/family) (E-1 to E-6)** | | | |
| **Current Annual Fees** | $230/$460 | $0 | $150/$300 |
| **New Annual Fees*** | $325/$650 | $140/$280 | $185/$370 |

***Indexed each year thereafter for inflation**

### Pharmacy Co-pays

| Applicable to all except active duty members | Generic | Brand | Non-Formulary |
|---|---|---|---|
| **Current Co-pays** | | | |
| Retail | $3 | $9 | $22 |
| Military Hospitals | $0 | $0 | $0 |
| Mail Order | $3 | $9 | $22 |
| **New Co-pays in 2008 and thereafter** | | | |
| Retail | $5 | $15 | $22 |
| Military Hospitals | $0 | $0 | $0 |
| Mail Order | $0 | $9 | $22 |

# MANDATORY PROGRAM REFORMS

# Mandatory Program Reforms

(Outlays in billions of dollars)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2008-12 | 2008-17 |
|---|---|---|---|---|---|---|---|
| **Mandatory Proposals, Including Savings and *Augmentations*** :** | | | | | | | |
| Agriculture: | | | | | | | |
| Reauthorize Food Stamp Program: | | | | | | | |
| Restrict Food Stamp Categorical Eligibility | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.6 | -1.4 |
| *Exclude Retirement and Education Accounts from Asset Test* | * | *0.1* | *0.1* | *0.1* | *0.1* | *0.6* | *1.3* |
| *Exclude Special Military Pay From Income Test* | * | * | * | * | * | * | * |
| Net impact | -* | -* | * | * | * | -* | -* |
| Food Safety and Inspection Service User Fees | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.5 | -1.1 |
| Grain Inspection, Packers, and Stockyards Administration User Fees | -* | -* | -* | -* | -* | -0.1 | -0.2 |
| Crop Insurance User Fee | --- | -* | -* | -* | -* | -0.1 | -0.1 |
| Animal Welfare Fee | -* | -* | -* | -* | -* | -0.1 | -0.1 |
| *Reauthorize Farm Bill* | *0.5* | *0.5* | *0.5* | *0.5* | *0.5* | *2.5* | *5.0* |
| Defense: | | | | | | | |
| Increase National Defense Strategic Materials Stockpile Sales | -0.1 | -0.1 | -0.2 | -0.1 | -* | -0.6 | -0.6 |
| Education: | | | | | | | |
| Reform the Federal Student Aid Programs: | | | | | | | |
| Reduce Lender Subsidy Payments by 50 basis points | -0.7 | -2.2 | -2.6 | -2.8 | -3.0 | -11.2 | -29.5 |
| Increase Lender Risk Sharing and Improve Program Efficiency | -0.8 | -0.2 | -0.2 | -0.2 | -0.2 | -1.5 | -2.7 |
| Increase Lender Consolidation Fee | -0.1 | -0.2 | -0.2 | -0.2 | -0.2 | -0.8 | -2.3 |
| Recall Federal Perkins Loan Revolving Funds | -0.4 | -0.5 | -0.7 | -0.8 | -0.8 | -3.2 | -6.4 |
| Adjust Guaranty Agency Default Retention Rates | -1.4 | -0.2 | -0.2 | -0.2 | -0.2 | -2.2 | -3.5 |
| Adopt Unit Cost Basis for Guaranty Agency Fees | -1.0 | -* | -0.1 | -0.1 | -0.1 | -1.2 | -1.6 |
| Other Student Loan Reforms | * | * | -* | -* | -0.1 | -0.1 | -0.9 |
| *Increase the Pell Grant Maximum Award to $5,400 over Five Years* | *0.5* | *2.4* | *3.3* | *4.1* | *5.0* | *15.3* | *43.1* |
| *Increase Academic Competitveness Grant awards by 50 percent* | *0.1* | *0.3* | *0.4* | *0.3* | * | *1.1* | *1.1* |
| *Increase Aggregate Loan Limits and Annual Limits for Undergraduate Third-Year and Beyond Students* | *0.1* | *0.2* | *0.2* | *0.2* | *0.3* | *0.9* | *2.5* |
| Net impact | -3.7 | -0.4 | -0.1 | 0.4 | 0.8 | -2.9 | -0.1 |
| Energy: | | | | | | | |
| Repeal Oil and Gas Research and Development Program | -* | -* | -* | -* | -* | -0.2 | -0.5 |
| Health and Human Services (HHS): | | | | | | | |
| Adopt Medicare Reforms | -4.7 | -9.1 | -13.1 | -17.5 | -21.7 | -66.0 | -252.4 |
| Medicaid/State Children's Health Insurance Program (SCHIP): | | | | | | | |
| Adopt Medicaid Reforms | -1.9 | -2.2 | -2.4 | -2.7 | -2.9 | -12.0 | -29.1 |
| *Augment Medicaid* | *0.9* | *0.2* | --- | --- | --- | *1.1* | *1.1* |
| *Reauthorize SCHIP* | *0.7* | *1.1* | *0.6* | *0.9* | *0.8* | *4.2* | *9.7* |
| Net impact | -0.3 | -0.9 | -1.8 | -1.8 | -2.0 | -6.8 | -18.3 |
| Reduce Social Services Block Grant | --- | -0.4 | -0.5 | -0.5 | -0.5 | -1.9 | -4.4 |
| Food and Drug Administration Re-Inspection and Export Certification Fees | -* | -* | -* | -* | -* | -0.1 | -0.3 |
| *Temporary Assistance for Needy Families (TANF)* | --- | *0.2* | *0.3* | *0.3* | *0.3* | *1.2* | *2.8* |
| *Title V Abstinence Education Program* | * | * | * | * | * | *0.2* | *0.5* |
| *Foster Care District of Columbia Federal Medical Assistance Percentage (FMAP) Rate* | * | * | * | * | * | * | *0.1* |
| *Foster Care Child Welfare Program Option* | * | * | -* | * | -* | * | -* |
| *Child Support Enforcement* | * | * | * | * | -* | * | * |
| Housing and Urban Development (HUD): | | | | | | | |
| Ginnie Mae Premium Increase | -* | -* | -* | -* | -* | -0.2 | -0.5 |
| Government-Sponsored Enterprises Oversight Fee | -* | -* | -* | -* | -* | -* | -0.1 |

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2008-12 | 2008-17 |
|---|---|---|---|---|---|---|---|
| **Mandatory Proposals, Including Savings and *Augmentations*** :** | | | | | | | |
| Interior: | | | | | | | |
| Arctic National Wildlife Refuge Lease Bonuses……………………… | --- | -3.5 | -* | -0.5 | -* | -4.0 | -4.0 |
| Return to Net Receipts Sharing.............................................................. | -* | -* | -* | -* | -* | -0.2 | -0.4 |
| Amend Bureau of Land Management Federal Land Sale Authority…. | -* | -* | -* | -0.1 | -* | -0.2 | -0.3 |
| Repeal Energy Policy Act Fee Prohibition and Mandatory Permit Funds .................................................................................... | -* | -* | -* | -* | -* | -0.2 | -0.3 |
| Recover Pick-Sloan Project Cost.......................................................... | -* | -* | -* | -* | -* | -0.1 | -0.2 |
| Eliminate BLM Range Improvement Fund........................................... | -* | -* | -* | -* | -* | -* | -0.1 |
| Require Up-front Payment of Coal Bonus Bids.................................... | -* | -0.1 | -0.1 | -0.1 | -0.1 | -0.4 | * |
| *Match National Park Centennial Challenge Fund Gift Receipts……..* | *** | *0.1* | *0.1* | *0.1* | *0.1* | *0.4* | *0.9* |
| *Implement Friant Settlement.................................................................* | *** | *** | *** | *** | *** | *0.1* | *0.2* |
| Labor: | | | | | | | |
| Reform Pension Benefit Guaranty Corporation Premiums.................. | --- | -1.4 | -1.4 | -1.4 | -1.3 | -5.5 | -10.6 |
| Unemployment Insurance Integrity Proposal........................................ | --- | -0.5 | -0.5 | -0.4 | -0.4 | -1.7 | -3.6 |
| Reform Federal Employees' Compensation Act.................................... | -* | -* | -* | -* | -* | -0.1 | -0.5 |
| *Reauthorize Trade Adjustment Assistance............................................* | --- | *** | *** | *** | *** | *0.1* | *0.1* |
| Treasury: | | | | | | | |
| Payment Transaction Integrity............................................................... | -0.3 | -0.3 | -0.3 | -0.3 | -0.3 | -1.4 | -3.1 |
| Debt Collection: Eliminate the 10-year Statute of Limitations on Non-tax Debt owed to Federal Agencies..................................... | -* | -* | -* | -* | -* | -* | -0.1 |
| Debt Collection: Assessment of the Transaction Costs for the Referral of Tax Debts from the IRS to the Financial Mangement Service for Debt Collection Levy………………………………… | --- | --- | --- | --- | --- | --- | --- |
| *Extend the Rum Carryover for Puerto Rico..........................................* | *0.1* | *** | --- | --- | --- | *0.1* | *0.1* |
| Veterans Affairs: | | | | | | | |
| Pharmacy Co-Payments......................................................................... | -0.3 | -0.3 | -0.3 | -0.3 | -0.3 | -1.6 | -3.4 |
| Income-Based Medical Care Enrollment Fee........................................ | --- | -0.1 | -0.1 | -0.1 | -0.1 | -0.5 | -1.1 |
| Third-Party Insurance Co-Payment Offset............................................ | -* | -* | -* | -* | -* | -0.2 | -0.4 |
| Army Corps of Engineers: | | | | | | | |
| Additional Recreation User Fees, Lease Receipts, and Contributions (Net effect)........................................................... | -* | -* | -* | -* | -* | -* | -* |
| Commodity Futures Trading Commission: | | | | | | | |
| User Fees............................................................................................... | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.5 | -1.0 |
| Environmental Protection Agency: | | | | | | | |
| Pesticide and Pre-Manufacturing Notification Fees............................. | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.3 | -0.7 |
| Federal Communications Commission (FCC): | | | | | | | |
| Spectrum License Fee Authority........................................................... | -* | -0.2 | -0.3 | -0.3 | -0.4 | -1.2 | -3.6 |
| Auction Prospective Ancillary Terrestrial Component Spectrum......... | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.8 | -1.5 |
| Extend Spectrum Auction Authority..................................................... | --- | --- | --- | --- | -0.2 | -0.2 | -1.2 |
| Auction Domestic Satellite Spectrum................................................... | -0.3 | -0.1 | -0.1 | -0.1 | -0.1 | -0.6 | -0.7 |
| Eliminate Telecommunications Development Fund............................ | -* | -* | -* | -* | -* | -* | -0.1 |
| Office of Personnel Management (OPM): | | | | | | | |
| Federal Employees Health Benefits Program Proposals...................... | -* | -0.1 | -0.2 | -0.3 | -0.4 | -1.1 | -3.6 |
| *Improve Equity and Administration of Federal Retirement System......* | *** | *** | *** | *** | *** | *0.1* | *0.2* |
| *Replace Non-Foreign Cost of Living Adjustment with Locality Pay…* | *-** | *-** | *-** | *** | *** | *** | *0.1* |
| Social Security Administration: | | | | | | | |
| *Temporarily Extend Length of Time-Limited Supplemental Security Income Eligibility for Refugees.……………* | *0.1* | *0.1* | *0.1* | --- | --- | *0.2* | *0.2* |
| **Mandatory Proposals Resulting in Savings…………………………** | **-12,722.7** | **-22,588.1** | **-24,381.7** | **-29,857.4** | **-34,232.4** | **-123,782.4** | **-378,108.0** |
| ***Mandatory Program Augmentations………………………………*** | ***3,022.9*** | ***5,192.2*** | ***5,608.7*** | ***6,751.8*** | ***7,292.1*** | ***27,867.7*** | ***68,774.2*** |
| **Total, Mandatory Proposals, Including Savings and Augmentations...................................................................................** | **-9,699.8** | **-17,395.9** | **-18,773.0** | **-23,105.6** | **-26,940.4** | **-95,914.6** | **-309,333.8** |

* 50 million or less

** Descriptions of proposals resulting in savings follow in this document. *Augmentations* , shown as italicized non-adds on this table, are described elsewhere in the Budget documents.

## Department of Agriculture: Mandatory Proposal
## Food Stamp Program Reauthorization

### Funding Summary
(In millions of dollars)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2008-12 | 2008-17 |
|---|---|---|---|---|---|---|---|
| Baseline outlays | 34,900 | 35,859 | 36,650 | 37,498 | 38,294 | 183,201 | 388,032 |
| Proposed change from current law: | | | | | | | |
| Restrict Food Stamp Categorical Eligibility | -63 | -132 | -136 | -139 | -141 | -611 | -1,360 |
| *Exclude retirement and education accounts from asset test* | 44 | 89 | 138 | 141 | 144 | 556 | 1,323 |
| *Exclude special military pay from income test.* | 1 | 1 | 1 | 1 | 1 | 5 | 10 |
| Net impact | -18 | -42 | 3 | 3 | 4 | -50 | -27 |

### Administration Proposal and Impact

The 2008 Budget proposes to limit Food Stamp categorical eligibility to households receiving Supplemental Security Income (SSI) or Temporary Assistance for Needy Families (TANF) cash benefits. Households receiving TANF-funded services, but not cash, would no longer be automatically eligible for food stamps, but could apply under regular program rules. This proposal conforms the program's rules to their historical intent, ensuring that Federal assistance is targeted to individuals who are most in need. Only households with income or resources above the program's eligibility requirements would be affected by this proposal.

*Other Proposals Included in the Budget:* The description above focuses on the 2008 Budget's Food Stamp program savings proposal and does not include Food Stamp program enhancements in the Budget. The Budget proposes to exclude retirement and education savings accounts from the Food Stamp program asset test, and to exclude combat-related military pay from the Food Stamp program income test.

### Background

The Food Stamp program provides eligible, low-income households with a voucher in the form of an electronic debit card redeemable for food at retail stores. Eligibility is based on income, expenses, assets and non-financial factors such as citizenship or legal immigration status and fulfillment of applicable work requirements.

Historically, households which were determined eligible for comparable means-tested benefits were deemed "categorically," or automatically, eligible for food stamps. When the Temporary Assistance for Needy Families (TANF) program was established, categorical food stamp eligibility was extended to households receiving TANF cash assistance as well as those only receiving TANF-funded services. However, in practice, TANF-funded services are extremely diverse, and do not necessarily have eligibility criteria that are comparable to the Food Stamp program. In some cases, States have expanded categorical eligibility for food stamps to those who have received a pamphlet published with TANF funds.  As a result, in some States, households with income and resources above the regular eligibility criteria are able to receive food stamps.

# Department of Agriculture: Mandatory Proposal
# Food Safety and Inspection Service User Fees

**Funding Summary**
(In millions of dollars)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2008-12 | 2008-17 |
|---|---|---|---|---|---|---|---|
| Proposed change from current law................................ | -96 | -98 | -100 | -102 | -104 | -500 | -1,053 |

## Administration Proposal and Impact

The 2008 Budget proposes two new user fees in the Food Safety and Inspection Services (FSIS), a licensing fee and a performance fee. These two fees are different than those proposed in recent budgets and do not try to completely offset a portion of the FSIS operational expenses. These proposals shift funding for food safety inspection from the general public to the slaughter and processing plants that directly benefit from federal inspection. The recommended fees, saving $96 million in the first year, include:

- $92 million for a licensing fee scaled to the size of the operation.
- $4 million for a performance fee. Plants that have resampling and retesting due to positive samples, recalls, or are linked to outbreaks would pay a fee to FSIS for each incident.

