CROSSCUTTING PROGRAMS

3. HOMELAND SECURITY FUNDING ANALYSIS

Since the terrorist attacks of September 11, 2001, the Federal Government, with State, local and private sector partners, has engaged in a broad, determined effort to thwart terrorism, identify and pursue terrorists abroad and implement an array of measures to secure our citizens and resources at home. The Administration has worked with the Congress to reorganize the Federal Government; acquire countermeasures to chemical, biological, radiological, and nuclear (CBRN) weapons; enhance the security of our borders, transportation modes and critical infrastructure; and strengthen America's preparedness and response capabilities in our cities and local communities. Elements of our national homeland security strategy—to prevent terrorist attacks within the United States, reduce America's vulnerability to terrorism, and minimize the damage from attacks that may occur—involve every level of government as well as the private sector and individual citizens. Since September 11th, homeland security has continued to be a major policy focus for all levels of government, and one of the President's highest priorities.

Underscoring the importance of homeland security as a crosscutting Government-wide function, section 889 of the Homeland Security Act of 2002 requires a homeland security funding analysis to be incorporated in the President's Budget. This analysis addresses that legislative requirement. This analysis covers the homeland security funding and activities of all Federal agencies, not only those carried out by the Department of Homeland Security (DHS), but also addresses State, local, and private sector expenditures. Since not all activities carried out by DHS constitute homeland security funding (e.g., response to natural disasters, Coast Guard search and rescue activities), DHS estimates in this section do not represent the entire DHS budget.

Data Collection Methodology and Adjustments

The Federal spending estimates in this analysis utilize funding and programmatic information collected on the Executive Branch's homeland security efforts.[1] Throughout the budget formulation process, the Office of Management and Budget (OMB) collects three-year funding estimates and associated programmatic information from all Federal agencies with homeland security responsibilities. These estimates do not include the efforts of the Legislative or Judicial branches. Information in this chapter is augmented by a detailed appendix of account-level funding estimates, which is available on the *Analytical Perspectives* CD–ROM.

To compile this data, agencies report information using standardized definitions for homeland security.[2] The data provided by the agencies are developed at the "activity level," which is a set of like programs or projects, at a level of detail sufficient to consolidate the information to determine total Governmental spending on homeland security.

To the extent possible, this analysis maintains programmatic and funding consistency with previous estimates. Some discrepancies from data reported in earlier years arise due to agencies' improved ability to extract homeland security-related activities from host programs and refine their characterizations. As in the Budget, where appropriate, the data is also updated to reflect agency activities, Congressional action, and technical re-estimates. In addition, the Administration may refine definitions or mission area estimates over time based on additional analysis or changes in the way specific activities are characterized, aggregated, or disaggregated.

Federal Expenditures

Total funding for homeland security has grown significantly since the attacks of September 11, 2001. For 2008, the President's Budget includes $61.1 billion of gross budget authority for homeland security activities, a $4.7 billion (8.4 percent) increase over the 2007 estimated level.[3] Not including the Department of Defense's (DOD) funding, the gross non-defense 2008 request for homeland spending is $43.6 billion, or a $3.8 billion (9.5 percent) increase over the 2007 estimated level. Excluding mandatory spending, fees, and the DOD's homeland security budget, the 2008 Budget proposes a net, non-Defense discretionary increase of $3.4 billion (10.3 percent) over the 2007 level (see Table 3–1).

The 2008 Budget proposes homeland security funding for a total of 31 agencies. Of those, five agencies—the Departments of Homeland Security, Defense, Health and Human Services (HHS), Justice (DOJ) and Energy (DOE)—account for approximately 93 percent of total Government-wide homeland security funding in 2008.

[1] All data in the Federal expenditures section are based on the President's policy for the 2008 Budget. Additional policy and baseline data is presented in the "Additional Tables" section. Due to rounding, data in this section may not add to totals in other Budget volumes.

[2] Federal homeland security activities are currently defined by OMB in Circular A-11 as, "activities that focus on combating and protecting against terrorism, and that occur within the United States and its territories (this includes Critical Infrastructure Protection (CIP) and Continuity of Operations (COOP) data), or outside of the United States and its territories if they support domestically-based systems or activities (e.g., visa processing or pre-screening high-risk cargo at overseas ports). Such activities include efforts to detect, deter, protect against, and, if needed, respond to terrorist attacks."

[3] Aside from DHS and DOD, all other agencies' 2007 funding is at the estimated full-year Continuing Resolution levels. Further, the FY07 gross homeland security funding excludes supplemental and emergency funding received in 2007 ($1.7 billion) and the Department of Commerce's mandatory borrowing authority for emergency communications interoperability grants ($1 billion).

Table 3–1. HOMELAND SECURITY FUNDING BY AGENCY

(Budget authority, in millions of dollars)

Budget Authority	2006 Actual	2006 Supplemental/ Emergency	2007 Enacted/CR	2007 Supplemental/ Emergency [1]	2008 Request [2]
Department of Agriculture	597.4	....	522.5	....	718.5
Department of Commerce [3]	181.1	....	194.1	....	217.7
Department of Defense	16,479.3	1,030.5	16,538.3	....	17,461.2
Department of Education	24.7	....	24.0	....	23.2
Department of Energy	1,702.1	....	1,696.6	....	1,833.9
Department of Health and Human Services	4,351.8	0.1	4,313.2	....	4,424.1
Department of Homeland Security	25,154.9	1,416.1	26,872.2	1,816.4	29,666.5
Department of Housing and Urban Development	1.9	....	1.9	....	3.4
Department of the Interior	59.5	....	46.8	....	48.4
Department of Justice	2,995.4	30.3	3,089.3	96.0	3,330.5
Department of Labor	48.3	....	49.4	....	51.8
Department of State	1,107.9	....	1,239.6	....	1,405.7
Department of Transportation	181.0	....	178.6	....	200.0
Department of the Treasury	113.5	1.3	108.8	3.0	118.0
Department of Veterans Affairs	297.8	....	243.6	....	270.0
Corps of Engineers	72.0	....	43.0	....	42.0
Environmental Protection Agency	129.4	....	132.9	....	152.4
Executive Office of the President	20.8	....	20.8	....	20.8
General Services Administration	98.6	0.1	73.7	....	42.3
National Aeronautics and Space Administration	212.6	....	199.2	....	193.9
National Science Foundation	344.2	....	344.2	....	375.4
Office of Personnel Management	2.7	....	2.8	....	2.3
Social Security Administration	176.4	....	194.0	....	217.1
District of Columbia	13.5	....	8.0	....	3.0
Federal Communications Commission	2.3	....	2.3	....	3.6
Intelligence Community Management Account	56.0	....	56.0	....	58.0
National Archives and Records Administration	18.2	....	18.2	....	18.1
Nuclear Regulatory Commission	79.3	....	66.0	....	68.9
Securities and Exchange Commission	5.0	....	14.3	....	18.3
Smithsonian Institution	83.7	....	80.6	....	92.8
United States Holocaust Memorial Museum	7.8	....	7.8	....	8.4
Corporation for National and Community Service	20.4	....	20.4	....	14.9
Total, Homeland Security Budget Authority	**54,639.4**	**2,478.4**	**56,403.0**	**1,915.4**	**61,104.9**
Less Department of Defense	–16,479.3	–1,030.5	–16,538.3	....	–17,461.2
Non-Defense Homeland Security Budget Authority, excluding Mandatory Interoperability Communications Grants [4]	**38,160.1**	**1,447.9**	**39,864.7**	**1,915.4**	**43,643.7**
Less Fee-Funded Homeland Security Programs	–3,512.9	....	–4,396.4	....	–4,986.2
Less Mandatory Homeland Security Programs	–2,256.9	....	–2,487.7	....	–2,291.0
Net Non-Defense Discretionary Homeland Security Budget Authority, excluding Mandatory Interoperability Communications Grants [4]	**32,390.3**	**1,447.9**	**32,980.6**	**1,915.4**	**36,366.5**
Plus Mandatory Interoperability Communications Grants	....	....	1,000.0	....	....
Net Non-Defense, Discretionary Homeland Security Budget Authority, including Mandatory Interoperability Communications Grants [4]	**32,390.3**	**1,447.9**	**33,980.6**	**1,915.4**	**36,366.5**
Obligations Limitations					
Department of Transportation Obligations Limitation	121.0	....	121.0	....	121.3

[1] The 2007 supplemental and emergency funding levels for the Departments of Homeland Security (DHS), Justice (DOJ), and Treasury include both enacted and requested supplemental funding. In the 2007 Global War on Terror (GWOT) supplemental request, DHS, DOJ, and Treasury request $120 million, $96 million, and $3 million, respectively, for additional 2007 budget authority.

[2] The 2008 request levels for DHS and DOJ does not include additional budget authorities for 2008 requested in the 2007 GWOT supplemental request. Specifically, DHS and DOJ request $225 million and $85 million, respectively, in additional budget authority for 2008 to be provided in the 2007 GWOT supplemental appropriation bill.

[3] DOC's 2007 gross Continuing Resolution full-year estimate for homeland security excludes $1 billion in mandatory borrowing authority to provide Federal grants to public safety agencies for communications interoperability purposes. Although technically scored in 2007, this funding will be made available from proceeds of the Federal Communications Commission's 2008 auction of returned television spectrum.

[4] The Deficit Reduction Act of 2005 appropriated $1 billion from anticipated spectrum auction receipts for the Department of Commerce, in consultation with the Department of Homeland Security, to make grants to public safety agencies for communications interoperability purposes.

The growth in Federal homeland security funding is indicative of the efforts that have been initiated to secure our Nation. However, it should be recognized that fully developing the strategic capacity to protect America is a complex effort with many challenges. There is a wide range of potential threats and risks from terrorism. To optimize limited resources and minimize the potential social costs to our free and open society, homeland security activities should be prioritized based on the highest threats and risks. Homeland security represents a partnership between the Federal government and its State and local counterparts, the private sector, and individual citizens, each with a unique role in protecting our Nation.

The *National Strategy for Homeland Security* provides a framework for addressing these challenges. It guides the highest priority requirements for securing the Nation. As demonstrated below, the Federal government has used the *National Strategy* to guide its homeland security efforts. For this analysis, agencies categorize their funding data based on the critical mission areas defined in the *National Strategy*: intelligence and warning, border and transportation security, domestic counterterrorism, protecting critical infrastructures and key assets, defending against catastrophic threats, and emergency preparedness and response.

The *National Strategy* is a dynamic document being implemented through a robust interagency planning and coordination process. It includes actions that agencies use and must build upon to measure progress. In some cases, progress may be easily measured. In others, Federal agencies, along with State and local governments and the private sector, are working together to develop measurable goals. Finally, in some areas, Federal agencies and partners must continue to develop a better understanding of changing risks and threats—such as the biological agents most likely to be used by a terrorist group or the highest-risk critical infrastructure targets—in order to develop benchmarks that suit the needs of the moment and at the same time align to long-term goals. For example, a major interagency effort currently occurring at the Federal level is the development of the National Implementation Plan for the Global War on Terrorism and attendant performance measures that address homeland security.

Funding presented in this report is analyzed in the context of major "mission areas." Activities in many of the mission areas are closely related and certain capabilities highlighted by a single mission area also enhance capabilities captured by other mission areas. For example, information gleaned from activities in the intelligence and warning category may be utilized to inform law enforcement activities in the domestic counterterrorism category. Augmentation of pharmaceutical stockpiles, categorized as emergency preparedness and response, may also address agents that represent catastrophic threats. However, for the purposes of segmenting Federal homeland security funding by mission areas, discussions of cross-cutting activities have also been separated by mission areas.

Furthermore, there are a small number of notable cross-cutting activities that are not specifically highlighted in any of the mission areas. For example, although pandemic influenza preparedness is considered an essential homeland security activity, it does not necessarily fit into a single mission area, and general biodefense and preparedness activities of the Federal government encompass it. Nevertheless, the preparations we are making for pandemic influenza have a direct impact on our ability to defend against and respond to terrorist Weapons of Mass Destruction (WMD) threats.

The following table summarizes funding levels by the *National Strategy's* mission areas; more detailed analyses are provided in subsequent mission-specific analysis sections.

Table 3–2. HOMELAND SECURITY FUNDING BY NATIONAL STRATEGY MISSION AREA

(Budget authority, in millions of dollars)

Agency	2006 Actual	2006 Supplemental	2007 Enacted/CR	2007 Supplemental/ Emergency	2008 Request
Intelligence and Warning	443.0	6.3	500.3	13.0	647.9
Border and Transportation Security	18,042.3	1,335.8	19,528.1	1,816.4	22,403.8
Domestic Counterterrorism	4,535.6	89.8	4,980.3	83.0	4,889.4
Protecting Critical Infrastructure and Key Assets	17,933.2	862.4	17,919.7	3.0	19,096.1
Defending Against Catastrophic Threats	8,573.7	122.4	8,460.6	....	8,828.9
Emergency Preparedness and Response	4,992.3	61.6	4,935.9	....	5,022.0
Other	119.3	....	78.1	....	216.8
Total, Homeland Security Budget Authority	**54,639.4**	**2,478.4**	**56,403.0**	**1,915.4**	**61,104.9**
Plus Mandatory Interoperability Communications Grants	....	....	1,000.0	....	....
Total Homeland Security Budget Authority plus Mandatory Interoperability Communications Grants	**54,639.4**	**2,478.4**	**57,403.0**	**1,915.4**	**61,104.9**

National Strategy Mission Area: Intelligence and Warning

The intelligence and warning mission area covers activities to detect terrorist threats and disseminate terrorist-threat information. This category includes intelligence collection, risk analysis, and threat-vulnerability integration activities for preventing terrorist attacks. It also includes information sharing activities among Federal, State, and local governments, relevant private sector entities, and the public at large. It does not include most foreign intelligence collection—although the resulting intelligence may inform homeland security activities—nor does it fully capture classified intelligence activities. In 2008, funding for intelligence and warning is distributed between DHS (60 percent), primarily in the Office of Intelligence and Analysis (I&A); DOJ (27 percent), primarily in the Federal Bureau of Investigation (FBI); and other Intelligence Community members (9 percent). The 2008 funding for intelligence and warning activities is 29.5 percent above the 2007 level.

Table 3–3. INTELLIGENCE AND WARNING FUNDING

(Budget authority, in millions of dollars)

Agency	2006 Actual	2006 Supplemental	2007 Enacted/CR	2007 Supplemental/ Emergency	2008 Request
Department of Agriculture	5.2	....	5.2	....	22.3
Department of Commerce	....	....	1.8	....	1.8
Department of Homeland Security	337.7	....	380.1	....	388.4
Department of Justice	41.7	5.0	54.8	10.0	173.8
Department of the Treasury	2.4	1.3	2.4	3.0	3.6
Intelligence Community Management Account	56.0	....	56.0	....	58.0
Total, Intelligence and Warning	**443.0**	**6.3**	**500.3**	**13.0**	**647.9**

The major requirements addressed in the intelligence and warning mission area include:

- Unifying and enhancing intelligence and analytical capabilities to ensure officials have the information they need to prevent attacks; and
- Implementing information sharing and warning mechanisms, such as the Homeland Security Advisory System, to allow Federal, State, local, and private authorities to take action to prevent attacks and protect potential targets.

As established by the Intelligence Reform and Terrorism Prevention Act (IRTPA) of 2004, the Director of National Intelligence (DNI) ensures that this office is setting collection and analysis priorities that are consistent with the *National Intelligence Strategy*. This strategy calls for the integration of both the domestic and foreign dimensions of U.S. intelligence so that there are no gaps in our understanding of threats to the homeland.

In accordance with the IRTPA's requirements for the Information Sharing Environment (ISE), the DNI is also ensuring that information sharing takes place in an environment where access to terrorism information is matched to the roles, responsibilities, and missions of all the organizations across the intelligence community. These changes allow the intelligence community to "connect the dots" more effectively, develop a better integrated system for identifying and analyzing terrorist threats, and issue warnings more rapidly. The DNI, in conjunction with the Homeland Security Council (HSC) and relevant Federal agencies, has established the ISE Implementation Plan and ISE Privacy Guidelines in accordance with a Presidential directive in December, 2005, which outlined new guidelines and protocols for improving information sharing between Federal, State, local, and foreign governments and the private sector. The President has extended work on the ISE for another two years and fully supports the plan going forward to complete the ISE mandate as outlined in IRTPA.

The National Counterterrorism Center (NCTC) is specifically chartered to centralize U.S. Government terrorism threat analysis and ensure that all agencies receive relevant analysis and information. NCTC serves as the primary organization in the U.S. Government for analyzing and integrating all intelligence pertaining to terrorism and counterterrorism (except purely domestic terrorism) and the central and shared knowledge bank on known and suspected terrorists and international terror groups. It also ensures that agencies, as appropriate, have access to and receive the all-source intelligence support needed to execute their counterterrorism plans or perform independent, alternative analysis. NCTC is tasked with coordinating counterterrorism operational planning on a global basis and developing strategic, operational plans for the Global War on Terrorism. The NCTC, with guidance from the National Security Council and the HSC, has created the first National Implementation Plan for the Global War on Terrorism, which will further consolidate the U.S. Government's efforts on the Global War on Terrorism.

The DNI and the NCTC work to utilize the unique assets and capabilities of other Government agencies and interagency groups—some of which are reorganizing to improve these capabilities and better interface with the new intelligence structure. As such, the NCTC allocates requirements to the agencies with the assets and capabilities to address them. In addition, NCTC has formed a new core staff of analysts drawn from multiple intelligence agencies. This variety ensures that NCTC can access the Intelligence Community's full breadth of knowledge and complement the activities of individual agencies. Despite the addition of this new permanent planning staff, NCTC will not undertake direct operations but will continue to leave mission execution with the appropriate agencies. This separation ensures that agencies' chains of command remain intact and prevent potentially excessive micromanagement of counterterrorism missions. Taken together, the creation of the NCTC and recent legislation and executive orders will ensure counterterrorism intelligence and warning assets are better allocated and more tightly coordinated, leading to improved intelligence for homeland security.

The 2008 budget request for the FBI supports improvements in its national security investigations and intelligence analysis, as well as technical and tactical support programs. Many of the improvements are targeted at FBI's National Security Branch, which integrates the Intelligence Directorate, Counterterrorism Division and Counterintelligence Division.

Over the past five years, the FBI has developed its intelligence capabilities and improved its ability to protect the American people from threats to national security. It has built on its established capacity to collect information and enhanced its ability to analyze, disseminate and utilize intelligence. The President's 2008 Budget supports the FBI's priorities and its continuing transformation by providing the resources needed to enhance its national security capabilities and improve supporting information technology and infrastructure. These initiatives will increase the number of agents and specialists working national security cases; enhance intelligence collection, systems, and training; improve IT systems that reduce paperwork and facilitate information sharing; and upgrade biometric identification systems to improve the identification of terrorists.

As a result of the Department of Homeland Security's 2006 re-organization (Second Stage Review), a new Office of Intelligence and Analysis was established to strengthen intelligence functions and information sharing within DHS. I&A gathers information to analyze terrorist threats to critical infrastructure, transportation systems, or other targets inside the homeland. Led by the DHS Chief Intelligence Officer reporting directly to the Secretary, this office not only relies on personnel from the former Information Analysis and Infrastructure Protection Directorate, but also draws on the expertise of other DHS components with information collection and analytical capabilities. For example, improved coordination and information sharing between border agents, air marshals, and intelligence analysts deepens the Department's understanding of terrorist threats. By maintaining and expanding its partnership with the NCTC, DHS will better coordinate its activities with other members within the Intelligence Community and the DNI.

I&A also serves as the focal point for disseminating homeland security information to State and local entities. For example, I&A is connected to homeland security directors of States, counties, and territories through the Homeland Security Information Network (HSIN) and it is deploying the Homeland Security Data Network (HSDN) to them as well. All fifty States and major urban areas are connected to HSIN, and HSIN is being rolled out to major counties as well. Furthermore, in recognition of the limitations of virtual interactions through electronic communications networks, beginning in late 2006, I&A has begun deploying liaisons and intelligence analysts to State and Local Intelligence Fusion Centers across the nation to improve the flow and quality of homeland security information to State, local and private sector partners and ensure a more accurate situational awareness for DHS and its Federal partners.

National Strategy Mission Area: Border and Transportation Security

This mission area covers activities to protect border and transportation systems, such as screening airport passengers, detecting dangerous materials at ports

Table 3–4. BORDER AND TRANSPORTATION SECURITY FUNDING

(Budget authority, in millions of dollars)

Agency	2006 Actual	2006 Supplemental	2007 Enacted/CR	2007 Supplemental/ Emergency	2008 Request
Department of Agriculture	205.6	......	210.2	......	221.7
Department of Commerce	......	......	1.5	......	1.6
Department of Energy	......	......	......	......	7.1
Department of Homeland Security	16,732.1	1,335.8	18,086.3	1,816.4	20,812.8
Department of Justice	30.4	......	25.4	......	4.6
Department of State	1,056.6	......	1,188.3	......	1,346.0
Department of Transportation	17.7	......	16.4	......	10.0
Total, Border and Transportation Security	**18,042.3**	**1,335.8**	**19,528.1**	**1,816.4**	**22,403.8**

overseas and at U.S. ports-of-entry, and patrolling our coasts and the land between ports-of-entry. The majority of funding in this mission area ($20.9 billion, or 93 percent, in 2008) is in DHS, largely for the U.S. Customs and Border Protection (CBP), the Transportation Security Administration (TSA), and the U.S Coast Guard. Other DHS bureaus and other Federal Departments, such as the Departments of State and Justice, also play significant roles. The President's 2008 request would increase funding for border and transportation security activities by 6.7 percent over the 2007 level.

Securing our borders and transportation systems is a complex task. Security enhancements in one area may make another avenue more attractive to terrorists. Therefore, our border and transportation security strategy aims to make the U.S. borders "smarter"—targeting layered resources toward the highest risks and sharing information so that frontline personnel can stay ahead of potential adversaries—while facilitating the flow of legitimate visitors and commerce. The creation of DHS allowed for unification of the Federal Government's major border and transportation security resources, which facilitates the integration of risk targeting systems, and ensures greater accountability in border and transportation security. Rather than having separate systems for managing goods, people, and agricultural products, one agency is now accountable for ensuring that there is one cohesive border management system.

The 2008 Budget provides approximately $8.8 billion for the Border Patrol (an increase of 36 percent over 2007) including funding for 3,000 new agents. The President has committed to doubling the size of the Border Patrol to over 18,000 agents before he leaves office. At the start of the President's Administration, there were 9,096 Border Patrol agents. This Budget will bring the total number of agents to 17,819, and the next one will meet the President's goal. To gain control of our borders, the Budget also continues funding for fencing technology and other infrastructure along the border. For example, in September of 2006, DHS awarded a contract to implement the technological and infrastructure component of its Secure Border Initiative effort, SBInet. SBInet will concentrate on using proven technology to significantly improve the availability of information and tools to Border Patrol agents so they can better detect, identify, classify and confront illegal border activity by those who pose a threat to the United States. The Budget includes $1 billion for this priority. This investment will support smarter and more secure borders.

The Administration has effectively ended the practice of "catch and release" along the northern and southern borders. Non-Mexican illegal aliens apprehended at the border are now detained and then returned to their home countries as quickly as possible and all non-criminal Mexicans apprehended for crossing the border illegally are returned to Mexico immediately. The 2008 Budget includes $2.2 billion in detention and removal resources to continue this success and supports a total of 28,450 detention beds across the country to house illegal aliens apprehended by DHS.

To improve coordination and provide assistance to State and local law enforcement officials, the Budget will expand a successful Federal, State and local partnership—the 287(g) program, which provides State/local law enforcement officials with guidance and training in immigration law, subject to the direction of the Secretary of Homeland Security. The 2008 Budget includes an increase of $26 million for the 287(g) program and the Law Enforcement Support Center, including the training of 250 State and local law enforcement officers, detention beds for apprehended illegal aliens, and personnel to assist State and local law enforcement when they encounter aliens. The Budget also includes an increase of $29 million to identify criminal aliens in Federal, State, and local prison facilities and remove those aliens from the United States, $13 million for investigating smuggling and border criminal activity and $5 million for identifying, apprehending, prosecuting and removing aliens involved in gang activities.

Key to the Federal Government's screening of international visitors is the US-VISIT program, which is designed to expedite the clearance of legitimate travelers while identifying and denying clearance to those who may intend harm. US-VISIT currently collects two digital fingerprints and a digital photograph of all foreign visitors entering the United States. The ability to screen foreign visitors against criminal and terrorist databases as well as confirming the identity of travelers has improved border security. However, in the future, to improve accuracy in the identification of visitors, first-time visitors to the United States will be enrolled in the program by submitting ten fingerprints, allowing for improved accuracy in identifying foreign visitors and preventing the entry of known terrorists and criminals to the United States. DHS, in conjunction with the Departments of State and Justice, will implement this multiyear project to improve screening, and the 2008 Budget includes $462 million for US-VISIT, of which $228 million is for 10-print deployment and interoperability with the FBI's fingerprint system, the Integrated Automated Fingerprint Identification System.

In the area of aviation security, the Administration continues to enhance the multiple levels of security implemented in the wake of the September 11th attacks. The Transportation Security Administration has made significant improvements in aviation security since September 11th by implementing a layered, risk-based security approach. These advances include hardened cockpit doors, a greatly expanded Federal Air Marshals program, arming some pilots through the Federal Flight Deck Officers program, offering voluntary self defense training to crew members, and screening 100 percent of passenger and checked baggage. TSA will further strengthen these efforts in 2008 by requesting $4 billion for aviation screening operations. TSA will also commit $729 million to the purchase, installation, and maintenance of baggage screening devices, including inline systems that will increase baggage throughput up to

250 percent. The Budget also provides more than $82 million for emerging technology at passenger checkpoints. This technology will enhance the detection of prohibited items, especially firearms and explosives, through the use of additional sensors such as whole body imaging, liquid bottle scanners, automated explosive sampling, and cast and prosthesis scanners.

Safeguarding our seaports is critical since terrorists may seek to use them to enter the country or introduce weapons or other dangerous materials. With 95 percent of all U.S. cargo passing through the Nation's 361 ports, a terrorist attack on a major seaport could slow the movement of goods and be economically devastating to the nation. The Maritime Transportation Security Act (MTSA) and its implementing regulations, issued by DHS in October 2003, require ports, vessels, and facilities to conduct security assessments. In 2008, the Coast Guard will continue to ensure compliance with MTSA port and vessel security standards and regulations. The 2008 Budget provides nearly $3 billion for port security across DHS, primarily for Coast Guard port security activities such as Maritime Safety and Security Teams and harbor patrols. In addition, the Coast Guard's budget funds operations to strengthen intelligence collection and surveillance capabilities in the maritime environment, both of which contribute to the broader Coast Guard effort to enhance Maritime Domain Awareness. In 2007, Congress passed P.L. 109–347, the SAFE Port Act, which requires enhanced screening of cargo bound for the Unites States, among other port security measures. In addition, port operators are eligible for grants to fund security enhancements under DHS' Infrastructure Protection Program (IPP) which falls under the Infrastructure Protection mission area.

The State Department Bureau of Consular Affairs is the second largest contributor to border and transportation security. The State Border Security program includes visa, passport, American Citizen Services and International Adoption programs. In 2008, the State Department will continue working with interagency partners to enable the transition of the US-VISIT program to a ten fingerprint system. For visitors that require a visa, the Department of State collects the visitor's biometric and biographic data, which is then checked against watch lists, thereby improving the ability to make a visa determination. When the visitor arrives in the United States, US-VISIT procedures allow DHS to determine whether the person applying for entry is the same person who was issued the visa by the Department of State. This and additional watch list checks improve the ability of DHS to make admissibility decisions.

In addition, the Department of State will also lead the implementation of the Western Hemisphere Travel Initiative in 2008, which mandates that all persons travelling internationally within the Western Hemisphere travel with a passport or other authorized document by 2009. Under this initiative, United States citizens and foreign visitors traveling to and from the Caribbean, Bermuda, Panama, Canada or Mexico will be required to have a passport or standardized travel card that establishes the bearer's identity and nationality to enter or re-enter the United States. The initiative will improve security at our borders by standardizing entry and exit information and increasing the ability of Government agencies to work together.

National Strategy Mission Area: Domestic Counterterrorism

Funding in the domestic counterterrorism mission area covers Federal and Federally-supported efforts to identify, thwart, and prosecute terrorists in the United States. The largest contributors to the domestic counterterrorism mission are law enforcement organizations: within DOJ (largely the FBI) and DHS (largely ICE), which account for 53.3 and 45 percent of total funding for 2008, respectively.

Since the attacks of September 11th, preventing and interdicting terrorist activity within the United States has become a priority for law enforcement at all levels of government. The major requirements addressed in the domestic counterterrorism mission area include:

- Developing a proactive law enforcement capability to prevent terrorist attacks;
- Apprehending potential terrorists; and
- Improving law enforcement cooperation and information sharing to enhance domestic counterterrorism efforts across all levels of government.

Table 3–5. DOMESTIC COUNTERRORISM FUNDING

(Budget authority, in millions of dollars)

Agency	2006 Actual	2006 Supplemental	2007 Enacted/CR	2007 Supplemental/ Emergency	2008 Request
Department of Homeland Security	2,127.0	65.0	2,482.8	....	2,201.0
Department of Interior	0.3	....	0.3	....	0.3
Department of Justice	2,325.3	24.8	2,418.2	83.0	2,604.0
Department of Transportation	21.0	....	20.0	....	21.0
Department of the Treasury	60.7	....	57.6	....	61.7
Social Security Administration	1.4	....	1.4	....	1.4
Total, Domestic Counterterrorism	**4,535.6**	**89.8**	**4,980.3**	**83.0**	**4,889.4**

The President's 2008 Budget supports the FBI's top strategic priority: to protect the United States from terrorist attacks. FBI continues to build its counterterrorism capabilities post-September 11th. Over the past six years, FBI has shifted resources to counterterrorism from lower priority programs, hired and trained additional field investigators, enhanced science and technology capabilities, and strengthened headquarters oversight of the counterterrorism program. In addition, FBI has integrated its counterterrorism, counterintelligence, and intelligence functions by establishing the National Security Branch to oversee all three programs. More recently, the FBI has created a Weapons of Mass Destruction Directorate to coordinate all investigative and analytical efforts directed at WMD issues. Overall, FBI resources in the domestic counterterrorism category have increased from $0.9 billion in 2002 to $2 billion in 2008. Among the largest 2008 initiatives for enhancing counterterrorism capabilities are $38 million to improve FBI's data intercept and access program, $26 million to fund additional counterterrorism agents, and $19 million to expand the WMD Directorate.

Within DHS, ICE focuses on a broad array of national security, financial, and smuggling violations, including illegal arms exports, financial crimes, commercial fraud, and human trafficking. The 2008 Budget provides $2 billion for these enforcement activities.

National Strategy Mission Area: Protecting Critical Infrastructure and Key Assets

Funding in the protecting critical infrastructure and key assets mission area captures the efforts of the U.S. Government to secure the Nation's infrastructure, including information infrastructure, from terrorist attacks. Protecting the Nation's key assets is a complex challenge for two reasons: (1) the diversity of infrastructure and (2) the high level of private ownership (85 percent) of the Nation's key assets. DOD continues to report the largest share of funding in this category for 2008 ($12 billion, or 62.8 percent), which includes programs focusing on physical security and improving the military's ability to prevent or mitigate the consequences of attacks against departmental personnel and facilities. Nevertheless, DHS has overall responsibility for prioritizing and executing infrastructure protection activities at the national level and accounts for $3 billion (16 percent) of 2008 funding. In addition, a total of 25 other agencies report funding to protect their own assets and work with States, localities, and the private sector to reduce vulnerabilities in their areas of expertise. The President's 2008 request increases funding for activities to protect critical infrastructure and key assets by $1.2 billion (6.6 percent) over the 2007 level.

Securing America's critical infrastructure and key assets is a complex task. The major requirements include:

- Unifying disparate efforts to protect critical infrastructure across the Federal Government, and with State, local, and private stakeholders;
- Building and maintaining an accurate assessment of America's critical infrastructure and key assets and prioritizing protective action based on risk;
- Enabling effective partnerships to protect critical infrastructure; and
- Reducing threats and vulnerabilities in cyberspace.

Homeland Security Policy Directive 7 (HSPD-7), signed in December 2003, established a national policy to protect critical infrastructure and key resources from attack, to ensure the delivery of essential goods and services, and to maintain public safety and security. Under HSPD-7, DHS is responsible for coordinating Federal critical infrastructure programs and working closely with State and local governments and the private sector to align protection efforts. To provide the overall framework to integrate various critical infrastructure protection activities, DHS developed the Na-

Table 3–6. PROTECTING CRITICAL INFRASTRUCTURE AND KEY ASSETS FUNDING

(Budget authority, in millions of dollars)

Agency	2006 Actual	2006 Supplemental	2007 Enacted/CR	2007 Supplemental/ Emergency	2008 Request
Department of Agriculture	90.7	....	31.1	....	64.0
Department of Defense	11,150.5	862.3	11,254.0	....	11,966.2
Department of Energy	1,520.6	....	1,515.1	....	1,607.1
Department of Health and Human Services	181.7	....	184.8	....	180.2
Department of Homeland Security	2,698.3	....	2,779.6	....	3,035.5
Department of Justice	541.1	....	531.2	3.0	494.3
Department of Transportation	131.9	....	131.9	....	166.1
Department of Veterans Affairs	262.5	....	208.3	....	221.9
National Aeronautics and Space Administration	212.6	....	199.2	....	193.9
National Science Foundation	317.2	....	317.2	....	350.4
Social Security Administration	174.6	....	191.9	....	215.0
Other Agencies	651.7	0.1	575.4	....	601.6
Total, Protecting Critical Infrastructure and Key Assets	**17,933.2**	**862.4**	**17,919.7**	**3.0**	**19,096.1**

tional Infrastructure Protection Plan (NIPP). The plan's risk-management approach provides the framework for government and industry to work together on common protective goals, while focusing resources where they are needed the most.

Recognizing that each infrastructure sector possesses it own unique characteristics, HSPD-7 also designated sector-specific agencies to coordinate infrastructure protection efforts within each sector. This approach enables agencies to rely on specialized expertise and long-standing relationships with industry in conducting infrastructure protection activities. There are 17 critical infrastructure sectors and 9 sector-specific agencies, including DHS. In December of 2006, DHS received the first set of sector-specific plans that address how each critical infrastructure sector will work together to collect infrastructure information, prioritize assets and protective programs, and develop metrics to inform future initiatives.

Although these efforts aimed at protecting critical infrastructure and key assets nationwide are in motion, the Administration has also been focusing on a select number of high-priority areas in parallel with NIPP implementation. For example, the 2008 Budget provides $25 million to DHS to focus on chemical security regulation enforcement activities, such as requiring security vulnerability assessments and facility security plans and inspecting chemical facilities for compliance. The budget for the Environmental Protection Agency includes $22 million in 2008 to begin testing the last of its pilot systems for the Water Security Initiative. The program develops pilot systems for cost effective, early warning of disease, pest, or poisonous agents in drinking water systems and offers subsequent consequence management. The Department of Agriculture also has completed extensive physical security assessments to make sure that agricultural physical security issues throughout the United States are in line with the latest best practices. Many other departments and agencies have critical infrastructure protection programs underway that support the mission of the NIPP and will benefit from the NIPP process.

DHS recently reorganized and combined its preparedness and response functions to fulfill requirements of the 2007 Homeland Security Appropriations Act. DHS also created the National Protection and Programs Directorate (NPPD), which includes offices that were omitted from the transfer to FEMA by statute. These offices, which focus on physical and cyber infrastructure protection, communications, as well as other major security initiatives, will be part of the newly created NPPD.

The Office of Infrastructure Protection (IP), located within this new directorate, is responsible for managing and prioritizing infrastructure protection at the national level. The Office operates the national asset database, which aggregates infrastructure data from across the nation. The database supports DHS in developing a risk-based strategy for protection and can be used to identify critical infrastructure under certain scenarios. IP also conducts site visits and assessments each year, and has used this information to develop site security guidelines for nuclear power plants and chemical facilities. The 2008 Budget provides $240 million for these activities. In conjunction with funding for the Office of Infrastructure Protection, the Administration supports the Infrastructure Protection Program, which consists of five grant programs funding security enhancement projects in and around transportation assets and other critical infrastructure sites. Awarded through the Office of Grant Programs, IPP grants supplement State and local infrastructure security efforts, especially detection and prevention investments.

Cyberspace security is a key element of infrastructure protection because the Internet and other computer systems link infrastructure sectors. The consequences of a cyber attack could cascade across the economy, imperiling public safety and national security. To address this threat, DHS established the National Cyber Security Division (NCSD) in 2003—in response to the President's *National Strategy to Secure Cyberspace*—in order to identify, analyze and reduce cyber threats and vulnerabilities, coordinate incident response, and provide technical assistance. NCSD, now part of NPPD, works collaboratively with public, private, and international entities to secure cyberspace and America's cyber assets. NCSD has also established the U.S. Computer Emergency Response Team (US-CERT), which operates a cyber watch, warning, and incident response center. US-CERT supports a watch and warning capability responsible for tracking incident and trend data, ranking associated severity, and generating real-time alerts.

NCSD also operates a Control Systems Security Program. Today, many critical infrastructures such as pipelines, water and pumping stations, and pharmaceutical production are run by computerized control systems. These systems make our critical infrastructure assets more automated, more productive, more efficient, and more innovative, but they also may expose those physical assets to cyber-related threats. NCSD works to address these weaknesses and enhance control systems security. To evaluate readiness and response programs such as the National Response Plan, NCSD has conducted national cyber exercises such as Cyber Storm with public and private sector entities. These exercises test our capabilities and improve our ability to respond to an incident. To support these critical preparedness activities, the Budget includes $98 million for the NCSD in 2008.

National Strategy Mission Area: Defending Against Catastrophic Threats

The defending against catastrophic threats mission area covers activities including research, development, and deployment of technologies, systems, and medical measures to detect and counter the threat of chemical, biological, radiological, and nuclear weapons. The agencies with the most significant resources to help develop and field technologies to counter CBRN threats are:

(1) DOD ($5 billion, or 57.6 percent, of the 2008 total); (2) HHS, largely for research at the National Institutes of Health (NIH) ($1.9 billion, or 22.1 percent, of the 2008 total); and (3) DHS ($1.3 billion, or 14.5 percent, of the 2008 total). The President's 2008 request would increase funding for activities to defend against catastrophic threats by $368 million (4 percent) over the 2007 level.

Table 3–7. DEFENDING AGAINST CATASTROPHIC THREATS FUNDING

(Budget authority, in millions of dollars)

Agency	2006 Actual	2006 Supplemental	2007 Enacted/CR	2007 Supplemental/ Emergency	2008 Request
Department of Agriculture	238.3	....	226.0	....	343.5
Department of Commerce	80.6	....	88.7	....	90.7
Department of Defense	4,988.5	122.0	4,889.8	....	5,007.9
Department of Energy	62.1	....	62.1	....	63.2
Department of Health and Human Services	1,806.0	....	1,848.5	....	1,954.2
Department of Homeland Security	1,306.1	....	1,255.1	....	1,276.7
Department of Justice	37.4	0.5	40.0	....	43.9
Department of the Treasury	....	....	....	....	1.8
National Science Foundation	27.0	....	27.0	....	25.0
Nuclear Regulatory Commission	27.8	....	23.4	....	21.9
Total, Defending Against Catastrophic Threats	**8,573.7**	**122.4**	**8,460.6**	....	**8,828.9**

The major requirements addressed in this mission area include:

- Preventing terrorist use of CBRN weapons through detection systems and procedures, and improving decontamination techniques; and
- Developing countermeasures, such as vaccines and other drugs to protect the public from the threat of a CBRN attack or other public health emergency.

