United States Senate
COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP
WASHINGTON, DC 20510-6350

February 18, 2005

The Honorable Judd Gregg
Chairman
Committee on the Budget
United States Senate
Washington, D.C. 20510

The Honorable Kent Conrad
Ranking Member
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Judd and Kent:

As the Ranking Democratic Member of the Committee on Small Business and Entrepreneurship, I submit the following views and estimates on the President's FY2006 budget request for the Small Business Administration (SBA or Agency) and other matters under the Committee's jurisdiction in compliance with section 301(d) of the Congressional Budget Act. I thank you for considering the Committee's views as you prepare the FY2006 budget.

FY2006 Budget Request Overview for the SBA

The President has requested $593 million for the SBA's FY2006 budget. This request is 12.5 percent less than the $678 million the President requested last year, and 20 percent less than what was appropriated[1] last year. It is important to put these reductions in context, particularly for the public. Reductions of 12.5 percent and 20 percent in and of themselves are substantial. However, the real effects of the proposed reductions is far worse given that they relate to last year's budget, and last year's budget request and cuts, as outlined in my views and estimates

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[1]The FY2005 Omnibus Appropriations Act provided $610 million in appropriations for the Small Business Administration including appropriations for special projects and after rescissions. However, that amount does not reflect the true *annual* appropriations for the year because it excluded the funding for disaster loans. As noted in PL108-447, the Consolidated Appropriations Act, 2005, no funding/budget authority was provided for the average annual program level for disaster loans because it was considered funded out of "surplus budget authority" from what was provided in PL 108-287, the Emergency Supplemental Appropriations for Hurricane Disasters Assistance Act, 2005. Based on the FY2005 SBA Budget request, the average annual program level for disaster loans was $792 million, requiring $101.8 million in budget authority. When added to the $610 million appropriated directly, the total amount for normal operations of the Agency is $711.8 million. That is the number that should be used for comparison purposes when reviewing the SBA's FY2005 appropriations to get a true picture of the SBA's resources.

According to the President's FY2005 budget, over four years, the cumulative reduction in SBA's resources amounted to a 25-percent cut, the most of all 26 Agencies. The next most cut were the Corps of Engineers at 15 percent and the Department of Transportation at 8.3 percent.

The source for that information was Table S-3 in the President's 2005 budget, the "Agency Growth in Discretionary Spending" Table. When I looked for the same information regarding SBA's current and cumulative resources in the 2006 budget to see how SBA measured against other Agencies, I found that the SBA had been removed as a separate line item and instead had been merged into an "Other Agencies" category, essentially downgraded from the status of a "Major Agency." This aggregation not only weakens budget transparency of how the Federal government keeps its books, but also shows where small business ranks as a priority for this Administration. With this letter, I submit the referenced tables.

Based on the funding requests for the SBA, small business does not appear to be a priority for the Administration. The Committee estimates that with the FY2006 budget request, the SBA has been cut 36 percent. In summary, the budget once again zeroes out funding for its largest loan program, raises fees on the lenders, has an insufficient guaranteed loan program level, and seeks authority to charge a new fee on the program for loans sold on the secondary market. The budget proposes eliminating the SBA's microloan program, the Small Business Investment Company Participating Securities program, and the matching grants for "Sustainable" Women's Business Centers, which are the most experienced and productive centers. The inaccuracy of subsidy rates for the financing programs continues to be a problem. Finally, of SBA's 18 non-credit programs, the budget eliminates six, level funds or cuts six, and eliminates the line-items for the remaining six, rolling the funding into discretionary management accounts that the SBA can use as it wishes, creating serious transparency and control issues. These cuts and changes are unwarranted, and I respectfully request that as you prepare the FY2006 budget resolution, you consider restoring $157,900,000 amount to the SBA, bringing total available funds to $750,900,000.[2]

Of the four accounts through which the SBA is funded, I am particularly concerned about the budget requests for loans under the Business Loans Program Account and for entrepreneurial development programs under the Salaries and Expenses Account.