## Background

The primary objectives of the FSIS are to ensure that meat, poultry, and processed egg products are wholesome, unadulterated, and properly labeled and packaged, as required by the Federal Meat Inspection Act, the Poultry Products Inspection Act, and the Egg Products Inspection Act.

# Department of Agriculture: Mandatory Proposal
# Grain Inspection, Packers and Stockyards Administration User Fees

**Funding Summary**
(In millions of dollars)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2008-12 | 2008-17 |
|---|---|---|---|---|---|---|---|
| Proposed change from current law................................ | -22 | -22 | -23 | -23 | -24 | -115 | -242 |

## Administration Proposal and Impact

The Budget proposes to charge user fees to recover the cost of administering two programs under the Grain Inspection, Packers and Stockyards Administration (GIPSA). These proposals would enable GIPSA to charge fees for the development, review, and maintenance of official U.S. grain standards and also for licensing fees to livestock market agencies, dealers, stockyards, packers, and swine contractors. Current law provides the agency with registration requirements for market agencies and dealers, but there is no authority for licensing fees. Both of these proposals shift funding for programs that benefit identifiable groups to user fees.

## Background

GIPSA's core function is to facilitate the marketing of livestock, poultry, meat, cereals, oilseeds and other related agricultural products and to promote fair and competitive trading practices for the overall benefit of consumers and agricultural producers. GIPSA develops, reviews, and maintains official U.S. grain standards used by the entire grain industry. In addition, GIPSA administers the Packers and Stockyards Act, which prohibits deceptive and fraudulent trading practices by livestock market agencies, dealers, stockyards, packers, and swine contractors.

# Department of Agriculture: Mandatory Proposal
# Crop Insurance User Fee

**Funding Summary**
(In millions of dollars)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2008-12 | 2008-17 |
|---|---|---|---|---|---|---|---|
| Proposed change from current law...................... | --- | -15 | -15 | -15 | -15 | -60 | -135 |

## Administration Proposal and Impact

The 2008 Budget includes a proposal to implement a participation fee in the Federal crop insurance program. The proposed participation fee would initially be used to fund modernization of the existing information technology (IT) system and, subsequently, would be shifted to maintenance. The participation fee would be charged to insurance companies participating in the Federal crop insurance program. Based on a rate of about one-half cent per dollar of premium sold, the fee is expected to be sufficient to generate about $15 million annually beginning in 2009. This proposal shifts a portion of the funding for the Risk Management Agency's IT costs from the general public to the crop insurance companies because it is these companies that will directly benefit from RMA's modern, up-to-date IT systems.

## Background

Subsidized Federal crop insurance administered by USDA's Risk Management Agency (RMA) assists farmers in managing yield and revenue shortfalls due to bad weather or other natural disasters. The USDA crop insurance program is a cooperative effort between the Federal Government and the private insurance industry. Private insurance companies sell and service crop insurance policies. These companies rely on reinsurance provided by the Federal Government and also by the commercial reinsurance market to manage their individual risk portfolio. The Federal Government reimburses private companies for the administrative expenses associated with providing crop insurance and reinsures the private companies for excess insurance losses on all policies. The Federal Government also subsidizes premiums for farmers.

The existing IT system is nearing the end of its useful life and recent years have seen increases in "down-time" resulting from system failures. Over the years, numerous changes have occurred in the Federal crop insurance program, including, the development of revenue and livestock insurance which have greatly expanded the program and taxed the IT system due to new requirements, such as daily pricing, which were not envisioned when the existing IT system was designed. These new requirements contribute to increased maintenance costs and limit RMA's ability to comply with Congressional mandates pertaining to data reconciliation with the Farm Service Agency. The participation fee will alleviate these problems.

# Department of Agriculture: Mandatory Proposal
# Animal Welfare User Fee

**Funding Summary**
(In millions of dollars)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2008-12 | 2008-17 |
|---|---|---|---|---|---|---|---|
| Proposed change from current law...................... | -9 | -13 | -13 | -14 | -14 | -63 | -142 |

## Administration Proposal and Impact

The Budget proposes user fees to cover a portion of the cost of monitoring research facilities, animal dealers and other covered entities. Funding this program through a fee on those who are in the program would reduce the burden to the taxpayers. This proposal shifts funding for a program that benefits a specific and identifiable group from the general public to the benefiting group.

## Background

The USDA Animal Welfare Program, operated by the Animal and Plant Health Inspection Service, is responsible for the humane treatment of animals covered by the Animal Welfare Act. This program has traditionally been funded entirely through appropriations. This program monitors the humane treatment of animals through inspections of research facilities, certain animal dealers, circuses, and carriers and interstate handlers of covered animals, including the inspection of premises to ensure the proper treatment of animals.

# Department of Defense: Mandatory Proposal
# Increase National Defense Strategic Materials Stockpile Sales

**Funding Summary**
(In millions of dollars)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2008-12 | 2008-17 |
|---|---|---|---|---|---|---|---|
| Baseline outlays............................. | -162 | -128 | -104 | -97 | -92 | -583 | -718 |
| Proposed change from current law.................................. | -69 | -145 | -198 | -145 | -25 | -582 | -583 |

## Administration Proposal

The Administration proposal would permit the sale of the remaining Government-owned industrial commodities in the National Defense Stockpile that are not needed for national defense requirements. This result would be accomplished by raising the authorized dollar threshold for the sale of specific commodities. Absent this change, sales of specific commodities would have to halt once the authorized dollar threshold for sales of those commodities had been reached.

Receipts from these additional sales would be deposited in the general fund of the Treasury. Estimates of sales receipts are subject to fluctuation based on future commodity price changes.

## Background

Created after World War II, the National Defense Stockpile program is managed under the authority of the Strategic and Critical Materials Stockpiling Act. The purpose of the Stockpile is to decrease or preclude U.S. dependence on foreign sources for supplies of strategic and critical materials in times of national emergency. Since 1993, Congress has authorized the sale of over 99 percent of the inventory as excess to national defense requirements. Revenues from the sale of commodities that are not needed to operate the Stockpile are transferred to the Treasury for specific congressionally mandated programs or to reduce the deficit.

## Department of Education: Mandatory Proposal
## Reforming Student Aid

### Funding Summary
(In millions of dollars)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2008-12 | 2008-17 |
|---|---|---|---|---|---|---|---|
| Baseline outlays | 4,518 | 5,119 | 5,783 | 5,641 | 4,989 | 26,050 | 54,099 |
| Proposed change from current law: | | | | | | | |
| Reduce Lender Subsidy Payments by 50 basis points | -688 | -2,165 | -2,558 | -2,792 | -2,986 | -11,189 | -29,494 |
| Increase Lender Risk Sharing and Improve Program Efficiency | -776 | -160 | -175 | -189 | -202 | -1,502 | -2,715 |
| Increase Lender Consolidation Fee | -56 | -159 | -186 | -210 | -234 | -845 | -2,309 |
| Recall Federal Perkins Loan Revolving Funds | -419 | -498 | -713 | -814 | -779 | -3,223 | -6,358 |
| Adjust Guaranty Agency Default Retention Rates | -1,370 | -173 | -188 | -205 | -217 | -2,153 | -3,454 |
| Adopt Unit Cost Basis for Guaranty Agency Fees | -1,018 | -37 | -53 | -58 | -56 | -1,222 | -1,572 |
| Other Student Loan Reforms | 2 | 3 | -12 | -22 | -64 | -93 | -913 |
| *Increase the Pell Grant Maximum Award to $5,400 over Five Years* | *532* | *2,375* | *3,256* | *4,133* | *5,039* | *15,335* | *43,058* |
| *Increase Academic Competitveness Grant awards by 50%* | *72* | *308* | *373* | *317* | *8* | *1,078* | *1,078* |
| *Increase Aggregate Loan Limits and Annual Limits for Undergraduate Third-Year and Beyond Students* | *68* | *151* | *187* | *205* | *259* | *870* | *2,550* |
| Net impact | -3,653 | -355 | -68 | 364 | 768 | -2,944 | -128 |

### Administration Proposal

The 2008 Budget proposes legislative reforms to increase aid to low-income students in a cost-neutral manner over the next 10 years. The cost of providing increased aid to financially needy students is $17.3 billion over 5 years and $46.7 billion over 10 years. These costs are more than offset by reforms to reduce unnecessary subsidies in the student loan programs, primarily to lenders and guaranty agencies, which will save $20.2 billion over 5 years and $46.8 billion over 10 years.

The Federal Government currently provides subsidies that are higher than needed to ensure lender participation in the Federal Family Education Loan (FFEL) program, and that loans are available to all eligible students. Under the current structure, lenders and other intermediaries are exposed to minimal financial risk. To address this, the Administration proposes to increase risk-sharing with lenders and reduce lender subsidies to capture efficiencies in the programs. The Administration also proposes to base guaranty agency fees on a reasonable unit cost and bring Federal payments to guaranty agencies for the defaulted loans they collect in line with the amounts the Department of Education pays private collection agencies for collecting defaulted loans held by the Federal Government. Savings from these proposals total $16.9 billion over 5 years.

With the savings achieved by these reforms, the President proposes to spend $15.3 billion over 5 years to increase the $4,050 Pell Grant maximum award to $4,600 in 2008 and $5,400 by 2012. In addition, the Budget will direct $1.1 billion to increase Academic Competitiveness Grant awards by 50 percent to encourage Pell-eligible students to complete a rigorous high school curriculum.

The Administration also proposes to eliminate the Perkins loan program and recall the Federal portion of the revolving funds for a savings of $3.2 billion over 5 years. Most Perkins Loans are offered by institutions with a long history of program participation; many other institutions that enroll larger numbers of financially needy students receive little or no Perkins Loan funding to offer to these students. To offset the impact of this proposal on student borrowers, the Budget proposes higher loan limits in the FFEL and Direct Loan programs, for which students are eligible regardless of the institutions they attend.

**Background**

In 2008, the Federal Government will provide over $90 billion in new grants, loans, and work-study assistance to help students pay for postsecondary education, including $73 billion in student loans and nearly $13 billion in Pell Grants. Federal student aid can be used to pay for postsecondary education expenses, including tuition, fees, room, and board.

The cornerstone of the Federal student aid programs is the $13 billion Federal Pell Grant program, which provides grant aid to more than five million needy undergraduate students each year, and are broadly available to students regardless of the institution they attend. The PART found that Pell Grants are well targeted to low-income families and help increase the college enrollment rates of historically underrepresented students. The Department of Education also provides grant aid through the Supplemental Education Opportunity Grant (SEOG) program, which is not as well targeted and the Budget proposes to terminate (see the SEOG write-up under Discretionary Program Terminations in this volume), and provides aid through Work Study.

The Deficit Reduction Act (DRA) of 2006 created the Academic Competitiveness Grants program, which provides need-based grant aid to first- and second-year undergraduates who completed a rigorous high school curriculum, and the National Science and Mathematics Access to Retain Talent (SMART) Grants, which provides need-based grant aid to third- and fourth-year undergraduates majoring in certain technical fields or foreign languages deemed vital to national security.

The Department of Education administers two student loan programs with equal terms for students: a bank-based program where loan capital is provided by private lenders and guaranteed by the Federal Government (begun in 1965), and a direct lending program where the Federal Government provides the capital (begun in 1994). The Department also manages the Federal Perkins Loan program, where participating institutions make loans to students with Federal revolving funds. The PART found Perkins Loans to be duplicative of the larger direct and guaranteed student loan programs and not well targeted to the neediest students.

The PART for the FFEL and Direct Loan programs found that the student loan programs are not market sensitive. In particular, the statutorily set subsidy payments to banks and other student loan lenders, and payments made to guaranty agencies, do not account for changes in the industry, and are thus higher than necessary to ensure that all eligible students will receive loans. The PART also found that disproportionate amount of program benefits were provided to borrowers out of school versus those currently attending school.

The 2008 Budget’s student aid reforms build upon the reforms included in the DRA, which increased grant and loan aid to students while introducing some needed efficiencies into the student aid programs.

# Department of Energy: Mandatory Proposal
# Oil and Gas Research and Development

**Funding Summary**
(In millions of dollars)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2008-12 | 2008-17 |
|---|---|---|---|---|---|---|---|
| Baseline outlays | 40 | 50 | 50 | 50 | 50 | 240 | 490 |
| Proposed change from current law | -20 | -40 | -50 | -50 | -50 | -210 | -460 |

## Administration Proposal

The 2008 Budget proposes to repeal provisions in the 2005 Energy Policy Act for the mandatory oil and gas research and development (R&D) program. These R&D activities typically fund development of technologies that can be commercialized quickly, like improved drill motors. As such, they are more appropriate for the private-sector oil and gas industry to perform, and similar discretionary programs have not demonstrated results, as documented in the PART review conducted by the Department of Energy and the Office of Management and Budget. The industry has the financial incentives and resources to develop new ways to extract oil and gas from the ground more cheaply and safely. Further, the program has not demonstrated that it is in accord with the Administration’s R&D Investment Criteria, which state that programs must demonstrate that industry investment is sub-optimal and avoid duplicating research in areas that are receiving funding from the private sector, especially for evolutionary advances and incremental improvements. The program is run through a private sector consortium, so the termination does not impact the Federal workforce.

## Background

The Energy Policy Act of 2005 established a new mandatory oil and gas research and development (R&D) program funded from Federal revenues from oil and gas leases, to be called the Ultra-Deepwater and Unconventional Natural Gas and Other Petroleum Research program. This mandatory program is set to begin in 2007. It is similar to the existing discretionary oil and gas R&D programs, also proposed for termination in the 2008 Budget. These programs develop technologies that industry can use to reduce the cost of exploration and production of oil and natural gas reserves. On April 25, 2006, the President said, “these energy companies don’t need…the use of taxpayers’ money to subsidize…research into deep water drilling.”

# Department of Health and Human Services: Mandatory Proposal
# Medicare

## Funding Summary
(In millions of dollars)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2008-12 | 2008-17 |
|---|---|---|---|---|---|---|---|
| Baseline outlays…………………….……........ | 390,764 | 418,359 | 447,243 | 492,825 | 503,315 | 2,252,506 | 5,535,657 |
| Proposed change from current law: | | | | | | | |
| Increase Competition and Efficiency……. | -2,670 | -5,510 | -8,160 | -11,320 | -14,260 | -41,920 | -170,980 |
| Rationalize Payment Policy……………. | -1,221 | -1,884 | -2,389 | -2,814 | -3,172 | -11,480 | -35,523 |
| Improve Program Integrity……………… | -230 | -740 | -1,550 | -2,270 | -3,080 | -7,870 | -28,370 |
| Increase Beneficiary Awareness and Responsibility……………………… | -900 | -1,701 | -2,137 | -2,569 | -3,070 | -10,377 | -37,755 |
| Improve Fiscal Sustainability…………… | --- | --- | --- | --- | --- | --- | --- |
| *Premium Interaction (Reduced beneficiary premiums due to savings proposals)……* | *325* | *722* | *1,159* | *1,510* | *1,888* | *5,605* | *20,197* |
| Total…………………………………….. | -4,696 | -9,113 | -13,077 | -17,463 | -21,695 | -66,044 | -252,432 |

### Administration Proposal and Impact

The Budget includes proposals to slow the growth in the Medicare program. Over five years, these proposals are estimated to produce a total of $66 billion in savings for the taxpayers and about $5.6 billion in premium savings for beneficiaries.