To protect against a nuclear or radiological weapon entering the country, the Domestic Nuclear Detection Office (DNDO) was created in 2005 within DHS to coordinate the Nation's nuclear detection efforts. DNDO, together with the Departments of State, Energy, Defense, and Justice, is responsible for developing and deploying a comprehensive system to detect and report any attempt to import a nuclear explosive device or radiological material into the United States. DNDO is also responsible for establishing response protocols to ensure that the detection of a nuclear explosive device or radiological material leads to timely and effective action by military, law enforcement, emergency response, and other appropriate Government assets. The 2008 Budget includes $562 million for DNDO, a 17 percent increase from the 2007 level.

In 2008, DNDO will invest $100 million in transformational research and development aimed at enhancing our ability to detect, identify, and attribute nuclear and radiological materials. This research looks beyond current capabilities and seeks to find new scientific tools and methodologies that may prove useful in broad efforts to focus the Nation's resources toward countering the threat of nuclear and radiological devices. DNDO's budget also includes $178 million for the deployment of both fixed and mobile radiation portal monitors at strategic points of entry throughout the country. An additional $30 million will be used to improve the detection of radiological and nuclear materials in and around the Nation's major urban areas under a program called Securing the Cities. Together with overseas non-proliferation efforts led by the Department of State, and overseas detection capabilities managed by the Department of Energy, these programs seek to create a seamless approach toward preventing terrorists anywhere in the world from acquiring, transporting, or introducing these materials into the United States.

To counter the threat of CBRN weapons, the Budget continues to invest in efforts to decrease the time between an attack and implementation of Federal, State and local response protocols. Unlike an attack with conventional weapons, a CBRN attack may not be immediately apparent. Working to ensure earlier detection and characterization of an attack helps protect and save lives. DHS will therefore continue to support efforts such as the BioWatch environmental monitoring program, which samples and analyzes air in over 30 metropolitan areas to continually check for dangerous biological agents. The program is designed to provide early warning of a large-scale biological weapon attack, thereby allowing the distribution of life-saving treatment and preventative measures before the development of serious and widespread illnesses. Beginning in 2008, DHS bio-defense programs such as BioWatch and biosurveillance will be consolidated in the newly established Office of Health Affairs. However, on-going research and development into next-generation bio-sensors that are able to better detect biological pathogens will continue in DHS's Science and Technology Directorate.

A key element in defending against catastrophic threats is developing and maintaining adequate countermeasures for a CBRN attack. This not only means stockpiling countermeasures that are currently available, but developing new countermeasures for agents that currently have none, and next-generation countermeasures that are safer and more effective than those that presently exist. The Budget continues HHS's investment in developing medical countermeasures to CBRN threats with $1.9 billion in funding, which is more than $1.8 billion over the level prior to September 11th (this includes funding for programs focused on chemical and radiological and nuclear countermeasures referenced below). For 2008, the Budget includes nearly $190 million for the advanced development of medical countermeasures against threats of bioterrorism. Large investments in basic research of medical countermeasures at HHS have helped create multiple promising products to protect the public against the threat of a terrorist attack. These investments will accelerate the development of these products to help Project BioShield acquire them more quickly for inclusion in the Strategic National Stockpile.

HHS will also continue to improve human health surveillance with $88 million dedicated to biosurveilance activities, including the BioSense program (allowing local, State, and national public health authorities to monitor "real-time" trends in data from hospitals, emergency departments, and laboratories to identify and characterize potential human health threats), increasing laboratory capacity, and augmenting the number and quality of border health and quarantine stations. The Food and Drug Administration and the Department of Agriculture will also conduct surveillance to ensure the security of the food supply. Information collected from these programs will be disseminated to the National Biosurveillance Integration Center at DHS.

DOD defends the nation against catastrophic threats by undertaking long-term research on chemical and biological threats and by developing strategies to counter the risk of such attacks. DOD's efforts in maritime defense and interdiction provide early detection and response to possible CBRN threats. DOD also conducts anti-terrorism planning to defend against a potential CBRN or other terrorist attack against a military base or installment. Finally, the U.S. Northern Command, the military command responsible for DOD's homeland defense activities, is included in this category.

National Strategy Mission Area: Emergency Preparedness and Response

The Emergency Preparedness and Response mission area covers agency efforts to prepare for and minimize the damage from major incidents and disasters, particularly terrorist attacks that endanger lives and property or disrupt Government operations. The mission area encompasses a broad range of agency incident management activities, as well as grants and other assistance to States and localities. Response to natural disasters, including catastrophic natural events such as Hurricane Katrina, does not directly fall within the definition of a homeland security activity for funding purposes, as defined by Section 889 of the Homeland Security Act of 2002. However, in preparing for terrorism-related threats, many of the activities within this mission area also support preparedness for catastrophic natural disasters. Additionally, lessons learned from the response to Hurricane Katrina will help to revise and strengthen catastrophic response planning.

HHS, the largest participant in this mission area ($2.3 billion, or 48.4 percent, in 2008), assists States, localities and hospitals to upgrade public health capacity and maintains a national stockpile of medicines and vaccines for use following an event. DHS maintains the second largest share of funding in this category ($1.5 billion, or 30.7 percent, for 2008), mainly for preparedness grant assistance to State and local first responders. A total of 23 other agencies include emergency preparedness and response funding. A number of agencies maintain specialized response assets that may be called upon in select circumstances, and others report only funding for their agency's internal preparedness capability. The major requirements addressed in this mission area include:

Table 3–8. EMERGENCY PREPAREDNESS AND RESPONSE FUNDING

(Budget authority, in millions of dollars)

Agency	2006 Actual	2006 Supplemental	2007 Enacted/CR	2007 Supplemental/ Emergency	2008 Request
Department of Defense	340.4	46.2	394.5	......	487.1
Department of Energy	119.4	......	119.4	......	156.3
Department of Health and Human Services	2,364.2	0.1	2,279.9	......	2,289.7
Department of Homeland Security	1,842.9	15.3	1,821.6	......	1,755.6
Other Agencies	325.4	......	320.5	......	333.3
Total, Emergency Preparedness and Response	**4,992.3**	**61.6**	**4,935.9**	......	**5,022.0**
Plus Mandatory Communications Interoperability Grants	......	......	1,000.0	......	......
Total, Emergency Preparedness and Response, including Mandatory Communications Interoperability Grants	**4,992.3**	**61.6**	**5,935.9**	......	**5,022.0**

- Establishing measurable goals for national preparedness and ensuring that Federal funding supports these goals;
- Ensuring that Federal programs to train and equip States and localities meet national preparedness goals in a coordinated and complementary manner;
- Encouraging standardization and interoperability of first responder equipment, especially for communications;
- Building a national training, exercise, and evaluation system;
- Implementing the National Incident Management System;
- Preparing health care providers for a mass casualty event; and
- Augmenting America's pharmaceutical and vaccine stockpiles.

Many of the key elements of the national emergency response system are already in place. During 2004, separate Federal response plans were integrated into a single all-hazards National Response Plan. The National Incident Management System was simultaneously developed to integrate a standardized Incident Command System throughout Federal, State and local response agencies and organizations. Additionally, the release of a unified National Preparedness Goal will provide a new framework for guiding Federal, State, and local investments. In order to ensure that these investments translate into improvements in preparedness, we must continue to identify capability gaps and improve response and recovery efforts at all levels of government. A related challenge is ensuring that investments in State and local preparedness are focused on building and enhancing response capabilities, and not simply supplanting normal operating expenses. DHS is leading an interagency effort to better match Federal resources with achieving national preparedness goals.

From 2001 through 2007, the Federal Government has allocated over $16 billion in State and local terrorism preparedness funding from the Departments of Homeland Security, Health and Human Services, and Justice, increasing spending from an annual level of approximately $350 million in 2001 to $2.9 billion in the 2008 request. The funding growth has been directed to Federal programs and grant assistance which support State and local preparedness and response activities, including equipping, training and exercising first responders, and preparing the public health infrastructure, for a range of terrorist threats. The Federal Government has taken steps to rationalize and simplify the distribution of State and local assistance; better target funds based on risk and effectiveness; and develop and implement the seven national priorities and 37 target capabilities identified in the National Preparedness Goal.

The 2008 Budget provides over $100 million for DHS programs which train and exercise first responders in preparation for catastrophic events including the National Exercise Program and the Center for Domestic Preparedness. In addition to these programs, DHS will provide grant funding to State and local agencies to support approximately 1,200 all-hazards preparedness exercises annually in 2007 and in 2008. The 2008 Budget also provides grants which support coordinated terrorism preparedness training and equipment for State and local responders across the various responder agencies. The 2008 request includes over $1.5 billion for terrorism preparedness grants to be administered by the Office of Grant Programs within DHS, and proposes to continue current progress on the grant allocation process to better address threats and needs. In addition, to supplement assistance for public safety communications projects available through the DHS grants, the Department of Commerce, in consultation with DHS, will be awarding $1 billion in additional grants for first responder communications interoperability to qualified applicants from anticipated spectrum auction receipts. The full outlay and impact of these funds will begin to be realized in FY 2008. The Budget also supports a range of Federal response capabilities, including providing $110 million for the Department of Energy's Nuclear Emergency Support Team, $20 million within DHS for the Federal Emergency Management Agency's Urban Search and Rescue teams, $53 million for the National Disaster Medical System, and other emergency response, management, and operations assets. The capabilities of these teams range from providing radiological assistance in support of State and local agencies to responding to major incidents worldwide.

In order to ensure that the nation is prepared for dealing with a biological attack, including pandemic influenza, the Administration continues to make significant investments in medical countermeasures through Project BioShield.[4] While the stockpiling of medical countermeasures is the primary goal, BioShield is also designed to stimulate the development of the next generation of countermeasures by allowing the Federal Government to buy critically needed vaccines and medications for biodefense as soon as experts agree that they are safe and effective enough to be added to the Strategic National Stockpile. As a result, this program also provides an incentive for the development and manufacturing of advanced countermeasures, ensuring that new and improved countermeasures will be available in the future. The Budget includes $581 million to maintain and augment this supply of vaccines and other countermeasures that can be made available within 12 hours in the event of a terrorist attack or other public health emergency. This includes funding for storage and maintenance of products purchased through BioShield.

Finally, HHS has the lead role in preparing public health providers for catastrophic terrorism. In addition to providing additional funding to expand HHS's public health and medical response capabilities, including disaster medical assistance, the 2008 Budget also provides

[4] BioShield is a shared responsibility, joining the intelligence capabilities of DHS with the medical expertise of HHS.

nearly $414 million to continue improvements for hospital infrastructure and $698 million for upgrades to State and local public health capacity. This investment will bring the total assistance provided by HHS to States, local governments and health care providers since 2001 to over $9 billion.

Non-Federal Expenditures [5]

State and local governments and private-sector firms also have devoted resources of their own to the task of defending against terrorist threats. Some of the additional spending has been of a one-time nature, such as investment in new security equipment and infrastructure; some additional spending has been ongoing, such as hiring more personnel, and increasing overtime for existing security personnel. In many cases, own-source spending has supplemented the resources provided by the Federal Government.

Many governments and businesses continue to place a high priority on and provide additional resources for security. On the other hand, many entities have not increased their spending. A 2004 survey conducted by the National Association of Counties found that as a result of the homeland security process of intergovernmental planning and funding, three out of four counties believed they were better prepared to respond to terrorist threats. Moreover, almost 40 percent of the surveyed counties had appropriated their own funds to assist with homeland security. Own-source resources supplemented funds provided by States and the Federal Government. However, the same survey revealed that 54 percent of counties had not used any of their own funds. [6]

There is also a diversity of responses in the businesses community. A 2003 survey conducted by the Conference Board showed that just over half of the companies reported that they had permanently increased security spending post-September 11, 2001. About 15 percent of the companies surveyed had increased their security spending by 20 percent or more. Large increases in spending were especially evident in critical industries, such as transportation, energy, financial services, media and telecommunications, information technology, and healthcare. However, about one-third of the surveyed companies reported that they had not increased their security spending after September 11th. [7] Given the difficulty of obtaining survey results that are representative of the entire universe of States, localities, and businesses, it is expected that there will be a wide range of estimates on non-Federal security spending for critical infrastructure protection.

Additional Tables

The tables in the Federal expenditures section above present data based on the President's policy for the 2008 Budget. The tables below present additional policy and baseline data, as directed by the Homeland Security Act of 2002.

[5] OMB does not collect detailed homeland security expenditure data from State, local, or private entities directly.

[6] Source: National Association of Counties, "Homeland Security Funding—2003 State Homeland Security Grants Programs I and II."

[7] Source: Conference Board, "Corporate Security Management" 2003.

Estimates by Agency:

Table 3–9. DISCRETIONARY FEE-FUNDED HOMELAND SECURITY ACTIVITIES BY AGENCY

(Budget authority, in millions of dollars)

Agency	2006 Actual	2006 Supplemental	2007 Enacted/CR	2007 Supplemental/ Emergency	2008 Request
Department of Energy	1.9	......	1.9	......	3.3
Department of Homeland Security	2,422.0	......	2,885.0	......	3,319.0
Department of State	815.0	......	1,166.7	......	1,323.1
General Services Administration	91.8	......	66.9	......	34.3
Social Security Administration [1]	175.0	......	193.3	......	215.7
Federal Communications Commission	2.3	......	2.3	......	3.6
Nuclear Regulatory Commission	......	......	66.0	......	68.9
Securities and Exchange Commission	5.0	......	14.3	......	18.3
Total, Discretionary Homeland Security Fee-Funded Activities	**3,512.9**	......	**4,396.4**	......	**4,986.2**

[1] Social Security physical and computer security measures are financed by amounts from the Social Security trust funds and payroll taxes.

Table 3–10. MANDATORY HOMELAND SECURITY FUNDING BY AGENCY

(Budget authority, in millions of dollars)

Agency	2006 Actual	2006 Supplemental	2007 Enacted/CR	2007 Supplemental/ Emergency	2008 Request
Department of Agriculture	177.4	......	182.0	......	194.5
Department of Commerce	14.1	......	16.3	......	18.3
Department of Energy	12.0	......	12.0	......	13.0
Department of Health and Human Services	16.6	......	15.9	......	14.3
Department of Homeland Security	2,032.8	......	2,257.5	......	2,042.2
Department of Labor	3.9	......	3.9	......	8.8
Total, Homeland Security Mandatory Programs	**2,256.9**	......	**2,487.7**	......	**2,291.0**
Plus Mandatory Communications Interoperability Grants	......	......	1,000.0	......	......
Total, Homeland Security Mandatory Programs including Mandatory Communications Interoperability Grants	**2,256.9**	......	**3,487.7**	......	**2,291.0**

Table 3–11. BASELINE ESTIMATES—TOTAL HOMELAND SECURITY FUNDING BY AGENCY

(Budget authority, in millions of dollars)

Agency	2007 Enacted/ CR [1]	Baseline				
		2008	2009	2010	2011	2012
Department of Agriculture	523	545	559	574	587	602
Department of Commerce [2]	193	200	205	210	215	222
Department of Defense	16,538	17,064	17,569	18,077	18,591	19,110
Department of Education	24	25	25	26	26	27
Department of Energy	1,695	1,738	1,777	1,817	1,856	1,896
Department of Health and Human Services	4,313	4,422	4,532	4,640	4,752	4,853
Department of Homeland Security	28,572	29,562	30,549	31,508	32,480	33,466
Department of Housing and Urban Development	2	2	2	2	2	3
Department of the Interior	45	46	48	50	53	55
Department of Justice	3,090	3,210	3,327	3,446	3,566	3,694
Department of Labor	49	54	51	52	52	53
Department of State	1,239	1,268	1,299	1,327	1,354	1,380
Department of Transportation	179	187	193	202	210	219
Department of the Treasury	109	113	116	120	123	127
Department of Veterans Affairs	245	252	259	268	276	282
Corps of Engineers	43	44	45	46	47	48
Environmental Protection Agency	133	137	141	145	148	153
Executive Office of the President	20	20	21	21	22	23
General Services Administration	74	75	78	79	80	81
National Aeronautics and Space Administration	199	203	208	213	217	222
National Science Foundation	344	352	360	368	376	384
Office of Personnel Management	3	3	3	3	3	3
Social Security Administration	194	217	186	190	192	196
District of Columbia	8	8	8	9	9	9
Federal Communications Commission	2	2	2	2	2	2
Intelligence Community Management Account	56	57	59	60	61	62
National Archives and Records Administration	18	18	19	19	20	20
Nuclear Regulatory Commission	66	69	71	74	75	78
Securities and Exchange Commission	14	18	18	19	19	20
Smithsonian Institution	80	84	88	92	96	100
United States Holocaust Memorial Museum	8	8	8	8	9	9
Corporation for National and Community Service	20	20	21	21	21	22
Total, Homeland Security Budget Authority	**58,098**	**60,023**	**61,847**	**63,688**	**65,540**	**67,421**
Less Department of Defense	–16,538	–17,064	–17,569	–18,077	–18,591	–19,110
Non-Defense Homeland Security Budget Authority, excluding Mandatory Interoperability Communications Grants and BioShield [3]	**41,560**	**42,959**	**44,278**	**45,611**	**46,949**	**48,311**
Less Fee-Funded Homeland Security Programs	–4,397	–4,833	–4,909	–5,020	–5,124	–5,228
Less Mandatory Homeland Security Programs	–2,489	–2,290	–2,426	–2,531	–2,631	–2,735
Net Non-Defense, Discretionary Homeland Security Budget Authority, excluding Mandatory Interoperability Communications Grants and Bioshield [3]	**34,674**	**35,836**	**36,943**	**38,060**	**39,194**	**40,348**
Plus Mandatory Communications Interoperability Grants	1,000	....	....	....	....	....
Plus BioShield	....	....	2,175	....	....	....
Net Non-Defense, Discretionary Homeland Security Budget Authority, including Mandatory Interoperability Communications Grants and BioShield [3]	**35,674**	**35,836**	**39,118**	**38,060**	**39,194**	**40,348**
Obligations Limitations						
Department of Transportation Obligations Limitation	121	124	126	130	133	135

[1] 2007 levels include enacted supplemental appropriations ($1,696 million in DHS) but exclude GWOT supplemental requests in DHS, DOJ, and Treasury totaling $219 million.

[2] DOC's 2007 gross Continuing Resolution full-year estimate for homeland security excludes $1 billion in mandatory borrowing authority to provide Federal grants to public safety agencies for communications interoperability purposes. Although technically scored in 2007, this funding will be made available from proceeds of the Federal Communications Commission's 2008 auction of returned television spectrum.

[3] The Deficit Reduction Act of 2005 appropriated $1 billion from anticipated spectrum auction receipts for the Department of Commerce, in consultation with the Department of Homeland Security, to make grants to public safety agencies for communications interoperability purposes.

Estimates by Budget Function:

Table 3–12. HOMELAND SECURITY FUNDING BY BUDGET FUNCTION

(budget authority, in millions of dollars)

Agency	2006 Actual [1]	2007 Enacted/ CR [2]	2008 Request [3]
National Defense	22,056	20,463	21,359
International Affairs	1,107	1,239	1,406
General Science Space and Technology	616	602	635
Energy	124	106	122
Natural Resources and the Environment	288	264	292
Agriculture	581	506	679
Commerce and Housing Credit4	149	154	180
Transportation	8,186	9,161	9,453
Community and Regional Development	2,212	2,257	2,010
Education, Training, Employment and Social Services	177	174	179
Health	4,393	4,317	4,451
Medicare	12	15	14
Income Security	8	8	14
Social Security	175	193	216
Veterans Benefits and Services	299	245	270
Administration of Justice	15,917	17,792	18,941
General Government	816	821	890
Total, Homeland Security Budget Authority	**57,116**	**58,317**	**61,111**
Less National Defense, DoD	–17,508	–16,538	–17,465
Non-Defense Homeland Security Budget Authority, excluding Mandatory Interoperability Communications Grants [4]	**39,608**	**41,779**	**43,646**
Less Fee-Funded Homeland Security Programs	–3,509	–4,317	–4,899
Less Mandatory Homeland Security Programs	–2,257	–2,489	–2,290
Net Non-Defense, Discretionary Homeland Security Budget Authority, excluding Mandatory Interoperability Communications Grants [4]	**33,842**	**34,973**	**36,457**
Plus Mandatory Interoperability Communications Grants	....	1,000	....
Net Non-Defense, Discretionary Homeland Security Budget Authority, including Mandatory Interoperability Communications Grants [4]	**33,842**	**35,973**	**36,457**

[1] 2006 actual levels include enacted supplemental appropriations.

[2] For 2007, only DOD and DHS have enacted appropriations; all other agencies' funding levels are based on their full-year CR rates. 2007 funding levels also include enacted supplemental appropriations ($1,696 million) and requested 2007 supplemental budget authority ($219 million) in the GWOT supplemental request.

[3] DOC's 2007 gross Continuing Resolution full-year estimate for homeland security excludes $1 billion in mandatory borrowing authority to provide Federal grants to public safety agencies for communications interoperability purposes. Although technically scored in 2007, this funding will be made available from proceeds of the Federal Communications Commission's 2008 auction of returned television spectrum.

[4] The Deficit Reduction Act of 2005 appropriated $1 billion from anticipated spectrum auction receipts for the Department of Commerce, in consultation with the Department of Homeland Security, to make grants to public safety agencies for communications interoperability purposes.

Table 3–13. BASELINE ESTIMATES—HOMELAND SECURITY FUNDING BY BUDGET FUNCTION

(Budget authority, in millions of dollars)

Budget Authority	2007 Enacted/ CR[1]	Baseline				
		2008	2009	2010	2011	2012
National Defense	20,264	20,897	21,508	22,120	22,738	23,364
International Affairs	1,239	1,268	1,299	1,327	1,354	1,380
General Science Space and Technology	602	616	630	644	657	672
Energy	106	111	112	116	117	121
Natural Resources and the Environment	264	271	279	287	295	304
Agriculture	506	528	541	555	568	583
Commerce and Housing Credit[2]	154	164	167	172	175	181
Transportation	9,161	9,537	9,832	10,132	10,438	10,745
Community and Regional Development	2,257	2,312	2,367	2,418	2,469	2,523
Education, Training, Employment and Social Services	174	179	186	192	197	204
Health	4,317	4,425	4,536	4,644	4,755	4,855
Medicare	15	16	16	17	18	19
Income Security	8	13	8	8	8	9
Social Security	193	216	185	189	191	195
Veterans Benefits and Services	245	252	259	268	276	282
Administration of Justice	17,775	18,379	19,057	19,712	20,375	21,053
General Government	818	839	865	887	909	931
Total, Homeland Security Budget Authority	**58,098**	**60,023**	**61,847**	**63,688**	**65,540**	**67,421**
Less National Defense, DoD	–16,538	–17,064	–17,569	–18,077	–18,591	–19,110
Non-Defense, Discretionary Homeland Security Budget Authority, excluding Mandatory Interoperability Communications Grants and Bioshield[3]	**41,560**	**42,959**	**44,278**	**45,611**	**46,949**	**48,311**
Less Fee-Funded Homeland Security Programs	–4,397	–4,833	–4,909	–5,020	–5,124	–5,228
Less Mandatory Homeland Security Programs	–2,489	–2,290	–2,426	–2,531	–2,631	–2,735
Net Non-Defense, Discretionary Homeland Security Budget Authority, excluding Mandatory Interoperability Communications Grants and Bioshield[3]	**34,674**	**35,836**	**36,943**	**38,060**	**39,194**	**40,348**
Plus Mandatory Communications Interoperability Grants	1,000	....	....	....	....	....
Plus BioShield	....	....	2,175	....	....	....
Net Non-Defense, Discretionary Homeland Security Budget Authority, including Mandatory Interoperability Communications Grants and BioShield[3]	**35,674**	**35,836**	**39,118**	**38,060**	**39,194**	**40,348**
Obligations Limitations						
Department of Transportation Obligations Limitation	199	203	208	213	217	222

[1] 2007 levels include enacted supplemental appropriations ($1,696 million in DHS) but exclude GWOT supplemental requests in DHS, DOJ, and Treasury totaling $219 million.

[2] DOC's 2007 gross full-year CR estimate for homeland security excludes $1 billion in mandatory borrowing authority to provide Federal grants to public safety agencies for communications interoperability purposes. Although technically scored in 2007, this funding will be made available from proceeds of the Federal Communications Commission's 2008 auction of returned television spectrum.

[3] The Deficit Reduction Act of 2005 appropriated $1 billion from anticipated spectrum auction receipts for the Department of Commerce, in consultation with the Department of Homeland Security, to make grants to public safety agencies for communications interoperability purposes.

Detailed Estimates by Budget Account:

An appendix of account-level funding estimates, organized by *National Strategy* mission area, is available on the *Analytical Perspectives* CD–ROM.

4. STRENGTHENING FEDERAL STATISTICS

Federal statistical programs produce key information to inform public and private decision makers about a range of topics of interest, including the economy, the population, agriculture, crime, education, energy, the environment, health, science, and transportation. The ability of governments, businesses, and citizens to make appropriate decisions about budgets, employment, investments, taxes, and a host of other important matters depends critically on the ready availability of relevant, accurate, and timely Federal statistics.

The Federal statistical community remains on alert for opportunities to strengthen these measures of our Nation's performance. For example, during 2006, Federal statistical agencies improved their measures of the knowledge economy by releasing a preliminary Research and Development Satellite Account that estimates the effect of investment in research and development on U.S. economic growth (BEA and NSF); published, for the first time, estimates of households experiencing identity theft victimization and its consequences (BJS); developed procedures to ease the reporting burden of the 2007 Economic Census by enhanced electronic reporting, and to collect product data from all 350 service industries, up from 80 in the last census (Census Bureau); published data on the labor force status of persons who evacuated their homes due to Hurricane Katrina (BLS); developed and tested quality improvements to the Commodity Flow Survey, the most comprehensive source of nationwide data on the transportation of goods (BTS and Census Bureau); introduced new interactive web-based tools to facilitate access to, and use of, health statistics information (NCHS); expanded internet data collection systems to securely process energy survey data more quickly and obtain better quality data (EIA); provided Internet access to forecasts of current year farm income (ERS); offered podcasts of farm broadcast news stories (NASS); and continued the modernization and reengineering of the decennial census to improve its accuracy and usefulness while containing costs (Census Bureau).

For Federal statistical programs to effectively benefit their wide range of users, the underlying data systems must be viewed as credible. In order to foster this credibility, Federal statistical programs seek to adhere to high quality standards and to maintain integrity and efficiency in the production of data. As the collectors and providers of these basic statistics, the responsible agencies act as data stewards—balancing public and private decision makers' needs for information with legal and ethical obligations to minimize reporting burden, respect respondents' privacy, and protect the confidentiality of the data provided to the Government. This chapter discusses the development of standards that principal statistical programs use to assess their performance and presents highlights of their 2008 budget proposals.

Performance Standards

Statistical programs maintain the quality of their data or information products as well as their credibility by setting high performance standards for their activities. The statistical agencies and statistical units represented on the Interagency Council on Statistical Policy (ICSP) have collaborated on developing an initial set of common performance standards for use under the Government Performance and Results Act and in completing the Administration's Program Assessment Rating Tool (PART). Federal statistical agencies have agreed that there are six conceptual dimensions within two general areas of focus that are key to measuring and monitoring statistical programs. The first area of focus is Product Quality, encompassing the traditional dimensions of relevance, accuracy, and timeliness. The second area of focus is Program Performance, encompassing the dimensions of cost, dissemination, and mission achievement.

Statistical agencies historically have focused on measuring performance in the area of product quality, especially dimensions of accuracy and timeliness that are most amenable to quantitative measurement. Relevance, also an accepted measure of quality, can be either a qualitative description of the usefulness of products or a quantitative measure such as a customer satisfaction score. Relevance is more difficult to measure, and the indicators that do exist are more varied.

Program performance standards form the basis for evaluating effectiveness. They address questions such as: Are taxpayer dollars spent most effectively? Are products made available to those who need them? Are agencies meeting their mission requirements or making it possible for other agencies to meet their missions? The indicators available to measure program performance for statistical activities currently are less well developed.

Product quality and program performance standards are designed to serve as indicators when answering specific questions in the Administration's PART process. Chart 4–1 presents each principal Federal statistical agency's assessment of the status of its current and planned use of indicators on the six dimensions. With the exception of cost indicators, where three agencies (ERS, NCES, and NCHS) are still planning their

Chart 4-1. ICSP Statistical Quality and Program Performance Dimensions

Dimension	BEA	BJS	BLS	BTS	Census	EIA	ERS	NASS	NCES	NCHS	ORES	SOI	SRS
Product Quality													
Relevance	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Accuracy	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Timeliness	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Program Performance													
Cost	✓	✓	✓	✓	✓	✓	P	✓	P	P	✓	✓	✓
Dissemination	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mission Achievement	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

✓ Indicator Available   P Indicator Planned

Description of Dimensions

Product Quality

Relevance: Qualitative or quantitative descriptions of the degree to which products and services are useful to users and responsive to users' needs.

Accuracy: Qualitative or quantitative measure of important features of correctness, validity, and reliability of data and information products measured as degree of closeness to target values.

Timeliness: Qualitative or quantitative measure of the timing of information releases.

Program Performance

Cost: Quantitative measure of the dollar amount used to produce data products and services.

Dissemination: Qualitative or quantitative information on the availability, accessibility, and distribution of products and services.

Mission Achievement: Qualitative or quantitative information about the effect of, or satisfaction with, statistical programs.

Key to Statistical Agencies

BEA = Bureau of Economic Analysis, Department of Commerce
BJS = Bureau of Justice Statistics, Department of Justice
BLS = Bureau of Labor Statistics, Department of Labor
BTS = Bureau of Transportation Statistics, Department of Transportation
Census = Census Bureau, Department of Commerce
EIA = Energy Information Administration, Department of Energy
ERS = Economic Research Service, Department of Agriculture
NASS = National Agricultural Statistics Service, Department of Agriculture
NCES = National Center for Education Statistics, Department of Education
NCHS = National Center for Health Statistics, Department of Health and Human Services
ORES = Office of Research, Evaluation, and Statistics, Social Security Administration
SOI = Statistics of Income, Internal Revenue Service, Department of the Treasury
SRS = Science Resources Statistics Division, National Science Foundation

measures, the ICSP agencies have now developed performance measures for all six dimensions. Use of the indicators may be for internal management, strategic planning, or annual performance reporting. The dimensions shown in the chart reflect an overall set of indicators for statistical activities, but the specific measures vary among the individual programs depending on their unique characteristics and requirements. Annual performance reports and PARTs provide these specific measures, as well as additional information about performance goals and targets and whether a program is meeting, or making measurable progress toward meeting, its performance goals. The examples below illustrate different ways agencies track their performance on each dimension.

Product Quality: Statistical agencies agree that product quality encompasses many attributes, including (but not limited to) *relevance*, *accuracy,* and *timeliness*. The basic measures in this group relate to the quality of specific products, thereby providing actionable information to managers. These are "outcome-oriented" measures and are key to the usability of information products. Statistical agencies or units establish targets and monitor how well targets are met. In some sense, relevance relates to "doing the right things," while accuracy and timeliness relate to "doing things right."

Relevance: Qualitative or quantitative descriptions of the degree to which products and services are useful and responsive to users' needs. Relevance of data products and analytic reports may be monitored through a professional review process and ongoing contacts with data users. Product relevance may be indicated by customer satisfaction with product content, information from customers about product use, demonstration of product improvements, comparability with other data series, agency responses to customer suggestions for improvement, new or customized products or services, frequency of use, or responses to data requests from users (including policy makers). Through a variety of professional review activities, agencies maintain the relevance and validity of their products, and encourage data users and other stakeholders to contribute to the agencies' data collection and dissemination programs. Striving for relevance requires monitoring to ensure that information systems anticipate change and evolve to appropriately measure our dynamic society and economy.

Accuracy: Qualitative or quantitative measures of important features of correctness, validity, and reliability of data and information products measured as degree of closeness to target values. For statistical data, accuracy may be defined as the degree of closeness to the target value and measured as sampling error and various aspects of nonsampling error (e.g., response rates, size of revisions, coverage, edit performance). For analysis products, accuracy may be the quality of the reasoning, reasonableness of assumptions, and clarity of the exposition, typically measured and monitored through review processes. In addition, accuracy is assessed and improved by internal reviews, comparisons of data among different surveys, linkages of survey data to administrative records, redesigns of surveys, or expansions of sample sizes.

Timeliness: Qualitative or quantitative measure of timing of information releases. Timeliness may be measured as time from the close of the reference period to the release of information, or customer satisfaction with timeliness. Timeliness may also be measured as how well agencies meet scheduled and publicized release dates, expressed as a percent of release dates met.

Program Performance: Statistical agencies agree that program performance encompasses balancing the dimensions of cost, dissemination, and mission accomplishment for the agency as a whole; operating efficiently and effectively; ensuring that customers receive the information they need; and serving the information needs of the Nation. Costs of products or programs may be used to develop efficiency measures. Dissemination involves making sure customers receive the information they need via the most appropriate mechanisms. Mission achievement means that the information program makes a difference. Hence, three key dimensions are being used to indicate program performance: *cost* (input), *dissemination* (output), and *mission achievement* (outcome).

Cost: Quantitative measure of the dollar amount to produce data products or services. The development and use of financial performance measures within the Federal Government is an established goal; the intent of such measures is to determine the "true costs" of various programs or alternative modes of operation at the Federal level. Examples of cost data include full costs of products or programs, return on investment, dollar value of efficiencies, and ratios of cost to products distributed.

Dissemination: Qualitative or quantitative information on the availability, accessibility, and distribution of products and services. Most agencies have goals to improve product accessibility, particularly through the Internet. Typical measures include: on-demand requests fulfilled, product downloads, degree of accessibility, customer satisfaction with ease of use, number of participants at user conferences, citations of agency data in the media, number of Internet user sessions, number of formats in which data are available, amount of technical support provided to data users, exhibits to inform the public about information products, issuance of newsletters describing products, usability testing of web sites, and assessing compliance with Section 508 of the Rehabilitation Act, which requires Federal agencies to make their electronic and information technology accessible to people with disabilities.

Mission Achievement: Qualitative or quantitative information about the effect of, or satisfaction with, statistical programs. For Government statistical programs, this dimension responds to the question—have we achieved our objectives and met the expectations of our stakeholders? Under this dimension, statistical programs document their contributions to the goals and missions of parent departments and other agencies, the Administration, the Congress, and information users in the private sector and the general public. For statistical programs, this broad dimension involves meeting recognized societal information needs; it also addresses the linkage between statistical outputs and programmatic outcomes.

However, identifying this linkage is far from straightforward. It is frequently difficult to trace the effects of information products on the public good. Such products often are necessary intermediate inputs in the creation of high visibility information whose societal benefit is clearly recognized. For example, the economic statistics produced by a variety of agencies are directly used by the Bureau of Economic Analysis in the calculation of the Gross Domestic Product (GDP), which analysts universally use to assess changes in the level of domestic economic activity. Similarly, statistics from specific surveys are directly used by the Bureau of Labor Statistics in the calculation of the Consumer Price Index (CPI), which is widely used in diverse applications, such as indexing pensions for retirees. As a result, a number of statistical agencies can claim credit for contributing to the GDP and/or the CPI and to the many uses of these information products. In addition, statistics produced by Federal agencies are used to track the performance of programs managed by their parent or other organizations related to topics such as crime, education, energy, the environment, health, science, and transportation.

Moreover, beyond the direct and focused uses of statistical products, the statistical agencies and their programs serve a diverse and dispersed set of data users working on a broad range of applications. Users include government policy makers at the Federal, State, and local levels, business leaders, households, academic researchers, analysts at public policy institutes and trade groups, marketers and planners in the private sector, and many others. Information produced by statistical agencies often is combined with other information for use in the decision-making process. Thus, the relationship between program outputs and their beneficial uses and outcomes is often complex and difficult to track. Consequently, agencies use both qualitative and quantitative indicators to make this linkage as explicit as feasible.

In the absence of preferred quantitative indicators, qualitative narratives can indicate how statistical agency products contribute to and evaluate progress toward important goals established for government or private programs. In particular, narratives can highlight how statistical agencies measure the Nation's social and economic structure, and how the availability of the information influences changes in policies and programs. These narratives contribute to demonstrating mission accomplishment, particularly in response to questions in Section I of the PART, "program purpose and design." Narratives may describe statistical information's effects on measuring agency policy or change of policy, supporting research focused on policy issues, informing debate on policy issues, or providing in-house consulting support.

In addition to narratives, quantitative measures may be used to reflect mission achievement. For example, customer satisfaction with the statistical agency or unit indicates if the agency or unit has met the expectations of its stakeholders.

Of the 14 principal Federal statistical agencies or units that are members of the ICSP, eleven agencies have programs that have been assessed using the PART process. All but one of these agencies' programs have received PART summary ratings of Effective or Moderately Effective, as shown in Chart 4–2. While recognizing the strength of the Energy Information Administration's purpose and management, in 2004 EIA received an initial rating of "Results Not Demonstrated" for two key reasons, both of which have since been rectified. At the time of the evaluation, EIA had recently adopted new performance measures and lacked the necessary historical baselines and future targets; these now exist for all measures. EIA was also critiqued for having no recurring independent evaluation of its entire program. EIA recruited an energy expert from the Massachusetts Institute of Technology to select and lead a team to conduct such an evaluation, and the team completed its report in 2006. EIA management will evaluate the team's recommendations as part of its strategic planning process in 2007. As additional ICSP agencies have an opportunity to undergo the PART process, the agencies plan to continue to use the results of the collaborative performance standards development effort to help maintain and extend their generally favorable assessments.

Chart 4–2. MOST RECENT PART SUMMARY RATINGS FOR STATISTICAL PROGRAMS

	Summary Rating
Bureau of Economic Analysis	Effective
Bureau of Justice Statistics	
Criminal Justice Statistics Program	Effective
National Criminal History Improvement Program	Moderately Effective
Bureau of Labor Statistics	Effective
Bureau of Transportation Statistics	Moderately Effective
Census Bureau	
Current Demographic Statistics	Effective
Decennial Census	Moderately Effective
Intercensal Demographic Estimates	Moderately Effective
Survey Sample Redesign	Effective
Economic Census	Effective
Current Economic Statistics /Census of Governments	Moderately Effective
Economic Research Service	Effective
Energy Information Administration	Results Not Demonstrated
National Agricultural Statistics Service	Moderately Effective
National Center for Education Statistics	
Statistics	Effective
Assessment	Effective
National Center for Health Statistics	Moderately Effective
Science Resources Statistics Division, NSF	
NSF's Infrastructure and Instrumentation component	Effective

Highlights of 2008 Program Budget Proposals

The programs that provide essential statistical information for use by governments, businesses, researchers, and the public are carried out by more than 70 agencies spread across every department and several independent agencies. Approximately 40 percent of the funding for these programs provides resources for 13 agencies or units that have statistical activities as their principal mission. (Please see Table 4–1.) The remaining funding supports work in 60-plus agencies or units that carry out statistical activities in conjunction with other missions such as providing services or enforcing regulations. More comprehensive budget and program information about the Federal statistical system will be available in OMB's annual report, *Statistical Programs of the United States Government, Fiscal Year 2008*, when it is published later this year. The following highlights elaborate on the Administration's proposals to strengthen the programs of the principal Federal statistical agencies.