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[2] $42 million for 7(a) Loan Guarantee Program for fee reductions; $3.6 million for a program level of $35 million for direct SBA Microloans; $35 million for Microloan Technical Assistance; $24.25 million to restore New Markets Venture Capital funding; $3.6 million for 7(j) Technical Assistance; $2 million for Native American Outreach; $15 million for PRIME; $109 million for SBDCs; $3 million for SBIR FAST Program; $7 million for SCORE; $5 million for U.S. Export Assistance Centers; $2 million for Veterans Business Outreach; and $16.5 million for Women's Business Centers.

Business Loans Program Account - 7(a) Loan Guarantee Program

The President's FY2006 budget eliminates all funding for the 7(a) Loan Guarantee Program, raises the fees on lenders, requests a program level of $16.5 billion, and requests authority to impose a fee for loans sold on the secondary market. This is the third time the President has proposed eliminating all funding for the government's largest small business loan program, contending it brings stability to the program and saves taxpayers money. I continue to disagree with zero funding because it shifts the cost to small business borrowers and lenders through participation fees, fees that are based on cost calculations (subsidy rates) that continue to be unreliable. The 7(a) program subsidy rate remains unreliable, even with the adoption of an econometric model to determine the subsidy rate, a method which was touted as more accurate and more predictive of how the 7(a) loans would perform. So far, it has not proven to be more accurate, and it has created instability in the program. For example, in FY2004, the first year of using the econometric model to determine the subsidy rate, the rate was found wrong twice. First, the rate changed mid-year, increasing from 1.02 percent to 1.06 percent. The change in subsidy rate depleted appropriations that otherwise could have been used to leverage $375 million in loans, denying as many as 1,500 small businesses this type of capital, which is the hardest to access. Second, when the President released the FY2006 budget this year, there was yet another correction to the 7(a) Loan Guarantee Program subsidy rate for FY2004 – it was wrong by 69 percent. In dollars, that amounted to $42.2 million wasted, and borrowers and lenders paid higher fees than were needed. Given these facts, I strongly oppose raising the fee on lenders for FY2006. I respectfully request that $42 million be provided in the FY2006 Budget Resolution in order to reduce fees on small business borrowers and lenders. I also respectfully request a program level of $17 billion, the full amount allowed by law and the estimated demand projected by the small business lending industry.

The other major area of concerns with respect to the 7(a) Loan Guarantee Program are the implementation in the budget of a subsidy rate for 7(a) loans sold on the secondary market, and the request for authority to charge a fee for such loans. Last year when I provided my views and estimates on the FY2005 budget for the SBA, I opposed the implementation of a separate subsidy rate for 7(a) loans sold on the secondary market because it amounts to double charging the 7(a) small business community. While the Administration argues that there is a separate risk for these loans, experts argue that the master reserve fund which holds funds to cover the risk of the SBA's 7(a) secondary market has never missed a payment to the investors and that the issues identified by the SBA's Inspector General and the General Accounting Office would be better, and more fairly addressed, through programmatic and management changes. I stated then that implementing a second subsidy rate was extreme and unnecessary. I remain opposed to it and to granting authority to the SBA to levy a fee for loans sold on the secondary market, particularly for a problem that is only a possibility in 2018. I ask the Budget Committee to comment against the subsidy rate implementation and fee in the FY2006 Budget Resolution.

Business Loans Program Account - The SBA Direct Microloan Program

The SBA's FY2006 budget proposes to entirely eliminate the microloan program, and all assistance to micro-entrepreneurs. I respectfully request that the FY2006 Budget Resolution include \$35 million in program level for microloans (\$3.6 million in budget authority, assuming the FY2005 subsidy rate of 10.25%), and \$35 million in program level for microloan technical assistance. Recycling the same unsupportable justifications, the SBA contends that eliminating the microloan program is warranted because it is excessively expensive relative to SBA's other loan programs and that the borrowers can be served through the SBA's 7(a) Community Express Loan program. With this last rationale, SBA switches its argument from the past several budgets that microborrowers could be served through the 7(a) Express program. This comparison continues to be unfair and overly simplistic. While both the Microloan and 7(a) Community Express programs do make small loans, they do not serve the same size or type of borrower. At our FY2006 budget hearing recently, one witness introduced a woman business owner who illustrates the problem: she had turned to the SBA Microloan Program for a loan after she was *turned down* for the 7(a) Community Express Loan program. Without the Microloan program, she and her business would have had no access to capital. Since the Community Express program does not help start-up small businesses, at least 40 percent of small businesses needing microloans will be cut out of access to credit if the program is eliminated. SBA's mission is to fill the financing gaps in the private sector such as these. Commercial lenders will not make microloans because they are not profitable enough and the business counseling is too time-intensive and expensive. The need remains for the SBA's microloan program, its microloan techncial assistance component, and also the PRIME program, described later in this letter.