*Increase Competition and Efficiency:* Medicare beneficiaries today benefit from innovations that improve their quality of life as they age. These changes in the delivery of care and advances in technology also enhance the health care system by improving productivity and efficiency.

Medicare payments to fee-for-service providers are updated annually by an inflation factor through the market basket update. These updates reflect changes in input prices, and providers benefit from keeping cost growth low. However, current Medicare payment updates do not consider improvements in provider productivity.

The 2008 Budget proposes to modernize the framework for Medicare payment updates to ensure prudent use of taxpayer dollars and encourage quality and efficiency in Medicare providers. The Budget proposes to adjust provider updates for expected productivity gains to recognize and reward providers who strive to achieve efficiencies that restrain costs.

Fee schedules have served as the basis of payment for most items and services covered by Medicare. The Administration seeks to modernize Medicare by increasing competition in the payment to providers for items and services rendered. Enhanced competition encourages and facilitates higher quality of care and lower costs for beneficiaries. Increased competition also creates a more transparent marketplace in the purchase of medical items and services, thereby helping to rationalize the financing of the Medicare program.

The Administration has taken steps to increase competition in Medicare. In 2006, the Administration implemented a competitive bidding program for drugs and biologicals covered under Medicare Part B. In 2007, it will begin to implement a similar program for the acquisition and payment of durable medical equipment (DME) also covered by the Part B benefit. In addition, Medicare will continue a reform that began in 2006 to introduce competition into the awarding of contracts for beneficiary claims processing, tying contractor payments to accuracy and efficiency of services. While the Medicare Modernization Act (MMA) requires completion of contracting reform by 2011, the Centers for Medicare and Medicaid Services is on schedule to complete this reform by 2009. The Medicare baseline assumes mandatory savings estimated at about $1.5 billion from 2008-2012 from contractor reform.

The 2008 Budget proposes to build on Medicare competitive reforms by establishing a national competitive bidding program for clinical laboratory services. Fee schedules, initially established in 1984, currently serve as the basis for payment of clinical laboratory services. The Budget assumes that payments would decrease by five percent if a competitive bidding program replaced the current fee schedule for payment of these services. Of note, the Inspector General of the Department of Health and Human Services has pointed to the potential for excessive payment and utilization of clinical laboratory services in the Medicare program.

The Administration will also work to improve efficiency and quality and better target resources in the Quality Improvement Organization program.

*Rationalize Medicare Payment Policy:* About one-third of Medicare patients require skilled nursing or rehabilitation care after receiving acute inpatient or outpatient care. These services, referred to as post-acute care (PAC), are paid under the Medicare prospective payment systems (PPS) in four different settings: home health services, skilled nursing facilities (SNF), inpatient rehabilitation facilities (IRF), and long-term care hospitals (LTCH). These divergent payment structures have created a splintered system in which Medicare's payment for similar or identical PAC services vary based on the site of service. They also do not ensure that a patient is sent to the most clinically appropriate and efficient site of care. An upcoming demonstration will collect cost and quality data across PAC settings, to aid the development of a site-neutral payment system.

The 2008 Budget proposes interim adjustments to payments for IRFs for five conditions involving hip and knee replacements, hip fracture and pulmonary disease. These conditions are commonly treated at both IRFs and SNFs, but cost significantly more when treated in IRFs. For example, based on estimated 2007 average SNF and IRF payments, the average payment to an IRF for chronic obstructive pulmonary disease equals almost 2.5 times the average payment made to SNFs. The proposal would reduce differences in payment for treatment of the specified conditions to limit inappropriate financial incentives and encourage the provision of care in the most clinically appropriate setting for the beneficiary. IRFs provide intensive inpatient rehabilitation care that may not be needed for patients with relatively uncomplicated conditions whose care needs could reasonably be expected to be met in a SNF.

The Budget proposes several other policies to improve the value of Medicare spending on beneficiaries. The Budget proposes to streamline and modernize Medicare payments for certain durable medical equipment such as powered wheelchairs. These steps will better align rental payments and purchase requirements to more accurately reflect their costs and use, producing savings for taxpayers, the Medicare program, and its beneficiaries. The Budget also proposes to phase out a duplicate payment to teaching hospitals that is made on behalf of certain beneficiaries.

The Budget builds upon the Administration's efforts to improve the quality of care for Medicare beneficiaries through transparency of quality and price information. First, the Budget proposes to build upon existing law by requiring hospitals to report occurrences of "never events" and adjusts payments accordingly. "Never Events" are preventable and serious adverse events (e.g. surgery performed on the wrong body part). Second, the Budget proposes to create a budget-neutral hospital value-based purchasing program that would reward high-quality care and discourage low-quality care.

Last, Medicare beneficiaries often have supplemental medical insurance provided through employers. This coverage could come from current beneficiary or spouse employment, or through retiree coverage. The Medicare Secondary Payer (MSP) program coordinates payment of benefits between private payers and Medicare. The MSP program determines whether Medicare or the supplemental private insurance should have responsibility for payment of a beneficiary's health care claims. Under current MSP provisions, Medicare has secondary payer status for beneficiaries with end-stage renal disease (ESRD) during the first 30 months of care from the onset of the disease regardless of employer size. The 2008 Budget proposes to extend the current 30 month MSP status to five years for ESRD beneficiaries covered by health plans of large employers (100 or more employees). The proposal would not alter current policy for employer health plans covering firms with fewer than 100 employees.

*Improve Program Integrity:* Medicare seeks to ensure appropriate payment for services rendered. To that end, the Medicare Secondary Payer (MSP) system coordinates payment of benefits with private insurers who offer supplemental coverage to beneficiaries and determines appropriate responsibility for payment of health care claims. The Medicare Health Care Fraud and Abuse Control (HCFAC) program works to eliminate fraud and abuse within the Medicare program. Finally, the Medicare bad debt payment system currently reimburses providers for unpaid beneficiary cost-sharing.

The 2008 Budget proposes to strengthen the integrity of health benefit payments made by the Federal Government. First, it proposes to establish a data clearinghouse that would work to enhance current MSP practices. Participating Federal health programs would send data to the clearinghouse, which in turn would properly coordinate payments, ensure correct payment amounts, and recover mistaken payments. Federal health programs benefiting from this data clearinghouse could include Medicare, Medicaid, the State Children's Health Insurance Program, the Veterans Health program, the Department of Defense's TRICARE program, the Federal Employees Health Benefits Program, and the Indian Health Service.

The Budget also requests $183 million for efforts to protect the new Medicare prescription drug benefit and the Medicare Advantage program against fraud, waste, and payment error. These funds are part of a Government-wide Budget proposal to fund program integrity activities through a three-year discretionary cap adjustment.

In addition, the Budget proposes to eliminate Medicare bad debt payment to providers for unpaid beneficiary cost-sharing. The policy would encourage providers to take responsibility for collecting co-payments and deductibles as they do with non-Medicare patients. The Budget also proposes to limit provider ability to challenge adverse Medicare decisions in the courts. This proposal would limit mandamus jurisdiction as a basis for obtaining judicial review, and clarify the Secretary's authority to resolve appeals of Medicare determinations.

*Increase Beneficiary Awareness/Responsibility for Health Care Costs - Part B Premium Subsidies:* Medicare beneficiaries voluntarily enroll in Part B, and pay monthly premiums for Part B services, which represent approximately 25 percent of total Part B costs. The Part B benefit covers physicians' services, hospital outpatient services, medical equipment and supplies, ambulatory surgical center services, laboratory tests, and certain other items and services.

As required by the MMA, beginning in 2007 single beneficiaries with incomes higher than $80,000 ($160,000 for couples) receive reduced Part B premium subsidies. In other words, they will pay higher monthly premiums to receive Part B services. Thus, while beneficiaries with incomes lower than these thresholds will continue to receive the current 75 percent premium subsidy, the Part B subsidy will be 65 percent for those just above the income thresholds decreasing to 20 percent for single beneficiaries with incomes of $200,000 or more ($400,000 for couples). The reduced subsidies are phased in over three years, as specified by the Deficit Reduction Act, and the income thresholds are indexed annually to inflation.

The 2008 Budget proposes to cease annually indexing income thresholds when determining eligibility for reduced Medicare Part B premium subsidies. Rather than increasing the income threshold every year by inflation when assessing reduced subsidy eligibility, single beneficiaries with incomes of $80,000 or higher and couples with incomes of $160,000 will receive reduced Part B subsidies. This slowly increases the number of beneficiaries eligible for reduced subsidies in later years. This proposal encourages awareness of and increases responsibility for health care costs for higher income beneficiaries.

*Increase Beneficiary Awareness/Responsibility for Health Care Costs - Part D Premium Subsidies:* Medicare beneficiaries voluntarily enroll in Part D, and pay monthly premiums for Part D benefits, which amount to about 25 percent of Part D costs. The 2008 Budget proposes to similarly income-relate Part D premium subsidies using the current law thresholds applied to the Part B income-related premium subsidies. Like the proposal for Part B premiums, the Budget proposes to not annually index income thresholds when determining beneficiary eligibility for reduced Part D premium subsidies. This proposal fosters increased beneficiary awareness and responsibility for health care costs.

*Improve Fiscal Sustainability:* Medicare is funded by a dedicated payroll tax (the Hospital Insurance or HI trust fund) and out of general revenues (the Supplementary Medical Insurance or SMI trust fund). Growth in Medicare spending exceeds the rate of inflation, and Medicare is expected to account for 14 percent of total Federal outlays by 2010. Total Medicare expenditures are expected to be 3.3 percent of GDP in 2007, climbing to 8.0 percent of GDP in 2040, and reaching almost 11 percent by 2080. The Medicare Trustees estimate that the unfunded liability facing the Medicare program – the gap between its estimated revenue needs and its resources – totals $32 trillion over the next 75 years.

The Administration is committed to slowing Medicare's rate of growth while also promoting the delivery of high-quality care to program beneficiaries. Specifically, the MMA created a "Combined Medicare Trust Fund Analysis" that requires the Trustees to analyze Medicare general revenue funding as a percentage of total Medicare outlays as if the Trust Funds were combined. If the Trustees determine that general revenue funding exceeds a fixed threshold of 45 percent at any time within the current or next six years, they must issue a finding of "excess general revenue Medicare funding". In their 2006 report, the Trustees found that general revenue funding would first reach the 45 percent level in fiscal year 2012, within the seven-year window. If a finding is present in two consecutive Trustees' reports, then a "Medicare funding warning" is triggered. This warning requires the President to propose legislation to restore Medicare spending to sustainable levels, but it does not mandate Congressional action.

The 2008 Budget proposes to strengthen the MMA's solvency provision. If Congress fails to act after the Trustee warnings, the Administration proposes to require a four-tenths of one percent automatic across-the-board cut in Medicare beginning in the year the 45 percent threshold is exceeded. The reduction would grow by increments of four-tenths of one percent in each consecutive year the threshold is exceeded. These reductions would serve as a fail-safe measure, only to be implemented if legislation to address the Trustee warnings is not enacted. Under current Budget assumptions, the Administration does not expect the 45 percent threshold to be exceeded within the ten-year Budget window (2008-2017). As a result, there are no savings assumed from this proposal within the 5-year (2008-2012) or 10-year (2008-2017) budget window.

## Background

The Medicare program, established in 1965, offers health care services to individuals aged 65 and older and certain people with disabilities.  Medicare has traditionally consisted of two parts: Hospital Insurance (HI), also known as Part A, and Supplementary Medical Insurance (SMI), also known as Part B. A third part of Medicare, sometimes known as Part C, is the Medicare Advantage program, which expands beneficiaries' options for participation in private-sector health care plans.  The MMA established a fourth part of Medicare: a new prescription drug benefit, also known as Part D, which began in 2006.  In 2006, over 43 million people were enrolled in the Medicare program.  As of  December 2006, more than 8 million Medicare beneficiaries have chosen to participate in a Medicare Advantage plan.

# Department of Health and Human Services: Mandatory Proposal
# Medicaid

## Funding Summary
(In millions of dollars)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2008-12 | 2008-17 |
|---|---|---|---|---|---|---|---|
| Baseline outlays............................................. | 209,310 | 224,232 | 240,695 | 258,846 | 278,855 | 1,211,937 | 2,974,425 |
| Proposed change from current law: | | | | | | | |
| Medicaid Administrative Service Reforms | -1,225 | -1,325 | -1,455 | -1,510 | -1,570 | -7,085 | -16,045 |
| Medicaid Reimbursement Reforms……… | -200 | -210 | -230 | -410 | -440 | -1,490 | -4,290 |
| Medicaid Pharmacy Reforms…………… | -355 | -430 | -460 | -495 | -540 | -2,280 | -5,570 |
| Program Integrity Reforms……………… | -75 | -125 | -150 | -175 | -200 | -725 | -2,055 |
| Long Term Care Reforms………………… | -70 | -80 | -90 | -90 | -100 | -430 | -1,130 |
| *Medicaid augmentations…………………* | *885* | *205* | --- | --- | --- | *1,090* | *1,090* |
| *SCHIP reauthorization……………………* | *710* | *1,095* | *620* | *890* | *845* | *4,160* | *9,680* |
| Net impact………………………………… | -330 | -870 | -1,765 | -1,790 | -2,005 | -6,760 | -18,320 |

## Administration Proposal and Impact

*Medicaid Administrative Services Reforms*

*Aligning Medicaid administrative reimbursement rates at 50 percent:* The 2008 Budget proposes to reimburse all administrative activities in Medicaid at 50 percent. While 50 percent is the normal match rate for most administrative costs, there are several exceptions where Federal reimbursement is higher. This proposal would establish consistency in Federal match rates across all administrative activities**.**

*Cost Allocation:* The 2008 Budget proposes to reduce duplicate Medicaid payments that were improperly included in Temporary Assistance to Needy Families (TANF) block grants. The 1996 welfare reform law capped Federal funding for administrative costs under TANF and eliminated the open-ended matching structure for administrative costs in Aid to Families with Dependent Children (AFDC). Under the AFDC structure, States generally allocated most of the common eligibility determination costs for AFDC, Medicaid, and Food Stamps to AFDC/TANF. Medicaid's share of these expenses was inappropriately included in the TANF block grant, and as a result, States received a payment windfall. This proposal would correct these duplicate payments by reducing Medicaid administrative funding to account for Medicaid costs that were assumed in the TANF block grant.

*Medicaid Reimbursement Reforms*

*Appropriate payment for Medicaid Targeted Case Management (TCM) services:* The 2008 Budget proposes to align the Federal matching rate for targeted case management services with the standard administrative matching rate of 50 percent. Targeted case management is largely an administrative activity; therefore, it is appropriate to reimburse it at 50 percent, similar to other Medicaid administrative activities. Some States have inappropriately classified TCM services in order to secure a higher matching rate. This proposal does not affect the amount of reimbursement that States will receive for other Medicaid services to which an individual may be referred by a case manager. This proposal only affects States whose Federal matching rate for medical services is above 50 percent.

*Measuring Medicaid Performance:* To improve Medicaid accountability, the 2008 Budget proposes to measure and link Federal grant awards to a State's performance in several areas of its Medicaid program. States that lag behind in selected performance measures would be given some time to bring their programs up to standard. If a State does not make progress within specified timeframes, then Federal funding would be affected. The proposal encourages States to improve quality, efficiency, and program integrity in Medicaid.