Bureau of Economic Analysis: Funding is requested to: (1) extend the prototype Research & Development satellite account, funded by the National Science Foundation in 2006 and 2007, with annual updates and extensions to BEA's Gross Domestic Product and other estimates between 2008 and 2012, and full incorporation into the economic accounts in 2013; (2) complete BEA's five-year program to improve the accuracy and timeliness of the Nation's economic accounts by addressing data gaps and measurement problems, expanding integration with other accounts, and improving consistency with international standards; and (3) continue to improve the accuracy of statistics on services, profits, compensation, international trade in services, and off-shoring.

Bureau of Justice Statistics: Funding is requested to provide for BJS's core statistical programs and for two initiatives: (1) a redesign of the National Crime Victimization Survey based on anticipated recommendations from the Committee on National Statistics of the National Research Council; and (2) development of a national recidivism statistical series, which will provide baseline data, as well as representative data every 3 years, on the rates of rearrest, reconviction, and reincarceration among released State and Federal prisoners to provide a quantitative basis for evaluating the effectiveness of reentry programs, post-custody surveillance, and State policies related to parole revocation.

Bureau of Labor Statistics: Funding is requested to support the production, dissemination, and improvement of BLS economic measures, including: (1) the introduction of continuous updating to the housing and geographic area samples in the Consumer Price Index (CPI), which will improve the accuracy and timeliness of the CPI; (2) the continuation of efforts to modernize the computing systems for monthly processing of the Producer Price Index (PPI) and U.S. Import and Export Price Indexes (IPP); and (3) the publication, for the first time, of local area Employment Cost Index (ECI) and *Employer Costs for Employee Compensation* (ECEC) series as deemed feasible as a result of testing completed in 2007.

Bureau of Transportation Statistics: Funding is requested to: (1) conduct the Commodity Flow Survey, a major national benchmark survey of shippers; (2) release monthly statistics on the commodities and mode of transportation used in trading with our largest partners; (3) produce a core set of economic data and indicators, including the Government Transportation Financial Statistics Report, multi-factor productivity measures, the State Transit Expenditure Survey, and the Air Travel Price Index; (4) produce and release the National Transportation Atlas Data Base, a compendium of national geospatial transportation data; and (5) conduct the biennial Census of Ferry Operations in the U.S.

Census Bureau: Funding is requested for the Census Bureau's ongoing economic and demographic programs and for a re-engineered 2010 Census. For the Census Bureau's economic and demographic programs, funding is requested to: (1) collect and process economic census returns for the 2007 Economic Census; (2) create the universe frame and develop organizational information for the 2007 Census of Governments, as well as collect and process data for the employment phase, and collect and process data from States and other sources for the finance phase; (3) undertake an initiative to close the current gap in service sector coverage; and (4) continue reengineering the Survey of Income and Program Participation. For the 2010 Census program, funding is requested to continue to: (1) conduct planning, testing, and development activities to support a re-engineered 2010 Census, including the 2008 Census Dress Rehearsal and early operations for the 2010 Census; (2) improve the accuracy of map feature locations for the remaining 367 counties of the total of 3,232 counties; and (3) continue to conduct the American Community Survey to provide socio-economic data on an ongoing basis rather than only once-a-decade.

Economic Research Service: Funding is requested to: (1) strengthen and enhance the ERS market analysis and outlook program to provide timely analysis of global agricultural product markets; and (2) strengthen ERS's research and modeling capacity in the area of bio-energy with particular emphasis given to the changing economics of livestock feeding and the role of ethanol byproducts.

Energy Information Administration: Funding is requested to continue ongoing operations to: (1) maintain critical energy data coverage, analysis, and forecasting; (2) improve data reliability and statistical accuracy through redesigning key petroleum and natural gas surveys; (3) initiate monthly ethanol and biofuels data collections on a national and regional basis as mandated in Section 1508 of the *Energy Policy Act of 2005*; (4) strengthen global oil and gas data and modeling capabilities; and (5) improve the ability to assess and forecast supply, demand, and technology trends affecting U.S. and world energy markets.

National Agricultural Statistics Service: Funding is requested to support printing, postage and handling of questionnaire packages, logging returned questionnaires, capturing reported data, and conducting telephone and personal follow-up interviews with nonrespondents for the quinquennial Census of Agriculture via questionnaires that are scheduled to be mailed to the Nation's agricultural producers in December 2007.

National Center for Education Statistics: Funding is requested to: (1) conduct the National Assessment of Educational Progress, including 12th grade reading and mathematics assessments in 2009; (2) plan for a new high school longitudinal study that will begin with a cohort of 9th graders in 2009 and follow them through postsecondary education and into the workforce; (3) analyze data from international studies such as the 2007 Trends in International Mathematics and Science Study and plan for new international assessments; (4) undertake a pilot study on the development of postsecondary unit records, an essential restructuring of several components of the Integrated Postsecondary Education Data System; (5) carry out the 2007–08 Schools and Staffing Survey to obtain information on public and private schools, principals, and teachers; and (6) conduct the Beginning Postsecondary Student Longitudinal Survey, which provides information on the progress of postsecondary students, as well as the 2008 National Postsecondary Student Aid Survey.

National Center for Health Statistics: Funding is requested to: (1) continue data collection, analysis, and dissemination for key national health data systems, including the National Vital Statistics System, National Health Interview Survey, National Health and Nutrition Examination Survey, and National Health Care Survey; (2) continue gains in timeliness by implementing systems improvements in data collection and processing; (3) continue efforts to develop survey data that address the health care delivery system; and (4) work collaboratively with States and other agencies on upgrading the technology for collecting data from State birth and death certificates.

Office of Research, Evaluation, and Statistics, SSA: Funding is requested to: (1) continue strategic planning to modernize ORES's processes for developing and disseminating data from the Social Security Administration's major administrative data files for statistical purposes; (2) support outside surveys and linkage of SSA administrative data to surveys; (3) create a new public use file of administrative data on earnings histories and benefits for a sample of Social Security numbers; and 4) evaluate the analytic validity of a synthetic data file based on data from the 1990–1993 and 1996 Survey of Income and Program Participation (SIPP) panels matched to SSA and IRS administrative data.

Science Resources Statistics Division, NSF: Funding is requested to: (1) implement ongoing programs on the science and engineering enterprise; (2) continue to implement redesign and improvement activities for a broad range of surveys, particularly the suite of research and development (R&D) surveys; (3) support the NSF/SBE initiative on the Science of Science and Innovation Policy to develop the data, tools, and knowledge needed for a new science of science policy by enhancing the comparability, scope and availability of international data; and (4) develop data on innovation and R&D conducted or funded by nonprofit organizations.

Statistics of Income Division, IRS: Funding is requested to: (1) maintain and modernize tax data collection systems, including developing interfaces with modern electronic tax return filing systems; (2) implement a databank repository for SOI and IRS population file data to more efficiently build longitudinal databases and enable sub-national estimates; (3) examine means to more effectively mask individual records to minimize the possibility of identification in the Individual Public Use Sample files; and (4) modernize and expedite dissemination of data and publications, including enhancement of products and features on the www.irs.gov/taxstats website.

Table 4–1. 2006–2008 BUDGET AUTHORITY FOR PRINCIPAL STATISTICAL AGENCIES[1]

(In millions of dollars)

	2006 Actual	Estimate	
		2007	2008
Bureau of Economic Analysis	75	75	81
Bureau of Justice Statistics [2]	50	50	62
Bureau of Labor Statistics	537	537	573
Bureau of Transportation Statistics	27	27	27
Census Bureau [3]	822	817	1250
Salaries and Expenses [3]	216	210	223
Periodic Censuses and Programs	606	607	1027
Economic Research Service [4]	75	75	83
Energy Information Administration	85	85	105
National Agricultural Statistics Service [5]	139	140	168
National Center for Education Statistics	183	183	236
Statistics	90	90	119
Assessment	88	88	111
National Assessment Governing Board	5	5	6
National Center for Health Statistics [6]	109	109	110
Office of Research, Evaluation, and Statistics, SSA	16	18	15
Science Resources Statistics Division, NSF	33	33	37
Statistics of Income Division, IRS	38	41	41

[1] Reflects any recissions.

[2] Includes funds for management and administrative costs of $11, $11, and $17 million in 2006, 2007, 2008, respectively that were previously displayed separately.

[3] Includes Mandatory Appropriations of $20 million for each year for the Survey of Program Dynamics and collection of data related to the allocation to States of State Children's Health Insurance Program funds.

[4] 2007 funding assumes the reallocation of $350,000 provided in 2006 for a comprehensive report on the economic development and current status of the sheep industry in the United States. Funding for that purpose will not be needed in 2007.

[5] Includes funds for the periodic Census of Agriculture of $29, $29, and $54 million in 2006, 2007, and 2008, respectively. The FY 2008 Budget includes an increase of $24.7 million due to cyclical activities.

[6] All funds from the Public Health Service Evaluation Fund. Administrative costs for NCHS that previously were displayed as part of the NCHS budget line are now reflected in two consolidated CDC-wide budget lines for management and administrative costs.

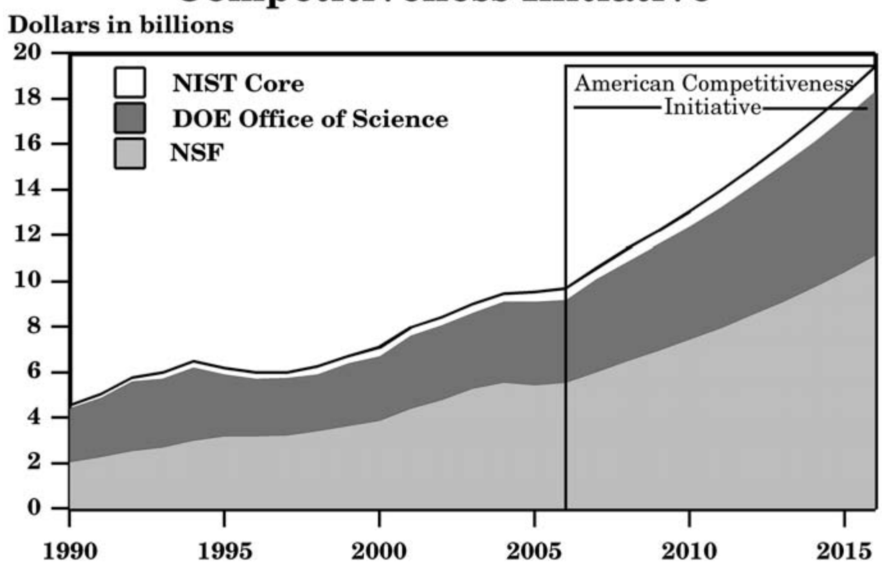
5. RESEARCH AND DEVELOPMENT

The U.S. economy is the largest in the world, and has been growing faster than any other G-7 industrialized nation. In large measure, the U.S. economy owes its strength to its willingness to build innovation capacity through the creation and growth of a world-class science and technology research enterprise and a high-quality scientific and technical education infrastructure. The relationship between support for science and economic growth is well documented. Investments in basic research lead to knowledge breakthroughs that fuel innovation, drive productivity, grow the economy, and improve our understanding of the world. Economists estimate that as much as half of post-World War II economic growth is directly due to technological progress fueled by research and development (R&D).

Economic payoffs from research come in the form of process and product innovations that reduce the costs of production, lower product prices, and result in new and better products and services. Consumers ultimately benefit from less expensive, higher quality and more useful products and services, and of course, from earnings accruing to innovative companies. Today's transforming technologies and most popular consumer items have deep roots in basic and applied research.

To sustain the Nation's economic competitiveness, the President, in last year's State of the Union address, called for a long-term vision to strengthen Federal support for the Nation's innovation enterprise in an integrated package of investments and policies called the American Competitiveness Initiative (ACI).

Chart 5-1. Research in the American Competitiveness Initiative



I. THE AMERICAN COMPETITIVENESS INITIATIVE

The President's 2008 Budget maintains a strong commitment, through the ACI, to invest in basic research areas that advance knowledge and technologies used by scientists in nearly every field. Through the ACI, the President plans to double, over 10 years, investment in innovation-enabling research at three Federal agencies—the National Science Foundation (NSF), the Department of Energy's (DOE's) Office of Science, and the Department of Commerce's National Institute of Science and Technology (NIST) laboratories.

In 2008, the second year of the American Competitiveness Initiative, President Bush proposes $11.4 billion total for NSF, DOE's Office of Science, and NIST laboratories, an overall funding increase of $764 million, or 7.2 percent, above his 2007 Budget of $10.7 billion. To reach doubling within ten years, overall annual increases will average roughly seven percent.

Research Agencies in the American Competitiveness Initiative

The National Science Foundation is the primary source of support for academic research in the physical sciences, funding basic research in areas such as nanotechnology, advanced networking and information technology, physics, chemistry, materials science, mathematics, and engineering. It also is well regarded for funding nearly all of its research through a competitive, peer-reviewed process. The increase in NSF funding will support many more researchers, students, post-doctoral fellows and technicians contributing to the innovation enterprise.

The Department of Energy's Office of Science supports grants and infrastructure for a wide range of basic research related to economically significant innovations including nanotechnology, biotechnology, high-end computing and advanced networking, and energy technologies. The 2008 Budget increases funding for both research and cutting edge facilities in these critical mission areas, such as an expansion in the number of bio-energy research centers, major growth in the United States' contribution to the international fusion energy project known as ITER, expanded supercomputing facilities and related research, and design or construction activities for world-leading next generation light sources.

The Department of Commerce's National Institute of Standards and Technology invests in technological innovation through research and standards development. These investments will improve nanotechnology manufacturing capabilities; expand NIST's neutron facility to aid in characterizing novel materials in high-growth research fields; construct new, high-performance laboratories at NIST's Boulder, Colorado facility; and improve our understanding of quantum information science that has the potential to dramatically improve computer processing speeds and enable more secure communications.

II. IMPROVING THE PERFORMANCE OF R&D PROGRAMS

R&D is critically important for keeping our Nation economically competitive, and it will help solve the challenges we face in health, defense, energy, and the environment. Therefore, every Federal R&D dollar must be invested as effectively as possible.

R&D Investment Criteria

The Administration continues to improve the effectiveness of the Federal Government's investments in R&D by applying transparent investment criteria in analyses that inform recommendations for program funding and management. R&D performance assessment must be done with care. Research often leads scientists and engineers down unpredictable pathways with unpredictable results. This outcome can require special consideration when measuring an R&D program's performance against its initial goals.

With this in mind, the Administration is improving methods for setting priorities based on expected results, and is asking agencies to apply specific criteria that programs or projects must meet to be started or continued and supply clear milestones for gauging progress and improved metrics for assessing results.

As directed by the President's Management Agenda, the R&D Investment Criteria accommodate the wide range of R&D activities, from basic research to development and demonstration programs, by addressing three fundamental aspects of R&D:

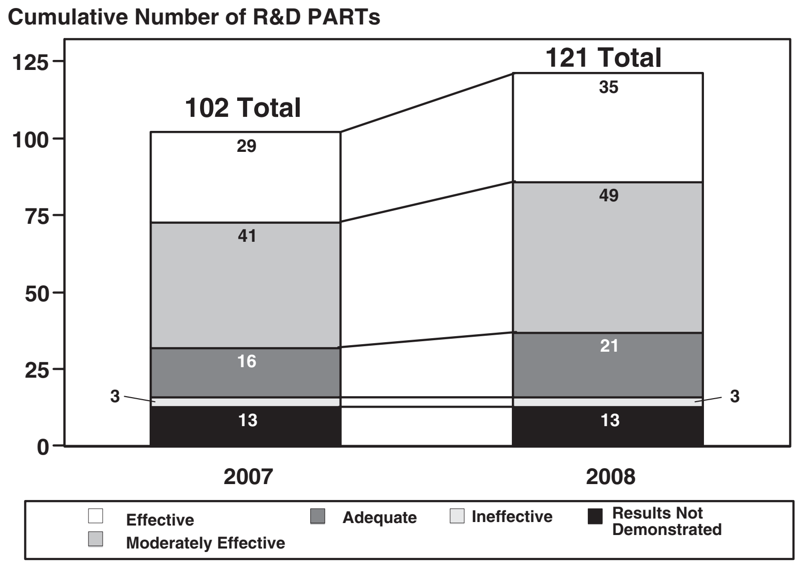
- *Relevance*—Programs must be able to articulate *why* they are important, relevant, and appropriate for Federal investment;
- *Quality*—Programs must justify *how* funds will be allocated to ensure quality; and
- *Performance*—Programs must be able to monitor and document *how well* the investments are performing.

In addition, R&D projects and programs relevant to industry are expected to apply criteria to determine the appropriateness of the public investment, enable comparisons of proposed and demonstrated benefits, and provide meaningful decision points for completing or transitioning the activity to the private sector.

As part of the President's Management Agenda's Budget and Performance Integration initiative, the Administration uses the Program Assessment Rating Tool (PART) to consistently assess the effectiveness of programs. A section of the PART specifically addresses the assessment of R&D program management and performance and is aligned with the R&D Investment criteria. In the last five years, agencies completed 977 PART assessments, of which 121 were for R&D programs. The results of these PART assessments may be found on the web at *www.expectmore.gov*.

Performance assessments help policy makers identify those programs that are the most effective and worthy of funding; however, the Administration does not allocate funding levels and initiate management reforms strictly by formula or based solely on PART results. While programs rated Effective are typically favored for additional funding over related programs that do not perform as well, PART ratings do not automatically relate to specific funding levels. For instance, a program rated Effective that has achieved what it set out to do may have its funding reduced. On the other hand, a program rated Ineffective might receive more money to correct a deficiency that would help it become more effective. The PART provides information that leads to more informed decisions.

Chart 5-2. Scores of R&D PART Assessments



Research Earmarks

President Bush has called on Congress to reform the earmark process, proposing a series of reforms that include full disclosure for each earmark and cutting the number and cost of all earmarks by at least half. Consistent with this effort, the Administration is continuing its strong support for awarding research funds based on merit review through a competitive process refereed by scientists themselves. Such a system has the best prospects for ensuring that the top research is supported. Research earmarks—in general the assignment of money during the legislative process for use by a specific organization or project—are counter to a merit-based competitive selection process. Earmarks signal to potential investigators that there is an acceptable alternative to creating quality research proposals for merit-based consideration. Such an alternative can be an ineffective use of taxpayer funds.

Unfortunately, the practice of earmarking funds to colleges, universities, and other entities for specific research projects has expanded dramatically in recent years. Some argue that earmarks help spread the research money to states or institutions that would receive less research funding through other means. *The Chronicle of Higher Education* has reported that this is not the main role earmarks play. Often only a minor portion of academic earmark funding goes to the states with the smallest shares of Federal research funds.

Some proponents of earmarking assert that earmarks provide a means of funding unique projects that would not be recognized by the conventional peer-review process. To address this concern, a number of research agencies have procedures and programs to reward "out-of-the-box" thinking. For example, the Defense Advanced Research Projects Agency, within the Department of Defense (DOD), seeks out high-risk, high-payoff scientific proposals, the National Institutes of Health has established a similarly focused "Pioneer Award," and program managers at the NSF set aside a share of funding for higher-risk projects in which they see high potential.

Earmarks that are outside of an agency's mission can detract from an efficient and effective Federal effort on behalf of taxpayers. For instance, the Congress directed DOD to fund research on a wide range of diseases including diabetes, neurofibromatosis (a genetic disorder of the nervous system), and childhood cancer. Congressional adds in DOD's budget for medical research projects totals about $500 million in 2007 alone.

While research on these diseases is very important, these diseases are generally not unique to the U.S. military and the research can be better selected, carried out and coordinated within civil medical research agencies, without disruption to the military mission. At the same time, intrusion of earmarks into the peer-review processes of civilian medical research agencies would have a significant detrimental impact on funding the most important and promising research.

Earmarks that divert funding from a merit-based process undermine America's research productivity. The Administration commends Congress for taking measures to protect NSF and the National Institutes of Health from this practice, which is an approach that should be followed throughout the R&D programs.

III. PRIORITIES FOR FEDERAL RESEARCH AND DEVELOPMENT

The 2008 Budget requests $143 billion for Federal R&D funding, and targets key research investments within agencies, in particular, the three ACI agencies: NSF, the DOE's Office of Science, and the NIST laboratories. (Table 5–1 provides details by agency).

Multi-Agency R&D Priorities

The 2008 Budget continues to target important research investments that must be coordinated across multiple agencies. The Administration will continue to analyze other areas of critical need that could benefit in the future from improved focus and coordination among agencies.

Combating Terrorism R&D: A robust R&D effort continues to be a key asset in advancing technologies in support of the President's national strategy for homeland security. Though there have been numerous achievements over the past four years, many challenges remain. A number of these challenges are being addressed through multi-agency research efforts that are coordinated through the National Science and Technology Council (NSTC) and other inter-agency forums.

In 2006, key multi-agency R&D efforts made significant progress towards improving the Nation's counterterrorism capability. Using the 2006 Administration R&D budget priorities memorandum as a guide, agencies, for example:

- improved radiation portal monitors with the ability to discern threatening sources of radiation from non-threatening sources;
- advanced technology to meet new international electronic passport standards that enables biometric screening of individuals entering the country;
- developed standards for technologies that enable the detection and interception of nuclear and radioactive material before it enters the U.S.;
- developed and established standard methodologies and practices for the sampling and detection of biological agents; and
- developed rapid diagnostics and next generation vaccines.

The 2008 Budget provides continued support for these and many other R&D related to combating terrorism, including: pursuing stand-off detection and imaging capabilities to locate and identify nuclear threat materials at a distance; advancing cargo screening capabilities to recognize and expedite safe cargo while securing the borders against other entries; improving the capabilities and implementation planning of biometric systems; initiating the 2008–2012 R&D plan for high-consequence foreign animal diseases; and focusing on critical medical countermeasures that do not have a pre-existing market to stimulate their development.

Networking and Information Technology R&D: The Budget provides $3 billion for the multi-agency Networking and Information Technology Research and Development (NITRD) Program, which plans and coordinates agency research efforts in high-end computing systems, cyber security, large-scale networking, software development, high-confidence systems, information management, and other information technologies. The agencies involved in this program coordinate efforts to accelerate research advancement in information technology, upon which every economic sector now depends.

In 2006, agencies participating in high-end computing R&D continued to make significant progress in implementing the recommendations contained in the Federal Plan for High-End Computing. The 2008 Budget continues the path toward the development of petascale systems for science by both DOE and NSF. Relevant agencies will continue to conduct research in highly scalable systems software and applications to ensure that Federal investments in high-end computing achieve maximal impact.

Participating agencies also completed and published the Federal Plan for Cyber Security and Information Assurance R&D in 2006, and are now undertaking the development of the roadmap for addressing any identified R&D gaps as recommended in the Plan.

In 2007, participating agencies will undertake the development of a Federal Plan for Advanced Networking R&D, analogous to the recent Plans for High-End Computing and for Cyber Security and Information Assurance R&D. The Federal Plan for Advanced Networking R&D will provide a strategy for addressing current and future networking needs of the Federal government in support of science and national security missions, and provide a process for developing a more detailed roadmap to guide future multi-agency investments in advancing networking R&D. Reports and general information about NITRD are available at *www.nitrd.gov/*.

Nanotechnology R&D: The Budget provides $1 billion for the multi-agency National Nanotechnology Initiative (NNI). The NNI focuses on R&D that creates materials, devices, and systems that exploit the fundamentally distinct properties of matter as it is manipulated at the atomic and molecular levels. The results of NNI-supported R&D are already leading to breakthroughs in disease detection and treatment, manufacturing at the nanoscale level, environmental monitoring and protection, energy production and storage, and creating electronic devices that have even greater capabilities than those available today. Research opportunities cover a similarly broad spectrum. Advances that will be foundational for all aspects of nanotechnology R&D in particular include: instrumentation for characterizing nanoscale materials in the laboratory, in the body, and in the environment; and computational research to model and predict properties at the nanoscale, for designing novel materials, and for determining their behavior under various conditions and environments.

Guided by the NNI, participating agencies will continue to support discovery, development and application of nanotechnology through investigator-led fundamental and applied research; multidisciplinary centers of excellence; education and training of nanotechnology researchers, teachers, workers, and the public; and infrastructure development, including user facilities and networks that are broadly available to support research and innovation. In addition, agencies continue to maintain a focus on the responsible development of nanotechnology, with attention to the human and environmental health impacts, as well as ethical, legal, and other societal issues. Reports and general information about the NNI are available at *www.nano.gov/*.

Climate Change R&D: The 2008 Budget for the Climate Change Science Program (CCSP) continues to support the implementation of the CCSP Strategic Plan, which was released in July 2003. The 13 departments and agencies that participate in the CCSP coordinate preparation of the budget and program implementation. During 2008, the CCSP will continue research into important scientific uncertainties and preparation of a series of *Synthesis and Assessment* reports. Working within the overarching priorities defined in the Strategic Plan, the CCSP's interagency coordination and integration efforts will give particular emphasis in 2008 to the following activities: abrupt climate change; integrated Earth system analysis; coping with drought through research and regional partnerships; integration of water cycle observations, research and modeling; carbon cycle research integration; aerosol forcing and interactions with clouds and non-carbon dioxide trace gases; impacts of climate variability and change on ecosystem productivity and biodiversity; and interactions on land use/land cover change and climate.

The program expects to receive input from the National Research Council under the terms of a continuing advisory agreement. This advice will include findings and recommendations on the process for evaluating progress toward the five goals in the CCSP Strategic Plan, and a preliminary assessment of progress made toward the program's goals. The CCSP will continue to track deliverables and milestones for each of its programs in order to assess overall performance. Additional detail on individual agency activities will be provided in the Administration's 2008 edition of *Our Changing Planet*. Reports and general information about the CCSP are available on the program's website: *www.climatescience.gov/*.

The Climate Change Technology Program (CCTP) continues to provide strategic direction, planning, and analysis to help coordinate and prioritize activities within the portfolio of Federally funded climate change technology R&D consistent with the President's National Climate Change Technology Initiative (NCCTI). In 2005, the CCTP published a Vision and Framework for Strategy and Planning and released a draft Strategic Plan for review by the scientific community and the public. In 2006, the CCTP addressed the nearly 300 comments received and published a final Strategic Plan. The CCTP has also identified within its portfolio a subset of NCCTI priority activities, defined as discrete R&D activities that address technological challenges, which, if solved, could advance technologies with the potential to dramatically reduce, avoid, or sequester greenhouse gas emissions. In 2008, CCTP's focus will be on implementing the Strategic Plan, which lays out a series of next steps. Reports and general information about the CCTP are available on the program's website: *www.climatetechnology.gov/*.

The CCSP and CCTP will continue to coordinate implementation of relevant climate change provisions in the 2005 Energy Policy Act as appropriate.

Ocean Research: The 2008 Budget supports ocean and coastal research as outlined in the recently released report *Charting the Course for Ocean Science in the United States for the Next Decade: An Ocean Research Priorities Plan and Implementation Strategy*. Developed by the National Science and Technology Council's Joint Subcommittee on Ocean Science and Technology, plan implementation will deploy key components of an ocean observing system that can better and more accurately describe actual conditions, enhance our understanding and capability to forecast ocean processes and phenomena, and provide scientific support for ecosystem-based management. These three overarching goals represent tremendous potential for ocean science, as well as for maintaining U.S. leadership in ocean technology and enhancing U.S. competitiveness. These goals are supported by 20 separate national ocean research priorities, established with extensive community input and oriented around the most compelling issues of interaction between society and the ocean. The Joint Subcommittee on Ocean Science and Technology will coordinate this multi-agency research into key aspects of the oceans, coasts and Great Lakes and work closely with the other coordinating bodies of the President's Ocean Action Plan.

Hydrogen R&D: In 2006, the Hydrogen R&D Interagency Task Force led coordination among nine agencies in hydrogen-related manufacturing and innovation, safety, codes and standards, and fundamental research on fuel cells, hydrogen production, and hydrogen storage. The Task Force improved and updated its web portal (*www.hydrogen.gov*) for hydrogen and fuel cell information. Additionally, the Task Force works with the International Partnership for the Hydrogen Economy, which coordinates hydrogen research among 15 nations representing two thirds of global energy consumption.

DOE will continue to lead the President's Hydrogen Fuel Initiative to accelerate the worldwide availability and affordability of hydrogen-powered fuel cell vehicles and the infrastructure to support them. The initiative focuses on research to advance hydrogen production, storage, conversion, and infrastructure technologies. The 2008 Budget completes the President's five-year, $1.2 billion commitment announced in his 2003 State of the Union address, but work will continue on the many technical challenges that remain.

Biomass R&D: The Biomass R&D Act of 2000 established the Biomass R&D Board to guide interagency coordination and bring coherence to Federal strategic planning on biomass-related issues. Since 2002, the Departments of Agriculture and Energy have been preparing joint annual reports on a subset of coordinated biomass activities. In 2006, the Board began preparation of an interagency coordination and planning document that will be reviewed by the National Academy of Sciences. In addition to assessing the goals and plans for interagency biomass research, the Academy will be tasked with considering economic and other impacts of increased biomass utilization under various energy price and policy scenarios. Additional information on the Biomass R&D Board is available online at *www.biomass.govtools.us.*

Stimulating Private Investment

Along with direct spending on R&D, the Federal Government has sought to stimulate private R&D investment through incentives in the Internal Revenue Code. A long-standing credit, which had provided a 20-percent tax credit for private research and experimentation expenditures above a certain base amount, was extended for two years through the end of 2007 and enhanced through the Tax Relief and Health Care Act of 2006. The Administration proposes making the enhanced Research and Experimentation tax credit permanent starting in 2008. The proposed extension will cost $42 billion over the period from 2008 to 2012. In addition, a permanent tax provision lets companies deduct, up front, the costs of certain kinds of research and experimentation, rather than capitalize these costs. Also, equipment used for research benefits from relatively rapid tax depreciation allowance.

IV. FEDERAL R&D DATA

Federal R&D Funding

R&D is the collection of efforts directed towards gaining greater knowledge or understanding and applying knowledge toward the production of useful materials, devices, and methods. R&D investments can be characterized as basic research, applied research, development, R&D equipment, or R&D facilities, and the Office of Management and Budget has used those or similar categories in its collection of R&D data since 1949.

Basic research is systematic study directed toward a fuller knowledge or understanding of the fundamental aspects of phenomena and of observable facts without specific applications towards processes or products in mind. Basic research, however, may include activities with broad applications in mind.

Applied research is systematic study to gain knowledge or understanding necessary to determine the means by which a recognized and specific need may be met.

Development is systematic application of knowledge or understanding, directed toward the production of useful materials, devices, and systems or methods, including design, development, and improvement of prototypes and new processes to meet specific requirements.

Research and development equipment includes acquisition or design and production of movable equipment, such as spectrometers, research satellites, detectors, and other instruments. At a minimum, this category should include programs devoted to the purchase or construction of R&D equipment.

Research and development facilities include the acquisition, design, and construction of, or major repairs or alterations to, all physical facilities for use in R&D activities. Facilities include land, buildings, and fixed capital equipment, regardless of whether the facilities are to be used by the Government or by a private organization, and regardless of where title to the property may rest. This category includes such fixed facilities as reactors, wind tunnels, and particle accelerators.

There are over twenty Federal agencies that fund R&D in the U.S. The nature of the R&D that these agencies fund depends on the mission of each agency and on the role of R&D in accomplishing it. Table 5–1 shows agency-by-agency spending on basic and applied research, development, and R&D equipment and facilities.

The "Federal Science and Technology" (FS&T) budget (shown in Table 5–2) highlights the creation of new knowledge and technologies more consistently and accurately than the overall R&D data. The FS&T budget emphasizes research; does not count funding for defense development, testing, and evaluation; and totals less than half of Federal R&D spending. The 2008 Budget requests $61 billion for FS&T.

Table 5–1. FEDERAL RESEARCH AND DEVELOPMENT

(Budget authority, dollar amounts in millions)

	2006 Actual	2007 Estimate	2008 Proposed	Dollar Change: 2007 to 2008	Percent Change: 2007 to 2008
By Agency					
Defense	73,723	77,881	78,862	981	1%
Health and Human Services	28,531	28,743	29,027	284	1%
NASA	11,317	11,613	12,428	815	7%
Energy	8,596	8,389	9,224	835	10%
National Science Foundation	4,227	4,232	4,880	648	15%
Agriculture	2,438	2,316	2,010	–306	–13%
Commerce	1,090	920	1,088	168	18%
Homeland Security	1,455	1,079	1,068	–11	–1%
Veteran Affairs	824	818	822	4	0%
Transportation	820	752	812	60	8%
Interior	639	636	621	–15	–2%
Environmental Protection Agency	622	567	562	–5	–1%
Other	1,250	1,223	1,251	28	2%
Total	**135,532**	**139,169**	**142,655**	**3,486**	**3%**
Basic Research					
Defense	1,457	1,565	1,428	–137	–9%
Health and Human Services	15,546	15,545	15,615	70	0%
NASA	2,299	2,259	2,226	–33	–1%
Energy	2,930	2,957	3,409	452	15%
National Science Foundation	3,520	3,499	3,993	494	14%
Agriculture	853	799	771	–28	–4%
Commerce	118	118	164	46	39%
Homeland Security	85	105	132	27	26%
Veteran Affairs	343	328	330	2	1%
Transportation	....	....	....	....	N/A
Interior	42	42	39	–3	–7%
Environmental Protection Agency	105	94	94	....	....
Other	158	163	170	7	4%
Subtotal	**27,456**	**27,474**	**28,371**	**897**	**3%**
Applied Research					
Defense	4,948	5,330	4,357	–973	–18%
Health and Human Services	12,827	12,964	13,237	273	2%
NASA	1,680	1,010	1,127	117	12%
Energy	2,700	2,707	2,869	162	6%
National Science Foundation	286	281	380	99	35%
Agriculture	1,149	1,117	984	–133	–12%
Commerce	729	617	696	79	13%
Homeland Security	662	518	533	15	3%
Veteran Affairs	435	442	444	2	0%
Transportation	497	501	541	40	8%
Interior	546	534	525	–9	–2%
Environmental Protection Agency	400	369	364	–5	–1%
Other	590	549	581	32	6%
Subtotal	**27,449**	**26,939**	**26,638**	**–301**	**–1%**
Development					
Defense	67,154	70,926	72,873	1,947	3%
Health and Human Services	22	22	22	....	....
NASA	5,141	6,451	6,707	256	4%
Energy	1,939	1,843	1,891	48	3%
National Science Foundation	....	....	....	....	N/A
Agriculture	164	158	156	–2	–1%
Commerce	93	55	72	17	31%
Homeland Security	659	325	269	–56	–17%
Veteran Affairs	46	48	48	....	....
Transportation	305	232	252	20	9%
Interior	46	53	55	2	4%
Environmental Protection Agency	117	104	104	....	....
Other	464	455	454	–1	0%
Subtotal	**76,150**	**80,672**	**82,903**	**2,231**	**3%**
Facilities and Equipment					
Defense	164	60	204	144	240%
Health and Human Services	136	212	153	–59	–28%

Table 5–1. FEDERAL RESEARCH AND DEVELOPMENT—Continued

(Budget authority, dollar amounts in millions)

	2006 Actual	2007 Estimate	2008 Proposed	Dollar Change: 2007 to 2008	Percent Change: 2007 to 2008
NASA	2,197	1,893	2,368	475	25%
Energy	1,027	882	1,055	173	20%
National Science Foundation	421	452	507	55	12%
Agriculture	272	242	99	–143	–59%
Commerce	150	130	156	26	20%
Homeland Security	49	131	134	3	2%
Veteran Affairs	....	....	....	....	N/A
Transportation	18	19	19	....	N/A
Interior	5	7	2	–5	–71%
Environmental Protection Agency	....	....	....	....	N/A
Other	38	56	46	–10	–18%
Subtotal	**4,477**	**4,084**	**4,743**	**659**	**16%**

Table 5–2. FEDERAL SCIENCE AND TECHNOLOGY BUDGET

(Budget authority, dollar amounts in millions)

	2006 Actual	2007 Estimate [1]	2008 Proposed	Dollar Change: 2007 to 2008	Percent Change: 2007 to 2008
By Agency					
National Institutes of Health [2]	**28,242**	**28,269**	**28,700**	**431**	**2%**
NASA [3]	**7,670**	**7,173**	**7,124**	**–49**	**–1%**
Science	5,110	5,330	5,516	186	3%
Aeronautics	893	724	554	–170	–23%
Exploration Systems [4]	1,452	921	856	–65	–7%
Innovative Partnerships	215	198	198	....	....
Energy [5]	**5,625**	**6,186**	**6,906**	**720**	**12%**
Science Programs	3,596	4,102	4,398	296	7%
Electricity Transmission & Distribution	136	96	86	–10	–10%
Nuclear Energy	416	560	811	251	45%
Energy Efficiency and Renewable Energy Resources [6]	896	963	1,047	84	9%
Fossil Energy R&D [7]	581	465	564	99	21%
National Science Foundation	**5,581**	**6,020**	**6,429**	**409**	**7%**
Defense	**6,405**	**6,895**	**5,785**	**–1,110**	**–16%**
Basic Research	1,457	1,565	1,428	–137	–9%
Applied Research	4,948	5,330	4,357	–973	–18%
Agriculture	**2,170**	**1,921**	**1,934**	**13**	**1%**
CSREES Research and Education [8]	675	569	566	–3	–1%
Economic Research Service	75	83	83	....	....
Agricultural Research Service [9]	1,141	1,001	1,022	21	2%
Forest Service: Forest and Rangeland Research	279	268	263	–5	–2%
Interior (USGS)	**965**	**945**	**975**	**30**	**3%**
Commerce	**939**	**869**	**944**	**75**	**9%**
NOAA: Oceanic & Atmospheric Research	369	338	358	20	6%
NIST Intramural Research and Facilities	570	531	586	55	10%
Veterans Affairs [10]	**769**	**765**	**822**	**57**	**7%**
Environmental Protection Agency [11]	**761**	**816**	**781**	**–35**	**–4%**
Transportation	**563**	**598**	**570**	**–28**	**–5%**
Highway research: Federal Highway Administration	426	468	430	–38	–8%
Federal Aviation Administration: Research, Engineering, and Development	137	130	140	10	8%
Education	**342**	**342**	**342**	....	....
Special Education Research and Innovation	72	72	72	....	....
National Institute on Disability and Rehabilitation Research	107	107	107	....	....
Research, Development, and Dissemination [12]	163	163	163	....	....
Total	**60,032**	**60,799**	**61,312**	**513**	**1%**

[1] The amounts included as 2007 Estimates in this table reflect the 2007 Budget levels, with the exception of the numbers for the Department of Defense, which are the enacted levels.