As with the subsidy rate for the 7(a) Loan Guarantee Program, there continue to be problems with the inexplicably high and volatile SBA microloan subsidy rate. Over the years, the SBA has justified substantially cutting or altogether eliminating the SBA microloan program by contending that, as mentioned above, the Agency can accommodate the same borrower through the less expensive 7(a) programs. What this analysis does not include, and what the budget document neglects to disclose, is that method for estimating the cost of microloans (the subsidy rate) is inaccurate. For example, in the FY2003 Budget, even though the SBA Microloan program had not experienced any loss of direct loan funds since its creation in 1992, the microloan subsidy rate doubled from 6.78 percent to 13.05 percent. This year, in the FY2006 Budget, the subsidy rate for FY2005 has been revised as much higher, even though there were no losses during the period that the 2005 budget was submitted until the reestimate was published. I respectfully request that the Budget Committee urge the SBA to improve the Microloan program subsidy so that it accurately reflects the successful track record of the program.

Business Loans Program Account - Small Business Investment Company Participating Securities Program.

With respect to venture capital for small business, another gap in financing offered by the private sector, the President's FY2006 Budget request discontinues the Small Business Investment Company Participating (SBIC) Securities Program. I disagree with this proposal and recommend that the program continue. At a minimum, we must continue the program through FY2010 to allow existing Participating Security SBICs to draw leverage that the SBA agreed to make available when it approved their licenses. While I agree with the Administration that we must act to mitigate more losses, I do not agree that scrapping the program is the solution. It is unreasonable to expect the SBICs, whose purpose is to provide patient capital, to be immune to market changes and recessions. Compared to other venture capital investments which fell 83 percent between 2000 and 2003, Participating Security investments fell only 23 percent. This program serves an equity gap not met by traditional venture capital and that cannot be served by the Debenture SBICs, as the Administration argues. In fact, Congress created this program because the Debenture SBIC investments were not meeting an important equity gap in the market. Since the Participating Securities SBIC program was started in 1994, $8.5 billion in Participating Security investments have led to the creation of an estimated 228,000 new, quality jobs and $39 billion in portfolio company revenue. For these reasons I recommend reinstating the program, which in recent years has been funded through fees, and recommend a level of $4.5 billion.

Business Loans Program Account - New Markets Venture Capital Program

The President's FY2006 Budget request seeks no funding for the New Markets Venture Capital program, for the fifth year in a row. As part of the FY2006 Budget Resolution, I respectfully request that you consider restoring the funding for the New Markets Venture Capital (NMVC) program that was rescinded in the FY 2003 Omnibus Appropriations Act Conference Report: $10.5 million for guaranteed debentures, and $13.75 million in grants for NMVC technical assistance. The NMVC program was part of a broad bipartisan initiative agreed to by Speaker Hastert and then-President Bill Clinton to stimulate investment in low-income urban and rural communities. The other elements of that agreement included in the Community Renewal Tax Relief Act were New Markets Tax Credits, additional empowerment zones, and a new program – Community Renewal Zones. The goal of the legislation was to test a number of different approaches to poverty alleviation to better understand what works the best. With the exception of the NMVC program, all of the other programs are going forward. The NMVC program should also be given a fair chance to demonstrate its potential for success.

Salaries and Expenses Account

For the fifth year in a row, the President proposes cutting funding to support SBA's entrepreneurial development programs. The President eliminates the Program for Investment in Microentrepreneurs (PRIME), Microloan Technical Assistance, does away with sustainability centers in the Women's Business Center program, cuts $1 million from the Small Business Development Center (SBDC) program, reduces Native American Outreach assistance by 20 percent, and again provides no funding for the Business Information Centers (BICs), the SBIR Rural Outreach Program (ROP) and the SBIR Federal and State Technology (FAST) program, or BusinessLINC, and requests 44 percent less for 7(j) technical assistance than requested two years ago.