*Medicaid Pharmacy Reforms*

*Rationalizing Pharmacy Reimbursement*: In recent years, the Inspector General of the Department of Health and Human Services has found that State Medicaid programs overpay pharmacies for prescription drugs. The Deficit Reduction Act (DRA) of 2005 reduced these overpayments by creating a market-price based Federal upper limit (FUL) reimbursement methodology for multiple source drugs. The 2008 Budget proposes building on the FUL calculation changes in the DRA to further reduce these overpayments. The Budget proposes amending the FUL to 150 percent of the average manufacturers price (AMP) for multiple source drugs, adjusted from the 250 percent of AMP as established by the DRA.

*Medicaid Prescription Drug Managed Formularies:* Under current law, States must cover any drug for which the manufacturer has agreed to pay a statutorily defined rebate. As a result, States are not able to manage formularies efficiently, as is done in Medicare. The 2008 Budget proposes allowing States to use managed formularies, which are a common cost-control tool for private insurers. With managed formularies, States will have greater control over drug coverage and greater leverage to negotiate discounts with drug manufacturers.

*Tamper Resistant Prescription Pads:* The 2008 Budget will require all States to use tamper-resistant pads for all hand-written prescriptions. This requirement will help prevent fraudulent prescriptions.

*Program Integrity Reforms*

*Medicaid Asset Verification:* The 2008 Budget proposes to expand a Social Security Administration (SSA) pilot that uses electronic financial records to verify an applicant's assets and eligibility for the Supplemental Security Income program. State Medicaid agencies would be required to establish pilots in the same locations as SSA for Medicaid applicants.

*Medicaid Third Party Liability:* The 2008 Budget proposes to strengthen the third-party liability statute in three ways that will increase the amount of reimbursement from third parties to States and to the Federal Government. The first Budget proposal would amend the statute so that States could only "pay and chase" for these services if a third party has not paid within 90 days. After 90 days, States would continue to seek reimbursement for the claim. The second Budget proposal applies to third-party claims involving medical child support. Current law requires States to "pay and chase" these claims if third-party payment has not been received within 30 days. The Budget proposes to extend this period to 90 days. The third Budget proposal would enhance tort settlement recoveries. This proposal would amend statute to expressly permit States to use liens against liability settlements to recover Medicaid costs.

*Long Term Care Reform*

*Long Term Care Home Equity Definition:* With some exceptions, the Deficit Reduction Act of 2005 does not permit individuals who have more than $500,000 in home equity to be eligible for Medicaid long term care services. States have the option to increase the limit to $750,000. The 2008 Budget proposes to remove this option and maintain the limit at $500,000, which is consistent with Medicaid's mission to serve low-income individuals.

*Medicaid Augmentations*

The Budget proposes to continue covering individuals who qualify for benefits through Transitional Medical Assistance or who qualify for Medicare Part B premium assistance as a Qualified Individual, so that enrollment for current beneficiaries will not be interrupted.

*State Children's Health Insurance Program (SCHIP) Reauthorization*

The Budget proposes reauthorizing SCHIP for five years and increasing allotments by approximately $5 billion over this period. The proposal would re-focus SCHIP on low-income, uninsured children at or below 200 percent of the Federal poverty level and seek authority to target SCHIP funds more efficiently to States with the greatest need.

**Background**

Created in 1965, Medicaid is an open-ended means-tested entitlement program that is jointly financed by the Federal Government and the States. Created in 1997, the State Children's Health Insurance Program (SCHIP) is a capped means-tested health program that targets health coverage to children with incomes up to 200 percent of the Federal Poverty Level. States have more flexibility in designing and administering SCHIP, including benefit packages, cost sharing, and health delivery systems. In 2008, Medicaid and SCHIP are projected to provide health coverage and services to nearly 54 million low-income children, pregnant women, elderly, and disabled individuals during the year.

Medicaid’s complexity and open-ended financing structure encourage efforts by States to draw down Federal matching funds, sometimes inappropriately. These financing practices undermine the Federal-State partnership and jeopardize the financial stability of the Medicaid program. The 2008 Budget proposes to build on past efforts to ensure the fiscal integrity of Medicaid and SCHIP, while still projecting a robust average annual Medicaid growth rate of more than 7 percent.

# Department of Health and Human Services: Mandatory Proposal
# Social Services Block Grant

**Funding Summary**
(In millions of dollars)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2008-12 | 2008-17 |
|---|---|---|---|---|---|---|---|
| Baseline outlays.......................... | 1,706 | 1,700 | 1,700 | 1,700 | 1,700 | 8,506 | 17,006 |
| Proposed change from current law................................ | --- | -425 | -495 | -500 | -500 | -1,920 | -4,420 |

## Administration Proposal and Impact

The 2008 Budget proposes to reduce funding for the Social Services Block Grant by $500 million, to $1.2 billion, through appropriations for 2008, and by permanently reducing the authorization for 2009 and beyond. Federal support for social services will continue through other funding streams that have clearly defined goals and measurable performance objectives.

## Background

The Social Services Block Grant was established in 1981 to help States provide a broad range of social services to help needy families achieve economic self-sufficiency, to prevent or remedy neglect or abuse, and secure institutional care, when appropriate. States receive a capped block grant with few Federal requirements. While this approach maximizes State flexibility to determine what services to provide and whom to serve, it does not ensure that funds are directed most effectively. The program lacks performance measures or other means to demonstrate that activities supported by SSBG funds are producing results. SSBG overlaps with other Federal social service programs that serve low-income and needy families including Federal child care and child welfare programs, Temporary Assistance for Needy Families, and programs that provide services to the elderly.

# Department of Health and Human Services: Mandatory Proposal
# Food and Drug Administration (FDA)
# Re-Inspection and Export Certification Fees

**Funding Summary**
(In millions of dollars)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2008-12 | 2008-17 |
|---|---|---|---|---|---|---|---|
| Proposed change from current law................................ | -27 | -28 | -28 | -29 | -30 | -142 | -302 |

## Administration Proposal and Impact

The 2008 Budget includes two new mandatory user fees that: 1) enable the Food and Drug Administration (FDA) to assess and collect fees for follow-up re-inspections (estimated collections of $23 million) required when violations of Good Manufacturing Practices are found during initial inspections; 2) expand FDA's current authority to collect user fees for issuing export certificates for human drugs, animal drugs and devices to also include food and animal feed (estimated collections of $4 million).

The proposed user fees will improve the overall management of FDA's re-inspections of manufacturing facilities and issuance of export certificates. A fee for repeat inspections will serve as an incentive to industry to conform to Good Manufacturing Practices and will more equitably share the financial burden of re-inspections between industry and the public. Expanding the export certification fee to cover food and animal feed will strengthen consistency across all FDA regulated products and eliminate the current preferential treatment of the food and feed industry, which currently do not pay for FDA's export certificates.

## Background

The FDA regulates the safety and effectiveness of human and animal drugs; medical devices, vaccines, and animal feeds; and the safety of food. It accomplishes these tasks through pre-market review of new products and continued safety surveillance of products already available to consumers.

The FDA charges a variety of user fees for activities such as pre-market review of prescription drugs, animal drugs, and medical devices, the issuance of export certificates for human and animal drugs, and medical devices. FDA issues export certificates to attest to the safety of the products it regulates. Currently, FDA issues export certificates for food and animal feed but does not have authority to charge and collect a fee for issuing export certificates for these products.

In addition, FDA conducts post-market inspections of food, human drug, biologic, animal drug and feed, and medical device manufacturers (both domestic and foreign) to assess their compliance with Good Manufacturing Practice requirements.  Under current law, FDA does not have the authority to assess and collect fees for follow-up inspections required to ensure that manufacturers have addressed violations that were found during the initial inspection.

## Department of Housing and Urban Development: Mandatory Proposal
## Ginnie Mae Premium Increase

**Funding Summary**
(In millions of dollars)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2008-12 | 2008-17 |
|---|---|---|---|---|---|---|---|
| Proposed change from current law................................ | -46 | -46 | -46 | -46 | -46 | -230 | -460 |

### Administration Proposal and Impact

The Budget proposes to charge issuers of new Ginnie Mae mortgage-backed securities an up-front fee to offset the program's administrative expenses. This proposal places the funding of Ginnie Mae operations on businesses that use and benefit from the Government guarantee. The Budget also proposes to consolidate all Ginnie Mae administrative spending into discretionary spending under the control of annual appropriations. These proposals will improve oversight of this spending. The fee would be six basis points (six cents for every $100 of mortgages) and charged once, at the onset of each new security guaranteed by Ginnie Mae. Due to its small size, the increase is unlikely to have an effect on the price or availability of mortgage financing. It would not apply to existing securities.

### Background

The Government National Mortgage Association (Ginnie Mae) guarantees timely payment of principal and interest to investors in Ginnie Mae securities that are backed by pools of Federal Housing Administration, Veterans Administration, and other Government-guaranteed mortgages. Issuers of Ginnie Mae mortgage-backed securities receive better pricing from investors because of the Federal guarantee provided by Ginnie Mae. Ginnie Mae also provides advances to issuers if an issuer is unable to meet its obligations to investors in Ginnie Mae mortgage-backed securities, such as due to late mortgage payments from homeowners.

Most of Ginnie Mae's administrative expenses have been funded from mandatory spending sources and have not been controlled through the annual appropriations process or included in discretionary spending totals, unlike nearly all Federal funding for agency salaries and expenses activities.

# Department of Housing and Urban Development: Mandatory Proposal
# Government-Sponsored Enterprise Oversight Fee

**Funding Summary**
(In millions of dollars)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2008-12 | 2008-17 |
|---|---|---|---|---|---|---|---|
| Proposed change from current law............................... | -6 | -6 | -6 | -6 | -6 | -30 | -60 |

## Administration Proposal and Impact

The President's Budget includes a proposal for a strengthened regulator for the housing Government-Sponsored Enterprises (GSEs)—Fannie Mae, Freddie Mac, and the Federal Home Loan Bank System. As part of this reform, the cost of HUD's responsibilities under the Federal Housing Enterprise Safety and Soundness Act of 1992 would be assessed on Fannie Mae and Freddie Mac. The cost of these regulatory responsibilities is currently in the HUD salaries and expenses account as a non-reimbursable expense. This mandatory fee would reimburse the Federal Government for the cost of these responsibilities, consistent with the GSEs' current law reimbursement of their Federal safety and soundness regulators' expenses.

## Background

HUD's responsibilities regarding GSE oversight include the establishment and enforcement of affordable housing goals for Fannie Mae and Freddie Mac, ensuring their compliance with fair housing laws, and providing consultation to the safety and soundness regulator on GSE activities.

# Department of the Interior: Mandatory Proposal
# Arctic National Wildlife Refuge Lease Bonuses

**Funding Summary**
(In millions of dollars)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2008-12 | 2008-17 |
|---|---|---|---|---|---|---|---|
| Baseline outlays.......................... | -- | -- | -- | -- | -- | -- | -- |
| Proposed change from current law................................ | -- | -3,502 | -2 | -503 | -3 | -4,010 | -4,025 |

## Administration Proposal and Impact

The 2008 Budget proposes to authorize exploration and, if resources are discovered, environmentally-responsible oil and gas development in one of the most promising areas for future domestic oil and gas development, the coastal plain of the Arctic National Wildlife Refuge (ANWR). Technological advances have dramatically reduced the environmental impact of new oil and gas production. As proposed, the development footprint from production in ANWR would cover only about one-tenth of one percent of the coastal plain (also referred to as the "1002 Area").

The State of Alaska would receive half of the revenues from bonus bids, rents, and royalties collected from oil and gas production in ANWR. The 2008 Budget supports the necessary environmental reviews and other required activities to begin ANWR leasing in 2009.

## Background

In 1980, Congress enacted the Alaska National Interest Lands Conservation Act (ANILCA), which redesignated the Arctic Range as ANWR, and expanded its boundaries to include an additional 9.2 million acres. ANILCA designated much of the original Refuge as a wilderness area. However, the coastal plain continued to be considered for possible resource development.

Reducing the Nation's dependence on foreign energy sources is a top Administration priority. The Department of the Interior estimates that the 1002 Area holds between 5.7 billion and 16 billion barrels of recoverable reserves, or, at peak production, up to 1 million barrels per day of new domestic oil supply. This daily production is equivalent to nearly 10 percent of our Nation's current daily imports.

# Department of the Interior: Mandatory Proposal
# Return to Net Receipts Sharing for Energy Minerals

**Funding Summary**
(In millions of dollars)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2008-12 | 2008-17 |
|---|---|---|---|---|---|---|---|
| Baseline outlays.......................... | -- | -- | -- | -- | -- | -- | -- |
| Proposed change from current law................................ | -41 | -47 | -46 | -44 | -49 | -227 | -447 |

## Administration Proposal and Impact

In order to partially cover the costs of administering the Federal mineral leasing program, the 2008 Budget proposes to amend the Mineral Leasing Act (MLA) to allow MMS to deduct two percent from the mineral leasing revenue payments made to States under the 50/50 Federal-State revenue sharing arrangement established by the Act. (This amounts to a reallocation of one percent of the total MLA revenues.)

The Administration's proposal would return to a form of net receipts sharing similar to that which was in place during the 1990s. However, the proposal addresses many of the concerns of critics of the original net receipt sharing process by simplifying how costs are allocated. Instead of attempting to allocate program costs on a State-by-State basis, the Budget proposes a simple two percent deduction from gross receipts prior to making individual State allocations.

State payments from Federal mineral revenues have increased dramatically in the last few years, so now is an appropriate time for establishing a more equitable Federal/State revenue-sharing arrangement.

## Background

States receive 50 percent of Federal revenues generated from mineral production occurring on Federal lands within that State's boundaries. During most of the 1990s, the Minerals Management Service (MMS) was authorized to deduct a certain amount from State mineral revenue payments based on an assessment of the Federal Government's costs to manage and oversee mineral leasing and production. This approach was often referred to as "net receipts sharing", or NRS, as it was based on the concept that because States are equal partners in sharing in the revenues from Federal mineral production, they should also share in the costs of managing that production.

In the late 1990s, there was considerable debate about the complex process for assigning costs to a given State and the fairness of the end results. It also became costly and time consuming for MMS to administer the process. The Mineral Revenue Payments Clarification Act of 2000 (enacted as Title V of the Secure Rural Schools and

Community Self-Determination Act, P.L. 106-393) repealed NRS, thereby changing the 50/50 Federal-State revenue sharing arrangement for mineral leasing receipts to provide payments to States from gross revenues (i.e., prior to the Federal agencies deducting their costs of managing the program). This provided States with a windfall because they receive an equal share of the revenues from Federal production, without sharing in the costs of permitting that production.

# Department of the Interior: Mandatory Proposal
# Amend Bureau of Land Management Federal Land Sale Authority

**Funding Summary**
(In millions of dollars)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2008-12 | 2008-17 |
|---|---|---|---|---|---|---|---|
| Baseline outlays | -- | -- | -- | -- | -- | -- | -- |
| Proposed change from current law | -5 | -28 | -40 | -70 | -44 | -186 | -334 |

## Administration Proposal and Impact

The 2008 Budget proposes to amend the Federal Land Transaction Facilitation Act (FLTFA) by expanding the set of lands that the Department of the Interior would be authorized to sell under the Act and authorizing additional uses of the funds generated from FLTFA land sales. Under the proposal, DOI would be able to retain 30 percent (plus administrative costs) of the proceeds from the sale of Bureau of Land Management (BLM) lands that have been identified for disposal in all BLM land use plans, and the agency would be able to use a portion of the proceeds for restoration projects on BLM lands (in addition to the traditional use for land acquisition).

