

THE WHITE HOUSE  
WASHINGTON

March 9, 2007

Dear Madam Speaker:

I ask the Congress to consider the enclosed FY 2007 request to cancel \$3.1 billion of funding from lower-priority Federal programs and excess funds. This request would offset fully the funds needed to address the \$3.1 billion FY 2007 funding shortfall for the Department of Defense to implement the recommendations of the 2005 Base Realignment and Closure Commission. The proposed cancellations would affect the Departments of Agriculture, Commerce, Education, Energy, Health and Human Services, Housing and Urban Development, the Interior, and Transportation, as well as the Corps of Engineers.

The details of this request are set forth in the enclosed letter from the Director of the Office of Management and Budget.

Sincerely,

A handwritten signature in black ink, appearing to be "G. W. Bush", written in a cursive style.

The Honorable Nancy Pelosi  
Speaker of the  
House of Representatives  
Washington, D.C. 20515



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

THE DIRECTOR

March 9, 2007

The President  
The White House

Submitted for your consideration is an FY 2007 request to cancel \$3.1 billion of funding from lower-priority Federal programs and excess funds. These proposals would offset fully funds needed to address the \$3.1 billion FY 2007 funding shortfall for the Department of Defense (DOD) to implement the recommendations of the 2005 Base Realignment and Closure (BRAC) Commission. These funds are necessary for DOD to continue scheduled redeployments of military personnel and their families from overseas stations to the United States and support the training, mobilization and deployment of military forces in support of the Global War on Terror. In addition, these funds are required to maintain the legislated schedule for BRAC realignments and closures, which is important to communities that have already made specific plans and commitments.

As described below and in more detail in the enclosures, the cancellation proposals include the following:

Department of Agriculture

- \$245.3 million from the Department of Agriculture, which includes \$39.6 million from the Rural Business Enterprise Grants of the Rural Business and Cooperative Service; \$50.0 million from the Foreign Agricultural Service Trade Adjustment Assistance; \$130.0 million from the Hatch Act formula grant program; and \$25.7 million from the High Energy Cost Grants program.

Department of Commerce

- \$79.1 million from the Advanced Technology Program.

Department of Education

- \$891.7 million from the Department of Education, which includes \$65.0 million to eliminate the Leveraging Educational Assistance Partnership program; \$381.0 million to reduce funding for Career and Technical Education State Grants; \$104.8 million to eliminate Tech-Prep State Grants; \$272.3 million to eliminate the Enhancing Education Through Technology State Grants program; and \$68.7 million to reduce funding for Even Start.

Department of Energy

- \$200.0 million of excess funding from the Environmental Management program.

Department of Health and Human Services

- \$118.0 million from the Centers for Disease Control and Prevention, which includes \$68.0 million from a duplicative block grant and \$50.0 million from buildings and facilities activities.

Department of Housing and Urban Development

- \$740.0 million of excess funding from the Community Development Block Grant program.

Department of the Interior

- \$77.3 million of excess funding from the Department of the Interior, which includes \$49.3 million from the Bureau of Indian Affairs' Education Construction program and nearly \$28.0 million from the Land and Water Conservation Fund State Grants program.

Department of Transportation

- \$677.0 million from the Department of Transportation, which includes \$121.0 million from Operating Subsidy Grants to the National Railroad Passenger Corporation and \$272.0 million from Capital Grants to the National Railroad Passenger Corporation. Also included is a request to cancel \$284.0 million of available contract authority from the Airport Improvement Program.

Corps of Engineers–Civil Works

- \$50.0 million from lower-priority programs in the Corps of Engineers Investigations account.

Recommendation

I have carefully reviewed these proposals and am satisfied that they are necessary at this time. Therefore, I join the heads of the affected departments and agencies in recommending that you transmit this request to the Congress.

Sincerely,



Rob Portman

Enclosures

DEPARTMENT OF AGRICULTURE

COOPERATIVE STATE RESEARCH, EDUCATION, AND EXTENSION SERVICE

Research and Education Activities

Of the funds made available under this heading pursuant to Public Law 110-5, \$130,000,000 are cancelled.