[2] In 2006, the Department of Health and Human Services allocated an additional $18 million to NIH for Pandemic Influenza research from the Department of Defense Emergency Supplemental Appropriations to Address Hurricanes in the Gulf of Mexico, and Pandemic Influenza Act, 2006.

[3] Due to recent changes in NASA's approach to budgeting overhead costs, 2008 funding levels are not comparable to 2006 and 2007 levels.

[4] Includes Exploration Technology Development, the Human Research Program, and the Lunar Precursor Robotic Program.

[5] Data do not reflect actual transfers to Science Programs from other Department of Energy R&D programs to support the Small Business Innovation Research and the Small Business Technology Transfer programs.

[6] In 2006, Congress merged the Energy Supply and Energy Conservation accounts. The amount reported under the new Energy Efficiency and Renewable Energy Resources line within this account reflects a combination of the former Energy Conservation line item (excluding Weatherization and State grants) and the Renewables line item.

[7] Excludes funding for the Alaska Natural Gas Pipeline project.

[8] Includes the appropriation of earnings from the Native American Endowment Fund, but not the appropriation to the Endowment's principal.

[9] Excludes building and facilities. Excludes $6 million transfer to the account in 2006.

[10] Includes the medical care and prosthetic research appropriation and VA medical care support transfer to research.

[11] Science and Technology, plus superfund transfer.

[12] Does not include funding for Regional Educational Labs.

Table 5–3. AGENCY DETAIL OF SELECTED INTERAGENCY R&D EFFORTS

(Budget authority, dollar amounts in millions)

	2006 Actual	2007 Estimate [1]	2008 Proposed	Dollar Change: 2007 to 2008	Percent Change: 2007 to 2008
Networking and Information Technology R&D [2]					
Defense	1,106	1,046	1,027	–19	–2%
National Science Foundation	812	904	994	90	10%
Health and Human Services [3]	486	541	463	–78	–14%
Energy	282	389	404	15	4%
National Aeronautics and Space Administration	78	82	85	3	4%
Commerce	64	73	73	....	N/A
Environmental Protection Agency	6	6	6	....	N/A
National Archives and Records Administration	4	4	5	1	25%
Total	**2,838**	**3,045**	**3,057**	**12**	**0%**
National Nanotechnology Initiative					
National Science Foundation	360	373	390	17	5%
Defense	424	417	375	–42	–10%
Energy	231	293	332	39	13%
Health and Human Services [4]	196	175	208	33	19%
Commerce (NIST)	78	89	97	8	9%
National Aeronautics and Space Administration	50	25	24	–1	–4%
Environmental Protection Agency	5	9	10	1	11%
Agriculture	6	7	8	1	14%
Transportation	1	1	1	....	N/A
Justice	....	1	1	....	N/A
Homeland Security	2	1	1	....	N/A
Total	**1,353**	**1,391**	**1,447**	**56**	**4%**
Climate Change Science Program					
National Aeronautics and Space Administration [5]	1,045	981	871	–110	–11%
National Science Foundation	197	205	208	3	1%
Commerce (NOAA)	157	173	174	1	1%
Energy	130	126	130	4	3%
Agriculture	61	60	59	–1	–2%
National Institutes of Health	50	57	50	–7	–12%
Interior (USGS)	27	26	27	1	4%
Environmental Protection Agency	19	18	18	....	N/A
Smithsonian	6	6	6	....	N/A
Transportation	1	1	1	....	N/A
U.S. Agency for International Development [6]	13	14	....	N/A	N/A
Total	**1,706**	**1,667**	**1,544**	**–123**	**–7%**

[1] The amounts included as 2007 Estimates in these tables reflect the 2007 Budget levels, with the exception of the numbers for the Department of Defense and the Department of Homeland Security, which are the enacted levels.
[2] DHS NITRD funding information is not yet available.
[3] Includes funds from offsetting collections for the Agency for Healthcare Research and Quality.
[4] Includes funds from both the National Institutes of Health and National Institute of Occupational Safety and Health.
[5] Beginning with the 2007 Estimate, NASA is no longer counting its Ground Network and Research Range within its CCSP totals.
[6] USAID CCSP funding information for 2008 is not yet available.

6. FEDERAL INVESTMENT

Investment spending is spending that yields long-term benefits. Its purpose may be to improve the efficiency of internal Federal agency operations or to increase the Nation's overall stock of capital for economic growth. The spending can be direct Federal spending or grants to State and local governments. It can be for physical capital, which yields a stream of services over a period of years, or for research and development or education and training, which are intangible but also increase income in the future or provide other long-term benefits.

Most presentations in the Federal budget combine investment spending with spending for current use. This chapter focuses solely on Federal and federally financed investment.

In this chapter, investment is discussed in the following sections:

- a description of the size and composition of Federal investment spending;
- a discussion of the performance of selected Federal investment programs; and
- a presentation of trends in the stock of federally financed physical capital, research and development, and education.

PART I: DESCRIPTION OF FEDERAL INVESTMENT

For more than fifty years, the Federal budget has included a chapter on Federal investment—defined as those outlays that yield long-term benefits—separately from outlays for current use. In recent years the discussion of the composition of investment has displayed estimates of budget authority as well as outlays.

The classification of spending between investment and current outlays is a matter of judgment. The budget has historically employed a relatively broad classification, encompassing physical investment, research, development, education, and training. The budget further classifies investments into those that are grants to State and local governments, such as grants for highways or education, and all other investments, called "direct Federal programs" in this analysis. This "direct Federal" category consists primarily of spending for assets owned by the Federal Government, such as defense weapons systems and general purpose office buildings, but also includes grants to private organizations and individuals for investment, such as capital grants to Amtrak or higher education loans directly to individuals.

Presentations for particular purposes could adopt different definitions of investment:

- To suit the purposes of a traditional balance sheet, investment might include only those physical assets owned by the Federal Government, excluding capital financed through grants and intangible assets such as research and education.
- Focusing on the role of investment in improving national productivity and enhancing economic growth would exclude items such as national defense assets, the direct benefits of which enhance national security rather than economic growth.
- Concern with the efficiency of Federal operations would confine the coverage to investments that reduce costs or improve the effectiveness of internal Federal agency operations, such as computer systems.
- A "social investment" perspective might broaden the coverage of investment beyond what is included in this chapter to include programs such as childhood immunization, maternal health, certain nutrition programs, and substance abuse treatment, which are designed in part to prevent more costly health problems in future years.

The relatively broad definition of investment used in this section provides consistency over time—historical figures on investment outlays back to 1940 can be found in the separate *Historical Tables* volume. Table 6–2 at the end of this section allows disaggregation of the data to focus on those investment outlays that best suit a particular purpose.

In addition to this basic issue of definition, there are two technical problems in the classification of investment data involving the treatment of grants to State and local governments and the classification of spending that could be shown in more than one category.

First, for some grants to State and local governments it is the recipient jurisdiction, not the Federal Government, that ultimately determines whether the money is used to finance investment or current purposes. This analysis classifies all of the outlays in the category where the recipient jurisdictions are expected to spend most of the money. Hence, the community development block grants are classified as physical investment, although some may be spent for current purposes. General purpose fiscal assistance is classified as current spending, although some may be spent by recipient jurisdictions on physical investment.

Second, some spending could be classified in more than one category of investment. For example, outlays for construction of research facilities finance the acquisition of physical assets, but they also contribute to research and development. To avoid double counting, the outlays are classified in the category that is most commonly recognized as investment. Consequently, outlays for the conduct of research and development do not include outlays for research facilities, because these outlays are included in the category for physical investment. Similarly, spending for physical investment and research and development related to education and training is included in the categories of physical assets and the conduct of research and development.

When direct loans and loan guarantees are used to fund investment, the subsidy value is included as investment. The subsidies are classified according to their program purpose, such as construction or education and training. For more information about the treatment of Federal credit programs, refer to Chapter 7, "Credit and Insurance," in this volume.

This section presents spending for gross investment, without adjusting for depreciation.

Composition of Federal Investment Outlays

Major Federal Investment

The composition of major Federal investment outlays is summarized in Table 6–1. They include major public physical investment, the conduct of research and development, and the conduct of education and training. Defense and nondefense investment outlays were $430.4 billion in 2006. They are estimated to increase to $434.9 billion in 2007 and are projected to decline to $430.1 billion in 2008. Major Federal investment outlays will comprise an estimated 15 percent of total Federal outlays in 2008 and 3.0 percent of the Nation's gross domestic product. Greater detail on Federal investment is available in Table 6–2 at the end of this section. That table includes both budget authority and outlays.

Physical investment. Outlays for major public physical capital investment (hereafter referred to as physical investment outlays) are estimated to be $221.1 billion in 2008. Physical investment outlays are for construction and rehabilitation, the purchase of major equipment, and the purchase or sale of land and structures. Approximately two-thirds of these outlays are for direct physical investment by the Federal Government, with the remainder being grants to State and local governments for physical investment.

Direct physical investment outlays by the Federal Government are primarily for national defense. Defense outlays for physical investment are estimated to be $117.6 billion in 2008. Almost all of these outlays, or an estimated $107.8 billion, are for the procurement of weapons and other defense equipment, and the remainder is primarily for construction on military bases, family housing for military personnel, and Department of Energy defense facilities.

Outlays for direct physical investment for nondefense purposes are estimated to be $31.6 billion in 2008. These outlays include $18.3 billion for construction and rehabilitation. This amount includes funds for water, power, and natural resources projects of the Corps of Engineers, the Bureau of Reclamation within the Department of the Interior, and the Tennessee Valley Authority; construction and rehabilitation of veterans hospitals and Indian Health Service hospitals and clinics; facilities for space and science programs; Postal Service facilities; construction for the administration of justice programs (largely in the Department of Homeland Security), construction of office buildings by the General Services Administration, and construction for embassy security. Outlays for the acquisition of major equipment are estimated to be $13.4 billion in 2008. The largest amounts are for the air traffic control system; law enforcement activities, largely in the Department of Homeland Security and the Federal Bureau of Investigation; and information systems in the Department of Veterans Affairs.

Grants to State and local governments for physical investment are estimated to be $71.8 billion in 2008. More than two-thirds of these outlays, or $51.6 billion, are to assist States and localities with transportation infrastructure, primarily highways. Other major grants for physical investment fund sewage treatment plants, community and regional development, and public housing.

Conduct of research and development. Outlays for the conduct of research and development are estimated to be $127.0 billion in 2008. These outlays are devoted to increasing basic scientific knowledge and promoting research and development. They increase the Nation's security, improve the productivity of capital and labor for both public and private purposes, and enhance the quality of life. More than half of these outlays, an estimated $72.9 billion, are for national defense. Physical investment for research and development facilities and equipment is included in the physical investment category.

Nondefense outlays for the conduct of research and development are estimated to be $54.1 billion in 2008. These are largely for the National Aeronautics and Space Administration, the National Science Foundation, the National Institutes of Health, and research for nuclear and non-nuclear energy programs.

A more complete and detailed discussion of research and development funding appears in Chapter 5, "Research and Development," in this volume.

Conduct of education and training. Outlays for the conduct of education and training are estimated to be $82.1 billion in 2008. These outlays add to the stock of human capital by developing a more skilled and productive labor force. Grants to State and local governments for this category are estimated to be $53.6 billion in 2008, more than three-fifths of the total. They include education programs for the disadvantaged and individuals with disabilities, other education programs, training programs in the Department of Labor, and Head Start. Direct Federal education and training outlays are estimated to be $28.5 billion in 2008. Programs in this category are primarily aid for higher education through student financial assistance, loan subsidies, the

Table 6–1. COMPOSITION OF FEDERAL INVESTMENT OUTLAYS

(In billions of dollars)

	2006 Actual	Estimate	
		2007	2008
Major public physical capital investment:			
Direct Federal:			
National defense	97.3	113.3	117.6
Nondefense	29.0	32.5	31.6
Subtotal, direct major public physical capital investment	126.3	145.8	149.2
Grants to State and local governments	64.1	69.2	71.8
Subtotal, major public physical capital investment	190.4	215.0	221.1
Conduct of research and development:			
National defense	73.0	75.5	72.9
Nondefense	49.8	52.7	54.1
Subtotal, conduct of research and development	122.8	128.1	127.0
Conduct of education and training:			
Grants to State and local governments	56.2	57.3	53.6
Direct Federal	61.0	34.5	28.5
Subtotal, conduct of education and training	117.2	91.8	82.1
Total, major Federal investment outlays	**430.4**	**434.9**	**430.1**
MEMORANDUM			
Major Federal investment outlays:			
National defense	170.3	188.7	190.6
Nondefense	260.1	246.2	239.5
Total, major Federal investment outlays	430.4	434.9	430.1
Miscellaneous physical investment:			
Commodity inventories	–1.0	–0.2	0.2
Other physical investment (direct)	3.1	3.2	3.4
Total, miscellaneous physical investment	2.1	3.0	3.6
Total, Federal investment outlays, including miscellaneous physical investment	432.5	437.9	433.7

veterans GI bill, and health training programs. The decline in spending from 2006 to 2007 reflects a significant decrease in estimates of Federal subsidies due to reduced student loan consolidation activity.

This category does not include outlays for education and training of Federal civilian and military employees. Outlays for education and training that are for physical investment and for research and development are in the categories for physical investment and the conduct of research and development.

Miscellaneous Physical Investment

In addition to the categories of major Federal investment, several miscellaneous categories of investment outlays are shown at the bottom of Table 6–1. These items, all for physical investment, are generally unrelated to improving Government operations or enhancing economic activity.

Outlays for commodity inventories are primarily for the purchase or sale of agricultural products pursuant to farm price support programs. Purchases are estimated to exceed sales by $0.2 billion in 2008.

Outlays for other miscellaneous physical investment are estimated to be $3.4 billion in 2008. This category includes primarily conservation programs. These are entirely direct Federal outlays.

Detailed Table on Investment Spending

The following table provides data on budget authority as well as outlays for major Federal investment divided according to grants to State and local governments and direct Federal spending. Miscellaneous investment is not included because it is generally unrelated to improving Government operations or enhancing economic activity.

Table 6–2. FEDERAL INVESTMENT BUDGET AUTHORITY AND OUTLAYS: GRANT AND DIRECT FEDERAL PROGRAMS

(In millions of dollars)

Description	Budget Authority			Outlays		
	2006 Actual	2007 Estimate	2008 Estimate	2006 Actual	2007 Estimate	2008 Estimate
GRANTS TO STATE AND LOCAL GOVERNMENTS						
Major public physical investments:						
Construction and rehabilitation:						
Transportation:						
Highways	36,357	37,555	39,943	33,975	34,914	37,621
Mass transportation	9,768	8,738	9,273	8,430	10,048	10,276
Air transportation	3,070	4,267	2,750	3,841	3,821	3,711
Subtotal, transportation	49,195	50,560	51,966	46,246	48,783	51,608
Other construction and rehabilitation:						
Pollution control and abatement	1,878	1,961	1,748	1,740	1,685	1,546
Community and regional development	22,054	5,173	3,535	6,310	9,147	9,231
Housing assistance	6,169	6,127	5,525	7,750	7,566	7,563
Other construction	579	311	289	553	533	379
Subtotal, other construction and rehabilitation	30,680	13,572	11,097	16,353	18,931	18,719
Subtotal, construction and rehabilitation	79,875	64,132	63,063	62,599	67,714	70,327
Other physical assets	1,423	1,372	1,299	1,515	1,494	1,507
Subtotal, major public physical capital	81,298	65,504	64,362	64,114	69,208	71,834
Conduct of research and development:						
Agriculture	266	275	229	270	284	276
Other	169	165	164	171	130	130
Subtotal, conduct of research and development	435	440	393	441	414	406
Conduct of education and training:						
Elementary, secondary, and vocational education	38,295	36,230	36,936	37,984	38,258	35,467
Higher education	501	500	337	540	582	510
Research and general education aids	764	784	694	727	813	710
Training and employment	4,965	5,157	4,803	4,801	4,749	4,543
Social services	10,109	10,239	9,567	10,015	10,255	9,873
Agriculture	456	456	436	423	443	496
Other	1,700	2,216	1,997	1,682	2,189	1,979
Subtotal, conduct of education and training	56,790	55,582	54,770	56,172	57,289	53,578
Subtotal, grants for investment	138,523	121,526	119,525	120,727	126,911	125,818
DIRECT FEDERAL PROGRAMS						
Major public physical investment:						
Construction and rehabilitation:						
National defense:						
Military construction and family housing	9,500	9,407	11,527	6,439	8,870	9,426
Atomic energy defense activities and other	668	628	489	654	577	504
Subtotal, national defense	10,168	10,035	12,016	7,093	9,447	9,930
Nondefense:						
International affairs	1,357	924	1,492	1,585	1,542	1,228
General science, space, and technology	2,114	1,941	2,285	2,183	2,879	3,261
Water resources projects	4,815	2,823	2,746	3,161	4,289	3,000
Other natural resources and environment	1,144	860	884	982	990	956
Energy	1,387	1,245	1,275	1,354	1,215	1,352
Postal Service	950	1,288	1,214	737	793	1,122
Transportation	130	136	64	91	218	123
Veterans hospitals and other health facilities	2,867	1,343	2,006	1,946	1,844	1,937
Administration of justice	821	1,658	1,518	467	1,397	1,799
GSA real property activities	1,911	949	1,420	1,484	1,476	1,839

Table 6–2. FEDERAL INVESTMENT BUDGET AUTHORITY AND OUTLAYS: GRANT AND DIRECT FEDERAL PROGRAMS—Continued

(In millions of dollars)

Description	Budget Authority			Outlays		
	2006 Actual	2007 Estimate	2008 Estimate	2006 Actual	2007 Estimate	2008 Estimate
Other construction	1,938	1,776	1,342	1,991	1,966	1,680
Subtotal, nondefense	19,434	14,943	16,246	15,981	18,609	18,297
Subtotal, construction and rehabilitation	29,602	24,978	28,262	23,074	28,056	28,227
Acquisition of major equipment:						
National defense:						
Department of Defense	105,370	126,244	137,220	89,796	103,508	107,398
Atomic energy defense activities	510	490	383	444	344	354
Subtotal, national defense	105,880	126,734	137,603	90,240	103,852	107,752
Nondefense:						
General science and basic research	604	637	926	578	608	890
Space flight, research, and supporting activities	360	290	492	291	543	405
Postal Service	1,339	1,782	1,442	1,430	1,017	1,294
Air transportation	3,310	3,333	860	2,615	2,737	1,817
Water transportation (Coast Guard)	1,340	1,264	892	882	1,094	1,115
Other transportation (railroads)	1,293	1,114	900	1,257	1,188	900
Hospital and medical care for veterans	1,132	236	770	784	633	604
Law enforcement activities	1,802	1,902	2,054	1,448	1,891	1,939
Department of the Treasury (fiscal operations)	237	251	331	261	214	278
Department of Commerce (NOAA)	944	935	890	1,000	875	900
GSA general services funds	763	816	833	719	824	865
Other	2,038	1,767	2,544	1,473	1,952	2,425
Subtotal, nondefense	15,162	14,327	12,934	12,738	13,576	13,432
Subtotal, acquisition of major equipment	121,042	141,061	150,537	102,978	117,428	121,184
Purchase or sale of land and structures:						
National defense	–65	–39	–37	–65	–39	–37
Natural resources and environment	97	115	–323	145	129	–301
General government	168	164	156	162	164	156
Other	42	160	25	18	25	2
Subtotal, purchase or sale of land and structures	242	400	–179	260	279	–180
Subtotal, major public physical investment	150,886	166,439	178,620	126,312	145,763	149,231
Conduct of research and development:						
National defense:						
Defense military	73,559	77,821	78,243	69,323	71,755	69,856
Atomic energy and other	3,917	3,608	3,645	3,720	3,726	3,079
Subtotal, national defense	77,476	81,429	81,888	73,043	75,481	72,935
Nondefense:						
International affairs	255	255	255	258	258	258
General science, space, and technology:						
NASA	8,227	9,131	9,330	6,807	8,438	9,445
National Science Foundation	3,806	3,780	4,373	3,707	3,943	3,894
Department of Energy	2,914	2,943	3,394	2,966	3,013	3,192
Subtotal, general science, space, and technology	15,202	16,109	17,352	13,738	15,652	16,789
Energy	1,219	1,364	1,409	1,156	1,241	1,409
Transportation:						
Department of Transportation	792	729	788	563	576	499
NASA	893	589	730	722	736	669
Other	17	17	18	20	13	13
Subtotal, transportation	2,921	2,699	2,945	2,461	2,566	2,590
Health:						
National Institutes of Health	27,524	27,641	27,956	26,695	26,974	27,580

Table 6–2. FEDERAL INVESTMENT BUDGET AUTHORITY AND OUTLAYS: GRANT AND DIRECT FEDERAL PROGRAMS—Continued

(In millions of dollars)

Description	Budget Authority			Outlays		
	2006 Actual	2007 Estimate	2008 Estimate	2006 Actual	2007 Estimate	2008 Estimate
All other health	694	676	671	653	659	670
Subtotal, health	28,218	28,317	28,627	27,348	27,633	28,250
Agriculture	1,588	1,485	1,397	1,509	1,511	1,458
Natural resources and environment	2,106	1,922	1,947	1,513	1,613	1,674
National Institute of Standards and Technology	366	319	398	398	378	409
Hospital and medical care for veterans	824	818	822	799	809	799
All other research and development	1,919	1,547	1,728	1,545	2,084	1,701
Subtotal, nondefense	53,144	53,216	55,216	49,311	52,246	53,670
Subtotal, conduct of research and development	130,620	134,645	137,104	122,354	127,727	126,605
Conduct of education and training:						
Elementary, secondary, and vocational education	1,355	1,326	1,080	1,656	1,634	1,343
Higher education	57,017	24,128	20,691	50,716	23,441	17,841
Research and general education aids	1,993	1,933	2,173	1,902	2,050	2,057
Training and employment	359	359	364	469	549	534
Health	1,353	1,351	994	1,334	1,311	1,222
Veterans education, training, and rehabilitation	3,338	2,842	3,332	2,980	3,321	3,316
General science and basic research	889	886	945	902	909	992
National defense	....	....	....	5	....	....
International affairs	485	474	515	448	462	499
Other	655	555	611	595	826	672
Subtotal, conduct of education and training	67,444	33,854	30,705	61,007	34,503	28,476
Subtotal, direct Federal investment	348,950	334,938	346,429	309,673	307,993	304,312
Total, Federal investment	487,473	456,464	465,954	430,400	434,904	430,130

PART II: PERFORMANCE OF FEDERAL INVESTMENT

Introduction. In recent years there has been increased emphasis on improving the performance of Government programs. This emphasis began with the Government Performance and Results Act of 1993, which requires agencies to prepare strategic plans and annual performance plans, and then report on their actual performance annually.

This Administration set out to ensure that agencies worked to improve their performance, not just report on it. Beginning in the 2004 Budget, the Administration began to assess every Federal program by a method known as the Program Assessment Rating Tool, or PART. The Administration set a target of assessing all Federal programs over five years. With this budget, the fifth year of using the PART, the Administration has assessed nearly 1,000 programs, approximately 96 percent of the Federal budget.

The PART assesses each program in four components (purpose, planning, management, and results/accountability) and gives a score for each of the components. The scores for each component are then weighted—results/accountability carries the greatest weight—and the program is given an overall score. A program is rated Effective if it receives an overall score of 85 percent or more, Moderately Effective if the score is 70 to 84 percent, Adequate if the score is 50 to 69 percent, and Inadequate if the score is 49 percent or lower. The program may receive a rating "Results Not Demonstrated" if it does not have a good long-term and annual performance measure or does not have data to report on its measures. Chapter 2 of this volume discusses the PART concepts in more detail.

This section summarizes the results of the PART for direct investment programs, defined to include capital assets, research and development, and education and training. Because an entire program is assessed, not just the investment portion of the program, the assessments for some programs may cover more than just the investment spending. PART assessments of programs that are grants to State and local governments are not summarized in this chapter but are summarized in Chapter 8, "Aid to State and Local Governments," in this volume.

This section summarizes 244 programs:

- Programs for capital assets are essentially those identified in the PART system as "capital assets and service acquisition" (92 programs);

- Programs for research and development are essentially those identified in the PART system as "research and development" (121 programs); and
- Programs for education and training (31 programs) are primarily programs in the Department of Education (e.g., Federal Pell Grants) that are not grants to State and local governments. This category also includes programs in other agencies, such as the Montgomery GI Bill in the Department of Veterans Affairs, the Health Professions program in the Department of Health and Human Services, and the Job Corps program in the Department of Labor.

Information on these and other programs assessed by PART is at *www.ExpectMore.gov*.

Summary of ratings. Table 6–3 shows that the average rating for the 244 investment programs that have been rated by PART was "Moderately Effective". Of these programs:

- 57 were rated Effective;
- 83 were rated Moderately Effective;
- 55 were rated Adequate;
- 8 were rated Ineffective; and
- 41 were rated "Results Not Demonstrated".

Table 6–3. SUMMARY OF PART RATINGS AND SCORES FOR DIRECT FEDERAL INVESTMENT PROGRAMS

(Excludes grants to State and local governments for investment)

Criteria	Type of Investment			
	Physical capital	Research and development	Education and training	All investment programs
	Average scores			
Purpose	84%	92%	80%	88%
Planning	80%	83%	74%	81%
Management	83%	87%	72%	84%
Results/Accountability	56%	60%	35%	55%
Weighted Average [1]	69%	74%	55%	70%
Average Rating	Adequate	Moderately effective	Adequate	Moderately effective
	Number of Programs			
Ratings [2]				
Effective	20	35	2	57
Moderately effective	31	49	3	83
Adequate	20	21	14	55
Ineffective	2	3	3	8
Results not demonstrated	19	13	9	41
Total number of investment programs rated	92	121	31	244

[1] Weighted as follows: Purpose (20 percent), Planning (10 percent), Management (20 percent), Results/Accountability (50 percent).

[2] The rating of Effective indicates a score of 85 percent or more; Moderately Effective, 70–84 percent; Adequate, 50–69 percent; and Ineffective, 49 percent or less.

Assessments of individual programs. The ratings of ten of the largest physical capital and education and training investment programs are summarized here. Information on research and development is in Chapter 5, "Research and Development" in this volume.

Capital Assets

Department of Defense. Air Force Acquisition Systems. ($31.8 billion in 2006). Rating: *Moderately Effective*. This program acquires the equipment and other materiel needed by the Air Force to enable it to fulfill its mission of defeating enemy forces and protecting American troops.

The Air Force acquisition system delivers equipment that generally meets its required performance goals and fulfills the warfighters' needs. The acquisition system does not include control mechanisms to effectively limit factors which contribute to cost and schedule overruns. While the acquisition system already includes a limited number of specific performance measures, additional measures would help to better determine how well the acquisition system is performing.

Department of Defense. Marine Corps/Expeditionary Warfare. ($14.0 billion in 2006). Rating: *Moderately Effective*. Expeditionary warfare is the temporary use of Marine Corps force in foreign countries. The expeditionary warfare program consists of specific investment programs for aviation assets, amphibious ships, weapons systems, equipment, vehicles, ammunition, and research and development.

The Department of Defense (DoD) has articulated a limited number of long-term performance measures for the expeditionary warfare program in response to an earlier assessment. DoD has identified goals related to Joint and Coalition Proficiency, Operational Reach, Force Projection, Sustainability, and Operational and Organizational Adaptability for the expeditionary warfare capability.

Department of Defense. Navy Shipbuilding ($13.4 billion in 2006). Rating: *Adequate*.This program buys new ships and overhauls existing ships. New ships are built at six privately-owned shipyards. Overhauls of existing ships are performed at both privately-owned and publicly-owned shipyards. The Navy currently has 281 ships in the fleet.

The Navy has specific cost, schedule, and performance goals for each shipbuilding program. The Navy conducts periodic reviews of programs at major milestones of development and uses a structured reporting regime to help monitor the status of ship cost, schedule, and performance. The Navy has experienced cost increases and schedule slips on some ship construction programs, although overall performance is adequate.

Department of Defense (DoD). Air Combat Program ($13.4 billion in 2006). Rating: *Moderately Effective*. The purpose of this program is to enable DoD to successfully wage war in the air by developing and producing a variety of tactical fighter and strike aircraft.

DoD's management of the overall air combat program is currently based on the extensive system of regulations governing how individual acquisition programs are managed. Through these regulations DoD tracks the progress of individual programs and can hold managers accountable for their programs. DoD's individual programs within the overall air combat program are delivering aircraft at targeted rates, but in several cases, such as the F/A–22, at greater cost than projected.

Department of Defense. Future Combat Systems/ Modularity Land Warfare ($9.7 billion in 2006). Rating: *Moderately Effective.* The Army's complementary transformation initiatives, Modularity and the Future Combat Systems, are designed to provide regional combatant commanders and soldiers with a lighter, faster, more survivable and rapidly deployable force with which to fight and win the United States' current and future land conflicts.

Although the Future Combat Systems program is currently on schedule and on cost, the program's long schedule, significant cost, and technological complexity put Future Combat Systems at substantial risk of cost and schedule overruns as the program moves from research and development to acquisition.

Tennessee Valley Authority. Tennessee Valley Authority Power ($9.3 billion in 2006). Rating: *Moderately Effective.* The Tennessee Valley Authority (TVA) is the Nation's largest public power company. Through 158 locally owned distributors, TVA provides power to nearly 8.5 million residents of the Tennessee Valley. Some of TVA's former performance measures such as cents/ KWH are no longer tracked. It is unclear how some of the new efficiency measures tracked by TVA relate to program performance. The Tennessee Valley Authority committed to a debt reduction plan that will reduce its total debt $3 billion - $5 billion over a ten to twelve year period. TVA has since increased that debt reduction total to $7.8 billion by 2016.

Department of Energy. Environmental Management ($7.9 billion in 2006). Rating: *Adequate*. This program protects human health and the environment by cleaning up millions of gallons of radioactive waste, thousands of tons of spent nuclear fuel and special nuclear material, along with huge quantities of contaminated soil and water.

Managers are implementing reforms that are improving program performance. For example, the program is renegotiating cleanup contracts to include performance incentives. The program is also reorganizing operations to focus on risk reduction. The program needs to develop annual cost and schedule performance measures. The Department of Energy Inspector General and the Government Accountability Office have identified better performance measures as critical to assessing program achievements.

Department of Defense. Missile Defense ($7.7 billion in 2006). Rating: *Adequate*. The mission of the Missile Defense Agency (MDA) is to defend the United States, deployed forces, and allies from ballistic missile attack. MDA is researching, developing and fielding a global, integrated and multi-layered Ballistic Missile Defense System (BMDS), comprising multiple sensors, interceptors and battle management capabilities.

MDA's strategic planning, resource allocation and management oversight activities are properly aligned to accomplish stated mission objectives. MDA budget requests and human resource management activities are explicitly tied to appropriate performance goals. MDA leaders regularly review and evaluate a wide array of performance data to inform and guide their decisionmaking.

Education

Department of Education. Federal Pell Grants ($17.3 billion in 2006). Rating: *Adequate*. This program helps ensure access to postsecondary education for undergraduate students by providing need-based grants that, in combination with other sources of student aid, help meet education costs. The program also promotes lifelong learning by encouraging low-income adults to return to school.

The program has meaningful performance measures and outcome data on these measures such as the degree to which Pell Grants are targeted to low-income students. New measures such as enrollment and graduation rates among low-income and minority students have also been added. The program has met its current long-term performance goals and new measures will help track other key program goals.

Department of Education. Federal Family Education Loan Program ($17.3 billion (subsidy cost) in 2006). Rating: *Adequate*. This program provides default insurance and interest subsidies to encourage private lenders to make postsecondary education loans to undergraduate and graduate students. The program also provides interest subsidies for eligible low-income students to cover interest accrued while in school.

Overall, the assessment concluded that both this program and the William D. Ford Direct Student Loan program fulfill their purpose of ensuring that low- and middle-income students can afford the costs of postsecondary education. The two programs combined provide over $70 billion a year in new loans to students. While the PART found that the program had meaningful performance measures and outcome data, it also found that it could be more cost efficient.

PART III: FEDERALLY FINANCED CAPITAL STOCKS

Federal investment spending creates a "stock" of capital that is available in the future for productive use. Each year, Federal investment outlays add to this stock of capital. At the same time, however, wear and tear and obsolescence reduces it. This section presents very rough measures over time of three different kinds of capital stocks financed by the Federal Government: public physical capital, research and development (R&D), and education.

Federal spending for physical assets adds to the Nation's capital stock of tangible assets, such as roads, buildings, and aircraft carriers. These assets deliver a flow of services over their lifetime. The capital depreciates as the asset ages, wears out, is accidentally damaged, or becomes obsolete.

Federal spending for the conduct of R&D adds to an "intangible" asset, the Nation's stock of knowledge. Spending for education adds to the stock of human capital by providing skills that help make people more productive. Although financed by the Federal Government, the R&D or education can be carried out by Federal or State government laboratories, universities and other nonprofit organizations, local governments, or private industry. R&D covers a wide range of activities, from the investigation of subatomic particles to the exploration of outer space; it can be "basic" research without particular applications in mind, or it can have a highly specific practical use. Similarly, education includes a wide variety of programs, assisting people of all ages beginning with pre-school education and extending through graduate studies and adult education. Like physical assets, the capital stocks of R&D and education provide services over a number of years and depreciate as they become outdated.

For this analysis, physical and R&D capital stocks are estimated using the perpetual inventory method. Each year's Federal outlays are treated as gross investment, adding to the capital stock; depreciation reduces the capital stock. Gross investment less depreciation is net investment. The estimates of the capital stock are equal to the sum of net investment in the current and prior years. A limitation of the perpetual inventory method is that the original investment spending may not accurately measure the current value of the asset created, even after adjusting for inflation, because the value of existing capital changes over time due to changing market conditions. However, alternative methods for measuring asset value, such as direct surveys of current market worth or indirect estimation based on an expected rate of return, are especially difficult to apply to assets that do not have a private market, such as highways or weapons systems.

In contrast to physical and R&D stocks, the estimate of the education stock is based on the replacement cost method. Data on the total years of education of the U.S. population are combined with data on the current cost of education and the Federal share of education spending to yield the cost of replacing the Federal share of the Nation's stock of education.

It should be stressed that these estimates are rough approximations, and provide a basis only for making broad generalizations. Errors may arise from uncertainty about the useful lives and depreciation rates of different types of assets, incomplete data for historical outlays, and imprecision in the deflators used to express costs in constant dollars. The methods used to estimate capital stocks are discussed further in the technical note at the end of Chapter 13, "Stewardship," in this volume. Additional detail about these methods appeared in a methodological note in Chapter 7, "Federal Investment Spending and Capital Budgeting," in the *Analytical Perspectives* volume of the 2004 Budget.

The Stock of Physical Capital

This section presents data on stocks of physical capital assets and estimates of the depreciation of these assets.

Trends. Table 6–4 shows the value of the net federally financed physical capital stock since 1960, in constant fiscal year 2000 dollars. The total stock grew at a 2.2 percent average annual rate from 1960 to 2006, with periods of faster growth during the late 1960s and the 1980s. The stock amounted to $2,315 billion in 2006 and is estimated to increase to $2,454 billion by 2008. In 2006, the national defense capital stock accounted for $700 billion, or 30 percent of the total, and nondefense stocks for $1,615 billion, or 70 percent of the total.

Table 6–4. NET STOCK OF FEDERALLY FINANCED PHYSICAL CAPITAL

(In billions of 2000 dollars)

Fiscal Year	Total	National Defense	Nondefense								
			Total Non-defense	Direct Federal Capital			Capital Financed by Federal Grants				
				Total	Water and Power	Other	Total	Trans-portation	Community and Regional	Natural Resources	Other
Five year intervals:											
1960	849	608	242	95	59	36	146	89	27	21	10
1965	937	589	348	123	74	49	225	158	32	22	13
1970	1,101	630	470	146	88	58	324	230	47	26	21
1975	1,137	545	592	166	102	64	426	282	76	42	25
1980	1,258	494	763	195	123	72	568	342	121	79	27
1985	1,462	572	890	222	136	86	668	397	146	100	26
1990	1,740	722	1,018	256	147	109	762	462	158	113	28
1995	1,882	714	1,168	297	157	141	871	534	168	123	46
Annual data:											
2000	1,979	635	1,345	337	160	178	1,007	618	183	131	75
2001	2,023	631	1,391	351	163	188	1,040	640	186	132	81
2002	2,078	636	1,442	366	165	201	1,076	666	189	134	87
2003	2,138	646	1,492	380	166	213	1,112	690	193	135	94
2004	2,198	662	1,536	391	168	223	1,146	714	196	136	100
2005	2,256	680	1,576	400	168	232	1,176	736	198	137	105
2006	2,315	700	1,615	410	169	240	1,205	758	200	138	109
2007 estimate	2,387	729	1,658	421	171	250	1,236	781	203	139	114
2008 estimate	2,454	756	1,697	431	172	259	1,267	804	207	139	117

Real stocks of defense and nondefense capital show very different trends. Nondefense stocks have grown consistently since 1970, increasing from $470 billion in 1970 to $1,615 billion in 2006. With the investments proposed in the budget, nondefense stocks are estimated to grow to $1,697 billion in 2008. During the 1970s, the nondefense capital stock grew at an average annual rate of 5.0 percent. In the 1980s, however, the growth rate slowed to 2.9 percent annually, with growth continuing at about that rate since then.

Real national defense stocks began in 1970 at a relatively high level, and declined steadily throughout the decade as depreciation from investment in the Vietnam era exceeded new investment in military construction and weapons procurement. Starting in the early 1980s, a large defense buildup began to increase the stock of defense capital. By 1987, the defense stock exceeded its earlier Vietnam-era peak. In the early 1990s, however, depreciation on the increased stocks and a slower pace of defense physical capital investment began to reduce the stock from its previous levels. The increased defense investment in the last few years has reversed this decline, increasing the stock from a low of $631 billion in 2001 to $756 billion in 2008.

Another trend in the Federal physical capital stocks is the shift from direct Federal assets to grant-financed assets. In 1960, 39 percent of federally financed nondefense capital was owned by the Federal Government, and 61 percent was owned by State and local governments but financed by Federal grants. Expansion in Federal grants for highways and other State and local capital, coupled with slower growth in direct Federal investment for water resources, for example, shifted the composition of the stock substantially. In 2006, 25 percent of the nondefense stock was owned by the Federal Government and 75 percent by State and local governments.

The growth in the stock of physical capital financed by grants has come in several areas. The growth in the stock for transportation is largely grants for highways, including the Interstate Highway System. The growth in community and regional development stocks occurred largely following the enactment of the community development block grant in the early 1970s. The value of this capital stock has grown only slowly in the past few years. The growth in the natural resources area occurred primarily because of construction grants for sewage treatment facilities. The value of this federally financed stock has increased about 40 percent since the mid-1980s.

The Stock of Research and Development Capital

This section presents data on the stock of research and development (R&D) capital, taking into account adjustments for its depreciation.

Trends. As shown in Table 6–5, the R&D capital stock financed by Federal outlays is estimated to be $1,142 billion in 2006 in constant 2000 dollars. Roughly half is the stock of basic research knowledge; the remainder is the stock of applied research and development.