The proposal also would return the remaining 70 percent of net proceeds to the Treasury, exclusive of BLM's administrative costs. In addition, 100 percent of revenues in excess of $60 million per year would be returned to the Treasury. This proposal will allow BLM more flexibility over which lands it sells, minimize the amount of Federal spending not subject to regular oversight through the appropriations process, and ensure that taxpayers benefit directly from these land sales.

## Background

FLTFA was enacted by the Congress in 2000 to better rationalize BLM land ownership patterns and encourage the sale of lands that do little to contribute to the agency's mission. The Act authorizes the sale of BLM lands that have been classified as suitable for disposal under resource management plans in place at the time the Act was passed. Further, it allows the Department of the Interior to retain the proceeds from these sales to cover BLM's administrative costs for conducting the sales and to acquire other high-value non-Federal parcels within specially-designated areas such as national parks, refuges, and monuments.

This policy proposal reflects the Administration's objections to Federal land sale bills that seek to retain the proceeds for State and local government use. The Administration believes that all taxpayers should benefit from the sale of Federal lands.

## Department of the Interior: Mandatory Proposal
## Repeal Energy Policy Act Fee Prohibition
## and Mandatory Permit Funds

**Funding Summary**
(In millions of dollars)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2008-12 | 2008-17 |
|---|---|---|---|---|---|---|---|
| Baseline outlays.......................... | -- | -- | -- | -- | -- | -- | -- |
| Proposed change from current law................................ | -36 | -37 | -38 | -36 | -37 | -184 | -309 |

### Administration Proposal and Impact

To ensure the Government receives fair compensation for the use of the Nation's land and minerals, the Budget proposes to repeal a provision in the 2005 Energy Policy Act (EPACT) that prohibited the Bureau of Land Management (BLM) from implementing new user fees for oil and gas permit processing and instead diverted existing rental receipts to make up for the lost program funding. This proposal would repeal these changes and substitute new user fees for the mandatory funding provided by the Act. The proposal would also repeal a mandatory geothermal program fund drawn from Federal geothermal royalties and return to the traditional 50/50 Federal-State revenue sharing arrangement for geothermal revenues.

This proposal supports the Administration's efforts to charge for Government services where the direct beneficiary can be identified. It will shift these costs from taxpayers and allow DOI to better process permit applications as demand increases. The proposed fees are expected to generate at least $20 million per year beginning in 2008, thereby reducing the cost to taxpayers for operating these programs. Additional savings will be generated by discontinuing the Act's mandatory spending provisions related to geothermal receipts.

### Background

BLM's Energy and Minerals program is responsible for managing the development of federally-owned minerals such as oil, gas, coal, sand and gravel. A 1995 report from the Department of the Interior's Office of Inspector General found that the program did not adequately charge users of the public lands for specific services performed on behalf of those users. In 2004, the Administration began a new effort to address this shortcoming and institute new fees in the program.

In 2005, BLM was on the verge of implementing a rulemaking to put the new fees in place when EPACT prohibited the agency from doing so. The Act also diverted from the Treasury the Federal share of geothermal leasing revenues; 25 percent of total receipts are now deposited in a BLM geothermal fund and the remaining 25 percent is provided to counties where geothermal production is occurring (in addition to the 50 percent already provided to the States). This is inconsistent with the longstanding 50/50 Federal-State revenue sharing arrangements under the Mineral Leasing Act.

# Department of the Interior: Mandatory Proposal
# Recover Pick-Sloan Project Cost

**Funding Summary**
(In millions of dollars)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2008-12 | 2008-17 |
|---|---|---|---|---|---|---|---|
| Baseline outlays | -190 | -188 | -176 | -191 | -185 | -940 | -1,875 |
| Proposed change from current law | -23 | -23 | -23 | -23 | -23 | -115 | -230 |

## Administration Proposal and Impact

The Budget proposes to re-allocate repayment of capital costs of the Pick-Sloan Missouri Basin Program. Power customers will be responsible for repayment of all construction from which they benefit, whereas to date they have only been responsible for a portion of it. This proposal will not impact services, and will ensure taxpayer investments are being repaid as intended, through a modest increase in power rates to the program's beneficiaries. This increase could be phased in gradually over time and phased out when costs are repaid.

## Background

This multipurpose, multi-agency (Reclamation, Corps of Engineers, and Western Area Power Administration) irrigation, flood control, and power generation program serves parts of ten States in the Midwest. Power customers have repaid the construction costs of most of the project, and annually reimburse Reclamation for its operating and maintenance (O&M) expenses on that portion of the project. However, several hundred million dollars of the program's hydropower and water storage capital costs were allocated to irrigators, but because the irrigation was never developed, the capital and O&M costs on this portion of the project are not being repaid to the Federal Government. Meanwhile, power customers have been using, but not paying for, the dams and reservoirs originally allocated to irrigation, and the price of the power has, therefore, been subsidized.

The Government successfully took similar cost re-allocation action for part of this project in the mid-1980s, with minimal impacts to power rates. Both the Government Accountability Office and the Department of the Interior's Office of the Inspector General have raised concerns that these costs are not being paid, and suggested that costs be re-allocated to power customers.

# Department of the Interior: Mandatory Proposal
# Eliminate Bureau of Land Management Range Improvement Fund

**Funding Summary**
(In millions of dollars)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2008-12 | 2008-17 |
|---|---|---|---|---|---|---|---|
| Baseline outlays.......................... | 10 | 10 | 10 | 10 | 10 | 50 | 100 |
| Proposed change from current law................................ | -7 | -10 | -10 | -10 | -10 | -47 | -97 |

## Administration Proposal and Impact

The 2008 Budget proposes to eliminate the Bureau of Land Management's (BLM's) range improvement fund and to redirect the Federal share of grazing receipts to the General fund of the Treasury. The mandatory nature of the funding does not allow program managers to consider an array of spending options and shift funding toward higher priorities. Under the Administration's proposal, BLM would retain the ability to fund range improvements to benefit wildlife within its appropriated budget.

In addition, BLM published new regulations in 2006 that will allow grazing permittees to share title of range improvements with the U.S. Government, which will allow BLM and grazing permittees to share ownership in proportion to each party's contribution to the initial cost of constructing an improvement. This should increase the level of private investment, and will decrease the need for the Federal Government to fund these projects.

## Background

BLM's Range Improvement program is funded from a combination of money from both appropriations and grazing fees received for allowing ranchers to graze livestock on public lands. These grazing fees compensate the public for the use of Federal lands for this purpose. Range improvements include vegetation projects, fencing, and livestock watering troughs.

# Department of the Interior: Mandatory Proposal
# Require Up-front Payment of Coal Bonus Bids

**Funding Summary**
(In millions of dollars)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2008-12 | 2008-17 |
|---|---|---|---|---|---|---|---|
| Baseline outlays.......................... | -- | -- | -- | -- | -- | -- | -- |
| Proposed change from current law................................ | -2 | -121 | -115 | -54 | -134 | -426 | 4 |

## Administration Proposal and Impact

The 2008 Budget proposes to amend the Mineral Leasing Act (MLA) to change the current practice of allowing bonus bid payments for coal lease sales to be made over a five-year period, instead requiring the full payment to be made in the sale year.

As a general matter, bidders for coal leases have sufficient resources to pay the full amount of a winning bid up front, and therefore, it is reasonable to provide the same treatment as bidders for other mineral resources (e.g., oil and natural gas) governed by the MLA. This proposal would increase near-term revenues, but would reduce revenues in later years when deferred payments under the current system would otherwise be collected.

## Background

The Mineral Leasing Act lays out the general requirements for leasing coal on Federal lands and requires, among other things, that the Bureau of Land Management hold regular coal lease sales and that at least 50 percent of coal sale bonus bids be collected under a deferred payment system. DOI has enacted regulations to implement the deferred payment system by allowing companies to pay bonus bids over a period of five years.

## Department of Labor: Mandatory Proposal
## Pension Benefit Guaranty Corporation
## Single Employer Defined Benefit Pension Reform

### Funding Summary
(In millions of dollars)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2008-12 | 2008-17 |
|---|---|---|---|---|---|---|---|
| Baseline outlays............................ | 1,114 | -951 | -1,012 | -858 | -915 | -2,622 | -1,792 |
| Proposed change from current law................................... | --- | -1,390 | -1,387 | -1,400 | -1,295 | -5,472 | -10,569 |

### Administration Proposal and Impact

The 2008 Budget improves the solvency of the Pension Benefit Guaranty Corporation (PBGC) by increasing the insurance premiums paid by under-funded pension plans. PBGC premiums are currently far lower than a private financial institution would charge for insuring the same risk. Premium reforms will improve PBGC's financial condition and safeguard the future retirement benefits of American workers.

### Background

PBGC insures the retirement incomes of the more than 44 million Americans in defined benefit pension plans. When under-funded pension plans terminate, PBGC assumes responsibility for paying the insured benefits, up to a guaranteed maximum. More than 600,000 workers and retirees in more than 3,200 plans now receive their benefits from PBGC. The recent termination and anticipated terminations by U.S. businesses of large pension plans have put a strain on the pension insurance system and impose an increasing burden on employers who sponsor healthy pension plans.

In his 2007 Budget the President proposed comprehensive pension reform to strengthen protections for the pensions upon which American workers rely. Many of the President's reforms were incorporated into the Deficit Reduction Act (DRA) of 2005, enacted in February 2006, and the Pension Protection Act of 2006 (PPA), enacted in August 2006.

The legislation made significant structural changes to the retirement system, but further reforms are needed to ultimately restore PBGC to solvency by addressing the $19 billion gap that still exists between PBGC's liabilities and its assets. Although PBGC will be able to pay benefits for some years to come, it is projected to be eventually unable to meet its long-term obligations under current law. If there is not enough money in the system to cover worker benefits, taxpayers are at risk for having to cover the shortfall.

# Department of Labor: Mandatory Proposal
# Unemployment Insurance Integrity

**Funding Summary**
(In millions of dollars)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2008-12 | 2008-17 |
|---|---|---|---|---|---|---|---|
| Baseline outlays.......................... | 34,238 | 36,099 | 38,288 | 40,075 | 41,683 | 190,383 | 431,697 |
| Proposed change from current law................................ | --- | -484 | -494 | -351 | -355 | -1,684 | -3,619 |

## Administration Proposal and Impact

The 2008 Budget proposes legislation to strengthen the financial integrity of the Unemployment Insurance (UI) system by reducing improper benefit payments and tax avoidance. The Administration's proposal will boost States' ability to recover UI overpayments and deter tax evasion schemes by permitting them to use a portion of recovered funds to expand enforcement efforts in these areas and pay for private collection agencies. It will permit collection of delinquent UI overpayments and employer taxes through garnishment of Federal tax refunds. The proposal will also improve the accuracy of hiring data in the National Directory of New Hires, which would reduce overpayments. These efforts to strengthen the financial integrity of the UI system will keep State UI taxes down and improve the solvency of the States' unemployment trust funds.

## Background

The UI program was created in 1935 to provide temporary income support to workers who have lost their jobs through no fault of their own. The program is a Federal-State partnership. The States determine an unemployed worker's eligibility for UI benefits and pay the benefits with State-levied taxes on employers. The Federal Government provides grants to States for the program's administrative expenses, helps pay for extended unemployment benefits during recessions, and provides interest-bearing loans to States that run short of funds to pay UI benefits.

A top management challenge for the UI program is improper benefit payments and tax avoidance. Benefit overpayments were more than $3 billion in 2006. These problems undermine the financial integrity of the UI program. The Administration and the Congress have worked together to give the States new tools to reduce overpayments and decrease employer tax evasion. For example, the SUTA Dumping Prevention Act of 2004 addressed the practice by unscrupulous employers of manipulating their UI tax rates, thereby shifting costs to other employers. That Act also gave State unemployment agencies access to the National Directory of New Hires so that they have more timely information to prevent UI claimants who have gone back to work from continuing to collect weekly benefits.

# Department of Labor: Mandatory Proposal
# Reform Federal Employees' Compensation Act (FECA)

**Funding Summary**
(In millions of dollars)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2008-12 | 2008-17 |
|---|---|---|---|---|---|---|---|
| Baseline outlays.......................... | 93 | 114 | 118 | 123 | 129 | 577 | 1,305 |
| Proposed change from current law................................ | -9 | -23 | -29 | -33 | -43 | -137 | -493 |

## Administration Proposal and Impact

The 2008 Budget proposes legislation to update the FECA program's benefit structure, adopt best practices of State workers' compensation systems, and strengthen return-to-work incentives. The proposed legislation would amend FECA to convert prospectively retirement-age beneficiaries to a retirement annuity-level benefit, impose an up-front waiting period for benefits, as is done in State workers' compensation systems, streamline claims processing, permit DOL to recapture compensation costs from responsible third parties, authorize DOL to cross-match FECA records with Social Security records to reduce improper payments, and make other changes to improve and update FECA. The program has not been substantially updated since 1974.

The table above reflects net savings to the FECA account, and does not include projected reductions in Federal agencies' payments for FECA benefits paid to their employees. On a Government-wide basis, these reforms are expected to produce 10-year savings of $608 million.

## Background

Administered by the Department of Labor (DOL), FECA covers nearly three million Federal employees, providing wage-replacement and medical benefits to those workers who suffer occupational injury or disease. FECA benefits are paid by the DOL, which is then reimbursed by Federal agencies for benefits paid to their employees. FECA pays up to 75 percent of the individual's basic pay, adjusted annually based on the Consumer Price Index. Under current law, individuals can receive FECA benefits indefinitely, as long as their injury or illness diminishes their wage-earning capacity. FECA benefits typically exceed Federal retirement benefits because they are tax free, which constitutes an incentive for individuals to remain on FECA past when they would otherwise have retired.

# Department of the Treasury: Mandatory Proposal
# Payment Transaction Integrity

**Funding Summary**
(In millions of dollars)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2008-12 | 2008-17 |
|---|---|---|---|---|---|---|---|
| Baseline outlays............................. | --- | --- | --- | --- | --- | --- | --- |
| Proposed change from current law................................... | -273 | -281 | -290 | -298 | -306 | -1,448 | -3,105 |

## Administration Proposal and Impact

The Budget proposes to allow the Federal Government to trace and recover Federal payments sent electronically to the wrong account. The proposal would revise an existing exception to the Right to Financial Privacy Act of 1978 so that improper electronic payments and improperly directed Treasury checks can be traced and recovered. As examples, this proposal would allow for the disclosure of financial information so that misdirected and/or improper electronic tax refunds, Thrift Savings Plan withdrawals, and Office of Personnel Management annuity payments could be traced and recovered, saving taxpayers from the cost of making payments to those not entitled to receive them. This proposal would also require Treasury to take the responsible step of verifying the ownership of a bank account before electronically debiting the account to collect funds owed to the Government. This proposal is part of the Administration's Eliminating Improper Payments Initiative that thus far has reduced improper payments by approximately $9 billion for the 30 programs that first reported in 2004.