All of these programs are designed to provide targeted, expert, and unique assistance to sectors of the small-business community that have few, if any, other resources. Eliminating these programs, along with the Microloan program as mentioned above, will drastically undermine new business startups, cripple long-term micro-enterprise development, weaken the ability of states and local communities to grow their economies, and significantly limit small business contracting opportunities. As I have said in the past, cuts to or inadequate funding of the SBA's entrepreneurial development programs are routinely attributed to vague and unfounded claims of duplication. Such claims mistake a common mission of training and counseling for duplication, ignoring the reality that small businesses vary greatly and have different needs. Just as it would be ineffective to only have one type of loan or venture capital financing structure for the 25 million small businesses in this country, it would be ineffective to water down specialized management and training programs to impose a one-size-fits-all approach.

These programs are cost-effective, returning much more to the economy in taxes and job creation than the Federal investment. Most of these programs have cost-sharing components with state and local entities, such as matching grants, so they leverage more for small businesses than the face value of the Federal grant. Moreover, in cases where these small businesses have SBA guaranteed loans, business training and counseling protects the taxpayers' investment because the borrower is more likely to operate a successful business and to repay a loan. A good example is the SBA's Microloan Program, which has a necessary and complementary technical assistance component and has had virtually no losses to the taxpayer since the program was established in 1992. In fact, the program is so well-designed with its loan-loss reserve and intensive technical assistance that a spokesperson for the SBA told the "Wall Street Journal" in a recent article that the Microloan Program has a "minuscule" default rate.

Below I describe in detail several of SBA's entrepreneurial development programs that need increased funding. In addition to those requests, I ask for $7 million for the SCORE program; $5 million to fund the U.S. Export Assistance Centers, $2 million for Veterans Business Outreach; and $3 million for SBIR FAST program.

<u>Salaries and Expenses Account - Small Business Development Centers</u>
The President's FY2006 Budget request reduces funding for the Small Business Development Centers to $88 million. That amount is inadequate to serve the small businesses that seek counseling from the SBDCs, and I respectfully request a level of $109 million in the FY2006 Budget Resolution. While the request for this year is only $1 million less than what was provided last year and may not seem consequential, this program has received virtually level funding since FY2001, a situation that has had serious consequences for many states. For example, SBDC programs in low-population states such as New Hampshire and North Dakota, which have base grants of $500,000, have had no increase in their funding since 1998. Inflation alone has eroded their ability to serve their states' small businesses. To have the purchasing power that they had in FY1998, low–population states would each need grants of $603,000 in FY2006. States with larger populations, such as Massachusetts, Michigan, and Missouri have also experienced severe cuts, due to the 2000 census results. For example, the SBDC in Massachusetts will receive $132,000 less in FY2006 than it did in 2001 if the funding is not increased. To provide SBDCs in low-population states with sufficient funds to restore their purchasing power to FY1998 levels,

and to restore states impacted by the last census to the actual funding levels of FY2001, requires an appropriation for SBDCs in FY2006 of at least $109 million.

Salaries and Expenses Account - Women's Business Centers

The President's FY2006 Budget request cuts funding for Women's Business Centers to $12 million, $500,000 less than the program received for fiscal year 2005, and proposes to eliminate funding for the most-experienced Centers, using the money instead to open new centers. For the past three years, the program has been funded at the same level. Apart from the effect of inflation and increasing costs of operation, as SBA has continued to open new centers, flat funding has meant a reduction in funding for individual centers. The result has been harmful, forcing individual centers to cut back on staff, decrease assistance, and close their doors altogether. It is important to foster new centers *and* to sustain successful existing ones. The Women's Business Centers in sustainability phase of the program already represented 39 states and territories in FY2005. In fiscal year 2006, about 60 percent of the Women's Business Centers will be in sustainability, and will be forced to close if the President's proposals are followed. To meet the current commitments and to continue to grow the program to meet demand in areas currently not served, I respectfully request the FY2006 Budget Resolution include $16.5 million for Women's Business Centers.