The nondefense stock accounted for about three-fifths of the total federally financed R&D stock in 2006. Although investment in defense R&D has exceeded that of nondefense R&D in nearly every year since 1981, the nondefense R&D stock is actually the larger of the two, because of the different emphasis on basic research and applied research and development. Defense R&D spending is heavily concentrated in applied research and development, which depreciates much more quickly than basic research. The stock of applied research and development is assumed to depreciate at a ten percent geometric rate, while basic research is assumed not to depreciate at all.

The defense R&D stock rose slowly during the 1970s, as gross outlays for R&D trended down in constant dollars and the stock created in the 1960s depreciated. Increased defense R&D spending from 1980 through 1990 led to a more rapid growth of the R&D stock. Subsequently, real defense R&D outlays tapered off, depreciation grew, and, as a result, the real net defense R&D stock stabilized at around $420 billion. Renewed spending for defense R&D in recent years has begun to increase the stock, and it is projected to increase to $468 billion in 2008.

The growth of the nondefense R&D stock slowed from the 1970s to the 1980s, from an annual rate of 3.8 percent in the 1970s to a rate of 2.1 percent in the 1980s. Gross investment in real terms fell during much of the 1980s, and about three-fourths of new outlays went to replacing depreciated R&D. Since 1988, however, nondefense R&D outlays have been on an upward trend while depreciation has edged down. As a result, the net nondefense R&D capital stock has grown more rapidly.

Table 6–5. NET STOCK OF FEDERALLY FINANCED RESEARCH AND DEVELOPMENT [1]

(In billions of 2000 dollars)

Fiscal Year	National Defense			Nondefense			Total Federal		
	Total	Basic Research	Applied Research and Development	Total	Basic Research	Applied Research and Development	Total	Basic Research	Applied Research and Development
Five year intervals:									
1970	261	16	245	215	67	148	475	82	393
1975	276	21	255	262	97	165	538	118	421
1980	279	25	255	311	131	179	590	156	434
1985	321	30	291	339	174	165	659	204	455
1990	403	36	367	382	229	154	785	265	520
1995	423	43	380	461	294	167	884	336	547
Annual data:									
2000	423	48	375	542	368	175	966	416	549
2001	421	50	371	563	386	177	984	436	548
2002	420	52	368	587	406	181	1,007	458	549
2003	423	53	370	613	428	186	1,036	481	555
2004	431	54	376	639	449	190	1,070	504	566
2005	442	56	386	665	471	194	1,107	527	580
2006	452	57	395	690	493	197	1,142	549	593
2007 estimate	462	58	404	716	513	203	1,178	572	606
2008 estimate	468	59	409	742	535	207	1,210	594	616

[1] Excludes stock of physical capital for research and development, which is included in Table 6–4.

The Stock of Education Capital

This section presents estimates of the stock of education capital financed by the Federal Government.

As shown in Table 6–6, the federally financed education stock is estimated at $1,451 billion in 2006 in constant 2000 dollars. The vast majority of the Nation's education stock is financed by State and local governments, and by students and their families themselves. This federally financed portion of the stock represents about 3 percent of the Nation's total education stock. [1] Nearly three-quarters is for elementary and secondary education, while the remainder is for higher education.

[1] For estimates of the total education stock, see table 13–5 in Chapter 13, "Stewardship."

The federally financed education stock has grown steadily in the last few decades, with an average annual growth rate of 5.2 percent from 1970 to 2006. The expansion of the education stock is projected to continue under this budget, with the stock rising to $1,557 billion in 2008.

Table 6–6. NET STOCK OF FEDERALLY FINANCED EDUCATION CAPITAL

(In billions of 2000 dollars)

Fiscal Year	Total Education Stock	Elementary and Secondary Education	Higher Education
Five year intervals:			
1960	71	51	20
1965	102	74	28
1970	234	184	50
1975	349	282	67
1980	482	379	103
1985	577	434	143
1990	736	549	188
1995	880	643	237
Annual data:			
2000	1,133	825	308
2001	1,184	859	325
2002	1,227	890	336
2003	1,267	924	343
2004	1,328	961	367
2005	1,383	1,013	370
2006	1,451	1,057	394
2007 estimate	1,505	1,099	406
2008 estimate	1,557	1,141	415

7. CREDIT AND INSURANCE

Federal credit and insurance programs are alternatives to direct spending programs as means of achieving a variety of policy objectives. Federal credit programs offer direct loans and loan guarantees to support a wide range of activities including housing, education, business and community development, and exports. At the end of 2006, there were $251 billion in Federal direct loans outstanding and $1,120 billion in loan guarantees. Through its insurance programs, the Federal Government insures bank, thrift, and credit union deposits, guarantees private defined-benefit pensions, and insures against other risks such as natural disasters.

The Federal Government also permits certain privately owned companies, called Government-Sponsored Enterprises (GSEs), to operate under Federal charters for the purpose of enhancing credit availability for targeted sectors. GSEs increase liquidity by guaranteeing and securitizing loans, as well as by providing direct loans. In return for advancing certain social goals and possibly improving economic efficiency, GSEs enjoy various special privileges, such as possible borrowing from Treasury at Treasury's discretion, exemption from State and local income taxation, and favorable regulatory treatments of their securities. These privileges may leave observers with the impression that GSE securities are risk-free. GSEs, however, are not part of the Federal Government, and GSE securities are not federally guaranteed. By law, GSE securities carry a disclaimer of any U.S. obligation.

This chapter discusses the roles of these diverse programs and assesses their effectiveness and efficiency.

- The first section emphasizes the roles of Federal credit and insurance programs in addressing market imperfections that may prevent the private market from efficiently providing credit and insurance. Federal programs are more useful where market imperfections remain serious even though the continued evolution and deepening of financial markets may have in part corrected many of the imperfections.
- The second section interprets the results of the Program Assessment Rating Tool (PART) for credit and insurance programs in relation to their distinguishing features.
- The third section discusses individual credit programs and GSEs intended to support four sectors: housing, education, business and community development, and exports. The discussion focuses on program objectives, recent developments, performance, and future plans for each program.
- In a similar format, the final section reviews Federal deposit insurance, pension guarantees, disaster insurance, and insurance against terrorism and other security-related risks.

I. FEDERAL PROGRAMS IN CHANGING FINANCIAL MARKETS

The Federal Role

In most cases, private lending and insurance companies efficiently meet economic demands by allocating resources to their most productive uses. Market imperfections, however, can cause inadequate provision of credit or insurance in some sectors. Federal credit and insurance programs improve economic efficiency if they effectively fill the gaps created by market imperfections. On the other hand, Federal credit and insurance programs that do not effectively address market imperfections can be unnecessary, or can even be counter-productive—they may simply do what the private sector would have done in their absence, or interfere with what the private sector would have done better. Federal credit and insurance programs also help disadvantaged groups. This role alone, however, may not be enough to justify credit and insurance programs; to help disadvantaged groups, direct subsidies are generally more effective and less distortionary.

Relevant market imperfections include insufficient information, limited ability to secure resources, imperfect competition, and externalities. Although these imperfections can cause inefficiencies, the presence of a market imperfection does not mean that Government intervention will be always effective. To be effective, a credit or insurance program should be carefully designed to reduce inefficiencies in the targeted area without causing inefficiencies elsewhere.

Insufficient Information. Financial intermediaries may fail to allocate credit to the most deserving borrowers if there is little objective information about some of the borrowers. Some groups of borrowers, such as start-up businesses and some families, have limited incomes and credit histories. Many creditworthy borrowers belonging to these groups may fail to obtain credit or be forced to pay excessively high interest. For very irregular events, such as natural and man-made disasters, there may not be sufficient information to estimate the probability and magnitude of the loss. This pricing difficulty may prevent insurers from covering those risks at reasonable premiums.

Limited Ability to Secure Resources. The ability of private entities to absorb losses is more limited than that of the Federal Government, which has general taxing authority. For some events potentially involving a very large loss concentrated in a short time period, therefore, Government insurance commanding more resources can be more credible and effective. Such events include massive bank failures and some natural and man-made disasters that can threaten the solvency of private insurers.

Imperfect Competition. Competition can be imperfect in some markets because of barriers to entry or economies of scale. Imperfect competition may result in higher prices of credit and insurance in those markets.

Externalities. Decisions at the individual level are not socially optimal when individuals do not capture the full benefit (positive externalities) or bear the full cost (negative externalities) of their activities. Education, for example, generates positive externalities because the general public benefits from the high productivity and good citizenship of a well-educated person. Pollution, from which other people suffer, is clearly a negative externality. Without Government intervention, people will engage less than socially optimal in activities that generate positive externalities and more in activities that generate negative externalities.

Effects of Changing Financial Markets

Financial markets have become much more efficient through technological advances and financial services deregulation. By facilitating the gathering and processing of information and lowering transaction costs, technological advances have significantly contributed to improving the screening of credit and insurance applicants, enhancing liquidity, refining risk management, and spurring competition. Deregulation, represented by the Riegle-Neal Interstate Banking and Branching Act of 1997 and the Financial Services Modernization Act of 1999, has increased competition and prompted efficiency-improving consolidation by removing geographic and industry barriers.

These changes have reduced market imperfections. The private market now has more information and better technology to process it; it has better means to secure resources; and it is more competitive. As a result, the private market is more willing and able to serve a portion of the population traditionally targeted by Federal programs. The benefits of technological advances and deregulation, however, have been uneven across sectors and populations. To remain effective, therefore, Federal credit and insurance programs need to focus more narrowly on those sectors that have been less affected by financial evolution and those populations that still have difficulty in obtaining credit or insurance from private lenders. The Federal Government also needs to pay more attention to new challenges introduced by financial evolution and other economic developments. Even those changes that are beneficial overall often bring new risks and challenges.

The need for the Federal government to address the information problem has diminished steadily over the years. Nowadays, lenders and insurers have easy access to large databases, powerful computing devices, and sophisticated analytical models. This advancement in communication and information processing technology enables lenders to evaluate risk more objectively and accurately. Also, potential borrowers tend to have access to a much wider array of possible local, national, and global lenders. As a result, most borrowers can easily obtain credit at a fair interest rate reflecting their risk. The improvement, however, may be uneven across sectors. Credit scoring (an automated process that converts relevant borrower characteristics into a numerical score indicating creditworthiness), for example, is considered as a breakthrough in borrower screening. While credit scoring is widely applied to home mortgages and consumer loans, it is applied to a limited extent for small business loans and agricultural loans due to the difficulty of standardizing unique characteristics of small businesses and farmers. It is also possible that banking consolidation adversely affects those borrowers with unique characteristics; small, local banks could serve those borrowers better if they had more borrower-specific information gained through long-term relations. With technological advances such as computer simulation, pricing catastrophe risks has become easier, but it remains much more difficult than pricing more regular events such as automobile accidents. It is still difficult for insurers to estimate with confidence the probability of a major natural disaster occurring. The difficulty may be greater for man-made disasters that lack scientific bases.

Financial evolution has also improved private insurers' ability to deal with catastrophic losses. Using financial derivatives such as options, swaps, and futures, private entities can manage and share various types of risk such as price risk, interest rate risk, credit risk, and even catastrophe-related risk. An insurer can distribute the risk of a natural or man-made catastrophe among a large number of investors through catastrophe-related derivatives. However, the market for catastrophe-related derivatives is still small, and it has not eliminated the difficulty of absorbing catastrophic losses yet. To address this difficulty, reinsurance may be preferred to direct provision of insurance because it involves less intervention.

Imperfect competition is much less likely to justify Federal involvement than was the case only a few years ago due to financial deregulation and improved communication and financing technology. Financial deregulation removed geographic and industry barriers to competition. As a result, major financial holding companies offer both banking and insurance products nationwide. Internet-based financial services have further lowered the cost of financial transactions and reduced the importance of physical location. These developments have been especially beneficial to small and geographically isolated customers who could not afford to bear large transactions costs and otherwise had limited access to financial services. In addition, there are more financing alternatives for both commercial and individual borrowers that used to rely heavily on banks. Venture capital, for example, has become a much more important financing source for small businesses. Finance companies have also become a prominent player both in business and consumer financing.

Problems related to externalities may persist because the price mechanisms that drive the private market by definition ignore the value of externalities. Externalities, however, are a general market failure, rather than a financial market failure. Thus, credit and insurance programs are not necessarily the best means to address externalities, and their effectiveness should be compared with other forms of Government intervention, such as tax incentives and grants. In particular, if a credit program was initially intended to address multiple problems, including externalities, and those other problems have been alleviated, there may be a better way to address any remaining externalities.

Overall, the financial market has become more efficient and safer. Financial evolution and other economic developments, however, are often accompanied by new risks. Federal agencies need to be vigilant to identify and manage new risks to the economy and to the Budget. For example, financial derivatives enable their users either to decrease or to increase risk exposure. If some beneficiaries of Federal programs use financial derivatives to take more risk, the costs of Federal programs, especially insurance programs, can rise sharply. The sheer size of some financial institutions has also created a new risk. While well-diversified institutions are generally safer, even a single failure of a large private institution or a GSE, such as Fannie Mae, Freddie Mac, and the Federal Home Loan Banks, could shake the entire financial market. A more visible risk to the Budget today is posed by the Pension Benefit Guaranty Corporation (PBGC). PBGC has a large shortfall in assets and projected earnings relative to the claims it is already obligated to pay due to unfavorable developments in recent years and to flaws in program structure that the Administration proposes to remedy.

II. PERFORMANCE OF CREDIT AND INSURANCE PROGRAMS

The Program Assessment Rating Tool (PART) has evaluated 977 Federal programs, including 34 credit programs and seven insurance programs. The PART evaluates programs in four areas (program purpose and design, strategic planning, program management, and program results) and assigns a numerical score (0 to 100) to each category. The overall rating (effective, moderately effective, adequate, ineffective, or results not demonstrated) is determined based on the numerical scores and the availability of reliable data.

The ratings for credit and insurance programs are clustered around the middle; 78 percent of credit and insurance programs (compared with 58 percent for other programs) are rated “adequate” or “moderately effective,” while only seven percent (17 percent for other programs) are rated “effective.” These results suggest that most credit and insurance programs meet basic standards, but need to improve. In individual categories, credit and insurance programs have scored noticeably low in program purpose and design and high in program results relative to other programs.

Some key features distinguish credit and insurance programs from other programs. Credit and insurance programs are intended to address imperfections in financial markets. They also face various risks, such as uncertain default rates and erratic claim rates. Interpreting PART results in relation to these features should help to identify fundamental problems and to devise effective solutions.

Program Purpose and Design. To be effective, credit and insurance programs should serve those who deserve to be served but are left out by the private market due to market imperfections. Extending credit to those who are not creditworthy, for example, would result in economic inefficiencies and large budget costs. Lending to those who can obtain credit at a reasonable rate in the private market would be unnecessary and might interfere with the market mechanism. To achieve intended outcomes without causing unintended consequences, therefore, credit and insurance programs need to be carefully designed; they should target the

SUMMARY OF PART SCORES

	Purpose and Design	Strategic Planning	Program Management	Program Results
Credit and Insurance Programs				
Average	78.5	74.2	86.0	55.7
Standard Deviation	19.9	24.0	18.4	19.0
All Others Excluding Credit and Insurance Programs				
Average	87.1	75.0	82.2	48.2
Standard Deviation	18.4	24.6	17.9	26.6

intended beneficiaries, and all parties in the transaction should face the correct incentives.

The PART indicates that most credit and insurance programs have clear purposes (not necessarily economically justifiable purposes) and address specific needs. Many credit and insurance programs, however, fail to score high in program design. Some are duplicative of other federal programs or private sources, and some offer inadequate incentive structures.

Strategic Planning. Financial markets have been evolving to serve target populations of Federal programs better and increasingly apply advanced technologies to risk assessments. Credit and insurance programs need to adapt to these new developments quickly. Falling behind, Federal programs can be left with many beneficiaries who do not really need Government help and with those who post greater risk as private entities attract better-risk beneficiaries away from Federal programs.

In subcategories of strategic planning, while most credit and insurance programs effectively execute short-term strategies, they are less effective in pursuing long-term goals that may be more critical in adapting to new developments. Other weaknesses are found in conducting stringent performance evaluation and tying budgets to performance outcomes.

Program Management. Risk management is a critical element of credit and insurance programs. The cashflow is uncertain both for credit and insurance programs. The default rate and the claim rate can turn out to be significantly different than expected. Credit programs also face prepayment and interest rate risks. These risks must be carefully managed to ensure the program cost stays within a reasonable range.

Credit and insurance programs show strengths in basic financial and accounting practices, such as spending funds for intended purposes and controlling routine costs. However, some weaknesses are found in areas that are more critical for effective risk management, such as collecting timely information and using sophisticated financial tools.

Program Results. The main difficulty in evaluating program performance is measuring the net outcome of the program (improvement in the intended outcome net of what would have occurred in the absence of the program). Suppose that an education program is intended to increase the number of college graduates. Although it is straightforward to measure the number of college graduates who were assisted by the program, it is difficult to tell how many of those would not have obtained a college degree without the program's assistance. Credit and insurance programs face an additional difficulty of estimating the program cost accurately. In evaluating programs, the outcome must be weighed against the cost. In the above example, the ultimate measure of effectiveness is not the net number of college graduates produced by the program but the net number per Federal dollar spent on the program. Thus, an inaccurate cost estimate would lead to incorrect program evaluation—an underestimation (overestimation) of the cost would make the program appear unduly effective (ineffective). Results for credit and insurance programs need to be interpreted in conjunction with the accuracy of cost estimation.

Program results, the most important category of performance, are generally weak for credit and insurance programs despite a higher average score than that of other programs. Many credit and insurance programs have difficulty in achieving performance goals and lack objective evidences of program effectiveness. These problems may partly result from the difficulty of measuring net outcomes. With reliable outcome measures, it should be easier to set achievable goals and demonstrate effectiveness.

III. CREDIT IN FOUR SECTORS

Housing Credit Programs and GSEs

Through housing credit programs, the Federal Government promotes homeownership among various target groups, including low-income people, minorities, veterans, and rural residents. Housing GSEs increase liquidity in the mortgage market.

Federal Housing Administration

In June 2002, the President issued America's Homeownership Challenge to increase the number of first-time minority homeowners by 5.5 million through 2010. During the first three and a quarter years since the goal was announced, nearly 2.5 million minority families have become homeowners. Through 2006, the Department of Housing and Urban Development's (HUD's) Federal Housing Administration (FHA) helped almost 542,000 of these first-time minority homebuyers through its loan insurance funds, mainly the Mutual Mortgage Insurance (MMI) Fund. FHA mortgage insurance guarantees mortgage loans that provide access to homeownership for people who lack the traditional financial resources or credit history to qualify for a home mortgage in the conventional marketplace. In 2006, FHA endorsed purchase and refinance mortgages for more than 425,000 households. For purchase mortgages, over 79 percent were for first-time homebuyers and about 31 percent were for minority buyers. FHA also endorsed over 76,000 home equity conversion mortgages for elderly homeowners.

While FHA has been a primary mortgage source for first-time and minority buyers since the 1930s, its loan volume has fallen precipitously in the past four years. This is due in part to lower interest rates that have made uninsured mortgages affordable for more families. Moreover, private lenders—aided by automated underwriting tools that allow them to measure risks more accurately—have expanded lending to people who previously would have had no option but FHA—those with few resources to pay for downpayments and/or weaker credit histories that the private sector considered too risky. The development of new products and underwriting approaches has allowed private lenders to offer loans to more homebuyers. While this is a positive development when the private sector is offering favorable terms, some borrowers either end up paying too much or receiving unfair terms.

As private lenders have expanded their underwriting to cover more borrowers, FHA's business has changed. First, the percentage of FHA-insured mortgages with initial loan-to-value (LTV) ratios of 95 percent or higher has increased substantially, from 62.7 percent in 1995 to 78 percent in 2006. Second, the percentage of FHA loans with downpayment assistance from seller-financed nonprofit organizations has grown rapidly, from 0.3 percent in 1998 to nearly 33 percent in 2006. Recent studies show that these loans are riskier than those made to borrowers who received downpayment assistance from other sources. In 2006, FHA's cumulative default claim rate for its core business is projected to have risen from approximately 10 percent to 12 percent.

The FHA single-family mortgage program was assessed in 2005 using the PART. The assessment found that the program was meeting its statutory objective to serve underserved borrowers while maintaining an adequate capital reserve. However, the program lacked quantifiable annual and long-term performance goals that would measure FHA's ability to achieve its statutory mission. In addition, both the PART and subsequent reports by the General Accountability Office and the Inspector General noted that the program's credit model does not accurately predict losses to the insurance fund, and that despite FHA efforts to deter fraud in the program, it has not demonstrated that these steps have reduced such fraud.

In response to these findings, FHA measured its 2006 performance against new goals, such as the percentage of FHA Single Family loans for first-time and minority homeowners, and exceeded its goals. FHA has also improved the accuracy of its annual actuarial review claim and prepayment estimates. In 2007, it will continue to develop performance goals for fraud detection and prevention.

Proposals for Program Reform

In order to enable FHA to fulfill its mission in today's changing marketplace, the Administration has introduced legislation that will give FHA the ability to respond to current challenges to homeownership among its traditional target borrowers: low and moderate-income first-time homebuyers. FHA has already taken steps, within its current authority, to streamline its paperwork requirements and remove impediments to its use by lenders and buyers. However, additional reforms will enable it to expand homeownership opportunities to its target borrowers on an actuarially sound basis.

To remove two large barriers to homeownership—having limited savings for a downpayment or impaired credit—the Administration again proposes new FHA mortgage products. These products will replace the current flat premium structure with one that varies with the risk of default as indicated by the percentage of downpayment to the loan amount or borrower credit quality. This will create more opportunities for potential homeowners who may face limited mortgage options. For example, first-time buyers with a strong credit record but little savings could finance a higher percent of the purchase than FHA currently allows. Alternatively, a borrower with a poor credit history could qualify for more favorable terms by accumulating savings for a larger downpayment.

This flexible premium structure, which is tiered risk-based pricing, is a way to more fairly price the FHA guarantee to individual borrowers. It creates incentives (lower premium payments) for borrowers to take steps to improve their credit or save more for a downpayment. At the same time it eliminates the current incentive for higher risk borrowers to use FHA because they are undercharged relative to the risk they pose. FHA proposes to base its mortgage insurance premiums upon a borrower's consumer credit score from Fair, Isaac, and Company (FICO), and on the amount and source of downpayment (e.g., the borrower's own resources, relatives, employer, non-profit organization or public agency). Mortgage insurance premiums will be based on FHA's historical experience with similar borrowers. This change will decrease premiums for many of FHA's traditional borrowers, thereby increasing their access to homeownership.

This price structure has many advantages. First, FHA will reflect a borrower's risk via the mortgage insurance premium, not through a higher interest rate as done in the subprime market. With mortgage insurance, borrowers will pay a market rate of interest, and, as a result, will incur lower monthly payments and lower total costs than if they paid a higher mortgage interest rate throughout the life of the loan. Second, by using this pricing structure, FHA will promote price transparency. Each borrower will know why they are paying the premium that they are being charged and will know how to lower their borrowing costs—i.e., by raising their FICO score or their downpayment. Third, risk-based pricing will allow FHA to review the performance of its programs annually in conjunction with the preparation of its credit subsidy estimates and adjust its premiums as necessary to assure the financial soundness of the MMI Fund.

A reformed FHA will adhere to sound management practices that include a new framework of standards and incentives tied to principles of good credit program management. Further, the proposed reforms will better enable FHA to meet its objective of serving first-time and low-income home buyers by managing its risks more effectively.

VA Housing Program

The Department of Veterans Affairs (VA) assists veterans, members of the Selected Reserve, and active duty personnel to purchase homes as recognition of their service to the Nation. The program substitutes the Federal guarantee for the borrower's down payment. In 2006, VA provided $23.5 billion in guarantees to assist 135,151 borrowers.

Since the main purpose of this program is to help veterans, lending terms are more favorable than loans without a VA guarantee. In particular, VA guarantees zero downpayment loans. VA provided 90,399 zero downpayment loans in 2006.

To help veterans retain their homes and avoid the expense and damage to their credit resulting from foreclosure, VA intervenes aggressively to reduce the likelihood of foreclosures when loans are referred to VA after missing three payments. VA's successful actions resulted in 54 percent of such delinquent loans avoiding foreclosure in 2006.

Rural Housing Service

The U.S. Department of Agriculture's Rural Housing Service (RHS) offers direct and guaranteed loans and grants to help very low- to moderate-income rural residents buy and maintain adequate, affordable housing. The single-family guaranteed loan program guarantees up to 90 percent of a private loan for low- to moderate-income (115 percent of median income or less) rural residents. In 2006, nearly $4.3 billion in assistance was provided by RHS for homeownership loans and loan guarantees; $3.07 billion in guarantees went to more than 31,000 households, of which 30 percent went to very low and low-income families (with income 80 percent or less than median area income).

Additionally in 2006, Hurricane Supplemental loans and guarantees totaling $260 million allowed nearly 2,500 households to obtain homes. In addition, $19 million of low-interest loans and grants was used to repair more than 2,300 homes of families in need. In addition, RHS granted moratoriums on payments, and sheltered survivors in its inventory properties to provide relief.

Historically, RHS has offered both direct and guaranteed homeownership loans. Beginning in 2008, RHS will only offer guaranteed loans. The budget provides no funding for the 502 direct single family housing loan program. 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 was newly authorized in 1990 at $100 million and has grown into a $3 billion plus loan program annually, equaling that of the Veterans Affairs (VA) guaranteed housing loan program. Meanwhile the single-family direct loan program has been stagnant at approximately a $1 billion loan level.

Solely utilizing guarantees for single-family housing mortgage is consistent with the 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 increased the reach of mortgage credit to lower credit qualities and incomes. While some rural areas remain isolated from broad credit availability, these areas are shrinking as broadband internet access and correspondent lending grow. Therefore, relying on the private banking industry to provide this service, with a guarantee from the Federal government, is a more efficient way to deliver that assistance.

To replace the loss of assistance to the very low- to low-income rural borrowers still seeking assistance for mortgage credit, the Administration expects to propose legislation to authorize a subsidized guaranteed single-family housing program.

For the already established 502 guarantee programs in 2008, RHS will increase the guarantee fee on new loans to 3 percent from 2 percent. This allows the loans to be less costly for the Government without a significant additional burden to the borrowers, given that they can finance the fee as part of the loan. The guarantee fee for refinance loans remains 0.5 percent. Funding in 2008 is requested at an increased amount of $4.8 billion for purchase loans to compensate for no funding for direct loans.

RHS also offers multifamily housing loans and guarantees to provide rural rental housing, including farm labor housing. The farm labor housing combined grant and loan level will provide $18 million in 2008 for new construction as well as repair and rehabilitation. RHS also expects to be able to guarantee $200 million in multifamily housing construction loans for 2008. RHS will continue to propose funding and legislative changes to address the preservation issues surrounding the over 40-year old program. A long-term initiative has been developed to revitalize the 17,000-property portfolio. During 2008, $28 million will be directed to the revitalization initiative, primarily to assist existing residents in properties leaving the program. No funds are requested for the direct rural rental housing program because fixing the current portfolio is the first priority.

RHS partnered with its multifamily program borrowers and made available all the vacant units in the loan portfolio to house evacuees from Hurricanes Katrina and Rita. Costs were covered by an emergency allotment of rental assistance for a six-month period. Multifamily Programs instituted a number of waivers designed to ease the regulatory burden for housing evacuees on an emergency basis. RHS housed over 3,000 families in RHS-financed housing

Government-Sponsored Enterprises in the Housing Market

Homeownership has long been recognized as an important part of the American economy and part of the American dream. However, it has not always been within reach for the average American. During the Great Depression, housing markets were in turmoil. A typical mortgage required a downpayment of around 50 percent and a balloon payment of principal within a few years. Limitations in financial and communication technology and restrictions on financial institutions made it difficult for surplus funds in one part of the country to be shifted to other parts of the country to finance residential housing. Starting in 1932, the Congress responded by creating a series of entities and programs that together promoted the development of long-term, amortizing mortgages and facilitated the movement of capital to support housing finance.

A key element of this response was the creation of the Federal Housing Administration in 1934. Another element was the establishment of several entities designed to develop secondary mortgage markets and to facilitate the movement of capital into housing finance. These entities, known today as Government-Sponsored Enterprises (GSEs), were chartered by the Congress with a public mission, and endowed with certain benefits that give them competitive advantages when compared with fully private companies.

The Federal Home Loan Bank System, created in 1932, is comprised of twelve individual banks with shared liabilities. Together they lend money to financial institutions—mainly banks and thrifts—that are involved in mortgage financing to varying degrees, and they also finance some mortgages on their own balance sheets. The Federal National Mortgage Association, or Fannie Mae, created in 1938, and the Federal Home Loan Mortgage Corporation, or Freddie Mac, created in 1970, were established to support the stability and liquidity of a secondary market for residential mortgage loans. Together these three GSEs currently are involved, in one form or another, with nearly one half of the $10-plus trillion residential mortgages outstanding in the U.S. today. Their market share peaked at 54 percent in 2003, after which management and internal control problems started to surface.

As with other financial institutions, the Congress also established regulatory regimes to ensure the safety and soundness of the housing GSEs. The Office of Federal Housing Enterprise Oversight (OFHEO), established in 1992 as an independent agency within the Department of Housing and Urban Development, oversees Fannie Mae and Freddie Mac. The Federal Housing Finance Board (FHFB), established in 1989, oversees the Federal Home Loan Bank system. Numerous reports and studies have pointed to various shortcomings with the current regulatory structure for the housing GSEs. The Administration is proposing to strengthen this structure and combine OFHEO and FHFB into a new regulator.

Mission

The mission of the housing GSEs is to support certain aspects of the U.S. mortgage market. Fannie Mae and Freddie Mac's mission is to promote affordable housing, respond to private capital markets, and provide liquidity and stability to the secondary mortgage market. Currently, they engage in two major lines of business.

1. Credit Guarantee Business—Fannie Mae and Freddie Mac guarantee the timely payment of principal and interest on mortgage-backed securities (MBS). They create MBS by either buying and pooling whole mortgages or by entering into swap arrangements with mortgage originators. Over time these MBS held by the public have averaged about one-quarter of the U.S. mortgage market.

2. Mortgage Investment Business—Fannie Mae and Freddie Mac manage retained mortgage portfolios composed of their own MBS, MBS issued by others, and whole mortgages. As of June 30, 2006, these retained mortgages totaled $1.4 trillion. Given Fannie Mae and Freddie Mac's serious accounting, internal control, risk management, and systems problems, the growth of these portfolios is temporarily constrained through consent agreements with OFHEO.

The mission of the Federal Home Loan Bank System is broadly defined as housing finance, and the System also has specific requirements to support affordable housing. The Federal Home Loan Banks have not grown mortgage asset portfolios as large as Fannie Mae or Freddie Mac. Their principal business remains lending to regulated depository institutions and insurance companies engaged in residential mortgage finance to varying degrees.

Risks That GSEs Face and Cause

Like other financial institutions, the GSEs face a full range of risks, including market (interest rate) risk, credit risk, and operational risk. Several of the Federal Home Loan Banks and Fannie Mae have faced serious market risks due to inadequate hedging. More recently, Fannie Mae and Freddie Mac have faced serious operational risk. Due to earnings manipulation, poor accounting systems, lack of proper controls, lack of proper risk management, and misapplication of accounting principles, earnings at Fannie Mae were misstated by $6.3 billion through June of 2004, and at Freddie Mac by $5.0 billion through December of 2002.

The GSEs also pose risks to the financial system. Systemic risk is the risk that unanticipated problems at a financial institution or group of institutions could lead to problems more widely in the financial system or economy—the risk that a small problem could multiply to a point where it could jeopardize the country's economic well-being. The particular systemic risk posed by the GSEs is the risk that a miscalculation, failure of controls, or other unexpected event at one company could unsettle not only the mortgage and mortgage finance markets but other vital parts of the financial system and economy. To understand this risk, one must understand the interdependencies among the GSEs and other market participants in the financial system and the lack of market discipline imposed on the GSEs because investors perceive that the GSEs are implicitly backed by the U.S. Government.

The GSEs are among the largest borrowers in the world. As of September 2006 their combined debt and guaranteed MBS totaled $5.2 trillion, higher than the total publicly held debt of the United States. The investors in GSE debt include thousands of banks, institutional investors such as insurance companies, pension funds, and foreign governments, and millions of individuals through mutual funds and 401k investments. Based on the prices paid by these investors, they act as if the Federal Government guarantees GSE debt. In fact, there is no such guarantee or Federal backing of GSE debt.

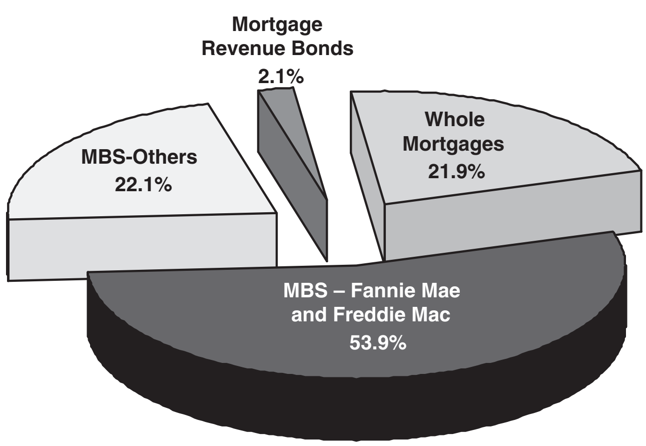
Because investors act as if there is an "implicit guarantee" by the Federal Government to back GSE debt, investors on average lend their money to the GSEs at interest rates roughly 30 to 40 basis points less ($300–$400 less per year for every $100,000 borrowed) than to other highly rated privately held companies. In addition, investors do not demand the same financial disclosures as for other privately owned companies. Neither Fannie Mae nor Freddie Mac currently file quarterly earnings reports with the Securities and Exchange Commission, though Fannie Mae is required to and Freddie Mac volunteered to. Yet there has been no significant impact on the pricing of GSE debt securities. This lack of market discipline facilitates the growth of the GSE asset portfolios, thereby increasing systemic risk.

Retained Asset Portfolios Have Significantly Grown While Achieving Little for the GSEs' Housing Mission

Fannie Mae and Freddie Mac have used their funding advantage to amass large retained asset portfolios. Together these GSEs have more than $1.5 trillion in debt outstanding, almost entirely for the purpose of funding these portfolios. From 1990 through 2005, the GSEs' competitive funding advantage enabled them to increase their portfolios of mortgage assets ten-fold, which far exceeds the growth of the overall mortgage market. Due to the risks associated with the portfolios, the Administration is proposing that the new regulatory structure empower the regulator to address and mitigate these risks.

As chart 7–1 shows, almost 54 percent of Fannie Mae and Freddie Mac's combined retained mortgage portfolio at the end of 2005 was comprised of holdings of their own guaranteed MBS, which could easily be sold.

Chart 7-1. Fannie Mae and Freddie Mac Combined Retained Mortgage Portfolios Year-End 2005



Source: Office of Federal Housing Enterprise Oversight.

The function of these portfolio holdings is largely to increase profits, not facilitate affordable housing. In 1992, the Congress broadened Fannie Mae and Freddie Mac's mission to include promoting affordable housing. To measure this performance, the Congress mandated that HUD establish three affordable housing goal targets that Fannie Mae and Freddie Mac must meet each year. HUD has also implemented home purchase subgoals to encourage homeownership opportunities for first-time homeowners and minority homeowners. Given that Fannie Mae and Freddie Mac have a mission to help more families achieve homeownership as well as to expand rental opportunities, their retained portfolios should be tied to that mission. However, currently only about 30 percent of Fannie Mae and Freddie Mac's retained portfolio holdings would be eligible to qualify for any of the affordable housing goals. About half of the MBS issued by others and whole loans qualify toward their affordable housing goals. Their performance under the housing goals over time indicate that Fannie

Mae and Freddie Mac should be doing more to help mission-targeted families achieve homeownership or acquire affordable rental housing.

Debt Issuance Subject to Treasury Approval

Fannie Mae and Freddie Mac fund their portfolios by issuing debt, and the U.S. Department of the Treasury has the responsibility to review and approve these GSEs' debt-issuances. The Treasury Department's debt approval authority is contained in Fannie Mae's and Freddie Mac's Charter Acts, and the Department has approved Fannie Mae and Freddie Mac's debt on a regular basis. Treasury is developing a more formalized approach to their debt approval authority. As part of that approach, Treasury is developing new debt approval procedures to enhance the clarity, transparency, standardization, and documentation of Fannie Mae's and Freddie Mac's debt issuances.

Thin Capital Cushions Need Reform

The risks of the GSEs' large portfolios are exacerbated because they are not required to hold cushions of capital against potential losses comparable to the capital requirements for other large financial institutions. Where commercial banks that are part of a financial holding company must hold a 5 percent capital-to-total assets cushion, Fannie Mae and Freddie Mac's requirement is half that, while FHLB's is 4 percent. The risk-based capital requirements for the GSEs also differ dramatically from those applicable to commercial banks. This highlights an important shortcoming of the statutory framework governing Federal oversight of the GSEs. The minimum capital and risk-based capital rules for the GSEs were written into law in 1992. Much has changed since then with regard to financial risk analysis, risk modeling, and capital requirements for comparable financial institutions. The reforms proposed by the Administration would repeal the statutory risk-based capital stress test, and would provide the new GSE regulator with the authority and flexibility to establish new risk-based capital requirements for the GSEs to help ensure that they operate with sufficient capital and reserves to support the risks that arise in the operations and management of each enterprise. A world-class regulator needs the flexibility and authority to change both the risk-based and minimum capital requirements without undue restriction in response to changing conditions.

Although the GSEs' mortgage investments are of relatively low default risk, other types of risk in the GSEs' asset portfolios are substantial. Mortgage portfolios carry considerable interest-rate risk, partly because of the risk that homeowners may prepay their mortgages through refinancing or home sales. This risk can be mitigated—for example, through purchase of interest-rate hedges—but the GSEs protect themselves against only some of the interest rate risk of their portfolios. Moreover, hedges are imperfect because predicting interest-rate movements and mortgage refinancing activity is difficult. As GSE asset portfolios have grown in size, the GSEs' participation in the market for hedging instruments has become dominant enough to cause interest rate spikes in the event that a GSE needs to make large and sudden adjustments to its hedging position.

New Activities and Technological Development Require Oversight

Over the last decade, Fannie Mae and Freddie Mac have begun engaging in a wide range of new activities that were not anticipated when their charters were written. To address these changes, HUD developed a new activity review initiative under its general regulatory authority. HUD has reviewed a number of business initiatives at Fannie Mae and Freddie Mac, including international activities; partnership offices; senior housing; skilled nursing facilities; employer assisted housing plans; third party real-estate-owned programs; Commercial Mortgage-Backed Securities (CMBS); Asset-Backed Securities (ABS); multifamily variable-rate bond certificates; and whole loan REMICs. HUD concluded that some of these activities were not authorized. For example, HUD's review of the GSEs' Commercial MBS programs resulted in OFHEO seeking Freddie Mac's divestiture of certain CMBS holdings, and HUD ordered Fannie Mae to end its third party Real-Estate-Owned program based on its review. In 2007, HUD will complete a Financial Activities Review that will provide a baseline of information on Fannie Mae's and Freddie Mac's business and program activities. As part of this review, HUD will examine specific transactions to determine whether they are consistent with Fannie Mae's and Freddie Mac's charter authorities. The Administration proposes to move this authority to the new regulator.