## Background

The Right to Financial Privacy Act of 1978 (the Act) generally prohibits financial institutions from disclosing financial records to Federal agencies unless subpoenaed. While the Act contains various exceptions to the prohibition (e.g., disclosure of financial records is permitted to the Social Security Administration and the Railroad Retirement Board for the proper administration of these programs), there is no exception that permits disclosure of records to the Federal Government for purposes of tracing or recovering improper payments and collections. For example, if a Federal payment has been issued to the account of an ineligible recipient, the financial institution to which the payment was issued is generally barred from disclosing the necessary information to recover the payment.

# Department of the Treasury: Mandatory Proposal
# Debt Collection Initiative - Eliminate the 10-year Statute-of-Limitations on the Collection of Non-Tax Debt Owed to Federal Agencies

**Funding Summary**
(In millions of dollars)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2008-12 | 2008-17 |
|---|---|---|---|---|---|---|---|
| Baseline outlays............................. | --- | --- | --- | --- | --- | --- | --- |
| Proposed change from current law.................................... | -11 | -6 | -6 | -6 | -6 | -35 | -65 |

## Administration Proposal and Impact

This proposal, would eliminate the 10-year statute of limitations period applicable to the offset of Federal non-tax payments. These Federal payments are offset in order to collect debts owed to Federal agencies. Under current law, Federal payments made to payees (e.g., vendors, beneficiaries) who are delinquent on their debt to the Federal Government cannot be offset if the debt has been outstanding for more than 10 years. The proposal would ensure that delinquent obligations to the Federal Government can be collected by offset without regard to any Federal or State statutory, regulatory, or administrative limitation on the period within which debts may be collected. The ability to pursue collection indefinitely would be tempered by Government-wide regulations that set forth standards for when it is and is not appropriate to continue collection. Such standards are intended to ensure that the Federal Government's debt collection efforts are directed toward those with the ability to pay.

This year's proposal will include language clarifying that this change applies to current debts that are or become ten years delinquent and not just to debts that may still be delinquent 10 years from the time this proposal is enacted.

## Background

The Financial Management Service debt collection offset process collects delinquent non-tax debts owed to Federal agencies by private entities by reducing tax refunds and other Federal payments (e.g., benefits payments, vendor payments, and Federal wages through garnishment) made to those entities. In 2006, the debt collection program collected $3.04 billion in delinquent non-tax debt, and, in 2003, the Debt Collection program received an Effective rating on an evaluation using OMB's PART. As a result of the PART analysis, the 2005 Budget proposed initiatives to increase opportunities to collect delinquent debt owed to Federal agencies. Several of the proposals were enacted into law.

# Department of the Treasury: Mandatory Proposal
# Debt Collection Initiative - - Assessment of the Transaction Costs for the Referral of Tax Debts from the IRS to the Financial Management Service for Debt Collection Levy

**Funding Summary**
(In millions of dollars)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2008-12 | 2008-17 |
|---|---|---|---|---|---|---|---|
| Proposed change from current law *.................................... | --- | --- | --- | --- | --- | --- | --- |

* The proposal is deficit neutral.

## Administration Proposal and Impact

Under current law, when the Internal Revenue Service (IRS) levies (i.e., garnishes) a Federal payment to collect a delinquent tax debt under the Federal Payment Levy Program operated by the Financial Management Service (FMS), the IRS pays a fee for the transaction costs out of its annual appropriation to FMS. The Budget proposes to instead have the debtor pay the transaction costs in addition to their original debt. This would allow the IRS to fully utilize the FMS levy program, maximize revenue, and shift the cost of enforcement to delinquent tax debtors.

## Background

Treasury's Financial Management Service (FMS) charges the IRS a fee for processing levies on Federal payments to taxpayers (including Department of Defense payments, Postal payments, as well as Social Security benefit payments) who owe tax debt to the Federal Government. Under current law, the IRS pays this fee to FMS from its discretionary appropriations. Over time, this fee has increased, and this cost has constrained the IRS's use of this levy process. Total fees collected through this proposal are estimated to total $22 million in 2008. However, this proposal is deficit neutral because the increased collections from the public (i.e., the debtors) offsets the increased direct spending by FMS for the administration of the debt collection program, and the savings to IRS appropriations do not count under current budget scoring conventions.

# Department of Veterans Affairs: Mandatory Proposal
# Medical Care

## Funding Summary
(In millions of dollars)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2008-12 | 2008-17 |
|---|---|---|---|---|---|---|---|
| Proposed change from current law: | | | | | | | |
| Pharmacy Co-payments…………………… | -311 | -304 | -306 | -307 | -342 | -1,570 | -3,352 |
| Income-Based Enrollment Fee……………. | --- | -138 | -134 | -129 | -125 | -526 | -1,094 |
| Third-party Insurance Co-payment Offset… | -44 | -44 | -44 | -43 | -43 | -218 | -421 |
| Total……………………………………… | -355 | -486 | -484 | -479 | -510 | -2,314 | -4,867 |

### Administration Proposal and Impact

The Budget includes mandatory receipt legislation to implement new or higher fees for non-disabled higher-income veterans (PL 7/8) veterans. The new user fees refocus VA's resources on its core medical care mission of serving veterans returning from combat, those with military disabilities, lower incomes, and special needs.

The three user fee proposals are:

- Pharmacy Co-Payment: Co-payments would increase from $8 to $15 for all PL 7/8 veterans, more closely aligning VA with other private and public health care plans.

- Income-based Enrollment Fee: PL 7/8 veterans would pay an annual enrollment fee of $250 with households incomes from $50,000 to $74,999, $500 with incomes from $75,000 to $99,999, and $750 with incomes equal to or greater than $100,000. The past four President's Budgets proposed an annual $250 enrollment fee to all PL7/8 veterans. Congress rejected the requests but expressed a willingness to explore an income-based option, so this new proposal represents a compromise position.

- Insurance Co-Payment: Technical correction legislative language will ensure that current co-pays are charged to all eligible veterans equally and not reduced if a veteran has health insurance. (Note: no fees are ever charged for treating service-related disabilities).

### Background

The VA medical care program will provide care to nearly 5 million veterans, over 263,000 of which will be returning from combat in Operation Enduring Freedom and Operation Iraqi Freedom.

## Army Corps of Engineers (Civil Works): Mandatory Proposal
## Recreation Modernization Initiative

**Funding Summary**
(In millions of dollars)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2008-12 | 2008-17 |
|---|---|---|---|---|---|---|---|
| Proposed change from current law: | | | | | | | |
| Receipts………………...……… | -7 | -10 | -13 | -16 | -19 | -65 | -192 |
| Outlays…………...…………… | --- | 7 | 10 | 13 | 16 | 46 | 164 |
| Net impact…………………… | -7 | -3 | -3 | -3 | -3 | -19 | -28 |

### Administration Proposal and Impact

The Administration is re-proposing a recreation modernization (RecMod) initiative that would allow the Corps to collect entrance fees (not currently authorized) and create public/private partnerships to maintain and upgrade the Corps recreation facilities. The proposal would encourage local community leaders, property owners and environmental groups to work with the Corps on this effort collaboratively, consistent with the approach taken in the President's cooperative conservation program. Ultimately, this proposal will lead to better services for users of Corps recreation facilities.

### Background

The Corps of Engineers manages 4,300 recreation areas at 465 Corps projects (mainly lakes and reservoirs) on 12 million acres in 43 States. Millions of people each year enjoy this popular program. Congress appropriates about $267 million annually to operate the program. The agency collects some $37 million in user fees and lease payments that offset part (14 percent) of the program's costs. Many of the Corps' existing recreation facilities are 30 to 40 years old and need to be modernized.

## Commodity Futures Trading Commission: Mandatory Proposal
## Futures and Options Transaction Fee

**Funding Summary**
(In millions of dollars)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2008-12 | 2008-17 |
|---|---|---|---|---|---|---|---|
| Proposed change from current law................................ | -86 | -89 | -92 | -95 | -99 | -461 | -1,009 |

### Administration Proposal and Impact

The Administration proposes to collect a fee on all commodity futures and options contracts traded on approved futures and options exchanges. The Commodity Futures Trading Commission (CFTC) is the only Federal financial regulator that does not derive its funding from the specialized entities it regulates. Since the CFTC's efforts to ensure the transparency and resiliency of futures and options exchanges provide clear benefits to market participants, it is appropriate for those participants to at least partially offset or contribute toward the cost of providing those programs. The fees would be set at a level to equal the costs to the taxpayer of funding CFTC's Market Oversight and Clearing & Intermediary Oversight functions, about $86 million during 2008. Such fees are already imposed on futures exchanges to fund the programs of the futures industry's self-regulatory organization. The proceeds from the fees will be returned to the general fund of the Treasury, to be used to offset the deficit impact of continuing to fund the CFTC’s operations through direct appropriations.

### Background

The CFTC ensures the integrity and effectiveness of the U.S. futures and options markets through administration of the Commodity Exchange Act of 1936 (CEA), as amended. Fees would facilitate increases in CFTC's proposed oversight activities, which have been held generally constant by annual appropriations limitations while trading volume has quadrupled over the last decade.  The notional value of contracts under the regulatory oversight of the CFTC is greater than $4 trillion per day.

# Environmental Protection Agency: Mandatory Proposal
# Pesticide User Fee

**Funding Summary**
(In millions of dollars)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2008-12 | 2008-17 |
|---|---|---|---|---|---|---|---|
| Proposed change from current law...................... | -66 | -57 | -60 | -66 | -57 | -306 | -606 |

**Administration Proposal and Impact**

The Administration proposes to collect an additional $66 million in pesticide user fees, which would cover approximately half of the costs of the Environmental Protection Agency's (EPA's) pesticide activities in 2008. Under current law, less than one-fifth of the costs of will be covered by fees. The 2008 Budget proposes to:

- Increase collections of currently authorized pesticide user fees.
- Eliminate the PRIA prohibition and collect the tolerance fee in 2008.
- Institute a new fee to recoup the costs of EPA's Registration Review program.

The total cost of EPA's pesticides programs in 2008 is estimated to be $160 million. Of the total, $25 million (16 percent) will come from two fees currently charged to pesticide registrants for registration and re-registration activities. The Administration has long maintained that the bulk of the costs associated with EPA's pesticide activities should be covered by fees because pesticide registrants receive direct benefits from EPA's services, similar to the policy used at the Food and Drug Administration, which charges fees to cover the cost of approving new drugs.

**Background**

EPA pesticides activities include the registration and re-registration of pesticides, the establishment and reassessment of pesticide tolerances, and various field activities that support the implementation of registered pesticides requirements. Registration, re-registration, and tolerance work are complex, technically intense activities that involve scientific risk assessments and evaluation of human health and environmental impacts. EPA currently collects fees from entities seeking to register their pesticides and from entities with existing pesticides registered for use in the United States, as authorized by the Pesticide Registration Improvement Act (PRIA) of 2004. However PRIA also prohibits EPA from collecting other statutorily authorized fees such as those for setting tolerances.

# Environmental Protection Agency: Mandatory Proposal
# Pre-Manufacture Notification Fee

**Funding Summary**
(In millions of dollars)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2008-12 | 2008-17 |
|---|---|---|---|---|---|---|---|
| Proposed change from current law...................... | -4 | -8 | -8 | -8 | -8 | -36 | -76 |

## Administration Proposal and Impact

The Administration proposes to eliminate the $2,500 cap on the Pre-Manufacture Notification (PMN) fee in Section 26(b) of TSCA to allow EPA to recover a greater portion of the cost of the program. This proposal is consistent with Government-wide efforts to appropriately align program costs to those who benefit directly from such services.

## Background

As required by the Toxic Substances Control Act (TSCA), EPA reviews new chemicals and their intended uses to ensure that they are not harmful to human health and the environment. Manufacturers must submit a pre-manufacture notice to EPA for these chemicals. Since 1999, EPA has collected limited fees to defray part of the cost of reviewing and processing these notices. Currently, the fees collected cover approximately one-quarter of the program costs. TSCA currently limits the fee amount that can be charged to manufacturers at a level which does not adequately cover the cost of the PMN program.

# Federal Communications Commission: Mandatory Proposal
# Spectrum License Fee Authority

**Funding Summary**
(In millions of dollars)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2008-12 | 2008-17 |
|---|---|---|---|---|---|---|---|
| Proposed change from current law................................ | -50 | -150 | -300 | -300 | -400 | -1,200 | -3,628 |

## Administration Proposal and Impact

To continue to promote efficient spectrum use, the Administration proposes to provide the Federal Communications Commission (FCC) with new authority to use other economic mechanisms, such as fees, as a spectrum management tool. The Commission would be authorized to set user fees on previously un-auctioned spectrum licenses based on public-interest and spectrum-management principles. Fees would be phased in over time as part of an ongoing rulemaking process to determine the appropriate application and level for fees.

## Background

FCC began auctioning communications spectrum licenses in 1994. While most commercial spectrum licenses are assigned using auctions, fee authority would enable FCC to ensure that the economic value of spectrum is reflected in the limited category of commercial licenses that are issued non-competitively. This additional economic tool would help to reduce market distortions by bringing greater parity to spectrum license acquisition costs, thus promoting greater efficiency in the use of spectrum resources. In addition, since FCC's licensing activities benefit a specific identifiable group of commercial firms, it is appropriate that these firms be charged for the rights to use spectrum resources.

# Federal Communications Commission: Mandatory Proposal
# Prospective Ancillary Terrestrial Component Spectrum Auctions

**Funding Summary**
(In millions of dollars)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2008-12 | 2008-17 |
|---|---|---|---|---|---|---|---|
| Baseline outlays.............................. | --- | --- | --- | --- | --- | --- | --- |
| Proposed change from current law................................... | -150 | -150 | -150 | -150 | -150 | -750 | -1,500 |

## Administration Proposal and Impact

The Administration proposes to bring greater competition to the assignment of the land-based component of hybrid terrestrial-satellite communications networks, such as the Ancillary Terrestrial Component to Mobile Satellite Services, subject to technical feasibility as determined by FCC. Currently, the authority to use the land-based component of these hybrid networks is given away to companies that have received licenses for the satellite component. The use of auctions to assign the land-based component for any future licenses for these hybrid networks will help to ensure that the radio spectrum is assigned efficiently and effectively, will prevent windfalls, and will help to ensure fair competition.

## Background

The FCC uses auctions to assign most new commercial licenses for use of the radio spectrum. These spectrum license auctions have helped to promote new wireless services, as well as competition and economic growth in the telecommunications industry. However, auctions are prohibited as an assignment mechanism for certain services, including international satellite communications services such as Mobile Satellite Services (MSS), due to the multilateral coordination needed to secure consistent orbital locations and spectrum across national boundaries.

The growing convergence of satellite and terrestrial communications gives rise to the need to clarify which services are appropriate for auction. For example, in 2003, FCC decided to permit MSS providers to apply for terrestrial authorization (i.e., service relying on traditional cell towers) on the spectrum used for satellite services, which is called an Ancillary Terrestrial Component (ATC). The FCC does not assign ATC authorizations by auction, and does not permit competition in the assignment process.

This proposal would bring greater competition to the assignment of future licenses for these hybrid networks, if such competition is determined to be technically feasible by FCC.

# Federal Communications Commission: Mandatory Proposal
# Extend Spectrum Auction Authority

**Funding Summary**
(In millions of dollars)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2008-12 | 2008-17 |
|---|---|---|---|---|---|---|---|
| Baseline outlays.............................. | -50 | -100 | -100 | -100 | -- | -350 | -350 |
| Proposed change from current law.................................... | --- | --- | --- | --- | -200 | -200 | -1,200 |

## Administration Proposal and Impact

The Administration proposes to extend FCC's auction authority indefinitely. Auction of spectrum licenses has proved to be an efficient, fair, and transparent approach to allocating this resource and has helped ensure that taxpayers receive fair market value. Collections are estimated to be $200 million per year beginning in 2012.