The proposal would cancel \$130.0 million from the Hatch Act formula grant program, which provides funding to land grant universities. While Public Law 110-5 eliminated \$166 million of earmarks, it increased the Hatch Act formula grant by \$146 million (82 percent over the President's FY 2007 Budget request). The Administration has consistently emphasized that funding through peer-reviewed competitive research programs generates the highest quality research, and therefore believes that providing significant amounts of additional funding to statutorily-derived formula programs is not the most effective use of taxpayer dollars.

DEPARTMENT OF AGRICULTURE

RURAL DEVELOPMENT PROGRAMS

Rural Community Advancement Program

Of the funds made available under this heading pursuant to Public Law 110-5, \$39,600,000 are cancelled.

The proposal would cancel \$39.6 million from the Rural Business Enterprise Grants of the Department of Agriculture's (USDA's) Rural Business and Cooperative Service. The program provides grants to public bodies, nonprofits, and tribal groups to support development of small businesses in rural communities. The proposed cancellation would eliminate funding for a program that is duplicative of many other grant programs within USDA and the Federal Government.

DEPARTMENT OF AGRICULTURE

RURAL UTILITIES SERVICE

High Energy Cost Grants

Of the funds made available under this heading pursuant to Public Law 110-5, \$25,740,000 are cancelled.

The proposal would cancel \$25.7 million from the High Energy Cost Grants program of the Department of Agriculture's Rural Utilities Service (RUS). The program provides grants for areas where the cost to deliver energy is significantly higher than the national average. The proposed cancellation is possible because there is nearly \$18 million in carryover balances to cover needs in FY 2007. In addition, those eligible for grants are also eligible for low-cost electric loans through RUS.

DEPARTMENT OF AGRICULTURE

FOREIGN AGRICULTURAL SERVICE

Trade Adjustment Assistance for Farmers

Of the funds made available for fiscal year 2007 in section 298 of Title II of the Trade Act of 1974, as amended by Public Law 107-210, \$50,000,000 are cancelled.

The proposal would cancel \$50.0 million from the Foreign Agricultural Service Trade Adjustment Assistance (TAA) for Farmers program. The TAA for Farmers program provides technical and financial assistance for agricultural producers and fishermen who suffer lower prices due to imports. The proposed cancellation is possible because applications for TAA for farmers have fallen drastically below expected levels.

DEPARTMENT OF COMMERCE

NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY

Industrial Technology Services

Of the funds made available under this heading pursuant to Public Law 110-5, \$79,077,650 are cancelled.

The proposal would cancel \$79.1 million from the Advanced Technology Program (ATP). No funding for new starts was provided in FY 2006, and initial appropriations action for FY 2007 would have provided no further funding for the program. ATP is a grant program for businesses that was intended to develop new technologies for commercial use. Given the growth of venture capital and other financing sources for high-tech projects, the program is no longer warranted in today's research and development environment. Large shares of ATP funding have gone to major corporations, and past Government Accountability Office studies found that projects often have been similar to those conducted by firms not receiving such subsidies. ATP subsidizes research that should be funded by private industry, which has the means and incentive for these research investments.



DEPARTMENT OF EDUCATION

OFFICE OF ELEMENTARY AND SECONDARY EDUCATION

Education for the Disadvantaged

Of the funds made available under this heading pursuant to Public Law 110-5, \$68,700,000 are cancelled.

Of the \$7.2 billion made available July 1, 2007 in this account, \$68.7 million would be cancelled from the Even Start program. Sufficient funds would remain to fund Even Start continuation awards.

DEPARTMENT OF EDUCATION

OFFICE OF ELEMENTARY AND SECONDARY EDUCATION

School Improvement Programs

Of the funds made available under this heading pursuant to Public Law 110-5, \$272,250,000 are cancelled.

The proposal would cancel \$272.3 million from this account to eliminate the Enhancing Education Through Technology State Grants program. This program supports funding for States and local school districts to use technology to improve instruction and student learning. While educational technology may have a positive impact on student achievement, schools can use other Education program funding to support technology uses, including Title I Grants to Local Educational Agencies and Teacher Quality State Grants. This cancellation is consistent with proposals to terminate this program in the President's FY 2007 and FY 2008 Budgets.