Because of their enormous presence in the secondary market, Fannie Mae and Freddie Mac are able to exert significant leverage in the *primary* mortgage market. First, their unparalleled size in the residential mortgage market gives the GSEs a unique level of access to market information. The applicability of that information to the management of mortgage risk gives them a competitive edge in the development of new technology that can change relationships between primary market participants as well as the distribution of economic returns between the primary and secondary markets. Second, their funding advantage enables the GSEs to borrow at reduced rates in order to make investments in new areas at below-market prices, thus discouraging competition while gaining experience in those areas.

Through the development and delivery of new technology to the industry and by leveraging their funding advantage, there is potential for the GSEs to expand their business beyond the limitations of their Charter Acts, which prohibits both Fannie Mae and Freddie Mac from originating mortgages. Loan origination is the central function of the primary mortgage market, and the GSEs' charter acts clearly restrict them to the secondary mortgage market. However, technological advancements have blurred the line that defines where the primary market ends and the secondary market begins. A new level of clarity is required to establish the permissible activities under the Enterprises' charter acts, including the development of intellectual property.

New Regulatory Authority

The Administration continues to support broad reform of the GSE supervisory system. In particular, the Administration supports establishing a new regulator for all three of the housing GSEs that would combine safety and soundness authority with oversight of their respective housing missions. The new regulator must have enhanced powers comparable to those of other world-class financial regulators, including, among others, the ability to put a GSE into receivership should it fail, authority to establish and adjust appropriate capital standards, and new product authority. A new regulator must also have clear authority to address and mitigate the risks posed by the GSEs' retained portfolios. Finally, a new regulatory structure must ensure that the GSEs are adhering to their affordable housing mission.

Education Credit Programs

The Federal Government guarantees loans through intermediary agencies and makes direct loans to students to encourage postsecondary education enrollment. The Student Loan Marketing Association (Sallie Mae), created in 1972 as a GSE to develop the secondary market for guaranteed student loans, was privatized in 2004.

The Department of Education helps finance student loans through two major programs: the Federal Family Education Loan (FFEL) program and the William D. Ford Federal Direct Student Loan (Direct Loan) program. Eligible institutions of higher education may participate in one or both programs. Loans are available to students regardless of income. However, borrowers with low family incomes are eligible for loans with additional interest subsidies. For low-income borrowers, the Federal Government subsidizes loan interest costs while borrowers are in school, during a six-month grace period after graduation, and during certain deferment periods.

The FFEL program provides loans through an administrative structure involving over 3,600 lenders, 35 State and private guaranty agencies, and over 5,000 participating schools. In the FFEL program, banks and other eligible lenders loan private capital to students and parents, guaranty agencies insure the loans, and the Federal Government reinsures the loans against borrower default. Lenders bear three percent of the default risk, and the Federal Government is responsible for the remainder. The Department also makes administrative payments to guaranty agencies and, at certain times, pays interest subsidies on behalf of borrowers to lenders.

The William D. Ford Direct Student Loan program was authorized by the Student Loan Reform Act of 1993. Under the Direct Loan program, the Federal Government provides loan capital directly to nearly 1,100 schools, which then disburse loan funds to students. The program offers a variety of flexible repayment plans including income-contingent repayment, under which annual repayment amounts vary based on the income of the borrower and payments can be made over 25 years with any residual balances forgiven.

In 2006, the Congress passed reconciliation legislation reducing excess subsidies in the FFEL program and helping to make both programs more effective. The reforms included a reduction in the percentage of Federal guarantee provided against default in recognition of the strong repayment record for student loans today and an elimination of unnecessary and costly loan subsidy provisions that allowed some loan holders to have exorbitant financial returns on loans funded through tax-exempt securities. In recognition of the fact that federal subsidies remain higher than necessary to ensure that loans are available to students in this profitable and competitive market, the 2008 Budget proposes to reduce interest subsidies paid to FFEL lenders by 50 basis points. The 2008 Budget also proposes to reduce default insurance from 97 percent to 95 percent, and increase the origination fee lenders pay on consolidation loans. To rationalize federal subsidies to guaranty agencies, the Administration proposes to shift the basis of account maintenance fee payments from the balance of loans guaranteed to a cost-per-unit formula, and reduce the amount guaranty agencies can retain on the defaulted loans they collect. These savings will be used to provide significant benefits to students such as raising the Pell Grant maximum award to $5,400, increasing Academic Competitiveness Grant awards by 50 percent, and offering higher loan limits.

Business and Rural Development Credit Programs and GSEs

The Federal Government guarantees small business loans to promote entrepreneurship. The Government also offers direct loans and loan guarantees to farmers who may have difficulty obtaining credit elsewhere and to rural communities that need to develop and maintain infrastructure. Two GSEs, the Farm Credit System and the Federal Agricultural Mortgage Corporation, increase liquidity in the agricultural lending market.

Small Business Administration

The Small Business Administration (SBA) helps entrepreneurs start, sustain, and grow small businesses. As a "gap lender" SBA works to supplement market lending and provide access to credit where private lenders are reluctant to do so without a Government guarantee. Additionally, SBA helps home and business-owners, as well as renters, cover the uninsured costs of recovery from disasters through its direct loan program.

The 2008 Budget requests $464 million, including administrative funds, for SBA to leverage more than $29 billion in financing for small businesses and disaster victims. The 7(a) General Business Loan program will support $17.5 billion in guaranteed loans while the 504

Certified Development Company program will support $7.5 billion in guaranteed loans for fixed-asset financing. SBA will supplement the capital of Small Business Investment Companies (SBICs) with $3 billion in long-term, guaranteed loans for venture capital investments in small businesses. At the end of 2006, the outstanding balance of business loans totaled $67 billion.

SBA seeks to target assistance more effectively to credit-worthy borrowers who would not be well-served by the commercial markets in the absence of a Government guarantee to cover defaults. SBA is actively encouraging financial institutions to increase lending to start-up firms, low-income entrepreneurs, and borrowers in search of financing below $150,000. SBA's outreach for the 7(a) program has been successful: Average loan size has decreased from about $230,000 in 2001 to $152,000 in 2006, while the annual number of new loans has grown from 43,000 to over 90,000 during the same time period.

During the past few years, SBA has implemented several initiatives to streamline operations by increasingly delegating responsibilities to lenders and centralizing operations while managing and mitigating risk. In 2003, SBA implemented a state-of-the-art Lender Loan Monitoring System (LLMS) under the newly formed Office of Lender Oversight. This office uses LLMS to evaluate individual SBA lenders by tracking the expected risk of SBA guaranteed loans in their portfolios relative to expected performance of those loans. The office employs a variety of analytical techniques to ensure sound financial management by SBA and to hold lending partners accountable for performance. These techniques include portfolio performance analysis, selected lender risk reviews, credit scoring to compare lenders' performance, and industry concentration analysis. Starting in FY 2004, SBA began consolidating its loan making, servicing and liquidating functions from 69 District Offices into several combined centers. Consolidation has reduced costs, increased timeliness of processing, and standardized how loans are handled. In 2006, SBA completed the elimination of its several billion dollar backlog of loan liquidations resulting from defaulted guarantees. In 2007, SBA is working with contractor support to identify additional processes that could be reengineered to reduce costs, improve quality, and expedite processing.

To address major challenges in making and disbursing loans resulting from the 2005 Gulf Coast hurricanes, SBA initiated the Accelerated Disaster Response Initiative to identify and implement process improvements to quicken the delivery of disaster assistance. As a result of customer feedback and analysis of best business practices, SBA piloted a case management approach. Using case management, in which a team of SBA staff work with a borrower from initial application through loan disbursement, SBA can better serve disaster applicants and monitor the processing of loans. SBA has also implemented numerous productivity metrics to track the status of loans in processing and identify areas that require management intervention or additional resources.

By 2008, SBA expects to implement an Internet-based loan application system that will facilitate the collection of data from disaster victims and speed processing. This investment complements investments that SBA made through 2006 in the Disaster Credit Management System.

The Budget proposes to build upon the success of the zero-subsidy 7(a) program by making the Microloan program self-financing through modest increases to the interest rate paid by program intermediaries. The Administration is also proposing authorizing legislation to enable the secondary market guarantee (SMG) program to charge nominal fees on lenders seeking to pool loans; fees are expected to be less than or comparable to fees in other secondary market programs and will help stabilize the program from the need to make frequent administrative changes.

USDA Rural Infrastructure and Business Development Programs

USDA provides grants, loans, and loan guarantees to communities for constructing facilities such as health-care clinics, day-care centers, and water systems. Direct loans are available at lower interest rates for the poorest communities. These programs have very low default rates. The cost associated with them is due primarily to subsidized interest rates that are below the prevailing Treasury rates.

The program level for the Water and Wastewater (W&W) treatment facility loan and grant program in this Budget is $1.5 billion. These funds are available to communities of 10,000 or fewer residents. The Budget reflects a significant change in the method for determining the interest rate charged on such loans, from a three-tiered structure (poverty, intermediate, and market) depending on community income to an interest rate that is 60 percent of the market rate not to exceed five percent. This change is expected to reduce the loan repayment costs substantially for most communities, at a lower loan to grant ratio. The Community Facility Program is targeted to rural communities with fewer than 20,000 residents. It will have a program level of $512 million in 2008.

USDA also provides grants, direct loans, and loan guarantees to assist rural businesses, including cooperatives, and to increase employment and diversify the rural economy. In 2008, USDA proposes to provide $1 billion in loan guarantees to rural businesses that serve communities of 50,000 or less. USDA also provides rural business loans through the Intermediary Relending Program (IRP), which provides loan funds at a one percent interest rate to an intermediary, such as a State or local government agency that, in turn, provides funds for economic and community development projects in rural areas. Overall, USDA expects to retain or create 38,795 jobs in 2008 through its Business and Industry guarantee and the IRP loan programs.

Electric and Telecommunications Loans

USDA's Rural Utilities Service (RUS) programs provide loans for rural electrification, telecommunications, distance learning, telemedicine, and broadband, and also provide grants for distance learning and telemedicine (DLT).

The Budget includes $4.1 billion in direct electric loans for distribution, transmission, and modification of existing generation facilities, $690 million in direct telecommunications loans, $300 million in broadband loans, and $25 million in DLT grants.

Since 1992, RUS electric loans have been used primarily to finance transmission, distribution, and upgrades to generation facilities. During this time, generation has been deregulated and has become a more commercial operation. With the increased needs for all aspects of electricity provision and to ensure adequate funding for rural areas, RUS loans will continue to focus on transmission, distribution, and upgrading generation facilities. Construction of new generation facilities should be financed through the commercial market.

The Rural Telephone Bank successfully dissolved in FY2006. All stock was redeemed during 2006. Loans approved in prior years, but not disbursed are still available for borrowers.

Loans to Farmers

The Farm Service Agency (FSA) assists low-income family farmers in starting and maintaining viable farming operations. Emphasis is placed on aiding beginning and socially disadvantaged farmers. FSA offers operating loans and ownership loans, both of which may be either direct or guaranteed loans. Operating loans provide credit to farmers and ranchers for annual production expenses and purchases of livestock, machinery, and equipment. Farm ownership loans assist producers in acquiring and developing their farming or ranching operations. As a condition of eligibility for direct loans, borrowers must be unable to obtain private credit at reasonable rates and terms. As FSA is the "lender of last resort," default rates on FSA direct loans are generally higher than those on private-sector loans. However, in recent years the loss rate has decreased to 2.9 percent in 2006, compared to 3.1 percent in 2005. FSA-guaranteed farm loans are made to more creditworthy borrowers who have access to private credit markets. Because the private loan originators must retain 10 percent of the risk, they exercise care in examining the repayment ability of borrowers. As a result, losses on guaranteed farm loans remain low with default rates of 0.4 percent in 2006, as compared to 0.45 percent in 2005. The subsidy rates for these programs have been fluctuating over the past several years. These fluctuations are mainly due to the interest component of the subsidy rate.

In 2006, FSA provided loans and loan guarantees to approximately 27,730 family farmers totaling $3.15 billion. The number of loans provided by these programs has fluctuated over the past several years. The average size for farm ownership loans has been increasing. The majority of assistance provided in the operating loan program is to existing FSA farm borrowers. In the farm ownership program, new customers receive the bulk of the benefits furnished. In 2008, FSA proposes to make $3.4 billion in direct and guaranteed loans through discretionary programs.

FSA uses the Farm Business Plan (FBP) to perform financial planning, analysis, and management of the loan portfolio. Several enhancements of the web equity FBP were put into service in 2006. These include a youth loan credit action and availability of additional reports. In 2007, the FBP will be modified to enable credit reports to be ordered on applicants to expedite application processing. FSA is continuing its comprehensive project to streamline all farm loan program regulations, handbooks, and information collections. This is a major effort to streamline the program and reduce the burden for both applicants and the Agency, resulting in an improvement in loan processing efficiencies.

The Farm Credit System and Farmer Mac

The Farm Credit System (FCS or System) and the Federal Agricultural Mortgage Corporation (FarmerMac) are Government-Sponsored Enterprises (GSEs) that enhance credit availability for the agricultural sector. The FCS provides production, equipment, and mortgage lending to farmers and ranchers, aquatic producers, their cooperatives, related businesses, and rural homeowners, while Farmer Mac provides a secondary market for agricultural real estate and rural housing mortgages.

The Farm Credit System

The financial condition of the System's banks and associations remain sound. The ratio of capital to assets decreased to 15.7 percent as of September 30, 2006 from 16.8 percent for the same period ended in 2005 as asset growth outpaced capital growth. As of September 30, 2006, capital consisted of $2.2 billion in restricted capital held by the Farm Credit System Insurance Corporation (FCSIC) and $22.0 billion of unrestricted capital—a record level. Nonperforming loans decreased, and earnings increased, although rising short-term interest rates and competitive conditions compressed interest margins. The examinations by the Farm Credit Administration (FCA), the System's Federal regulator, also show the strong financial condition of FCS institutions. As of September 2006, all FCS institutions had one of the top two examination ratings (1 or 2 in a 1–5 scale). Assets grew at a brisk pace (9.5 percent annual rate) over the past four years, while the number of FCS institutions decreased due to consolidation. In September 2002, there were seven banks and 104 associations; by September 2006, there were five banks and 96 associations.

The FCSIC ensures the timely payment of principal and interest on FCS obligations. FCSIC manages the Insurance Fund which supplements the System's capital and the joint and several liability of the System banks. As of September 30, 2006, the assets in the

Insurance Fund totaled $2.243 billion. Of that amount $40 million was allocated to the Allocated Insurance Reserve Accounts (AIRAs). As of September 30, 2006, the Insurance Fund as a percentage of adjusted insured debt was 1.78 percent in the unallocated Insurance Fund and 1.81 percent including the AIRAs. This was below the Secure Base target of 2 percent. During 2006, growth in System debt outpaced the capitalization of the Insurance Fund that occurs through investment earnings and the accrual of premiums.

Over the 12 month period, ending September 30, 2006, the System's loans outstanding grew by $12.6 billion, or 12.3 percent, while over the past three years they grew by $24.6 billion, or 26.9 percent. As required by law, borrowers are also stockholder owners of System banks and associations. As of September 30, 2006, the System had 459,635 stockholders. Loans to young, beginning, and small farmers and ranchers represented 12.3, 19.4, and 29.2 percent, respectively, of the total dollar volume of farm loans outstanding at the end of 2005. The percentage of loans to beginning farmers increased in 2005, while percentages to young and small farmers were slightly lower. Young, beginning, and small farmers are not mutually exclusive groups, and thus, cannot be added across categories. Providing credit and related services to young, beginning, and small farmers and ranchers is a legislative mandate and a high priority for the System.

The System, while continuing to record strong earnings and capital growth, remains exposed to a variety of risks associated with its portfolio concentration on agriculture and rural America. While this sector is currently healthy, it is subject to risk due to rapidly rising farm real estate prices, volatile commodity prices and input costs, uncertainty regarding changes in government farm policy and trade agreements, weather-related catastrophes, animal and plant diseases, and off-farm employment opportunities.

Farmer Mac

Farmer Mac was established in 1988 to facilitate a secondary market for farm real estate and rural housing loans. The Farm Credit System Reform Act of 1996 expanded Farmer Mac's role from a guarantor of securities backed by loan pools to a direct purchaser of mortgages, enabling it to form pools to securitize. This change increased Farmer Mac's ability to provide liquidity to agricultural mortgage lenders.

Farmer Mac continues to meet core capital and regulatory risk-based capital requirements. Farmer Mac's total program activity (loans purchased and guaranteed, AgVantage bond assets, and real estate owned) as of September 30, 2006, totaled $7.1 billion. That volume represents an increase of 38 percent from program activity at September 30, 2005. Of total program activity, $2.1 billion were on-balance sheet loans and agricultural mortgage-backed securities, and $5.0 billion were off-balance sheet obligations. Total assets were $4.9 billion at the close of the third quarter, with nonprogram investments accounting for $2.7 billion of those assets. Farmer Mac's net income for first three quarters of 2006 was $23.9 million, a decrease of 39 percent from restated amounts for the same period in 2005.

In November 2006, Farmer Mac restated its financial results for 2005 and other periods to remove the impact of accounting for derivatives as hedges against interest rate movements. As a result, there could be significant fluctuation in net income in future periods. However, Farmer Mac does not expect the accounting change to impact its ability to carry out its business plans or have any effect on its business model.

International Credit Programs

Seven Federal agencies—the Department of Agriculture (USDA), the Department of Defense, the Department of State, the Department of the Treasury, the Agency for International Development (USAID), the Export-Import Bank, and the Overseas Private Investment Corporation (OPIC)—provide direct loans, loan guarantees, and insurance to a variety of foreign private and sovereign borrowers. These programs are intended to level the playing field for U.S. exporters, deliver robust support for U.S. manufactured goods, stabilize international financial markets, and promote sustainable development.

Leveling the Playing Field

Federal export credit programs counter subsidies that foreign governments, largely in Europe and Japan, provide their exporters, usually through export credit agencies (ECAs). The U.S. Government has worked since the 1970's to constrain official credit support through a multilateral agreement in the Organization for Economic Cooperation and Development (OECD). This agreement has significantly constrained direct interest rate subsidies and tied-aid grants. Further negotiations resulted in a multilateral agreement that standardized the fees for sovereign lending across all ECAs beginning in April 1999. Fees for non-sovereign lending, however, continue to vary widely across ECAs and markets, thereby providing implicit subsidies.

The Export-Import Bank attempts to "level the playing field" strategically and to fill gaps in the availability of private export credit. The Export-Import Bank provides export credits, in the form of direct loans or loan guarantees, to U.S. exporters who meet basic eligibility criteria and who request the Bank's assistance. USDA's Export Credit Guarantee Programs (also known as GSM programs) similarly help to level the playing field. Like programs of other agricultural exporting nations, GSM programs guarantee payment from countries and entities that want to import U.S. agricultural products but cannot easily obtain credit.

Stabilizing International Financial Markets

In today's global economy, the health and prosperity of the American economy depend importantly on the stability of the global financial system and the economic health of our major trading partners. The United States can contribute to orderly exchange arrangements and a stable system of exchange rates through the International Monetary Fund and through financial support provided by the Exchange Stabilization Fund (ESF).

The ESF may provide "bridge loans" to other countries in times of short-term liquidity problems and financial crises. A loan or credit may not be made for more than six months in any 12-month period unless the President gives the Congress a written statement that unique or emergency circumstances require the loan or credit be for more than six months.

Using Credit to Promote Sustainable Development

Credit is an important tool in U.S. bilateral assistance to promote sustainable development. USAID's Development Credit Authority (DCA) allows USAID to use a variety of credit tools to support its development activities abroad. DCA provides non-sovereign loan guarantees in targeted cases where credit serves more effectively than traditional grant mechanisms to achieve sustainable development. DCA is intended to mobilize host country private capital to finance sustainable development in line with USAID's strategic objectives. Through the use of partial loan guarantees and risk sharing with the private sector, DCA stimulates private-sector lending for financially viable development projects, thereby leveraging host-country capital and strengthening sub-national capital markets in the developing world. While there is clear demand for DCA's facilities in some emerging economies, the utilization rate for these facilities is still very low.

OPIC also supports a mix of development, employment, and export goals by promoting U.S. direct investment in developing countries. OPIC pursues these goals through political risk insurance, direct loans, and guarantee products, which provide finance, as well as associated skills and technology transfers. These programs are intended to create more efficient financial markets, eventually encouraging the private sector to supplant OPIC finance in developing countries. OPIC has also created a number of investment funds that provide equity to local companies with strong development potential.

Ongoing Coordination

International credit programs are coordinated through two groups to ensure consistency in policy design and credit implementation. The Trade Promotion Coordinating Committee (TPCC) works within the Administration to develop a National Export Strategy to make the delivery of trade promotion support more effective and convenient for U.S. exporters.

The Interagency Country Risk Assessment System (ICRAS) standardizes the way in which agencies budget for the cost associated with the risk of international lending. The cost of lending by the agencies is governed by proprietary U.S. Government ratings, which correspond to a set of default estimates over a given maturity. The methodology establishes assumptions about default risks in international lending using averages of international sovereign bond market data. The strength of this method is its link to the market and an annual update that adjusts the default estimates to reflect the most recent risks observed in the market.

Self-Sufficient Export-Import Bank

The Budget estimates that the Bank's export credit support will total $18.7 billion, and will be funded entirely by receipts collected from the Bank's customers. The Bank estimates it will collect $146 million in 2008 in excess of expected losses on transactions authorized in 2008 and prior years. These amounts will be used to: (1) cover the estimated costs for that portion of new authorizations where fees are insufficient to cover expected losses; and (2) to cover administrative expenses.

IV. INSURANCE PROGRAMS

Deposit Insurance

Federal deposit insurance promotes stability in the U.S. financial system. Prior to the establishment of Federal deposit insurance, failures of some depository institutions often caused depositors to lose confidence in the banking system and rush to withdraw deposits. Such sudden withdrawals caused serious disruption to the economy. In 1933, in the midst of the Depression, the system of Federal deposit insurance was established to protect small depositors and prevent bank failures from causing widespread disruption in financial markets. Since its creation, the system has undergone a series of reforms, most recently in 2006.

While the deposit insurance system for banks and thrifts today is generally sound and well managed, inherent weaknesses in the system prompted the Administration to propose, and the Congress to enact, the Deposit Insurance Reform Act (part of the Deficit Reduction Act of 2005) in February 2006. This package of reforms had several effects: it consolidated the Federal Deposit Insurance Corporation's (FDIC) insurance funds (the Bank Insurance Fund and Savings Association Insurance Fund) into a new Deposit Insurance Fund, set new parameters on how the consolidated fund would be managed, adjusted the way that premiums for deposit insurance were calculated to ensure that all banks would pay premiums for Federal insurance on their insured deposits, and allowed for an increase of the coverage limits for Federal deposit insurance. These new authorities allow the FDIC to better manage the Deposit Insurance Fund and help avoid strain on financial institutions by spreading the cost of deposit insurance over time instead of having a potential for sharp premium increases when the economy may be under stress. The FDIC issued several new regulations during 2006 to implement the reforms in 2007.

The FDIC insures deposits in banks and savings associations (thrifts). The National Credit Union Administration (NCUA) insures deposits (shares) in most credit unions (certain credit unions are privately insured). FDIC and NCUA insure deposits up to $100,000 per account. Under the Deposit Insurance Reform Act of 2005, the deposit insurance ceiling for retirement accounts will be increased to $250,000. In addition, beginning in 2010, and every five years thereafter, FDIC and NCUA will have the authority to increase deposit insurance coverage limits for retirement and non-retirement accounts based on inflation if the Boards of the FDIC and NCUA determine such an increase is warranted. As of September 30, 2006, FDIC insured $4.1 trillion of deposits at 8,743 commercial banks and thrifts, and NCUA insured $529 billion of deposits (shares) at 8,462 credit unions.

Current Industry Conditions

The banking and thrift sector has been in the midst of a sustained run of record profits and strong balance sheets. During calendar year 2006, insured banks and thrifts continued to report record-high net earnings, with the industry's two highest-ever quarterly profits reported in the second and third quarters of 2006. In 2005 and 2006, no banks or thrifts failed—the longest period without a failure in the 73-year history of the FDIC. As of September 30, 2006, the FDIC classified 47 institutions with $4 billion in assets as "problem institutions" (institutions with the highest risk ratings), a historical low both in the number of institutions and dollar-value of assets thus classified.

Despite these strong fundamentals, some risks remain. In particular, the residential real estate market has been showing signs of significant weakness in recent months, with several regional markets experiencing slower sales and stagnant or even falling property prices. According to the National Association of Realtors, U.S. median house prices stayed essentially flat during the second half of 2006, after four and half years when growth rates nationwide exceeded five percent. In addition, after the steady series of interest rate hikes by the Federal Reserve in 2005 and 2006, higher short-term interest rates are beginning to squeeze the interest margins of many banks (The interest margin is the difference between the interest rates the banks charge for loans and the interest rates that they pay to depositors).

This tightening has begun to erode the proceeds from banks' core business. Not only are higher interest rates squeezing banks, they are also squeezing borrowers. During the past few years, banks have issued an increasing number of non-traditional mortgages, i.e., loans that have adjustable payment terms that allow borrowers to have lower initial payments, while their overall debt burden stays constant or even increases. Studies have suggested that in the first half of 2006, as many as 30 percent of mortgages issued nationally were non-traditional. Federal regulators, including the Federal Reserve, Office of the Comptroller of the Currency (OCC), Office of Thrift Supervision (OTS), and FDIC, and industry analysts have been vocal in highlighting the spread of non-traditional lending products, and warned lenders and borrowers about the additional risks these products can pose if not properly managed. The regulators have raised these issues in testimony before Congress and in a variety of public forums, including guidance issued to the industry.

The Office of the Comptroller of the Currency has reported that, as competition in lending has intensified, banks have been easing their standards for extending loans to individuals and businesses. This has led to concerns about maintaining credit quality in the nation's lending markets. Separate, but related concerns have arisen in the area of "subprime" lending—loans to consumers with poor credit histories or who belong to groups that may not have previously had access to financing. This segment of the market has seen substantial growth in recent years, providing greater opportunity to these borrowers, but loans to subprime borrowers historically have higher rates of default. Although lenders charge higher rates of interest to subprime borrowers to compensate for the risk of default, with increased competition the spread (or additional interest charged) on subprime lending has fallen and may not fully cover the potential risk.

In order to address some of these potential problems, especially in non-traditional mortgages and easing lending standards, during 2006 the Federal banking regulators (the Board of Governors of the Federal Reserve System, the FDIC, the OCC, and the OTS) issued guidance to banks and thrifts on managing exposure to non-traditional mortgages, and on the appropriate disclosure to consumers of clear and balanced information about the risks of these products. The regulators also issued guidance on commercial real estate which sought to mitigate potential problems with rising concentrations of lending in commercial real estate, an issue of regulatory concern in a number of smaller and mid-sized community banks.

Also worthy of note is the increasing consolidation of the U.S. banking industry in recent years. As banks have merged or been acquired, the largest institutions have accounted for a growing share of total assets—whereas in 1984 depository institutions with over $10 billion in assets accounted for 42 percent of total assets in the industry, by 2004 the share of those institutions had risen to 73 percent. This has enabled larger banks and other institutions to diversify more effectively and obtain financing from the capital markets, but it has also meant that the failure of a single large insured institution could put a significant strain on the resources of the Federal deposit insurance funds.

Recent Changes to Federal Deposit Insurance Funds

Under the Deposit Insurance Reform Act of 2005, the FDIC's Bank Insurance Fund (BIF) and its Savings Association Insurance Fund (SAIF) were merged into the new Deposit Insurance Fund (DIF) in June 2006.

At the end of September 2006, the DIF reserve ratio (ratio of insurance reserves to insured deposits) stood at 1.22 percent—$1.2 billion below the level that would meet the target reserve ratio. Under new authority provided by the passage of the Deposit Insurance Reform Act, the FDIC Board voted to establish a new set of premiums for the industry to recapitalize the DIF. The new premiums range from a minimum of five basis points (five cents per $100 of assessable deposits) up to as high as 43 basis points based on the assessed risk of an institution. The Deposit Insurance Reform Act of 2005 provided depository institutions that had paid deposit insurance premiums prior to 1996 (the last year the FDIC collected premiums) with $4.7 billion in credits toward premiums, most of which will likely be used by 2009. Taking these credits into consideration, the FDIC is expected to collect approximately $1.5 billion in new revenue during fiscal 2007 and 2008 combined.

The National Credit Union Share Insurance Fund (NCUSIF), the Federal fund for credit unions that is analogous to the DIF for banks and thrifts, ended fiscal year 2006 with assets of $6.7 billion and an equity ratio of 1.29 percent, approaching the NCUA-set target ratio of 1.30 percent. Over the past five years, the NCUSIF's equity ratio has gradually risen from about 1.27 percent, reflecting strong performance (and therefore few losses due to failures) in the credit union industry.

Current Regulatory Issues

A number of major regulatory initiatives are currently underway in the banking sector, which are likely to have a significant impact on the banking sector as a whole and, by extension, on the Federal deposit insurance system. For example, the Federal banking regulators (the Federal Reserve, FDIC, OCC and OTS) continue to work on a rulemaking that would implement the "International Convergence of Capital Measurement and Capital Standards: A Revised Framework" ("Basel II").

Since equity capital serves as a cushion against potential losses, banks with riskier asset portfolios should hold more equity capital. The original Basel Capital Accord (Basel I) adopted in 1989 is an international accord among financial regulators establishing a uniform capital standard for banks across nations. Under Basel I, bank assets are grouped into a small number of broad risk categories. A bank's regulatory capital requirement is tied to the amount of its asset holdings in each risk category.

During 2006, the Federal banking regulators proposed two separate but related rulemakings to implement the Revised Basel Capital Accord: the "Basel II" framework and an intermediate "Basel 1A" framework.

In the proposed Basel II rule, U.S. regulators are considering requiring the ten or so largest banks (including those that have major international operations, complex financial structures and expertise) to use an advanced internal ratings-based approach to calculate their credit risk capital requirements. The Basel II rulemaking would allow for greater sensitivity to risk in the portfolios banks hold. Rather than grouping assets into broad risk categories, capital requirements would be tied to banks' internal assessments of the likelihood and severity of default losses from the assets they hold. The rules are also intended to allow capital requirements to more accurately account for the benefits or risk-mitigation activities undertaken by banks. The rulemaking would also require banks to hold capital to cover operational risk, which is not covered under the existing (Basel I) requirements.

Implementation of the Basel II standard in Europe is scheduled to begin during 2007, more than a year before U.S. implementation would likely begin, and this delay has led to concerns about a competitive imbalance between U.S. and foreign banks. There are also concerns about competitive imbalance between U.S. banks, and for that reason, banks other than the ten largest U.S. banks would be able to choose between adopting the "Basel II" standard, the current "Basel I" system, and an alternative "Basel 1A" standard.

The "Basel 1A" standard is intended to be more risk-sensitive than Basel I, but easier to implement than Basel II. The "Basel 1A" standard would provide additional risk-sensitivity through use of external credit ratings, and internal risk measures for some types of assets (i.e., loan-to-value ratios for mortgages). This new standard would allow banks to potentially lower their capital requirements and provide small- and mid-sized banks a means to stay competitive with the larger Basel II banks. The regulators are proposing to make the Basel 1A standard optional for banks, meaning that no small or medium-sized bank would be required to change its capital regime.

The proposed text of both rules has been released for public comment, and regulators hope to finalize these rules in the near future.

Pension Guarantees

The Pension Benefit Guaranty Corporation (PBGC) insures pension benefits of workers and retirees in covered defined-benefit pension plans sponsored by private-sector employers. PBGC pays benefits, up to a guaranteed level, when a company with an underfunded pension plan meets the legal criteria to transfer its obligations to the pension insurance program. PBGC's claims exposure is the amount by which qualified benefits exceed assets in insured plans. In the near term, the risk of loss stems from financially distressed firms with underfunded plans. In the longer term, loss exposure results from the possibility that healthy firms become distressed and well-funded plans become underfunded due to inadequate contributions, poor investment results, or increased liabilities.

PBGC monitors companies with underfunded plans and acts to protect the interests of the pension insurance program's stakeholders where possible. Under its Early Warning Program, PBGC works with companies to strengthen plan funding or otherwise protect the insurance program from avoidable losses. However, PBGC's authority to prevent undue risks to the insurance program is limited.

As a result of a flawed pension funding system and exposure to losses from financially troubled plan sponsors, PBGC's single-employer program incurred substantial losses from underfunded plan terminations in 2001 through 2006. The table below shows the ten largest plan termination losses in PBGC's history. Nine of the ten have come in the past five years. The program's deficit at 2006 year-end stood at $18.1 billion[1] compared to a $9.7 billion surplus at 2000 year-end.

LARGEST TEN CLAIMS AGAINST THE PBGC'S SINGLE-EMPLOYER INSURANCE PROGRAM, 1975–2006

Top 10 Firms	Fiscal Years of Plan Terminations	Claims (by firm)	Percent of Total Claims (1975–2005)
1. United Airlines	2005	$7,484,348,482	22.90%
2. Bethlehem Steel	2003	3,654,380,116	11.20%
3. US Airways	2003, 2005	2,690,222,805	8.20%
4. LTV Steel*	2002, 2003, 2004	2,136,698,831	6.50%
5. National Steel	2003	1,275,628,286	3.90%
6. Pan American Air	1991, 1992	841,082,434	2.60%
7. Weirton Steel	2004	690,181,783	2.10%
8. Trans World Airlines	2001	668,377,105	2.00%
9. Kaiser Aluminum	2004	600,009,879	1.80%
10. Kemper Insurance	2005	568,417,151	1.70%
Top Ten Total	....	20,609,346,871	63.20%
All Other Total	....	12,017,433,400	36.80%
TOTAL	....	**$32,626,780,271**	**100.00%**

Due to rounding, percentages may not add up to 100 percent.

Data in this table have been calculated on a firm basis and include all plans of each firm.

Values and distributions are subject to change as PBGC completes its reviews and establishes termination dates.

* Does not include 1986 termination of a Republic Steel plan sponsored by LTV.

Sources: PBGC Fiscal Year Closing File (9/30/06), PBGC Case Administration System, and PBGC Participant System (PRISM).

In February 2005 the Administration proposed comprehensive reforms to address structural flaws in the statutory plan funding requirements and in the design of the insurance program. The proposal sought to strengthen funding for workers' defined-benefit pensions; provide more accurate information about pension liabilities and plan underfunding; and enable PBGC to meet its obligations to participants in terminated pension plans. 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 while the PBGC has sufficient liquidity to meet its obligations for a number of years, neither the single-employer nor multiemployer program has the resources to satisfy fully the agency's long-term obligations to plan participants.

Further reforms are needed to address the $19 billion gap that still exists between PBGC's liabilities and its assets. The Budget reproposes non-enacted premium reforms from the Administration's comprehensive pension reform proposal that were not included in the DRA or the PPA, including:

- Authorizing PBGC's Board of Directors to set the variable premium rate.
- Extending the variable rate premium to a plan's non-vested as well as its vested liabilities.

These reforms will improve PBGC's financial condition and safeguard the future benefits of American workers. The Administration is committed to pension reform that will ultimately restore the PBGC to solvency.

Disaster Insurance

Flood Insurance

The Federal Government provides flood insurance through the National Flood Insurance Program (NFIP), which is administered by the Federal Emergency Management Agency of the Department of Homeland Security (DHS). Flood insurance is available to homeowners and businesses in communities that have adopted and enforced appropriate flood plain management measures. Coverage is limited to buildings and their contents. By

[1] The 2006 year-end single-employer program deficit of $18.1 billion was less than the $22.8 billion deficit at the end of 2005. The improvement in PBGC's financial condition was driven primarily by the airline relief provisions in the Pension Protection Act of 2006, which resulted in large plans previously classified as probable terminations being changed from the probable classification to the reasonably possible classification in FY 2006. This credit was partially offset by $3.1 billion in financial losses.

the end of 2006, the program had over 5.3 million policies in more than 20,200 communities with over $1 trillion of insurance in force.

Prior to the creation of the program in 1968, many factors made it cost prohibitive for private insurance companies alone to make affordable flood insurance available. In response, the NFIP was established to make affordable insurance coverage widely available. The NFIP requires building standards and other mitigation efforts to reduce losses, and operates a flood hazard mapping program to quantify the geographic risk of flooding. These efforts have made substantial progress. However, structures built prior to flood mapping and NFIP floodplain management requirements, which make up 26 percent of the total policies in force, pay less than fully actuarial rates.

DHS is using three strategies to increase the number of flood insurance policies in force: lender compliance, program simplification, and expanded marketing. DHS is educating financial regulators about the mandatory flood insurance requirement for properties that are located in floodplains and have mortgages from federally regulated lenders. These strategies have resulted in policy growth of nearly 14 percent in 2006 with nearly 660,000 new policies. The most significant participation increases were in vulnerable coastal states, such as Mississippi (58 percent, 25,371 policy increase), Texas (30 percent, 140,834 policy increase), Louisiana (25 percent, 98,096 policy increase), and Florida (11 percent, 208,716 policy increase). However, the program has also seen significant growth within some in-land states such as Idaho (24 percent, 1,357 policy increase), based on greater awareness of the need for flood insurance protection.

DHS also has a multi-pronged strategy for reducing future flood damage. The NFIP offers flood mitigation assistance grants to assist flood victims to rebuild to current building codes, including base flood elevations, thereby reducing future flood damage costs. In addition, two grant programs targeted toward repetitive and severe repetitive loss properties not only help owners of high-risk property, but also reduce the disproportionate drain on the National Flood Insurance Fund these properties cause through acquisition, relocation, or elevation. As a result of the 2005 hurricane season, the number of repetitive and severe repetitive loss properties increased significantly, and the Budget proposes to expand the severe repetitive loss grant program to mitigate the future impact of these high-risk properties. DHS is working to ensure that all of the flood mitigation grant programs are closely integrated, resulting in better coordination and communication with State and local governments. Further, through the Community Rating System, DHS adjusts premium rates to encourage community and State mitigation activities beyond those required by the NFIP. These efforts, in addition to the minimum NFIP requirements for floodplain management, save over $1 billion annually in avoided flood damages.

The program's reserve account, which is a cash fund, has sometimes had expenses greater than its revenue, forcing the NFIP to borrow funds from the Treasury in order to meet claims obligations. However, since the program began in 1968 until 2005, the program has repaid all borrowed funds with interest. However, hurricanes Katrina, Rita, and Wilma generated more flood insurance claims than the cumulative number of claims from 1968 to 2004. These three storms resulted in over 234,000 claims with total claims payments expected to be approximately $21 billion. As a result, the Administration and the Congress have increased the borrowing authority to $20.8 billion to date in order to make certain that all claims could be paid.

The catastrophic nature of the 2005 hurricane season has also triggered an examination of the program, and the Administration has worked with the Congress to improve the program, based on the following principles: protecting the NFIP's integrity by covering existing commitments; phasing out subsidized premiums in order to charge fair and actuarially sound premiums; increasing program participation incentives and improving enforcement of mandatory participation in the program; increasing risk awareness by educating property owners; and reducing future risks by implementing and enhancing mitigation measures. Although flood insurance reform was not achieved in 2006, the Administration looks forward to continuing to work with the Congress to enact program reforms that further mitigate the impact of flood damages and losses.