## Background

FCC began auctioning communications spectrum licenses in 1994. These auctions have been widely recognized as an effective and successful approach to allocating licenses. The Deficit Reduction Act of 2005 extended FCC's authority to auction spectrum licenses through fiscal year 2011.

# Federal Communications Commission: Mandatory Proposal
# Auction Domestic Satellite Spectrum

**Funding Summary**
(In millions of dollars)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2008-12 | 2008-17 |
|---|---|---|---|---|---|---|---|
| Baseline outlays.............................. | --- | --- | --- | --- | --- | --- | --- |
| Proposed change from current law.................................... | -252 | -105 | -100 | -100 | -75 | -632 | -690 |

## Administration Proposal and Impact

The Administration proposes to ensure that spectrum licenses for predominantly domestic satellite services are assigned efficiently and effectively through competitive bidding. Services such as Direct Broadcast Satellite (satellite TV) and Satellite Digital Audio Radio Services (satellite radio) were assigned by auction prior to a 2005 court decision that questioned this practice on technical grounds. By clarifying through legislation that auctions of licenses for these domestic satellite services are authorized, prior policy of FCC will be restored, and taxpayers will avoid the giveaway of valuable spectrum assets. Legislation is assumed to be enacted by the spring of 2007 due to FCC's proposed assignment of licenses around that period.

## Background

The FCC uses auctions to assign most new commercial licenses for the use of the radio spectrum. These spectrum license auctions have helped to promote new wireless services, as well as competition and economic growth. However, FCC's authority to auction spectrum for DBS was recently limited by a U.S. Court of Appeals decision. If FCC's authority to auction such licenses is not clarified legislatively, FCC will be unable to utilize this efficient market-based assignment mechanism, and will instead be required to rely on a regulatory assignment process.

# Federal Communications Commission: Mandatory Proposal
# Telecommunications Development Fund Termination

**Funding Summary**
(In millions of dollars)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2008-12 | 2008-17 |
|---|---|---|---|---|---|---|---|
| Baseline outlays | 5 | 6 | 7 | 7 | 7 | 32 | 67 |
| Proposed change from current law | -5 | -6 | -7 | -7 | -7 | -32 | -67 |

## Administration Proposal and Impact

The 2008 Budget proposes to terminate the Telecommunications Development Fund (TDF). The fund has had no demonstrated effect in meeting its statutory goals and has cost taxpayers more to operate than the value of assistance it has provided. Eliminating the fund would have no estimated impact on the telecommunications sector.

## Background

The Telecommunications Fund was created by the Congress in 1996 with the mandate to finance small businesses in the telecommunications sector, help develop new technologies, and promote universal telecommunications service. It started operations in 1998 as an equity investment venture capital fund focusing on early-stage companies. Over the years, the fund has been capitalized by the Federal Government by retaining the interest earned on deposits made by bidders in Federal Communications Commission spectrum auctions. Between 1998 and 2007, TDF will have received approximately $80 million in interest on these deposits.

Through the end of calendar year 2005, TDF had invested approximately $22 million in 14 companies. TDF estimated the value of these investments as about $8 million, a loss of about two-thirds of the principal. Meanwhile, TDF spent approximately $14 million on salaries and other administrative expenses during the same period.

# Office of Personnel Management: Mandatory Proposal
# Federal Employees Health Benefits Program (FEHBP)

**Funding Summary**
(In millions of dollars)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2008-12 | 2008-17 |
|---|---|---|---|---|---|---|---|
| Baseline outlays | 36,436 | 39,158 | 42,171 | 45,346 | 48,666 | 211,777 | 516,784 |
| Proposed change from current law | -38 | -140 | -240 | -318 | -382 | -1,118 | -3,595 |

## Administration Proposal and Impact

The Administration proposes two reforms to the FEHBP with the goals of providing more choices, improving quality of care, increasing equity in benefits, and reducing costs for FEHBP enrollees as well as the Federal Government. The first proposal would allow the Service Benefit Plan (Blue Cross Blue Shield or BCBS) as well as the Indemnity Benefit (IB) Plan to offer more than two levels of benefits to provide greater incentives to both FEHBP enrollees and health plans to reduce costs and improve quality. The second proposal would provide a graduated Government contribution toward FEHBP coverage for annuitants with short-term Federal service to provide greater equity for long-term Government employees. Both proposals would yield savings from the Government's lower payments to health plans and enrollees.

## Background

Allowing the Service Benefit Plan (Blue Cross Blue Shield) as well as the IB Plan to offer more than two levels of benefits would provide more options to enrollees and advance the Administration's goal of promoting High Deductible Health Plans and Health Savings Accounts. At present, the Service Benefit Plan (BCBS) and the IB Plan are limited by statute to offer two levels of benefits. Last year, the Administration transmitted an amendment to allow BCBS to provide more than two levels of benefits; Congress took no action. This new proposal would permit not only BCBS but also the IB Plan to offer more than two levels of benefits. Although there is no IB Plan available at present, OPM's proposal would provide a level playing field to the IB Plan when there is one.

The second proposal would provide greater equity to long-term employees. At present, the Government pays approximately 72 percent of the cost of health care premiums for all employees regardless of their length of service and for annuitants who worked for the Federal Government at least five years immediately prior to their retirement. The proposal would pro-rate the Government contribution for those employees who retire with less than 10 years of service by decreasing the amount of the Government share to: 90 percent of the Government share for employees with nine or more but less than ten years of service; 80 percent for those with eight or more but less than nine years of service and so on. The proposal would affect about 500 to 600 retirees each year.

# BUDGET ENFORCEMENT AND OTHER REFORMS

# BUDGET ENFORCEMENT AND OTHER REFORMS

The budget process should be transparent, accountable, and orderly. The current budget process needs major reforms to achieve these goals. No one change can fix the budget process, and process alone cannot address important fiscal issues. Nevertheless, process changes can be a key factor in the effort to control spending. Starting with *A Blueprint for New Beginnings* and continuing with subsequent budgets, this Administration has consistently proposed changes to the budget process, as well as an extension with changes to key provisions of the Budget Enforcement Act (BEA) of 1990, as amended, that are designed to improve budget decisions and outcomes. This section updates the Administration's proposals and describes additional reforms proposed by the Administration.

## Controlling Entitlements and Other Mandatory Spending

*Mandatory Spending Control—*

The Administration proposes to require that all legislation that changes mandatory spending, in total, does not increase the deficit. The five-year impact of any proposals affecting mandatory spending would continue to be scored. Legislation that increases the current year and the budget year deficit would trigger a sequester of direct spending programs. The proposal does not apply to changes in taxes and does not permit mandatory spending increases to be offset by tax increases. This proposal effectively applies a pay-as-you-go requirement to mandatory spending.

*Long-Term Unfunded Obligations—*

The Administration proposes new measures to address the long-term unfunded obligations of Federal entitlement programs. As discussed in Chapter 13 of the *Analytical Perspectives* volume, Stewardship, spending by the Government's major entitlement programs, particularly Social Security and Medicare, is projected to rise in the next few decades to levels that cannot be sustained, either by those programs' own dedicated financing or by general revenues. The Administration's proposed measures are designed to begin addressing these challenges.

In the Medicare Modernization Act (MMA) of 2003, the Congress provided for a more comprehensive review of the Medicare program's finances and required the Medicare trustees to issue a warning when general revenue Medicare funding is projected to exceed 45 percent of Medicare's total expenditures. The President's Budget proposes to build on this reform by requiring an automatic reduction in the rate of Medicare growth if the MMA threshold is exceeded. If a warning was issued and action was not taken over the next six years to keep this threshold from being exceeded, the reduction would begin as a four-tenths of a percent reduction to all payments to providers in the year the threshold is exceeded, and would grow by four-tenths of a percent every year the shortfall continued to occur. This provision is designed to encourage the President and the Congress to reach agreement on reforms to slow Medicare spending and bring it back into line with the threshold established by the MMA.

Social Security's Disability Insurance (DI) program provides disability insurance coverage and benefits to America's workers. Outlays for the DI program have grown as a percentage of all

Federal budget outlays from roughly 2.1 percent in 1989 to an estimated 3.6 percent in 2007. The Budget projects DI outlays will continue to increase as a percentage of the Federal budget, along with escalating annual cash deficits. The President's Budget proposes a new "funding warning" to highlight the escalating and persistent fiscal problems facing DI. If SSA's actuaries project a negative DI cash flow that is more than 10 percent of program cost for four consecutive years in the upcoming 10 years, the Board of Trustees will issue the warning in the annual Trustees Report. Issuance of a DI funding warning would require the President to propose legislation to respond to the warning within 15 days after the date of the next Budget submission; the Congress would then consider this legislation. The analysis of DI's budgetary impact will safeguard an important source of disability insurance while promoting sound fiscal policy.

In addition to this Medicare-specific control mechanism and DI funding warning, the President's Budget proposes to establish a broader enforcement measure to analyze the long-term impact of legislation on the unfunded obligations of major entitlement programs and to make it more difficult to enact legislation that would expand the unfunded obligations of these programs over the long-run. These measures would highlight proposed legislative changes that appear to cost little in the short-run but result in large increases in the spending burdens passed on to future generations.

First, the Administration proposes a point of order against legislation that worsens the long-term unfunded obligation of major entitlements. The specific programs covered would be those programs with long term actuarial projections, including Social Security, Medicare, Federal civilian and military retirement, veterans' disability compensation, and Supplemental Security Income. Additional programs would be added once it becomes feasible to make long-term actuarial estimates for those programs.

Second, the Administration proposes new reporting requirements to highlight legislative actions worsening unfunded obligations. Under these requirements, the Administration would report on any enacted legislation in the past year that worsens the unfunded obligations of the specified programs.

*Budget Discipline for Agency Administrative Actions—*

A significant amount of Federal policy is made via administrative action, which can increase Federal spending, often on the order of tens of billions of dollars in entitlement programs such as Medicare or Medicaid. Although known costs are incorporated into the budget baselines of various programs, agencies frequently initiate unplanned for and costly proposals. Often, these costs are not reflected in the baseline or are not accompanied by other actions that would pay for the proposed change. This results in increased spending and deficits.

Controlling these costs is integral to the Administration's commitment to reducing the deficit and enforcing fiscal discipline. Toward that end, the Director of the Office of Management and Budget issued on May 23, 2005 a memorandum to all Executive Branch agencies implementing a budget-neutrality requirement on agency administrative actions affecting mandatory spending. Discretionary administrative actions in entitlement programs, including regulations, program memoranda, demonstrations, guidance to States or contractors, and other similar changes to entitlement programs are generally required to be fully offset. This effectively establishes a pay-as-you-go requirement for discretionary administrative actions involving mandatory spending programs.  Exceptions to this requirement are only provided in extraordinary or compelling circumstances.

**Controlling Discretionary Spending**

*Discretionary Cap—*

The Administration proposes to set limits for 2007 through 2012 on net discretionary budget authority and outlays equal to the levels proposed in the 2008 Budget. Legislation that exceeds the discretionary caps would trigger a sequester of non-exempt discretionary programs.  This approach would put in place a budget framework for the next five years that ensures constrained, but reasonable growth in discretionary programs.  For 2007 through 2009, separate defense (Function 050) and nondefense categories would be enforced.  For 2010–2012, there would be a single cap for all discretionary spending.

These discretionary levels do not reflect the Administration's proposal to replace aviation taxes that are currently recorded as governmental receipts with FAA user fees that would be recorded as offsetting collections. This budget-neutral reclassification lowers receipts and net budget authority by an identical amount and does not affect gross discretionary budget authority levels.  If this proposal is enacted, the Administration would adjust discretionary spending levels downward for 2009-2012 by the amount of the proposal.  In addition, a separate category for transportation outlays financed by dedicated revenues would be established for 2007 through 2009 at levels consistent with those enacted in the Safe, Accountable, Flexible, Efficient, Transportation Equity Act: A Legacy for Users (SAFETEA–LU).  The Administration would support expanding the defense category to include all security programs and a corresponding change to create a non-security category to ensure resources are devoted to security programs and are not diverted for other purposes.

*Program Integrity Cap Adjustment—*

An improper payment occurs when Federal funds go to the wrong recipient, the recipient receives an incorrect amount of funds, or the recipient uses the funds in an improper manner. Approximately 80 percent of improper payments are overpayments.  The Administration has made the elimination of improper payments a major focus.  Federal agencies have aggressively reviewed Federal programs to evaluate the risk of improper payments and have developed measures to assess the extent of improper payments.  Processes and internal control improvements have been initiated to enhance the accuracy and integrity of payments and to report the results of these efforts, pursuant to the Improper Payments Information Act of 2002 (P.L. 107-300).

The results of the agencies' assessments have been aggregated into a Government-wide report entitled *Improving the Accuracy and Integrity of Federal Payments*. (The report can be found at: *www.whitehouse.gov/omb/financial/fia_improper.html*.)  In 2006, the agencies reported a total of $40.5 billion in improper payments.  This represents a 2.87 percent improper payment rate. Nearly 70 percent of those improper payments are in four programs:  Medicare, Earned Income Tax Credit, Old-Age, Survivors, and Disability Insurance, and Unemployment Insurance.  This program integrity cap adjustment initiative also captures IRS efforts to improve tax compliance. While not technically improper payments, the challenges of tax compliance are similar to those of the improper payments programs.

In the context of the Administration's efforts to eliminate improper payments, the Administration is proposing adjustments for spending above a base level of funding within the discretionary levels for several program integrity initiatives, specifically for continuing disability reviews (CDRs) and redeterminations of eligibility in the Social Security Administration, Internal Revenue Service tax enforcement, the Health Care Fraud and Abuse Control program (HCFAC) in the Centers for Medicare and Medicaid Services, and Unemployment Insurance improper payments in the Department of Labor. These cap adjustments provide an effective way to ensure that limited resources are applied to activities that reduce errors and generate program savings.

In the past decade, there have been a variety of successful efforts to ensure dedicated resources for program integrity efforts. These efforts include cap adjustment funding for Social Security continuing disability reviews and integrity efforts associated with the Earned Income Tax Credit (EITC). These initiatives have led to increased savings for the Social Security and Supplemental Security Income programs and an increase in enforcement efforts in EITC. The Administration's proposed adjustments for program integrity activities will total $876 million in budget authority in 2008; $1,310 million in budget authority in 2009; and $1,562 million in budget authority in 2010.

*Transportation Category—*

The Administration's proposal for discretionary caps includes separate outlay categories for spending on Federal Highway and Mass Transit programs. The transportation levels will be financed by dedicated revenues through 2009. The proposed caps take into account the revenue aligned budget authority (RABA) adjustment authorized in SAFETEA-LU. The RABA adjustment is calculated based on changes in estimated Highway Trust Fund receipts and results in either an increase or decrease in the Highway Category funding level enacted in SAFETEA-LU. For 2008, the RABA adjustment authorized in SAFETEA-LU is a positive $631 million; however, the Administration proposes not to provide this increase in funding in order to preserve the solvency of the Highway Trust Fund.