Salaries and Expenses Account - Native American Outreach Program

The President's FY2006 Budget proposes a 20 percent cut in funding for the Native American Outreach Program. Instead of the $800,000 proposed in the budget, I respectfully request the FY2006 Budget Resolution provide $2 million for the Native American Outreach Program. This is the only SBA program tailored to meet the needs of the Native American community. According to a report released by the U.S. Census Bureau, the "three year average poverty rate for American Indians and Alaska Natives [from 1998-2000] was 25.9 percent higher than for any other race groups." With unemployment as high as 70 percent and poverty rates well above the national average, Native American communities need a commitment from the Federal government that we will help them build sustainable economic opportunities.

Salaries and Expenses Account - PRIME Program

The SBA's FY2006 budget, for the fifth year in a row, proposes eliminating all assistance to micro-entrepreneurs, including the PRIME Program. I respectfully request that the FY2006 Budget Resolution provide $15 million for the PRIME program. While access to credit is vital to microentrepreneurs for low-income individuals, there is often a severe gap between their current experience and being credit-worthy. Receiving PRIME technical assistance can fill that gap and help them become successful in business. In commenting on the importance of micro-enterprise development, SBA's current Administrator Hector Barreto himself has said: "The PRIME program was created to help the smallest of small businesses. These are entrepreneurs at the most basic stage of starting a business and who typically require the greatest amount of committed service and guidance. In order to succeed, they require training and technical assistance that must be accessible." Unlike any other SBA program, the PRIME program provides highly in-depth and intensive, one-on-one business counseling and training and is targeted to help very low-income families. With the poverty rate continuing to increase, the need for PRIME assistance is now greater than ever. In addition to need, the PRIME program is a good return on the investment. The International Labor Organization estimates that the return on investment in micro-enterprise development (through programs such as PRIME and the Women's Business Centers) ranges from $2.06 to $2.72 for every $1 invested.

Salaries and Expenses Account - 7(j) technical assistance program

The President's FY2006 Budget seeks $2 million in funding for the 7(j) technical assistance program but proposes eliminating the line-item that protects the funding. I disagree strongly with eliminating line-item funding for non-credit programs, and I respectfully request $3.6 million for the 7(j) technical assistance program. The 7(j) Technical Assistance program provides essential training to developing minority-owned 8(a) companies. Lack of training for these businesses, in areas such as accounting practices, bidding on contracts, and writing Federal grant applications, has been repeatedly listed as the main reason why so many 8(a) companies fail after graduation from the program. Sufficient funding for this technical assistance will allow these companies to gain the skills they need to compete with larger firms after they graduate from the 8(a) program. An increase in funding is needed because, over the past decade, SBA has added HUBZone firms, Service Disabled Veterans, and Women-Owned Businesses to the universe of firms served by the program. Moreover, each of these groups has special needs that cannot be serviced by a one-size-fits-all format of technical assistance. I believe this request is reasonable. An additional $1.6 million in funds will increase the opportunities for small firms to receive essential training and business development assistance and is consistent with the $3.6 million level allocated in previous years.

Elimination of Line-Item Funding

I am extremely concerned and strongly opposed to the FY2006 Budget proposal to eliminate line-item funding for six of the 18 entrepreneurial development programs. Specifically, the budget request rolls funding for the 8(a) program, the HUBZone program, the 7(j) program, Advocacy Research, Native American Outreach, and U.S. Export Assistance Centers into the budget of the Government Contracting and Business Development (GCBD) office. This proposal limits transparency and reduces the authority of this Committee and the Appropriations Committee to ensure that the funds allocated to a specific program are applied to that program in an appropriate manner. If the proposal is adopted, once funding is incorporated into the Government Contracting and Business Development budget, those funds may be used at the discretion of the Associate Administrator of that department without further input from Congress.