Crop Insurance

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 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 a portion of 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 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 would supplement the annual appropriation provided by the Congress. Subsequently, the fee would be shifted to maintenance and would be expected to reduce the annual appropriation. 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. 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; the development of revenue and livestock insurance, for example, has 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.

There are various types of insurance programs. The most basic type of coverage is catastrophic coverage (CAT), which compensates the farmer for losses in excess of 50 percent of the individual's average yield at 55 percent of the expected market price. The CAT premium is entirely subsidized, and farmers pay only an administrative fee. Higher levels of coverage, called buy-up coverage, are also available. A premium is charged for buy-up coverage. The premium is determined by the level of coverage selected and varies from crop to crop and county to county. For the 10 principal crops, which account for about 80 percent of total liability, the most recent data shows that over 75 percent of eligible acres participated in the crop insurance program.

RMA offers both yield and revenue-based insurance products. Revenue insurance programs protect against loss of revenue stemming from low prices, poor yields, or a combination of both. These programs extend traditional multi-peril or yield crop insurance by adding price variability to production history.

USDA is continuously trying to develop new products or expand existing products in order to cover more types of crops. In 2006, a Livestock Risk Protection for Lamb pilot was introduced, and Adjusted Gross Revenue-Lite was made available in five additional States. In addition, two new Group Risk Protection risk management tools for pasture, rangeland, and forage protection were approved for the 2007 crop year. These innovative pilot programs are based on vegetation greenness and rainfall indices and were developed to provide livestock producers the ability to purchase insurance protection for losses of forage produced for grazing or harvested for hay. RMA also expanded the Group Risk Income Protection plans for cotton, wheat, and grain sorghum for the 2007 crop year. And, it is expected that the Livestock Gross Margin pilot program will be expanded to include cattle in 2007. RMA is also making substantial improvements to the Florida Fruit Tree pilot program to enhance coverage and make it more effective for loss due to hurricane. RMA continues to pursue a number of avenues to increase program participation among underserved States and commodities by working on declining yield issues and looking at discount programs for good experienced producers who pose less risk.

For more information and additional crop insurance program details, please reference RMA's web site: *(www.rma.usda.gov).*

Insurance Against Security-Related Risks

Terrorism Risk Insurance

On November 26, 2002, President Bush signed into law the Terrorism Risk Insurance Act of 2002 (TRIA). The Act was designed to address disruptions in economic activity caused by the withdrawal of many insurance companies from the marketplace for terrorism risk insurance in the aftermath of the terrorist attacks of September 11, 2001. Their withdrawal in the face of great uncertainty as to their risk exposure to future terrorist attacks led to a moratorium on many new construction projects, increasing business costs for the insurance that was available, and substantially shifting risk—from reinsurers to primary insurers, and from insurers to policyholders (e.g., investors, businesses, and property owners). Ultimately, these costs were borne by American workers and communities through decreased development and economic activity.

The Act established a temporary, three-year Federal program that provided a system of shared public and private compensation for insured commercial property and casualty losses arising from acts of terrorism (as defined by the Act). Under the Act, insurance companies offering commercial property and casualty insurance policies were required to make available to their policyholders coverage for losses from acts of terrorism. In the event of a terrorist attack on private businesses and others covered by this program, the Federal Government would initially cover 90 percent of the insured losses above each insurance company's deductible (as specified in the Act). The Act also provided authority for the Department of the Treasury to recoup any Federal payments via surcharges on policyholders in future years. In December 2005, the Congress passed and the President signed the Terrorism Risk Insurance Extension Act, which extended the program for two years, through December 31, 2007, and substantially narrowed the scope of the program.

The 2005 Act significantly reduced taxpayers' exposure by excluding certain lines of insurance from Federal coverage: commercial automobile, burglary and theft, surety, professional liability, and farm owners multiple peril insurance were removed from the program altogether. In addition, the 2005 Act increased insurers' deductibles from 15 percent of direct earned premiums for calendar year 2005 to 17.5 percent in 2006 and 20 percent in 2007. The extension also decreased the Federal co-payment for insured losses above the insurers' deductibles from 90 percent of insured losses in calendar year 2005 and 2006 to 85 percent of insured losses in 2007.

The new legislation also increased the trigger amount for Federal payments, from the original $5 million in aggregate insured losses from an act of terrorism to

$50 million in calendar year 2006 and $100 million in calendar year 2007. TRIA imposes a cap of $100 billion on total insurer losses from terrorist attacks that the Federal program would cover. Under the statute, the Congress would determine the procedures to govern any payments for losses beyond $100 billion in separate legislation.

In addition to the reforms to the scope of the program, the 2005 Act required the President's Working Group on Financial Markets (PWG) to conduct a study on the availability and affordability of terrorism risk coverage under the program and to report the results to the Congress by September 30, 2006. The PWG report found that the program had achieved its goals of supporting the insurance industry post September 11, 2001 and that the market for terrorism risk insurance (in terms of availability and affordability) has improved since September 11, 2001. The TRIA program was never intended to be permanent, but rather was intended to help stabilize the insurance industry during a time of significant transition. It has been successful in providing a temporary transition to allow for greater market development.

Airline War Risk Insurance

After the September 11, 2001 attacks, private insurers cancelled third-party liability war risk coverage for airlines and dramatically increased the cost of other war risk insurance. In addition to a number of short term responses, the Congress also passed the Homeland Security Act of 2002 (P.L. 107–296.) Among other provisions, this Act required the Secretary to provide additional war risk insurance coverage to air carriers insured for Third-Party War Risk Liability as of June 19, 2002, as authorized under existing law. The Continuing Appropriations Act for FY 2007, as amended (P.L. 109–383) further extended the requirement to provide insurance coverage through the duration of the resolution, February 15, 2007, and the program is expected to be continued through at least August 31, 2007. Acting on behalf of the Secretary, the FAA insurance policies made available under this Act cover: (i) hull losses at agreed value; (ii) death, injury, or property loss to passengers or crew, the limit being the same as that of the air carrier's commercial coverage before September 11, 2001; and (iii) third party liability, the limit generally being twice that of such coverage. The Secretary is also authorized to limit an air carrier's third party liability to $100 million, when the Secretary certifies that the loss is from an act of terrorism.

This program provides airlines with financial protection from war risk occurrences, and thus allows airlines to meet the basic requirement for "adequate liability coverage" found in most aircraft leases and in government regulation. Without such coverage, many airlines might be grounded. Currently, aviation war risk insurance coverage is generally available from private insurers, but premiums are significantly higher in the private market. Private insurance is also available for third-party liability and for occurrences involving weapons of mass destruction, albeit to a lesser extent.

Currently 75 air carriers are insured by the Department of Transportation. Coverage for individual carriers ranges from $80 million to $4 billion per carrier, with the median insurance coverage at approximately $1.8 billion per occurrence. Premiums collected by the Government for these policies are deposited into the Aviation Insurance Revolving Fund. In 2006, the Fund earned approximately $169 million in premiums for insurance provided by DOT, and it is anticipated that an additional $99 million in premiums will be earned in 2007. At the end of 2006, the balance in the Aviation Insurance Revolving Fund available for payment of future claims was $742 million. Although no claims have been paid by the Fund since 2001, the balance in the Fund would be inadequate to meet either the coverage limits of the largest policies in force ($4 billion) or to meet a series of large claims in succession. The Federal Government would pay any claims by the airlines that exceed the balance in the Aviation Insurance Revolving Fund. The Administration does not support a straight extension of this program, which crowds out private sector mechanisms for managing risk. The Administration is committed to working with the Congress to reform this program, and to ensure that air carriers more equitably share in the risks associated with this program.

Chart 7-2. Face Value of Federal Credit Outstanding

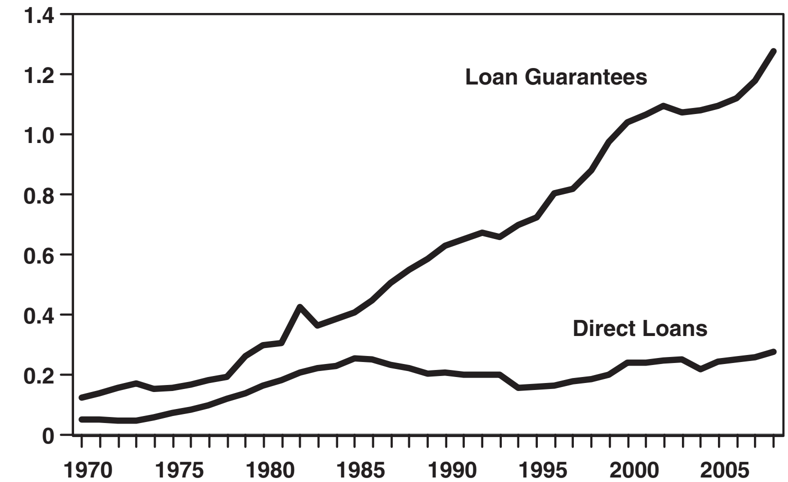


TABLE 7–1. ESTIMATED FUTURE COST OF OUTSTANDING FEDERAL CREDIT PROGRAMS

(In billions of dollars)

Program	Outstanding 2005	Estimated Future Costs of 2005 Outstanding [1]	Outstanding 2006	Estimated Future Costs of 2006 Outstanding [1]
Direct Loans: [2]				
Federal Student Loans	113	11	116	16
Farm Service Agency (excl. CCC), Rural Development, Rural Housing	43	9	43	10
Rural Utilities Service and Rural Telephone Bank	34	2	38	2
Housing and Urban Development	12	2	11	3
Export-Import Bank	10	5	7	2
Public Law 480	9	4	8	4
Agency for International Development	8	3	7	3
Commodity Credit Corporation	3	1	2	1
Disaster Assistance	4	1	7	2
VA Mortgage	1	....	1	....
Other Direct Loan Programs	11	3	12	4
Total Direct Loans	247	41	251	47
Guaranteed Loans: [2]				
FHA Mutual Mortgage Insurance Fund	336	2	317	3
VA Mortgage	206	3	211	3
Federal Student Loans	289	31	325	52
FHA General/Special Risk Insurance Fund	90	3	98	1
Small Business [3]	73	2	67	2
Export-Import Bank	36	2	36	2
International Assistance	22	2	22	2
Farm Service Agency (excl. CCC), Rural Development, Rural Housing	30	1	31	....
Commodity Credit Corporation	2	....	3	....
Maritime Administration	3	....	3	....
Air Transportation Stabilization Program	1	1	....	....
Government National Mortgage Association (GNMA) [3]	....	*	....	*
Other Guaranteed Loan Programs	8	1	6	1

TABLE 7–1. ESTIMATED FUTURE COST OF OUTSTANDING FEDERAL CREDIT PROGRAMS—Continued

(In billions of dollars)

Program	Outstanding 2005	Estimated Future Costs of 2005 Outstanding [1]	Outstanding 2006	Estimated Future Costs of 2006 Outstanding [1]
Total Guaranteed Loans	1,096	48	1,120	66
Total Federal Credit	**1,343**	**89**	**1,371**	**113**

* $500 million or less.
[1] Direct loan future costs are the financing account allowance for subsidy cost and the liquidating account allowance for estimated uncollectible principal and interest. Loan guarantee future costs are estimated liabilities for loan guarantees.
[2] Excludes loans and guarantees by deposit insurance agencies and programs not included under credit reform, such as CCC commodity price supports. Defaulted guaranteed loans which become loans receivable are accounted for as direct loans.
[3] GNMA data are excluded from the totals because they are secondary guarantees on loans guaranteed by FHA, VA and RHS. Certain SBA data are excluded from the totals because they are secondary guarantees on SBA's own guaranteed loans.

Table 7–2. REESTIMATES OF CREDIT SUBSIDIES ON LOANS DISBURSED BETWEEN 1992–2006 [1]

(Budget authority and outlays, in millions of dollars)

Program	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
DIRECT LOANS:												
Agriculture:												
Agriculture credit insurance fund	2	–31	23	....	331	–656	921	10	–701	–147	–2	–14
Farm storage facility loans	....	....	....	....	....	....	–1	–7	–8	7	–1	....
Apple loans	....	....	....	....	....	....	–2	1	....	*	*	*
Emergency boll weevil loan	....	....	....	....	....	....	....	1	*	*	3	....
Distance learning and telemedicine	....	....	....	....	....	....	1	–1	–1	1	7	....
Rural electrification and telecommunications loans	–37	84	....	–39	....	–17	–42	101	265	143	–197	....
Rural telephone bank	....	10	....	–9	....	–1	....	–3	–7	–6	–17	....
Rural housing insurance fund	46	–73	....	71	....	19	–29	–435	–64	–200	109	....
Rural economic development loans	....	1	....	–1	*	....	–1	–1	....	–2	*	....
Rural development loan program	....	....	....	–6	....	....	–1	–3	....	–3	–2	....
Rural community advancement program [2]	....	8	....	5	....	37	3	–1	–84	–34	–73	....
P.L. 480	–37	–1	....	....	....	–23	65	–348	33	–43	–239	–26
P.L. 480 Title I food for progress credits	–38	....	....	....	....	....	....	–112	–44	....	....	....
Commerce:												
Fisheries finance	....	....	....	....	....	–19	–1	–3	....	1	–15	–12
Defense:												
Military housing improvement fund	....	....	....	....	....	....	....	....	....	*	–4	–1
Education:												
Federal direct student loan program: [3]												
Volume reestimate	....	....	....	22	....	–6	....	43	....	....	....	....
Other technical reestimate	3	–83	172	–383	–2,158	560	....	3,678	1,999	855	2,827	2,674
College housing and academic facilities loans	....	....	....	....	....	–1	....	....	....	....	....	11
Homeland Security:												
Disaster assistance	....	....	....	....	47	36	–7	–6	*	4	*	*
Interior:												
Bureau of Reclamation loans	....	....	....	....	3	3	–9	–14	....	17	1	*
Bureau of Indian Affairs direct loans	....	....	....	1	5	–1	–1	2	*	*	*	1
Assistance to American Samoa	....	....	....	....	....	....	....	....	*	*	....	2
State												
Repatriation loans	....	....	....	....	....	....	....	....	....	....	....	–4
Transportation:												
High priority corridor loans	....	....	–3	....	....	....	....	....	....	....	....	....
Alameda corridor loan	....	....	....	....	–58	....	....	....	–12	....	....	....
Transportation infrastructure finance and innovation	....	....	....	....	....	18	....	....	....	3	–11	7
Railroad rehabilitation and improvement program	....	....	....	....	....	....	....	....	–5	–14	–11	–1
Treasury:												
Community development financial institutions fund	....	....	....	....	1	....	....	*	–1	*	–1	1
Veterans Affairs:												
Veterans housing benefit program fund	76	–72	465	–111	–52	–107	–697	17	–178	987	–44	–76
Native American veteran housing	....	....	....	....	....	....	....	–3	*	*	*	1
Vocational Rehabilitation Loans	....	....	....	....	....	....	....	*	*	*	–1	1
Environmental Protection Agency:												
Abatement, control and compliance	....	....	....	....	....	3	–1	*	–3	*	*	*
International Assistance Programs:												
Foreign military financing	....	13	4	1	152	–166	119	–397	–64	–41	–7	–6
U.S. Agency for International Development:												
Micro and small enterprise development	....	....	....	....	....	....	*	....	*	....	....	....
Overseas Private Investment Corporation:												
OPIC direct loans	....	....	....	....	....	....	....	–4	–21	3	–7	72
Debt reduction	....	....	....	....	36	–4	....	*	–47	–104	54	–3
Small Business Administration:												
Business loans	....	....	....	....	....	1	–2	1	25	....	–16	–4
Disaster loans	....	....	–193	246	–398	–282	–14	266	589	196	61	258
Other Independent Agencies:												
Export-Import Bank direct loans	37	....	....	....	–177	157	117	–640	–305	111	–257	–227
Federal Communications Commission	....	....	4,592	980	–1,501	–804	92	346	380	732	–24	11
LOAN GUARANTEES:												
Agriculture:												
Agriculture credit insurance fund	12	–51	96	....	–31	205	40	–36	–33	–22	–162	20

Table 7–2. REESTIMATES OF CREDIT SUBSIDIES ON LOANS DISBURSED BETWEEN 1992–2006[1]—Continued

(Budget authority and outlays, in millions of dollars)

Program	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Agriculture resource conservation demonstration	....	....	....	....	....	2	....	1	–1	*	*	....
Commodity Credit Corporation export guarantees	–426	343	....	....	....	–1,410	....	–13	–230	–205	–366	–232
Rural development insurance fund	....	–3	....	....	....	....	....	....	....	....	34	....
Rural housing insurance fund	7	–10	....	109	....	152	–56	32	50	66	44	....
Rural community advancement program[2]	....	–10	....	41	....	63	17	91	15	29	–64	....
Commerce:												
Fisheries finance	....	....	–2	....	....	–3	–1	3	*	1	*	1
Emergency steel guaranteed loans	....	....	....	....	....	....	....	50	*	3	–75	–13
Emergency oil and gas guaranteed loans	....	....	....	....	....	*	*	*	*	*	–1	*
Defense:												
Military housing improvement fund	....	....	....	....	....	....	....	....	–3	–1	–3	–5
Defense export loan guarantee	....	....	....	....	....	....	....	....	....	–5	....	....
Arms initiative guaranteed loan program	....	....	....	....	....	....	....	....	....	....	....	20
Education:												
Federal family education loan program:[3]												
Volume reestimate	535	99	....	–13	–60	–42	....	277	....	....	....	....
Other technical reestimate	60	....	....	–140	667	–3,484	....	–2,483	–3,278	1,348	6,837	–3,399
Health and Human Services:												
Heath center loan guarantees	....	....	....	....	3	....	*	*	....	1	*	*
Health education assistance loans	....	....	....	....	....	....	....	–5	–37	–33	–18	–20
Housing and Urban Development:												
Indian housing loan guarantee	....	....	....	....	....	–6	*	–1	*	–3	–1	*
Title VI Indian guarantees	....	....	....	....	....	....	....	–1	1	4	*	–4
Community development loan guarantees	....	....	....	....	....	....	....	....	19	–10	–2	4
FHA-mutual mortgage insurance	....	–340	....	3,789	....	2,413	–1,308	1,100	5,947	1,979	2,842	636
FHA-general and special risk	–110	–25	743	79	....	–217	–403	77	352	507	238	–1,254
Interior:												
Bureau of Indian Affairs guaranteed loans	....	31	....	....	....	–14	–1	–2	–2	*	15	5
Transportation:												
Maritime guaranteed loans (Title XI)	....	....	....	–71	30	–15	187	27	–16	4	–76	–11
Minority business resource center	....	....	....	....	....	....	1	....	*	*	....	*
Treasury:												
Air transportation stabilization program	....	....	....	....	....	....	....	113	–199	292	–109	–38
Veterans Affairs:												
Veterans housing benefit fund program	334	–706	38	492	229	–770	–163	–184	–1,515	–462	–842	–525
International Assistance Programs:												
U.S. Agency for International Development:												
Development credit authority	....	....	....	....	....	....	–1	....	1	–3	–2	2
Micro and small enterprise development	....	....	....	....	....	....	....	....	2	–2	....	–3
Urban and environmental credit	–7	....	–14	....	....	....	–4	–15	48	–2	–5	–11
Assistance to the new independent states of the former Soviet Union	....	....	....	....	....	....	–34	....	....	....	....	....
Loan Guarantees to Israel	....	....	....	....	....	....	....	....	–76	–111	188	34
Loan Guarantees to Egypt	....	....	....	....	....	....	....	....	....	....	7	14
Overseas Private Investment Corporation:												
OPIC guaranteed loans	....	....	....	....	....	....	5	77	60	–212	–21	–149
Small Business Administration:												
Business loans	257	–16	–279	–545	–235	–528	–226	304	1,750	1,034	–390	–268
Other Independent Agencies:												
Export-Import Bank guarantees	13	....	....	....	–191	–1,520	–417	–2,042	–1,133	–655	–1,164	–579
Total	727	–832	5,642	4,518	–3,641	–6,427	–1,854	–142	3,468	6,008	9,037	–3,111

* Less than $500,000.

[1] Excludes interest on reestimates. Additional information on credit reform subsidy rates is contained in the Federal Credit Supplement.

[2] Includes rural water and waste disposal, rural community facilities, and rural business and industry programs.

[3] Volume reestimates in mandatory programs represent a change in volume of loans disbursed in the prior years.

Table 7–3. DIRECT LOAN SUBSIDY RATES, BUDGET AUTHORITY, AND LOAN LEVELS, 2006-2008

(In millions of dollars)

Agency and Program	2006 Actual			2007 Estimate			2008 Proposed		
	Subsidy rate [1]	Subsidy budget authority	Loan levels	Subsidy rate [1]	Subsidy budget authority	Loan levels	Subsidy rate [1]	Subsidy budget authority	Loan levels
Agriculture:									
Agricultural credit insurance fund	8.03	80	989	9.47	94	995	9.88	97	977
Farm storage facility loans	–0.62	–1	111	0.25	....	74	1.12	1	93
Rural community advancement program	5.90	83	1,406	9.00	90	1,009	....	....	....
Rural electrification and telecommunications loans	–0.50	–31	6,080	–0.71	–38	5,377	–0.51	–24	4,790
Distance learning, telemedicine, and broadband program	2.14	7	333	1.94	22	1,155	2.15	6	300
Rural water and waste disposal	....	....	....	....	....	....	14.20	153	1,080
Rural community facility	....	....	....	....	....	....	5.55	17	302
Rural housing assistance grants	46.76	2	4	47.82	4	8	....	....	....
Farm labor	44.59	9	20	47.95	5	10	43.26	6	14
Multifamily housing revitalization	46.76	1	2	47.82	1	2	....	....	....
Rural housing insurance fund	14.57	199	1,357	13.22	195	1,463	17.23	7	39
Rural development loan fund	43.02	15	34	44.07	15	33	42.89	14	34
Rural economic development loans	19.97	5	25	21.84	5	23	22.59	7	33
Public law 480 title I direct credit and food for progress	67.92	27	39	....	....	....	....	....	....
Commerce:									
Fisheries finance	–3.34	–4	138	–6.21	–5	75	–10.58	–1	8
Defense—Military:									
Defense family housing improvement fund	2.56	2	78	28.40	251	883	26.38	61	233
Education:									
College housing and academic facilities loans	....	....	15	57.72	179	310	....	....	....
Federal direct student loan program	4.98	1,807	36,305	2.43	474	19,503	2.35	509	21,636
Health and Human Services:									
State grants and demonstrations	100.00	140	140	100.00	1	1	....	....	....
Homeland Security:									
Disaster assistance direct loan	75.00	953	1,271	1.18	....	25	1.73	....	25
Housing and Urban Development:									
FHA-mutual mortgage insurance	....	....	3	....	....	50	....	....	50
State:									
Repatriation loans	64.99	1	1	60.14	1	1	60.22	1	1
Transportation:									
Federal-aid highways	8.50	4	42	5.05	121	2,400	5.00	79	1,581
Railroad rehabilitation and improvement program	....	....	155	....	....	200	....	....	600
Treasury:									
Community development financial institutions fund	37.47	....	1	37.47	1	3	37.52	1	2
Veterans Affairs:									
Housing	2.27	3	163	5.25	18	335	3.86	20	539
Native American veteran housing loan	–13.79	–1	4	–13.46	–1	4	–14.48	–1	4
General operating expenses	1.59	....	3	2.00	....	3	2.16	....	3
International Assistance Programs:									
Debt restructuring	....	29	....	....	84	....	....	255	....
Overseas Private Investment Corporation	3.63	7	193	2.74	10	350	3.22	16	500
Small Business Administration:									
Disaster loans	14.64	1,286	8,785	17.73	471	2,659	16.27	173	1,064
Business loans	7.17	1	20	10.21	1	10	....	....	25
Export-Import Bank of the United States:									
Export-Import Bank loans	1.79	1	56	34.00	17	50	33.01	17	50
Total	**N/A**	**4,625**	**57,773**	**N/A**	**2,016**	**37,011**	**N/A**	**1,414**	**33,983**

[1] Additional information on credit subsidy rates is contained in the Federal Credit Supplement.
N/A = Not applicable.

Table 7–4. LOAN GUARANTEE SUBSIDY RATES, BUDGET AUTHORITY, AND LOAN LEVELS, 2006-2008

(In millions of dollars)

Agency and Program	2006 Actual			2007 Estimate			2008 Proposed		
	Subsidy rate [1]	Subsidy budget authority	Loan levels	Subsidy rate [1]	Subsidy budget authority	Loan levels	Subsidy rate [1]	Subsidy budget authority	Loan levels
Agriculture:									
Agricultural credit insurance fund	3.12	67	2,147	2.39	65	2,624	2.54	62	2,450
Commodity Credit Corporation export loans	4.88	71	1,453	3.00	61	1,990	2.63	63	2,440
Rural community advancement program	3.99	38	933	4.02	48	1,197	....	....	....
Rural water and waste disposal	....	....	....	....	....	....	–0.82	–1	75
Rural community facility	....	....	....	....	....	....	3.68	8	210
Rural housing insurance fund	1.29	41	3,173	1.26	62	4,998	0.57	29	5,049
Rural business and industry	....	....	....	....	....	....	4.32	43	1,000
Rural business investment	7.72	2	24	....	....	....	....	....	....
Renewable energy	6.45	2	24	6.49	10	154	9.69	19	195
Education:									
Federal family education loan	12.74	17,274	135,576	6.65	5,860	88,062	3.88	3,861	99,481
Energy:									
Title 17 innovative technology loan guarantee program	....	....	....	....	....	....	....	....	9,000
Health and Human Services:									
Health resources and services	3.50	....	2	3.42	....	8	....	....	....
Housing and Urban Development:									
Indian housing loan guarantee fund	2.42	5	190	2.35	5	251	2.42	6	367
Native Hawaiian Housing Loan Guarantee Fund	....	....	....	2.35	1	43	2.42	1	41
Native American housing block grant	12.26	2	13	11.99	2	17	12.12	2	17
Community development loan guarantees	2.20	5	220	2.17	3	136	2.20	1	45
FHA-mutual mortgage insurance	–1.70	–880	51,783	–0.37	–164	44,418	–0.83	–680	81,996
FHA-general and special risk	–1.74	–504	28,702	–2.01	–413	20,499	–2.54	–242	9,514
Interior:									
Indian guaranteed loan	4.75	5	117	6.45	5	87	6.52	5	86
Transportation:									
Minority business resource center program	1.85	....	2	1.82	....	18	2.03	....	18
Federal-aid highways	....	....	....	3.90	8	200	5.90	12	200
Railroad rehabilitation and improvement program	....	....	....	....	....	....	....	....	100
Maritime guaranteed loan (title XI)	....	....	....	5.93	4	67	....	....	....
Veterans Affairs:									
Housing	–0.32	–73	23,500	–0.36	–102	28,260	–0.37	–108	29,104
International Assistance Programs:									
Loan guarantees to Israel	....	....	....	....	....	1,000	....	....	1,000
Development credit authority	3.66	6	159	5.45	6	110	6.03	21	348
Overseas Private Investment Corporation	–1.96	–13	661	–1.22	–12	950	–0.78	–8	950
Small Business Administration:									
Business loans	....	....	19,936	....	....	28,000	....	....	28,000
Export-Import Bank of the United States:									
Export-Import Bank loans	1.16	141	12,094	0.06	10	15,860	–1.95	–367	18,714
Total	**N/A**	**16,189**	**280,709**	**N/A**	**5,459**	**238,949**	**N/A**	**2,727**	**290,400**
ADDENDUM: SECONDARY GUARANTEED LOAN COMMITMENT LIMITATIONS									
GNMA:									
Guarantees of mortgage-backed securities loan guarantee	–0.23	–188	81,739	–0.21	–181	86,000	–0.27	–209	77,400
SBA:									
Secondary market guarantee	....	....	3,633	....	....	12,000	....	....	12,000
Total, secondary guaranteed loan commitments	**N/A**	**–188**	**85,372**	**N/A**	**–181**	**98,000**	**N/A**	**–209**	**89,400**

[1] Additional information on credit subsidy rates is contained in the Federal Credit Supplement.
N/A = Not applicable.

Table 7–5. SUMMARY OF FEDERAL DIRECT LOANS AND LOAN GUARANTEES

(In billions of dollars)

	Actual								Estimate	
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Direct Loans:										
Obligations	38.4	37.1	39.1	43.7	45.4	42.0	56.3	57.8	37.0	34.0
Disbursements	37.7	35.5	37.1	39.6	39.7	38.7	50.6	46.6	31.4	32.9
New subsidy budget authority	1.6	(0.4)	0.3	*	0.7	0.4	2.1	4.7	2.0	1.4
Reestimated subsidy budget authority [1]	1.0	(4.4)	(1.8)	0.5	2.9	2.6	3.8	3.1	3.6	....
Total subsidy budget authority	2.6	(4.8)	(1.5)	0.5	3.5	3.0	6.0	7.8	5.5	1.4
Loan guarantees:										
Commitments [2]	252.4	192.6	256.4	303.7	345.9	300.6	248.5	280.7	239.0	290.4
Lender disbursements [2]	224.7	180.8	212.9	271.4	331.3	279.9	221.6	256.0	210.1	256.0
New subsidy budget authority	*	3.6	2.3	2.9	3.8	7.3	10.1	17.2	5.2	2.4
Reestimated subsidy budget authority [1]	4.3	0.3	(7.1)	(2.4)	(3.5)	2.0	3.5	7.0	(6.8)	....
Total subsidy budget authority	4.3	3.9	(4.8)	0.5	0.3	9.3	13.6	24.2	(1.6)	2.4

* Less than $50 million.
[1] Includes interest on reestimate.
[2] To avoid double-counting, totals exclude GNMA secondary guarantees of loans that are guaranteed by FHA, VA, and RHS, and SBA's guarantee of 7(a) loans sold in the secondary market.

Table 7–6. DIRECT LOAN WRITEOFFS AND GUARANTEED LOAN TERMINATIONS FOR DEFAULTS

Agency and Program	In millions of dollars			As a percentage of outstanding loans [1]		
	2006 Actual	2007 Estimate	2008 Estimate	2006 Actual	2007 Estimate	2008 Estimate
DIRECT LOAN WRITEOFFS						
Agriculture:						
Agricultural credit insurance fund	45	78	70	0.67	1.21	1.15
Commodity Credit Corporation fund	....	....	–1	....	....	–0.05
Rural community advancement program	9	4	4	0.10	0.04	0.03
Rural electrification and telecommunications loans	9	....	....	0.02	....	....
Rural development insurance fund	1	1	1	0.05	0.05	0.06
Rural housing insurance fund	90	99	112	0.36	0.40	0.45
Rural development loan fund	3	2	1	0.69	0.45	0.21
Debt restructuring	130	....	....	24.95	....	....
Commerce:						
Economic development revolving fund	1	1	....	10.00	14.28	....
Education:						
Student financial assistance	14	14	....	4.33	4.34	....
Perkins loan assets	....	....	54	....	....	....
Housing and Urban Development:						
Revolving fund (liquidating programs)	....	1	1	....	16.66	25.00
Guarantees of mortgage-backed securities	4	24	20	40.00	342.85	285.71
Interior:						
Indian direct loan	....	1	1	....	4.34	5.00
Labor:						
Pension benefit guaranty corporation fund	87	93	93	....	....	....
Veterans Affairs:						
Veterans housing benefit program	31	3	3	3.07	0.33	0.25
International Assistance Programs:						
Debt restructuring	....	2	29	....	0.81	12.03
Overseas Private Investment Corporation	15	6	15	2.41	0.82	1.78
Small Business Administration:						
Disaster loans	107	33	61	2.93	0.48	0.85
Business loans	2	2	2	1.09	1.11	1.28
Other Independent Agencies:						
Debt reduction (ExIm Bank)	776	58	107	73.34	19.07	42.29
Export-Import Bank	1,112	36	36	12.43	0.58	0.67
Spectrum auction program	....	50	150	....	11.70	41.89
Tennessee Valley Authority fund	1	1	1	2.08	1.92	1.72
Total, direct loan writeoffs	2,437	509	760	1.11	0.22	0.32
GUARANTEED LOAN TERMINATIONS FOR DEFAULT						
Agriculture:						
Agricultural credit insurance fund	37	48	48	0.35	0.47	0.45
Commodity Credit Corporation export loans	24	52	61	0.97	1.72	1.91
Rural community advancement program	115	135	158	2.44	3.01	3.41
Rural housing insurance fund	249	107	242	1.69	0.68	1.52
Commerce:						
Fisheries finance	4	....	....	12.50	....	....
Defense—Military:						
Procurement of ammunition, Army	11	15	....	42.30	78.94	....
Family housing improvement fund	....	7	7	....	1.40	1.43
Education:						
Federal family education loans	5,614	6,962	7,671	1.94	2.14	2.12
Health and Human Services:						
Health education assistance loans	16	24	21	0.93	1.74	1.92
Health center loan guarantees	....	1	....	....	2.63	....
Housing and Urban Development:						
Indian housing loan guarantee	1	1	1	0.52	0.27	0.17
Native American housing block grant	....	2	2	....	2.40	2.17
FHA—Mutual mortgage insurance	5,381	5,722	6,250	1.60	1.80	1.98
FHA—General and special risk	1,034	1,535	1,767	1.15	1.57	1.78

Table 7–6. DIRECT LOAN WRITEOFFS AND GUARANTEED LOAN TERMINATIONS FOR DEFAULTS—Continued

Agency and Program	In millions of dollars			As a percentage of outstanding loans [1]		
	2006 Actual	2007 Estimate	2008 Estimate	2006 Actual	2007 Estimate	2008 Estimate
Interior:						
Indian guaranteed loans	1	5	5	0.31	1.57	1.47
Transportation:						
Maritime guaranteed loans (Title XI)	....	35	32	....	1.19	1.16
Veterans Affairs:						
Veterans housing benefit program	2,207	5,792	5,382	1.07	2.74	2.36
International Assistance Programs:						
Micro and small enterprise development	1	....	1	7.14	....	16.66
Urban and environmental credit program	32	11	12	1.93	0.72	0.86
Development credit authority	....	2	2	....	0.98	0.73
Overseas Private Investment Corporation	118	200	55	3.28	4.94	1.22
Small Business Administration:						
Business loans	1,200	1,141	1,151	1.63	1.69	1.60
Other Independent Agencies:						
Export-Import Bank	217	225	225	0.60	0.61	0.58
Total, guaranteed loan terminations for default	16,262	22,022	23,093	1.07	1.43	1.44
Total, direct loan writeoffs and guaranteed loan terminations	18,699	22,531	23,853	1.08	1.28	1.30
ADDENDUM: WRITEOFFS OF DEFAULTED GUARANTEED LOANS THAT RESULT IN LOANS RECEIVABLE						
Agriculture:						
Agricultural credit insurance fund	3	5	7	5.76	7.81	10.00
Commerce:						
Fisheries finance	5	....	....	13.88	....	....
Education:						
Federal family education loans	990	1,121	1,185	4.40	4.57	4.70
Housing and Urban Development:						
FHA—Mutual mortgage insurance	....	9	1	....	2.25	1.69
FHA—General and special risk	276	25	22	6.23	0.51	0.35
Interior:						
Indian guaranteed loans	1	2	2	7.69	11.11	10.00
Treasury:						
Air transportation stabilization guaranteed loans	39	54	....	31.20	72.00	....
International Assistance Programs:						
Overseas Private Investment Corporation	1	8	11	0.46	2.29	2.98
Small Business Administration:						
Business loans	1,012	281	279	19.04	5.52	5.35
Pollution control equipment	8	....	....	40.00	....	....
Other Independent Agencies:						
Export-Import Bank	4	....	....	3.41	....	....
Total, writeoffs of loans receivable	2,339	1,505	1,507	6.18	3.85	3.72

[1] Average of loans outstanding for the year.

Table 7–7. APPROPRIATIONS ACTS LIMITATIONS ON CREDIT LOAN LEVELS [1]

(In millions of dollars)

Agency and Program	2006 Actual	2007 Estimate	2008 Estimate
DIRECT LOAN OBLIGATIONS			
Agriculture:			
Agricultural credit insurance fund	936	933	917
P.L. 480	39	.....	.....
Commerce:			
Fisheries finance	138	75	8
Education:			
Historically black college and university capital financing	208	216	.....
Homeland Security:			
Disaster assistance	1,270	25	25
Housing and Urban Development:			
FHA-general and special risk	50	50	50
FHA-mutual mortgage insurance	50	50	50
State:			
Repatriation loans	1	1	1
Transportation:			
Railroad rehabilitation and improvement direct loans	.....	.....	600
Treasury:			
Community development financial institutions fund	11	8	6
Veterans Affairs:			
Vocational rehabilitation	3	3	3
Native American loans	30	30	.....
Small Business Administration:			
Business loans	20	10	25
Total, limitations on direct loan obligations	2,756	1,401	1,685
LOAN GUARANTEE COMMITMENTS			
Agriculture:			
Agricultural credit insurance fund	2,147	2,622	2,450
Energy:			
Title 17 innovative technology loan guarantees	.....	.....	9,000
Housing and Urban Development:			
Indian housing loan guarantee fund	116	158	367
Title VI Indian Federal guarantees	17	17	17
Native Hawaiian Housing Loan Guarantee Fund	36	36	41
Community development loan guarantees	135	136	.....
FHA-general and special risk	35,000	35,000	35,000
FHA-mutual mortgage insurance	185,000	185,000	185,000
Interior:			
Indian guaranteed and insured loans	117	87	86
Transportation:			
Minority business resource center	18	18	18
Railroad rehabilitation and improvement loan guarantees	.....	.....	100
International Assistance Programs:			
Development credit authority	700	.....	700
Small Business Administration:			
Business loans	19,936	28,000	28,000
Total, limitations on loan guarantee commitments	243,222	251,074	260,779
ADDENDUM: SECONDARY GUARANTEED LOAN COMMITMENT LIMITATIONS			
Housing and Urban Development:			
Guarantees of mortgage-backed securities	200,000	100,000	100,000
Small Business Administration:			
Secondary market guarantees	12,000	12,000	12,000

Table 7–7. APPROPRIATIONS ACTS LIMITATIONS ON CREDIT LOAN LEVELS [1]—Continued

(In millions of dollars)

Agency and Program	2006 Actual	2007 Estimate	2008 Estimate
Total, limitations on secondary guaranteed loan commitments	212,000	112,000	112,000

[1] Data represents loan level limitations enacted or proposed to be enacted in appropriation acts. For information on actual and estimated loan levels supportable by new subsidy budget authority requested, see Tables 7–3 and 7–4.

Table 7–8. FACE VALUE OF GOVERNMENT-SPONSORED LENDING [1]

(In billions of dollars)

	Outstanding	
	2005	2006
Government Sponsored Enterprises		
Fannie Mae [2]	N/A	N/A
Freddie Mac [3]	N/A	N/A
Federal Home Loan Banks	574	621
Farm Credit System	92	105
Total	**N/A**	**N/A**

N/A = Not available.

[1] Net of purchases of federally guaranteed loans.

[2] Financial data for Fannie Mae is not presented here because following a restatement of financial data for 2001–2004, audited financial results for 2005 and 2006 have not been released.

[3] Financial data for Freddie Mac is not presented here because following the release of previous earnings restatements, audited financial statements for 2005 and 2006 have not been released.