DEPARTMENT OF EDUCATION

OFFICE OF VOCATIONAL AND ADULT EDUCATION

Vocational and Adult Education

Of the funds made available under this heading pursuant to Public Law 110-5, \$485,755,000 are cancelled.

Of the \$485.8 million proposed for cancellation, \$381.0 million would come from Career and Technical Education (CTE) State Grants, which was funded at \$1.2 billion in FY 2006. CTE State Grants provides grants to States to support high schools and community college activities related to vocational and technical education. The proposed cancellation is possible because States have already received a \$791 million advance appropriation for expenses in the 2007-2008 school year.

In addition, \$104.8 million would be cancelled for Tech-Prep State Grants, which was funded at \$105 million in FY 2006. The Tech-Prep State Grants program supports partnerships that develop structural links between secondary schools and postsecondary institutions to integrate academic and vocational education. The populations served and services provided under this program are duplicative of the much larger Career and Technical Education State Grants program.

DEPARTMENT OF EDUCATION  
OFFICE OF FEDERAL STUDENT AID

Student Financial Assistance

Of the funds made available under this heading pursuant to Public Law 110-5, \$64,986,570 are cancelled.

The proposal would cancel \$65.0 million from the Student Financial Assistance account to eliminate the Leveraging Educational Assistance Partnership program. The Performance Assessment Rating Tool analysis determined this program had not demonstrated results. State grant levels have expanded greatly over the years, and most States significantly exceed the statutory matching requirements. State matching funds in the academic year 1999-2000, for example, totaled nearly \$1 billion, or more than \$950 million over the level generated by a dollar-for-dollar match. The program would be terminated, consistent with proposals in the President's FY 2007 and FY 2008 Budgets.

DEPARTMENT OF ENERGY

ENVIRONMENTAL AND OTHER DEFENSE ACTIVITIES

Defense Environmental Cleanup

Of the funds made available under this heading pursuant to Public Law 110-5, \$200,000,000 are cancelled.

The proposal would cancel \$200.0 million from the Environmental Management program. The program's mission is to clean up radioactive and hazardous waste at Department of Energy sites that supported the development and production of nuclear weapons. The program's FY 2007 plans reflect significantly reduced requirements due to the completion of the Rocky Flats site (Colorado) in FY 2006. The additional resources provided by P.L. 110-5 cannot be effectively spent in the remaining months of FY 2007.

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
CENTERS FOR DISEASE CONTROL AND PREVENTION

Disease Control, Research, and Training

Of the funds made available under this heading pursuant to Public Law 110-5, \$118,000,000 are cancelled.

Of the \$118.0 million proposed for cancellation, \$68.0 million would come from the Disease Control, Research, and Training account because it duplicates existing categorical grants, and does not have performance metrics. This proposal is consistent with the President's FY 2007 and FY 2008 Budgets. Existing categorical grants will continue to support chronic disease prevention activities throughout the Nation.

In addition, \$50.0 million would be cancelled from the Centers for Disease Control and Prevention (CDC) buildings and facilities, to allow for a more sustainable funding path for this activity. CDC will still be able to make substantial improvements to agency facilities and will be able to support routine maintenance and improvement activities within available resources.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT

Community Development Fund

Of the funds made available under this heading pursuant to Public Law 110-5, \$740,000,000 are cancelled.

The proposal would cancel \$740.0 million from the Community Development Block Grant (CDBG) program. This program was proposed to be reduced in the President's FY 2007 and FY 2008 Budgets, and P.L. 110-5 provides funding significantly above these requests. The current CDBG program is not well-targeted and program results 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.

DEPARTMENT OF THE INTERIOR

BUREAU OF INDIAN AFFAIRS

Construction

Of the funds made available under this heading pursuant to Public Law 110-5, \$49,346,000 are cancelled.

The proposal would cancel \$49.3 million from the Bureau of Indian Affairs (BIA) Education Construction program. The program provides safe and functional schools and dormitories through replacement of buildings or improvement and repair projects. Approximately 46,000 Indian students attend 184 BIA-funded schools in Indian communities located in 23 States. The proposal cancels funding provided by the Congress above the President's FY 2007 Budget request and is not identified with specific projects. The proposed cancellation would allow BIA time to catch up on previously funded school construction projects. The program has had difficulty absorbing funding increases and managing projects during the past several years.