I will recommend that the Appropriators not support the proposal to eliminate line-item funding in general, but particularly not for services and offices that exist to level the playing the field for minorities, foster entrepreneurship among the under-served, and serve as an independent voice for small business owners. Line items ensure, to the extent possible, that the government obligate funds for a purpose that, the oversight committees, and the full Congress, think are important. These conclusions are often reached after deliberations, including budget hearings, where the public tells its Congressional representatives what works, what doesn't work, and and why a program is needed. Over the past few years, the Agency has not listened to the very people who deliver its programs, small business groups and Agency partners. In some cases, SBA has punished its partners for their constructive criticism by delaying disbursements or cutting funding, and the Agency has been less than cooperative with its Committees of Oversight, often ignoring or delaying even the simplest of oversight requests. Short of extremes like subpoenas, line items are one of the few effective tools Congress can use to fulfill its oversight responsibilities. Eliminating them would set a bad precedent, and I recommend that the Budget Committee monitor similar proposals in the FY 2006 budgets of other agencies and departments.

Thank you for the opportunity to comment on the FY2006 budget request as it affects programs within the Committee's jurisdiction, and thank you for your steady and long-standing support of small business assistance. I look forward to your continued support and to working with you to develop this portion of the Budget Resolution for FY2006 so that it has reasonable funding of $750,900,000 for the SBA.

Sincerely,

John F. Kerry
Ranking Member

Enclosures: 2

Table S–3. Agency Growth in Discretionary Spending

(Budget authority; dollar amounts in billions)

Agency	Actual			Estimate		Growth			
						2004–2005		Average	Cumulative
	2001	2002	2003	2004	2005	Change	Percent	2001–2005	2001–2005
Agriculture	19.2	20.1	21.7	20.7	19.1	−1.7	−8.1%	−0.2%	−0.9%
Commerce	5.1	5.4	5.6	5.8	5.7	−0.1	−1.0%	2.9%	12.1%
Defense	302.5	327.8	365.3	375.3	401.7	26.5	7.1%	7.3%	32.8%
Education	40.1	48.5	53.1	55.7	57.3	1.7	3.0%	9.3%	43.0%
Energy	20.0	20.9	21.9	23.3	23.6	0.3	1.2%	4.2%	17.7%
Health and Human Services	54.0	59.5	65.7	69.3	68.2	−1.1	−1.6%	6.0%	26.2%
Homeland Security	14.0	15.7	22.0	27.1	28.3	1.3	4.6%	19.3%	102.3%
Housing and Urban Development	28.4	29.4	30.1	30.4	31.3	0.8	2.8%	2.5%	10.3%
Interior	10.3	10.5	10.5	10.6	10.8	0.2	1.9%	1.4%	5.7%
Justice	18.4	18.6	19.0	19.3	18.7	−0.6	−3.1%	0.5%	2.1%
Labor	11.9	12.1	11.8	11.7	11.9	0.1	1.3%	−0.1%	−0.4%
State	7.7	9.0	9.2	9.3	10.3	1.0	10.7%	7.3%	32.8%
Transportation	14.6	12.8	13.5	13.9	13.3	−0.5	−3.9%	−2.1%	−8.3%
Treasury	10.3	10.5	10.7	11.2	10.8	−0.4	−3.6%	1.1%	4.3%
Veterans Affairs	22.4	23.8	26.4	29.1	29.7	0.5	1.8%	7.3%	32.5%
Corps of Engineers	4.7	4.5	4.6	4.6	4.0	−0.6	−13.1%	−4.1%	−15.4%
Environmental Protection Agency	7.8	7.9	8.1	8.4	7.8	−0.6	−7.2%	−0.2%	−1.0%
Executive Office of the President	0.3	0.3	0.3	0.3	0.3	0.0	0.5%	6.8%	30.2%
General Services Administration	0.2	0.2	1.3	0.5	0.2	−0.2	−49.2%	5.3%	22.8%
International Assistance Programs	12.6	12.7	13.6	15.7	19.3	3.7	23.5%	11.3%	53.6%
Judicial Branch	4.0	4.3	4.6	4.8	5.4	0.6	11.5%	7.8%	35.2%
Legislative Branch	2.8	3.0	3.4	3.6	4.0	0.4	12.3%	9.8%	45.4%
NASA	14.3	14.8	15.3	15.4	16.2	0.9	5.6%	3.3%	14.0%
National Science Foundation	4.4	4.8	5.3	5.6	5.7	0.2	3.0%	6.7%	29.7%
Small Business Administration	0.9	0.8	0.8	0.8	0.7	−0.1	−10.4%	−6.8%	−24.7%
Social Security Administration	6.0	6.4	6.7	7.2	7.6	0.4	5.9%	5.9%	25.8%
Other Agencies	7.0	6.8	7.9	8.0	6.5	−1.5	−19.1%	−2.0%	−7.6%
Total, Discretionary Spending	**643.8**	**691.0**	**758.5**	**787.3**	**818.4**	**31.1**	**3.9%**	**6.2%**	**27.1%**
Emergency Response Funds and Supplementals	20.0	43.8	90.9	87.3					