*Advance Appropriations—*

An advance appropriation becomes available one or more years beyond the year for which its appropriations act is passed. Budget authority is recorded in the year the funds become available and not in the year of enactment. Too often, advance appropriations have been used to expand spending levels by shifting budget authority from the budget year into the subsequent year and then appropriating the budget authority freed up under the budget year discretionary cap to other programs. The effect of these advance appropriations is to limit the amount of discretionary budget authority available in subsequent years, thereby reducing future funding options available to both the Congress and the President. From 1993 to 1998, an average of $2.3 billion in discretionary budget authority was advance appropriated each year. In 1999, advance appropriations totaled $8.9 billion and increased to $23.4 billion in 2000.
Because this budget practice distorts the debate over Government spending and misleads the public about spending levels in specific accounts, the 2001 Congressional Budget Resolution and

this Administration's budget proposals have capped advance appropriations at the amount advanced in the previous year. By capping advance appropriations, increases in these and other programs can be budgeted and reflected in the year of their enactment. For 2009, the Administration proposes a cap on advance appropriations of $23,174 million.

In addition, the Administration proposes to score the second-year effect of appropriations language that delays obligations of mandatory budget authority as advance appropriations that count against the discretionary caps. Appropriations acts often include provisions that delay obligations of mandatory BA from one year to the next. The first year is appropriately scored as a discretionary savings because it is included in an appropriations act and it reduces spending in that year. However, this is usually a temporary delay, and the funds become available for spending in the second year. Under this proposal, the second-year impact would be treated as an advance appropriation and scored against the discretionary caps. This would correct an inconsistency in the current practice where savings are scored in the first year, but the second-year impact is reclassified in the subsequent budget as mandatory and not scored against the discretionary caps.

To enforce the level of advance appropriations, the discretionary cap proposal provides that total funding for advance appropriations (including obligation delays) provided in an appropriations act for 2009 that is in excess of the Administration's limit on advance appropriations of $23,174 million in 2009 will count against the discretionary cap in the year enacted, not against the year the funds first become available.

*Federal Pell Grants—*

To ensure funding shortfalls do not accumulate in the Pell Grant program in future years, the 2006 Congressional Budget Resolution adopted the Administration's proposal to score appropriations at the amount needed to fully fund the award level set in appropriations acts, beginning with the 2006–2007 school year, if the amount appropriated is insufficient to fully fund all awards. The Administration proposes to continue this scoring rule. Under this rule, the amount scored would be increased to cover any cumulative funding shortfalls from previous years and reduced by any surpluses carried over from previous years, beginning with any shortfalls or surpluses from the 2006–2007 school year. If the amount appropriated exceeds the estimated full cost, the amount appropriated would be scored against that year, and the surplus would carry over as a credit against the following year's cost estimate. In the 2008 Budget, the Department of Education estimates that a cumulative $235 million shortfall will be carried into the 2008–2009 academic year. Because there is no final 2007 appropriation for this account, the Budget assumes a 2007 enacted level of $12.607 billion for calculating this shortfall, which was the CBO estimate of the 2007 Senate Subcommittee appropriation of a $4,050 maximum award for the 2007-2008 award year. For scoring purposes, the funding needed to fully fund all awards for 2008–2009 is increased by the amount of this shortfall.

*Project BioShield Category—*

The Administration proposes a separate BEA category for budget authority for Project BioShield, which received an advance appropriation for 2009 of $2.2 billion in P.L. 108–90, the 2004 Department of Homeland Security Appropriations Act. Because the success of this program in providing for the development of vaccines and medications for biodefense depends on an assured funding availability, it is critical that this funding not be diverted to other purposes. The Administration's proposal to create a separate category will help ensure that funding for this program is not reduced and used as an offset for other discretionary spending.

**Include Stricter Standard for Emergency Designation in the BEA**

When the BEA was enacted in 1990, it provided a safety valve to ensure that the fiscal constraint envisioned by the BEA would not prevent the enactment of legislation to respond to unforeseen disasters and emergencies such as Operation Desert Storm, the terrorist attacks of September 11, 2001, or Hurricane Katrina. If the President and the Congress separately designated a spending or tax item as an emergency requirement, the BEA held these items harmless from its enforcement mechanisms. Initially, this safety valve was used judiciously, but in later years its application was expanded to circumvent the discretionary caps by declaring spending for ongoing programs as emergencies.

The Administration proposes to include in the BEA a definition of emergency requirement that will ensure high standards are met before an event is deemed an emergency and therefore exempt. This definition should include the following elements: the requirement is a necessary expenditure that is sudden, urgent, unforeseen, and not permanent. These elements, all of which would be used for defining something as an emergency, are defined as follows:

- *necessary expenditure*—an essential or vital expenditure, not one that is merely useful or beneficial;
- *sudden*—quickly coming into being, not building up over time;
- *urgent*—pressing and compelling, requiring immediate action;
- *unforeseen*—not predictable or seen beforehand as a coming need (an emergency that is part of the average annual level of disaster assistance funding would not be "unforeseen"); and
- *not permanent*—the need is temporary in nature.

This definition codifies the criteria for an emergency that have been the standard for a number of years. It is designed to preclude funds from being declared an emergency for events that occur on an annual or recurring basis. For example, even though it is not possible to predict the specific occurrence of fires, tornados, hurricanes, and other domestic disasters, it is reasonable to assume that a combination of domestic disasters will occur in any given year that require funding equal to a multi-year average for disaster relief. Funding at an average, therefore, should not be considered an emergency under this definition. On the other hand, an average level of funding for domestic disasters will not accommodate the level necessary to address a large and relatively infrequent domestic disaster, such as Hurricane Katrina. Under this definition for emergencies, spending for extraordinary events could be classified as emergency funding. In the end, classification of certain spending as an emergency depends on common sense judgment, made on a case-by-case basis, about whether the totality of facts and circumstances indicate a true emergency.

In addition, the Administration proposes that the definition of an emergency requirement also encompass contingency operations that are national security related. Contingency operations that are national security related include both defense operations and foreign assistance. Military operations and foreign aid with costs that are incurred regularly should be a part of base funding and, as such, are not covered under this definition.

The Administration proposal also would require that the President and the Congress concur in designating an emergency for each spending proposal covered by a designation. This would protect against the bundling of non-emergency items with true emergency spending. If the President determines that specific proposed emergency designations do not meet this definition, he would not concur in the emergency designation and no discretionary cap adjustment or mandatory spending control exemption would apply.

**Baseline**

The Administration supports the extension of section 257 of the BEA governing baseline calculations with the following changes:

- Assume extension of all expiring tax provisions in the Economic Growth and Tax Relief Reconciliation Act of 2001 and certain provisions in the Jobs and Growth Tax Relief Reconciliation Act of 2003. This proposal is consistent with the BEA baseline rules for expiring mandatory spending and for excise taxes dedicated to a trust fund. Except for a few relatively small mandatory programs, the BEA assumes that mandatory spending and excise taxes dedicated to a trust fund will be reauthorized and extends them in the baseline. The 2001 Act and 2003 Act provisions were not intended to be temporary, and not extending them in the baseline raises inappropriate procedural road blocks to extending them at current rates.

- Add a provision to exclude discretionary funding for emergencies from the baseline. Instead, the baseline would include emergency funding only for the year in which it was enacted. The current requirement is for the discretionary baseline estimates for the budget year and the outyears to assume the current year appropriated level, adjusted for inflation. This is reasonable for ongoing programs, where the need is expected to continue into the future. For emergencies, since the need should be for a short duration, the baseline rules build unnecessary funding into the baseline estimates for the years after the need has been addressed and passed. In effect, the current rule biases the baseline in favor of higher discretionary spending.

- Correct the overcompensation of baseline budgetary resources for pay raise-related costs due to the way in which these costs are inflated. The current requirement, which provides a full year's funding for pay raises in the budget year and beyond, was written when Federal pay raises were scheduled to take effect on October 1, at the start of each fiscal year. However, this requirement is now inappropriate because the effective date for pay raises is now permanently set by law as the first pay period in January. By treating pay raises that begin on January 1 as if they take effect for the entire fiscal year, the baseline overstates the cost of providing a constant level of services.

- Eliminate the adjustments for expiring housing contracts and social insurance administrative expenses. Most multi-year housing contracts have expired or have been addressed since the BEA was first enacted in 1990, so the adjustment is no longer needed. The adjustment for social insurance administrative expenses is also inconsistent with the baseline rules for other accounts that fund the costs of administration. These programs should not be singled out for preferential treatment.

**Earmark Reform**

An earmark is a spending provision the Congress inserts in legislation. Frequently, these provisions are not publicly disclosed during the legislative process and often they are special interest projects. A number of organizations track earmarks. The Congressional Research Service (CRS) and Citizens Against Government Waste (CAGW) have been tracking earmarks for over a decade. While they do not use the same definition, their data show similar trends. Earmarks have expanded dramatically in recent years with the numbers and costs of earmarks more than tripling since the early 1990s. According to CAGW, the Congress added nearly 550 earmarks at a cost of $3 billion to the Budget in 1991. The number of earmarks peaked in 2005. CAGW has estimated that earmarks grew to almost 14 thousand at a cost of $27 billion. CRS data show a similar trend, with earmarks reaching more than 16 thousand in 2005 at a cost of $52 billion. OMB has also been tracking earmarks during recent years and estimates that the number of earmarks grew to over 13 thousand at a cost of $18 billion. OMB is in the process of developing the capability to track earmarks during the legislative process.

One major concern about earmarks is the lack of transparency. Most earmarks do not appear in statutory language. Instead, they are included in committee reports that accompany legislation. According to CRS, more than 90 percent of earmarks are in report language. This means that the vast majority of earmarks do not appear in the statutory language that the Congress actually votes on or that the President signs into law. Also, earmarks frequently surface in the last stage of the legislative process, in conference committees between the House and the Senate.

The President has called on the Congress to fully disclose all earmarks to reduce the amount of wasteful and unnecessary spending. Taxpayers should feel confident that their tax dollars are being spent wisely. Unfortunately, the large number of earmarks and the lack of transparency in the earmarking process make it difficult to assure the public that the Government is spending the people's money on the Nation's highest priorities. The President has proposed that the Congress provide justification for earmarks and identify the sponsor, costs, and recipients of each project. In addition, the President has proposed that the Congress stop the practice of placing earmarks in report language. Finally, he has called on the Congress to cut the number and cost of earmarks by at least 50 percent.

## Line-Item Veto

A perennial criticism of the Federal Government is that spending and tax legislation contain too many provisions that are not fully justified, are a low priority, or are earmarked to avoid the discipline of competitive or merit-based reviews. These special interest items would likely not become law if considered as a stand-alone bill, and their persistence diverts resources from higher priority programs and erodes the confidence of citizens in Government.

From the Nation's founding, Presidents have exercised the authority to not spend appropriated sums. However, the Congress sought to curtail this authority in 1974 through the Impoundment Control Act, which restricted the President's authority to decline to spend appropriated sums. Although the Line Item Veto Act of 1996 attempted to give the President the authority to cancel spending authority and special interest tax breaks, the U.S. Supreme Court found that law unconstitutional.

Last year, the President asked that the Congress correct this state of affairs by providing him and future Presidents with a line item veto that would withstand constitutional challenge, and the President transmitted legislation to the Congress in March 2006 that accomplishes this purpose. Under the President's proposal, a President could propose legislation to rescind wasteful spending, and the Congress would be obligated to vote quickly on that package of rescissions, without amendment. All savings from the line-item veto would be used for deficit reduction; they could not be applied to augment spending elsewhere.

The President's proposal received strong support. In June 2006, the House of Representatives voted on a bipartisan basis to enact a version of the Legislative Line Item Veto. In the Senate, members voted to report an amended version of the President's proposal out of the Senate Budget Committee for consideration on the Floor.

Forty-three Governors have a line item veto to reduce spending, and the President needs similar authority to help control unjustified and wasteful spending in the Federal budget. The Administration urges continued support for this common-sense provision and will seek its enactment in the 110th Congress.

## Other Budget Reform Proposals

*Joint Budget Resolution—*

A joint budget resolution would set the overall levels for discretionary spending, mandatory spending, receipts, and debt in a simple document that would have the force of law. Under the current process, the Congress annually adopts a concurrent resolution, which does not require the President's signature and does not have the force of law.

A joint budget resolution could be enforced by sequesters requiring automatic across-the-board cuts to offset any excess spending, similar to the BEA. It would bring the President into the process at an early stage, encourage the President and the Congress to reach agreement on overall fiscal policy before individual tax and spending bills are considered, and give the budget resolution the force of law.

*Biennial Budgeting and Appropriations—*

Only three times in the last 25 years have all appropriation bills been enacted by the beginning of the fiscal year. Because Congress must enact these bills each year, it cannot devote the time necessary to provide oversight and fully address problems in Federal programs. The preoccupation with these annual appropriations bills frequently precludes review and action on authorization legislation and on the growing portion of the budget that is permanently funded under entitlement laws. According to the Congressional Budget Office, in recent years the Congress appropriated between $160 billion and $170 billion for programs and activities whose authorizations of appropriations have expired.

In contrast, a biennial budget would allow lawmakers to devote more time every other year to ensuring that taxpayers' money is spent wisely and efficiently. In addition, Government agencies would receive more stable funding, which would facilitate longer range planning and improved fiscal management. Under the President's proposal for a biennial budget, funding decisions would be made in odd-numbered years, with even-numbered years devoted to authorizing legislation.

*Government Shutdown Prevention—*

In the 22 out of the past 25 years in which the Congress has not finished appropriation bills by the October 1st deadline, it has funded the Government through continuing resolutions (CRs), which provide temporary funding authority for Government activities, usually at current levels, until the final appropriations bills are signed into law.

If the Congress does not pass a CR or the President does not sign it, the Federal Government must shut down. Important Government functions should not be held hostage simply because of an impasse over temporary funding bills. There should be a back-up plan to avoid the threat of a Government shutdown, although the expectation is that appropriations bills still would pass on time as the law requires. Under the Administration's proposal, if an appropriations bill is not signed by October 1 of the new fiscal year, funding would be automatically provided at the lower of the President's Budget or the prior year's level.

*Results and Sunset Commissions—*

The Federal Government's ability to serve the American people is often hampered by poorly designed programs or uncoordinated, overlapping programs trying to achieve the same objective. Today, almost 30 percent of assessed programs have been determined to be either ineffective or unable to demonstrate results. And the problem of overlapping programs exists in many areas where the Government is trying to serve.

From the 1930s through 1984, Presidents submitted to the Congress Federal agency reorganization plans that became effective automatically unless disapproved by either House of Congress. After the Supreme Court decision in *INS v. Chadha*, 462 U.S. 919 (1983), however, such reorganization plans could become effective pursuant to the Reorganization Act, 5 U.S.C. 903, only through passage of a joint Congressional approval resolution. Today, proposals to restructure or consolidate programs or agencies so they can perform better require a change in law and often face long odds of being enacted due to a cumbersome process that requires approval from multiple congressional committees.

To address this problem, in June 2005 the Administration transmitted the Government Reorganization and Program Performance Improvement Act, which would establish bipartisan Results Commissions and a Sunset Commission. Results Commissions would consider and revise Administration proposals to restructure or consolidate programs or agencies to improve their performance. The Sunset Commission would consider Presidential proposals to retain, restructure, or terminate agencies and programs according to a schedule set by the Congress. Agencies and programs would automatically terminate according to the schedule unless reauthorized by the Congress. The legislation was introduced in the House and Senate, but was not enacted.