DEPARTMENT OF THE INTERIOR

NATIONAL PARK SERVICE

Land Acquisition and State Assistance

Of the funds made available under this heading pursuant to Public Law 110-5, \$27,995,000 are permanently cancelled.

The proposal would cancel \$28.0 million from the Land and Water Conservation Fund State grants program in the National Park Service. The program provides grants to States for land acquisition and improvements to State and local parks. No funds for this program were requested in the FYs 2006, 2007, or 2008 President's Budgets on the grounds that paying to improve State and local parks are decisions better left to State and local taxpayers. A Program Assessment Rating Tool review found that this grant program had not been able to measure performance or demonstrate results. The proposed cancellation would not affect funds to administer the program or prior-year balances that are not obligated, but have been allocated to the States.

DEPARTMENT OF TRANSPORTATION

FEDERAL RAILROAD ADMINISTRATION

Operating Subsidy Grants to the National Railroad Passenger Corporation

Of the funds made available under this heading pursuant to Public Law 110-5, \$121,000,000 are cancelled.

This proposal would cancel \$121.0 million from the Operating Subsidy Grants to the National Railroad Passenger Corporation. Amtrak carried forward more than \$200 million in operating funds into FY 2007, which is an unusually large amount. With this available balance, Amtrak should have adequate working capital reserves so that its actual FY 2007 operating budget would not be substantially affected by a cancellation. This proposal would further an Administration reform proposal to force the railroad to operate more like a business.

DEPARTMENT OF TRANSPORTATION

FEDERAL RAILROAD ADMINISTRATION

Capital and Debt Service Grants to the National Railroad Passenger Corporation

Of the funds made available under this heading pursuant to Public Law 110-5, \$272,000,000 are cancelled.

This proposal would cancel \$272.0 million from the Capital Grants to the National Railroad Passenger Corporation. In FY 2007, Amtrak received an appropriation of \$772 million for capital expenses and debt service payments, which incorrectly implies that repaying Amtrak's debt service is a Federal responsibility. There is no obligation by the Federal Government to fund this expense, particularly because Amtrak is a private corporation that independently decided to take on its debt. This proposal would eliminate Amtrak's set-aside for debt service, furthering an Administration reform proposal and forcing the railroad to operate more like a business.

DEPARTMENT OF TRANSPORTATION  
FEDERAL AVIATION ADMINISTRATION

Grants-In-Aid for Airports  
(Liquidation of Contract Authority)  
(Limitation on Obligations)  
(Airport and Airway Trust Fund)

Notwithstanding section 101 of P.L. 110-5, the limitation on obligations under this heading shall not exceed \$3,416,000,000.

Grants-In-Aid for Airports  
(Airport and Airway Trust Fund)  
(Cancellation of Contract Authority)

Of the amounts authorized for the fiscal year ending September 30, 2007 and prior years under sections 48103 and 48112 of title 49, United States Code, \$284,000,000 are cancelled.

The proposal cancels \$284.0 million of available contract authority from the Airport Improvement Program (AIP) and sets the obligation limitation at \$3,416 million for 2007, which is a reduction of \$98.5 million from the level provided in P.L. 110-5. AIP provides grants to airports to address capacity, safety, and security needs. This cancels a total of \$284 million in contract authority, comprised of \$185.5 million in contract authority in excess of the current obligation limitation provided in P.L. 110-5 as the bill did not cancel this available contract authority. This also cancels \$98.5 million in contract authority as well as reduces the obligation limitation by the same amount. The obligation limitation provided in P.L. 110-5 of \$3.5 billion was \$765 million above the President's Request for 2007.

## CORPS OF ENGINEERS-CIVIL WORKS

### Investigations

Of the funds made available under this heading pursuant to Public Law 110-5, \$50,000,000 are cancelled.

The proposal would cancel \$50.0 million from the Corps of Engineers Investigations account. This account funds planning, engineering and design, data collection, interagency coordination and research. This proposal would allow the Administration to fund only priority, high-performing projects and not lower-performing projects that increase the Corps backlog of projects awaiting construction.