Table S–3. Growth in Discretionary Budget Authority by Major Agency

(Net budget authority; dollar amounts in billions)

Agency	Actual				Estimate		Growth			
							2005–2006		Average	Cumulative
	2001	2002	2003	2004	2005	2006	Change	Percent	2001–2006	2001–2006
Agriculture	19.2	20.1	21.7	21.1	21.4	19.4	–2.0	–9.6%	0.1%	0.7%
Commerce	5.1	5.4	5.6	5.8	6.3	9.4	3.1	49.0%	13.0%	84.5%
Defense	302.5	327.8	365.3	375.7	400.1	419.3	19.3	4.8%	6.7%	38.6%
Education	40.1	48.5	53.1	55.7	56.6	56.0	–0.5	–0.9%	6.9%	39.8%
Energy	20.0	20.9	22.0	23.4	23.9	23.4	–0.5	–2.0%	3.2%	17.1%
Health and Human Services	54.0	59.5	65.7	69.2	69.2	68.9	–0.3	–0.5%	5.0%	27.5%
Homeland Security	14.0	15.7	21.9	27.9	29.0	29.3	0.3	1.2%	16.0%	109.7%
Housing and Urban Development	28.4	29.4	30.1	32.0	32.2	28.5	–3.7	–11.5%	0.1%	0.5%
Interior	10.3	10.5	10.5	10.7	10.8	10.6	–0.1	–1.1%	0.7%	3.7%
Justice	18.4	18.6	19.0	19.5	20.2	19.1	–1.1	–5.5%	0.8%	3.9%
Labor	11.9	12.1	11.8	11.8	12.0	11.5	–0.5	–4.4%	–0.7%	–3.6%
State and International Assistance Programs	20.3	21.7	22.8	25.0	27.5	31.8	4.3	15.7%	9.4%	56.4%
Transportation	14.6	12.8	13.5	13.9	12.7	11.8	–0.9	–6.7%	–4.1%	–18.8%
Treasury	10.3	10.5	10.7	10.7	11.2	11.6	0.4	3.9%	2.4%	12.7%
Veterans Affairs	22.4	23.8	26.4	29.1	30.6	31.3	0.7	2.1%	6.9%	39.8%
Corps of Engineers	4.7	4.5	4.6	4.6	4.7	4.3	–0.3	–7.2%	–1.6%	–7.6%
Environmental Protection Agency	7.8	7.9	8.1	8.4	8.0	7.6	–0.5	–5.6%	–0.7%	–3.4%
Executive Office of the President	0.3	0.3	0.3	0.3	0.3	0.3	–0.0	–1.7%	4.6%	25.5%
Judicial Branch	4.0	4.3	4.6	4.8	5.1	5.6	0.5	9.9%	7.1%	41.0%
Legislative Branch	2.8	3.0	3.4	3.6	3.6	4.1	0.5	13.7%	8.2%	48.1%
National Aeronautics and Space Administration	14.3	14.8	15.3	15.4	16.1	16.5	0.4	2.4%	2.9%	15.5%
National Science Foundation	4.4	4.8	5.3	5.6	5.5	5.6	0.1	2.4%	4.8%	26.5%
Social Security Administration	6.0	6.4	6.7	7.2	7.5	7.7	0.2	2.8%	4.9%	27.3%
Other Agencies	8.1	7.7	10.0	9.0	8.4	6.6	–1.7	–20.8%	–4.0%	–18.4%
Total, Discretionary Spending	**643.8**	**691.0**	**758.5**	**790.1**	**822.7**	**840.3**	**17.6**	**2.1%**	**5.5%**	**30.5%**

Note: Supplementals are excluded.