Table 7–9. LENDING AND BORROWING BY GOVERNMENT-SPONSORED ENTERPRISES (GSEs)[1]

(In millions of dollars)

Enterprise	2006
LENDING	
Federal National Mortgage Association:[2]	
Portfolio programs:	
Net change	N/A
Outstandings	N/A
Mortgage-backed securities:	
Net change	N/A
Outstandings	N/A
Federal Home Loan Mortgage Corporation:[3]	
Portfolio programs:	
Net change	N/A
Outstandings	N/A
Mortgage-backed securities:	
Net change	N/A
Outstandings	N/A
Farm Credit System:	
Agricultural credit bank:	
Net change	3,642
Outstandings	28,763
Farm credit banks:	
Net change	9,383
Outstandings	76,185
Federal Agricultural Mortgage Corporation:	
Net change	1,933
Outstandings	7,059
Federal Home Loan Banks:[4]	
Net change	21,302
Outstandings	743,855
Less guaranteed loans purchased by:	
Federal National Mortgage Association:[2]	
Net change	N/A
Outstandings	N/A
Other:	
Net change	N/A
Outstandings	N/A
BORROWING	
Federal National Mortgage Association:[2]	
Portfolio programs:	
Net change	N/A
Outstandings	N/A
Mortgage-backed securities:	
Net change	N/A
Outstandings	N/A
Federal Home Loan Mortgage Corporation:[3]	
Portfolio programs:	
Net change	N/A
Outstandings	N/A
Mortgage-backed securities:	
Net change	N/A
Outstandings	N/A
Farm Credit System:	
Agricultural credit bank:	
Net change	4,381
Outstandings	32,847
Farm credit banks:	
Net change	13,015
Outstandings	94,376
Federal Agricultural Mortgage Corporation:	
Net change	623
Outstandings	4,554
Federal Home Loan Banks:[4]	
Net change	39,094
Outstandings	944,039

Table 7–9. LENDING AND BORROWING BY GOVERNMENT-SPONSORED ENTERPRISES (GSEs) [1]—Continued

(In millions of dollars)

Enterprise	2006
DEDUCTIONS [5]	
Less borrowing from other GSEs: [5]	
Net change	N/A
Outstandings	N/A
Less purchase of Federal debt securities: [5]	
Net change	N/A
Outstandings	N/A
Federal National Mortgage Association: [5]	
Net change	N/A
Outstandings	N/A
Other: [5]	
Net change	N/A
Outstandings	N/A

N/A = Not available.

[1] The estimates of borrowing and lending were developed by the GSEs based on certain assumptions that are subject to periodic review and revision and do not represent official GSE forecasts of future activity, nor are they reviewed by the President. The data for all years include programs of mortgage-backed securities. In cases where a GSE owns securities issued by the same GSE, including mortgage-backed securities, the borrowing and lending data for that GSE are adjusted to remove double-counting.

[2] Financial data for Fannie Mae is not presented here because following a restatement of financial data for 2001–2004, audited financial results for 2006 have not been released.

[3] Financial data for Freddie Mac is not presented here because following the release of previous earnings restatements, audited financial statements for 2006 have not been released.

[4] The net change in borrowings is derived from the difference in borrowings between 2006 and the Federal Home Loan Banks' audited financial statements of 2005.

[5] Totals and subtotals have not been calculated because a substantial portion of the total is unavailable as described above.

8. AID TO STATE AND LOCAL GOVERNMENTS [1]

State and local governments have a vital constitutional responsibility to provide government services. They have the major role in providing domestic public services, such as public education, law enforcement, roads, water supply, and sewage treatment. The Federal Government contributes to that role by promoting a healthy economy. It also provides grants, loans, and tax subsidies to State and local governments.

Federal grants help State and local governments finance programs covering most areas of domestic public spending, including income support, infrastructure, education, and social services. Federal grant outlays were $434.1 billion in 2006 and are estimated to be $448.8 billion in 2007 and $454.0 billion in 2008.

Grant outlays to State and local governments for payments to individuals, such as Medicaid payments, are estimated to be 65 percent of total grants in 2008; grant outlays for physical capital investment, 16 percent; and grant outlays for all other purposes, largely education, training, and social services, 19 percent.

Some tax expenditures also constitute Federal aid to State and local governments. Tax expenditures stem from special exclusions, exemptions, deductions, credits, deferrals, or tax rates in the Federal tax laws.

The deductibility of State and local personal income and property taxes from gross income for Federal income tax purposes and the exclusion of interest on State and local bonds from Federal taxation comprise the two largest categories of tax expenditures benefiting State and local governments. In 2008, these provisions are estimated to be worth $80.1 billion. Chapter 19, "Tax Expenditures," of this volume provides a detailed discussion of the measurement and definition of tax expenditures and a complete list of the estimated costs of specific tax expenditures. Tax expenditures that especially aid State and local governments are displayed separately at the end of Tables 19–1 and 19–2.

This chapter also includes information on the performance of selected grant programs based on the Program Assessment Rating Tool. An Appendix to this chapter includes State-by-State estimates of major grant programs.

Table 8–1. FEDERAL GRANT OUTLAYS BY AGENCY

(In billions of dollars)

Agency	2006 Actual	2007 Estimate	2008 Proposed
Department of Agriculture	25.9	27.0	27.0
Department of Commerce	0.5	0.5	0.4
Department of Education	41.2	41.8	38.8
Department of Energy	0.3	0.2	0.2
Department of Health and Human Services	245.0	257.5	265.5
Department of Homeland Security	15.3	10.1	7.7
Department of Housing and Urban Development	33.2	36.2	37.3
Department of the Interior	4.4	4.3	4.3
Department of Justice	4.3	3.7	3.1
Department of Labor	8.6	8.8	8.5
Department of Transportation	46.7	49.6	52.5
Department of the Treasury	0.5	0.5	0.6
Department of Veterans Affairs	0.6	0.6	0.7
Environmental Protection Agency	4.0	3.7	3.5
Other agencies	3.7	4.2	3.9
Total	434.1	448.8	454.0

Table 8–1 shows the distribution of grants by agency. Grant outlays by the Department of Health and Human Services are estimated to be $265.5 billion in 2008, almost 60 percent of total grant outlays. Most of the remaining grant spending is in the Departments of Agriculture, Education, Housing and Urban Development, and Transportation, which account for another 34 percent of grant outlays.

HIGHLIGHTS OF THE FEDERAL AID PROGRAM

Several proposals in this budget affect Federal aid to State and local governments and the important relationships between the levels of government. In addition to the proposals relating to specific grant programs discussed below, the Administration intends to work with State and local governments to make the Federal system more efficient and effective and to improve the design, administration, and financial management of Federal grant programs through reducing improper payments and assessing performance of grants with the Program Assessment Rating Tool (PART), as discussed in a later section of this chapter.

Highlights of proposals affecting grants to State and local governments are presented below. For additional information on these proposals, see discussions in the main *Budget* volume.

Homeland Security

Since 2001, this Administration has provided nearly $37.5 billion to State, local, and tribal government's to enhance first responder preparedness. Of this

[1] Federal aid to State and local governments is defined as the provision of resources by the Federal Government to support a State or local program of governmental service to the public. The two forms of aid are grants and tax expenditures, and grants include both outright grants and the value of loan subsidies.

amount, $22 billion was allocated through Department of Homeland Security (DHS) grant programs.

To improve coordination and provide assistance to State and local law enforcement officials, the Budget will expand a successful Federal/State and local partnership—the 287(g) program, which provides State and local law enforcement officials with guidance and training in immigration law, subject to the direction of the Secretary of Homeland Security. The 2008 Budget includes an increase of $26 million for the 287(g) program and the Law Enforcement Support Center, including the training of an additional 250 State and local law enforcement officers, providing information technology connections to participating agencies, detention beds for apprehended illegal aliens, and additional personnel to assist State and local law enforcement when they encounter aliens. It also includes an increase of $29 million to identify criminal aliens in Federal, State, and local prison facilities and remove those aliens from the United States.

Natural Resources and Environment

Grant outlays for natural resources and environment programs are estimated to be $5.6 billion in 2008.

Through the Environmental Protection Agency (EPA), the 2008 Budget provides $842 million in new capitalization for the Drinking Water State Revolving Fund. States use their capitalization grants, along with matching funds, to make loans to localities. The funds "revolve" as States use loan repayments to make new loans. Included in the President's Budget is a proposal to exempt private activity bonds (PABs) used to finance drinking water and wastewater infrastructure from the overall private activity bond cap. PABs are tax-exempt bonds issued by a State or local government, the proceeds of which are used by another entity for a public purpose. This exemption will ensure all States and communities have access to PABs to help finance their water infrastructure needs. The proposal also will facilitate public-private partnerships and require full-cost pricing for services, helping drinking water and wastewater systems become self-sustaining.

The Tax Relief and Health Care Act, passed by Congress in December 2006, converted abandoned mine land (AML) reclamation grants to States from discretionary to mandatory funding. Uncertified States (those with high-priority reclamation work) will receive mandatory AML grants from the Abandoned Mine Reclamation Fund to continue their projects. Certified States (those that have already addressed high-priority reclamation work) will no longer be eligible for AML grants. The Act also created a new set of mandatory payments from the Treasury to States in amounts equivalent to the amount allocated to States from coal fees in the AML Trust Fund under the existing AML grant formula.

Transportation

Grants support State and local programs for highways, mass transit, and airports. Grant outlays to State and local governments for transportation, mostly for highways, are estimated to be $52.5 billion in 2008.

This Budget requests $100 million to issue capital matching grants to States for intercity passenger rail projects. This new program would give local communities resources to direct investment in facilities that reflect their top rail transportation priorities.

Community and Regional Development

Grant outlays for community and regional development programs are estimated to be $16.5 billion in 2008.

This Budget provides over $3 billion for the Community Development Block Grant Program (CDBG) and advances a reform agenda that will distribute resources more equitably and promote efficiency. The current CDBG formula allocates a disproportionate amount of resources to areas with relatively few critical development needs while other, needier areas go underserved. Additionally, HUD continues to work with State and local authorities in the stewardship of $16.7 billion in supplemental Community Development Block Grant (CDBG) disaster funds to assist in the long-term recovery and rebuilding of the Gulf Coast.

Education

Grant outlays for elementary, secondary, and vocational education is estimated to be $35.4 billion in 2008.

Leaving No Child Behind. The central goal of the 2001 No Child Left Behind Act (NCLB) is for all students to read and do math at grade level or above by 2014. NCLB refocused Federal education programs on the principles of stronger accountability for results, more choices for parents and students, greater flexibility for States and school districts, and the use of proven instructional methods. In 2007 the President will work with Congress to reauthorize NCLB. Highlights of the President's plan include the following:

- *Reforming high schools and improving college readiness*. For 2008, this Budget provides $13.8 billion for Title I, a $1.1 billion increase, sufficient to devote new funds to high schools, in proportion to the number of low-income students they educate, while also increasing funding for elementary schools. In addition, the Administration proposes to add two new high school tests, including an assessment of college readiness. Together with the existing tests in reading and math in grades 3–8, these assessments will help parents and teachers know how their schools are performing across the K-12 spectrum. The Budget provides $412 million for these State assessments.
- *Ensuring future competitiveness*. To remain competitive in the global economy, every high school graduate needs strong analytical skills from a rigorous mathematics and science curriculum. In support of this objective, this Budget provides a $365 million increase for math and science education programs as part of the American Competitiveness Initiative (ACI).

- *Helping schools in need of improvement*. The 2008 Budget provides $500 million, along with over $500 million reserved from Title I, to help improve schools that have not met their NCLB goals for at least two years, with a particular focus on schools that have been low-performing for five years or more. This significant increase will ensure that States and school districts have the capacity to turn around the schools that need the most help.
- *Enhancing opportunities for parental choice*. While the Administration expects most schools in need of improvement to turn around and meet the goals of NCLB, some schools will not be able to do so quickly. The 2008 Budget includes a new $300 million program, Scholarships for Students in Restructuring Schools, which will enable States to offer low-income students in these chronically low-performing schools educational alternatives. These students will be eligible for scholarships to cover some of the cost of attending the private school of their choice or a public school in a neighboring district or receive intensive supplemental services, such as tutoring.

Training and Employment

Grant outlays for training and employment are estimated to be $5.5 billion in 2008.

The 2008 Budget again proposes job training reforms in the Department of Labor that will give States more flexibility to deliver workforce services tailored to their unique needs and focus resources on training workers instead of supporting bureaucracy. The reforms will consolidate several similar programs, cut Federal red tape, limit amounts spent on overhead, and create Career Advancement Accounts (CAAs). CAAs are worker-directed accounts that give workers the resources necessary to increase their skills and better compete for 21st Century jobs. The President's job training reform proposal will triple the number of workers receiving training while saving taxpayer dollars.

Over the last several years the Administration has worked to make the Nation's workforce investment system more responsive to the needs of workers and employers. The 2008 Budget continues these initiatives. The President's Budget requests $150 million for the Community-Based Job Training Grants program, which helps community colleges and related organizations expand their capacity to train workers for jobs that are in demand in local economies. Since 2005 the program has provided grants of almost $250 million—funds that will be used to train an estimated 100,000 workers. The High Growth Job Training Grants Initiative provides funds to partnerships of training providers, employers, and the public workforce investment system who commit to training workers for jobs in high growth industries. Since its inception the program has trained approximately 51,000 workers, and a total of 128,000 are expected to be trained by 2008.

Social Services

Grant outlays for social service programs are estimated to be $14.4 billion in 2008.

Head Start. In the Department of Health and Human Services (HHS), the Budget supports reauthorization of Head Start and provides $6.8 billion in budget authority for 2008, enough to serve more than 900,000 children.

Child Welfare Program Option. The Budget seeks legislation to introduce an option for all States so they can choose an alternative system for foster care. Flexible financing will allow States to design programs with a stronger emphasis on child-abuse prevention, family support, and increased flexibility in providing services.

Health

Grant outlays for health-related programs are estimated to be $219.0 billion in 2008.

Medicaid and the State Children's Health Insurance Program (SCHIP). In 2008, Department of Health and Human Service's (HHS) Federal Medicaid outlays are estimated to be $201.9 billion. Medicaid is an open-ended means-tested entitlement program that is financed jointly by the Federal Government and States. Medicaid provides health coverage and services to low-income children, pregnant women, elderly persons, and disabled individuals during the year.

SCHIP was established in 1997 to provide $40 billion over 10 years to States for health care coverage to low-income, uninsured children whose income levels were higher than Medicaid eligibility levels. The authorization for SCHIP expires at the end of 2007.

- *SCHIP*. The 2008 Budget proposes reauthorizing SCHIP for five years. The goal is to maintain current enrollment levels for targeted low-income children over the next few years through increasing the SCHIP allotments by approximately $5 billion over five years. The 2008 Budget proposes to re-focus SCHIP on low-income, uninsured children below 200 percent of the Federal poverty level as the program was originally intended. The Budget will also seek the authority to target SCHIP funds more efficiently to States with the most need.
- *Transitional Medical Assistance*. This program provides coverage for former welfare recipients entering the workforce, and the Administration proposes extending the provision through 2008.
- *Qualified Individuals*. The 2008 Budget proposes an extension of the Qualified Individuals (QI) provision, which reimburses States for Part B premiums at 100 percent. Under current law, States receive 100 percent Federal funding to pay Medicare Part B premiums for beneficiaries between 120 and 135 percent of the Federal Poverty Level. This program's authorization expires at the end of 2007.

- *Health Insurance Portability and Accountability Act (HIPAA).* Since enacted in 1996, HIPAA has increased the continuity, portability, and accessibility of health insurance. To ensure that Medicaid and SCHIP beneficiaries receive the benefits of HIPAA coverage, the Administration proposes two legislative changes: 1) Eligibility for a Medicaid/SCHIP Employer-Sponsored Insurance (ESI) Program would be a qualifying event allowing families to enroll in ESI immediately through special enrollment; and 2) Require SCHIP programs to issue certificates of creditable coverage promoting portable health coverage by verifying the period of time an individual was covered by a specific health insurance policy.

Expanding Access to Recovery (ATR). The 2008 Budget includes $98 million for 20 grants to States and Native American Tribes to provide services to more than 55,000 individuals annually. ATR expands access to treatment and recovery support services, increases clinical treatment and recovery support providers, and enhances accountability through mandatory reporting on outcome measures.

Income Support

Grant outlays for income security programs are estimated to be $92.5 billion in 2008.

Food and Nutrition Assistance. As part of its diverse array of programs, the United States Department of Agriculture (USDA) delivers programs that help those in need.

The Special Supplemental Nutrition Program for Women, Infants and Children (WIC) serves the nutritional needs of low-income pregnant and post partum women, infants and children up to their fifth birthday. This Budget provides $5.4 billion for WIC services, which is funding for the estimated 8 million eligible beneficiaries. To address the rising the costs of WIC administration, the 2008 Budget proposes to cap nutrition services and administration funding at 2006 levels. In keeping with the Administration's promotion of childhood wellness and fitness, the department is issuing updated WIC food packages that reduce maximum allowances of certain foods and increase the intake of fresh fruits and vegetables.

Housing Assistance. Grant outlays for housing assistance are estimated to be $29.0 billion in 2008.

Ending Chronic Homelessness. The 2008 Budget continues the Administration's commitment to end chronic homelessness by creating new supportive housing options for these individuals. The approximately 150,000 chronically homeless persons identified as the target of this effort include those who have been on the street for long periods and have an addiction and/or suffer from a disabling physical or mental condition. Across the country, local leaders have embraced this goal with over 225 jurisdictions committing to 10-year plans to end chronic homelessness. A number of the jurisdictions that have implemented their plans—including New York, Minneapolis and Columbus—are seeing steady decreases in the number of chronic homeless individuals on their streets and in shelters. This Budget proposes a $50 million increase, to $1.6 billion, for Housing and Urban Development's (HUD) Homeless Assistance Grants, which received an Effective rating in last year's Program Assessment Rating Tool (PART) assessment due to its capable program design and strong performance measures. Up to $50 million will be available for the Samaritan Initiative within the Homeless Assistance Grants annual competition, to provide the chronically homeless with housing assistance coupled with case management to access other essential services.

Administration of Justice

Grant outlays for the administration of justice programs are estimated to be $3.8 billion in 2008.

The 2008 Budget includes $1.2 billion in assistance to State and local partners. The Budget proposes to create a new Violent Crime Reduction Partnership Initiative to target resources to those communities with the greatest crime problems. This Budget also proposes to consolidate numerous small grant programs to better target resources to the Nation's most critical needs and increase the efficiency and effectiveness of the grant programs.

The 2008 Budget also provides $345 million in funding for criminal justice needs, including drug-related priorities, through the new, consolidated Byrne Public Safety and Protection Grants. In addition to funding other law enforcement priorities, the Byrne grants will provide competitive funding to States and localities that can be used to establish Drug Courts and Prescription Drug Monitoring Programs, as well as provide assistance with cannabis eradication and cleanup of toxic methamphetamine labs, and the successful re-entry of prisoners into communities.

PERFORMANCE OF GRANTS TO STATE AND LOCAL GOVERNMENTS

The Administration is committed to measuring and improving the performance of Government programs. The Congress mandated in the Government Performance and Results Act of 1993 that performance plans be developed and that the agencies report annual progress against these plans.

In addition, this Administration began in the 2004 Budget to assess every Federal program over a five year period using the Program Assessment Rating Tool, or PART. With this budget, the fifth year of using the PART, the Administration has evaluated about 96 percent of the Budget.

The PART assesses each program on four components (purpose, planning, management, and results/accountability) and gives a score for each of the components. The scores for each component are then weighted—

results/accountability carries the greatest weigh—and the program is given an overall score. A program is rated effective if it receives an overall score of 85 percent or more, moderately effective if the score is 70 to 84 percent, adequate if the score is 50 to 69 percent, and inadequate if the score is 49 percent or lower. The program is given a rating "Results Not Demonstrated" if the program does not have good performance measures or lacks data for existing measures. Chapter 2 of this volume discusses the PART in more detail.

As shown in Table 8–2, 257 of the programs that have been assessed are primarily grants to State and local governments. Of these 257, 94 programs, or 47 percent of all grant programs assessed, received a rating of "Results Not Demonstrated". This is higher than for all programs, in which 34 percent were given this rating. The higher percent of grants that have this rating might be explained in part because of the breadth of purpose of some grants, lack of agreement among grantees and Federal parties on the purpose and performance measures, and therefore lack of focused planning to achieve common goals.

Table 8–2 also shows that the average rating for the 257 grant programs was "adequate."

- Thirteen were rated effective;
- Sixty-one were rated moderately effective;
- Seventy-four were rated adequate; and
- Fifteen were rated ineffective.
- Ninety-four were rated "results not demonstrated;"

If the 94 programs rated "Results Not Demonstrated" are excluded, the average rating was "adequate;" the same as the rating for all 257 grants.

Table 8–2. SUMMARY OF PART RATINGS AND SCORES FOR GRANTS TO STATE AND LOCAL GOVERNMENTS

Component	Average Scores	
	All grant programs (257 programs)	Programs excluding grants rated "results not demonstrated" (163 programs)
Purpose	84%	87%
Planning	64%	79%
Management	77%	82%
Results/Accountability	34%	47%
Average rating [1]	Adequate	Adequate

Rating [1]	Number of grant programs
Effective	13
Moderately effective	61
Adequate	74
Ineffective	15
Results not demonstrated	94
Total number of grant programs rated	257

[1] Weighted as follows: Purpose (20%), Planning (10%), Management (20%), Results/Accountability (50%). The rating of effective indicates a score of 85 percent or more; moderately effective, 70–85 percent; adequate, 50–70 percent; and ineffective, 49 percent or less.

The ratings of the largest five of these 257 grant programs are summarized here. More complete summaries of these and other programs can be found at *www.ExpectMore.gov*.

- *Department of Transportation: Highway Infrastructure ($34.2 billion in 2006). Rating: Moderately Effective*. This program has been successful in improving highway safety and maintaining mobility — traffic-related fatalities per 100 million vehicle miles traveled have decreased from 1.51 in 2001 to an estimated 1.43 in 2005. But the program does not have adequate measures to demonstrate improved efficiency or cost effectiveness. For example, the program does not measure project cost and schedule performance. It also does not hold program managers or States accountable for cost, schedule, or performance results because oversight of State management of Federal highway dollars is lacking. The Administration is preparing a plan for improving program and project oversight of States, directing more resources to comprehensive evaluation activities (particularly at the State project level), and devising efficiency measures to show that program delivery is cost-effective.
- *Department of Health and Human Services: Temporary Assistance for Needy Families (TANF) ($17.1 billion in 2006).* Rating: Moderately Effec-

tive. This program provides time-limited cash assistance to needy families with children while working toward achieving the goals of ending dependence by promoting work and marriage, prevent out-of-wedlock births, and encouraging the formation and maintenance of two-parent families. The program has produced modest, but statistically significant increases in employment and earnings among welfare recipients as well as reduced caseloads, poverty, and welfare dependency. It is inconclusive whether the program has promoted marriage or reduced the incidence of out-of-wedlock births. The program does not require States to report or demonstrate progress on promoting marriage.

- *Department of Housing and Urban Development (HUD): Housing Vouchers ($14.1 billion in 2006). Rating: Moderately Effective*. The Housing Choice Voucher Program assists two million low-income households across the country to afford housing. The program purpose is to help these families afford decent, safe and sanitary housing. Tenants, who would otherwise pay over 50% of their income to rent an apartment on the private market, pay 30% of their income under this program. A variety of studies show housing vouchers to be a cost-effective means of delivering decent, safe and sanitary housing for low-income families. Housing subsidies provide access in most cases to better housing, often in better neighborhoods. The new funding structure simplifies the program and allocates tenant-based assistance on a budget, rather than unit basis, assuring that programs for housing assistance are fully utilized. The Administration will continue to work with Congress to streamline the program, giving more flexibility to Public Housing Agencies to administer the program to better address local needs and market conditions.
- *Department of Education: Title I Grants to Local Educational Agencies ($12.7 billion for 2006). Rating: Moderately Effective*. This program provides supplemental education funding, especially in high-poverty areas, for local activities that help improve the performance of low-achieving students or, in the case of school-wide programs, to help all students in high-poverty schools to meet challenging State academic standards. The program has developed meaningful long-term performance measures, established baselines, and set annual targets required to meet ambitious statutory academic proficiency goals. First-year data show a rate of progress consistent with meeting annual performance targets. The Department of Education has expanded and strengthened its monitoring of State and local program implementation, including compliance with statutory requirements and fiscal management practices.
- *Department of Education: IDEA Special Education Grants to States ($10.6 billion for 2006). Rating: Adequate*. The program has made some progress in improving student achievements. Between 2000 and 2005, the percentage of students with disabilities scoring at or above Basic on the National Assessment of Educational Progress (the Nation's Report Card) grew from 22% to 33% for 4th grade reading and from 20% to 31% for 8th grade mathematics. Also, more students with disabilities are staying in school. The percentage of students with disabilities who graduate from high school with a regular high school diploma increased from 46% in 2000 to 54% in 2004 and the percentage who drop out of school decreased from 42% in 2000 to 31% in 2004. An independent evaluation is needed to provide information on the relationship between outcomes for children with disabilities and the program. While performance on the Nation's Report Card has improved, drop-out rates have declined, and graduation rates have increased, there is little information on the program's role in relation to these outcomes.

Block Grants. One of the most common tools used by the Federal Government is the block grant, particularly in the social services area where States and localities are the service providers. Block grants are embraced for their flexibility to meet local needs and criticized because accountability for results can be difficult when funds are allocated based on formulas and population counts rather than achievements or needs. In addition, block grants pose performance measurement challenges precisely because they can be used for a wide range of activities. The obstacles to measuring and achieving results through block grants are reflected in PART scores: they receive the second lowest average score of the seven PART types, 15 percent of block grant programs assessed to date were rated ineffective, and 37 percent were rated "results not demonstrated."

Nonetheless, the PART shows that some Federal block grant programs are achieving results better than others, effectively combining the flexibility that localities need with the results that taxpayers deserve. In the coming year, the Administration will apply the lessons learned from the effective block grants to several of those performing inadequately. This project will identify the methods used to manage highly rated block grant programs and adapt and implement those practices in large, low-scoring programs. Each of the programs targeted for improvement will develop an action plan and implementation timeline that will be tracked quarterly. The targeted programs will be re-analyzed through the PART in one to two years to assess whether implementing the block grant "best practices" results in improved performance.

The 2008 Budget also enhances accountability and improves performance outcomes by encouraging the Community Mental Health Services and Substance Abuse, Prevention, and Treatment Block Grant Programs to report on established National Outcome Measures.

HISTORICAL PERSPECTIVES

In recent decades, Federal aid to State and local governments has become a major factor in the financing of certain government functions. The rudiments of the present system date back to the Civil War. The Morrill Act, passed in 1862, established the land grant colleges and instituted certain federally-required standards for States that received the grants, as is characteristic of the present grant programs. Federal aid was later initiated for agriculture, highways, vocational education and rehabilitation, forestry, and public health. In the depression years, Federal aid was extended to meet income security and other social welfare needs. However, Federal grants did not become a significant factor in Federal Government expenditures until after World War II.

Table 8–3 displays trends in Federal grants to State and local governments since 1960. Section A shows Federal grants by function. Functions with a substantial amount of grants are shown separately. Grants for the national defense, energy, social security, and the veterans benefits and services functions are combined in the "other functions" line in the table.

Table 8–3. TRENDS IN FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS

(Outlays; in billions of dollars)

	Actual											Estimate	
	1960	1965	1970	1975	1980	1985	1990	1995	2000	2005	2006	2007	2008
A. Distribution of grants by function:													
Natural resources and environment	0.1	0.2	0.4	2.4	5.4	4.1	3.7	4.0	4.6	5.9	6.1	5.9	5.6
Agriculture	0.2	0.5	0.6	0.4	0.6	2.4	1.3	0.8	0.7	0.9	0.7	0.8	0.8
Transportation	3.0	4.1	4.6	5.9	13.0	17.0	19.2	25.8	32.2	43.4	46.7	49.6	52.5
Community and regional development	0.1	0.6	1.8	2.8	6.5	5.2	5.0	7.2	8.7	20.2	21.3	18.9	16.5
Education, training, employment, and social services	0.5	1.1	6.4	12.1	21.9	17.1	21.8	30.9	36.7	57.2	60.5	61.6	56.7
Health	0.2	0.6	3.8	8.8	15.8	24.5	43.9	93.6	124.8	197.8	197.3	208.9	219.0
Income security	2.6	3.5	5.8	9.4	18.5	27.9	36.8	58.4	68.7	90.9	89.8	91.8	92.5
Administration of Justice	....	....	*	0.7	0.5	0.1	0.6	1.2	5.3	4.8	5.0	4.3	3.8
General government	0.2	0.2	0.5	7.1	8.6	6.8	2.3	2.3	2.1	4.4	3.9	3.7	3.5
Other	*	0.1	0.1	0.2	0.7	0.8	0.8	0.8	2.1	2.6	2.8	3.3	3.1
Total	7.0	10.9	24.1	49.8	91.4	105.9	135.3	225.0	285.9	428.0	434.1	448.8	454.0
B. Distribution of grants by BEA category:													
Discretionary	N/A	2.9	10.2	21.0	53.3	55.5	63.3	94.0	116.7	181.7	186.1	185.8	182.2
Mandatory	N/A	8.0	13.9	28.8	38.1	50.4	72.0	131.0	169.2	246.3	248.0	263.0	271.8
Total	7.0	10.9	24.1	49.8	91.4	105.9	135.3	225.0	285.9	428.0	434.1	448.8	454.0
C. Composition:													
Payments for individuals [1]	2.5	3.7	8.7	16.8	32.6	50.1	77.3	144.4	182.6	273.9	272.6	285.2	296.7
Physical capital [1]	3.3	5.0	7.1	10.9	22.6	24.9	27.2	39.6	48.7	60.8	64.1	69.2	71.8
Other grants	1.2	2.2	8.3	22.2	36.2	30.9	30.9	41.0	54.6	93.3	97.4	94.4	85.4
Total	7.0	10.9	24.1	49.8	91.4	105.9	135.3	225.0	285.9	428.0	434.1	448.8	454.0
D. Total grants as a percent of:													
Federal outlays:													
Total	7.6%	9.2%	12.3%	15.0%	15.5%	11.2%	10.8%	14.8%	16.0%	17.3%	16.3%	16.1%	15.6%
Domestic programs [2]	18.0%	18.3%	23.2%	21.7%	22.2%	18.2%	17.1%	21.6%	22.0%	23.4%	22.4%	22.2%	21.8%
State and local expenditures	14.8%	15.5%	20.1%	24.0%	27.4%	22.0%	18.9%	22.8%	22.2%	24.3%	23.3%	N/A	N/A
Gross domestic product	1.4%	1.6%	2.4%	3.2%	3.4%	2.6%	2.4%	3.1%	2.9%	3.5%	3.3%	3.3%	3.1%
E. As a share of total State and local gross investments:													
Federal capital grants	24.6%	25.5%	25.4%	26.0%	35.4%	30.2%	21.9%	26.0%	21.9%	21.5%	20.9%	N/A	N/A
State and local own-source financing	75.4%	74.5%	74.6%	74.0%	64.6%	69.8%	78.1%	74.0%	78.1%	78.5%	79.1%	N/A	N/A
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	N/A	N/A

N/A: Not available.

* 50 million or less.

[1] Grants that are both payments for individuals and capital investment are shown under capital investment.

[2] Excludes national defense, international affairs, net interest, and undistributed offsetting receipts

Federal grants for transportation increased to $3.0 billion, or 43 percent of all Federal grants, in 1960 after initiation of aid to States to build the Interstate Highway System in the late 1950s.

By 1970 there had been significant increases in the relative amounts for education, training, employment, social services, and health (largely Medicaid).

In the early and mid-1970s, major new grants were created for natural resources and environment (construction of sewage treatment plants), community and regional development (community development block grants), and general government (general revenue sharing).

Since the late 1970s changes in the relative amounts among functions reflect steady growth of grants for health (Medicaid) and income security. The functions with the largest amount of grants are health; income security; education, training, employment, and social services; and transportation, with combined estimated grant outlays of $394.4 billion, or more than 90 percent of total grant outlays in 2006.

The increase in total outlays for grants overall since 1990 has been driven by increases in grants for health, which have increased more than four-fold from $43.9 billion in 1990 to $197.3 billion in 2006. The income security; education, training, employment, and social services; and transportation functions also increased substantially, but at a slower rate than the increase for health.

Section B of the Table shows the distribution of grants divided into mandatory and discretionary spending.

Funding for grant programs classified as mandatory is determined in authorizing legislation. Funding levels for mandatory programs can only be changed by changing eligibility criteria or benefit formulas established in law and are usually not limited by the annual appropriations process. Outlays for mandatory grant programs were $248.0 billion in 2006. The three largest mandatory grant programs are Medicaid, with outlays of $180.6 billion in 2006, Temporary Assistance for Needy Families, $16.9 billion, and child nutrition programs, $12.3 billion.

The funding level for discretionary grant programs is determined annually through appropriations acts. Outlays for discretionary grant programs were $186.1 billion in 2006. Table 8–4 at the end of this chapter identifies discretionary and mandatory grant programs separately. For more information on the Budget Enforcement Act and these categories, see Chapter 26, “The Budget System and Concepts” in this volume.

Section C of Table 8–3 shows the composition of grants divided into three major categories: payments for individuals, grants for physical capital, and other grants.[2] Grant outlays for payments for individuals, which are mainly entitlement programs in which the Federal Government and the States share the costs, have grown significantly as a percent of total grants. They increased from about a third of the total in 1960 to slightly less than two-thirds in the mid-1990s, and have remained about that proportion since then.

These grants are distributed through State or local governments to provide cash or in-kind benefits that constitute income transfers to individuals or families. The major grant in this category is Medicaid. Temporary assistance for needy families, child nutrition programs, and housing assistance are also large grants in this category.

Grants for physical capital assist States and localities with construction and other physical capital activities. The major capital grants are for highways, but there are also grants for airports, mass transit, sewage treatment plant construction, community development, and other facilities. Grants for physical capital were almost half of total grants in 1960, shortly after grants began for construction of the Interstate Highway System. The relative share of these outlays has declined, as payments for individuals have grown. In 2006, grants for physical capital were $64.1 billion, 15 percent of total grants.

The other grants are primarily for education, training, employment, and social services. These grants were 22 percent of total grants in 2006.

Section D of this table shows grants as a percentage of Federal outlays, State and local expenditures, and gross domestic product. Grants have increased as a percentage of total Federal outlays from 11 percent in 1990 to 16 percent in 2006. Grants as a percentage of domestic programs were 22 percent in 2006. As a percentage of total State and local expenditures, grants have increased from 19 percent in 1990 to 23 percent in 2006.

Section E shows the relative contribution of physical capital grants in assisting States and localities with gross investment. Federal capital grants are estimated to be 21 percent of State and local gross investment in 2006.

OTHER INFORMATION ON FEDERAL AID TO STATE AND LOCAL GOVERNMENTS

Additional information regarding aid to State and local governments can be found elsewhere in this budget and in other documents.

Major public physical capital investment programs providing Federal grants to State and local governments are identified in Chapter 6, “Federal Investment.”

Data for summary and detailed grants to State and local governments can be found in many sections of a separate budget volume entitled *Historical Tables*. Section 12 of that document is devoted exclusively to

[2] Certain housing grants are classified in the budget as both payments for individuals and physical capital spending. In the text and tables in this section, these grants are included in the category for physical capital spending.

grants to State and local governments. Additional information on grants can be found in Section 6 (Composition of Federal Government Outlays); Section 9 (Federal Government Outlays for Investment: Major Physical Capital, Research and Development, and Education and Training); Section 11 (Federal Government Payments for Individuals); and Section 15 (Total (Federal and State and Local) Government Finances).

In addition to these sources, a number of other sources of information are available that use slightly different concepts of grants, provide State-by-State information, provide information on how to apply for Federal aid, or display information about audits.

The Bureau of the Census in the Department of Commerce provides data on public finances, including Federal aid to State and local governments. The Bureau's major reports and databases on grant-making include:

- *Federal Aid to States*, a report on Federal spending by State for grants for the most recently completed fiscal year.
- *The Consolidated Federal Funds Report* is an annual document that shows the distribution of Federal spending by State and county areas and by local governmental jurisdictions.
- The Federal Assistance Awards Data System (FAADS) provides computerized information about current grant funding. Data on all direct assistance awards are provided quarterly to the States and to the Congress.
- The Federal Audit Clearinghouse maintains an on-line database *(harvester.census.gov/sac)* that provides access to summary information about audits conducted under OMB Circular A-133, "Audits to States, Local Governments, and Non-Profit Organizations." Information is available for each audited entity, including the amount of Federal money expended by program and whether there were audit findings.

The Bureau of Economic Analysis, also in the Department of Commerce, publishes the monthly *Survey of Current Business*, which provides data on the national income and product accounts (NIPA), a broad statistical concept encompassing the entire economy. These accounts include data on Federal grants to State and local governments. Data using the NIPA concepts appear in this volume in Chapter 14, "National Income and Product Accounts."

The *Catalog of Federal Domestic Assistance* is a primary reference source for communities wishing to apply for grants and other domestic assistance. The *Catalog* is prepared by the General Services Administration with data collected by the Office of Management and Budget. It contains a detailed listing of grant and other assistance programs; discussions of eligibility criteria, application procedures, and estimated obligations; and related information. The *Catalog* is available on the Internet at *www.cfda.gov*.

DETAILED FEDERAL AID TABLE

Table 8–4, "Federal Grants to State and Local Governments-Budget Authority and Outlays," provides detailed budget authority and outlay data for grants, including proposed legislation. This table displays discretionary and mandatory grant programs separately.

Table 8–4. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS

(In millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2006 Actual	2007 Estimate	2008 Estimate	2006 Actual	2007 Estimate	2008 Estimate
NATIONAL DEFENSE						
Discretionary:						
Department of Defense—Military:						
Research, development, test, and evaluation, Army	2	2	2	2	2	2
ENERGY						
Discretionary:						
Department of Energy:						
Energy Programs:						
Energy conservation	....	....	....	150	....	....
Energy supply and conservation	279	213	179	125	215	200
Total, discretionary	**279**	**213**	**179**	**275**	**215**	**200**
Mandatory:						
Tennessee Valley Authority fund	376	439	449	376	439	449
Total, energy	**655**	**652**	**628**	**651**	**654**	**649**
NATURAL RESOURCES AND ENVIRONMENT						
Discretionary:						
Department of Agriculture:						
Farm Service Agency:						
Grassroots source water protection program	4	4	....	4	4	....
Natural Resources Conservation Service:						
Watershed rehabilitation program	5	5	....	2	2	2
Resource conservation and development	....	....	....	1	1	1
Watershed and flood prevention operations	164	15	....	133	141	81
Forest Service:						
State and private forestry	303	216	183	339	326	290
Management of national forest lands for subsistence uses	5	5	5	5	7	5
Department of Commerce:						
National Oceanic and Atmospheric Administration:						
Operations, research, and facilities	91	77	93	35	31	40
Pacific coastal salmon recovery	67	20	67	80	65	67
Procurement, acquisition and construction	89	1	16	61	1	11
Department of the Interior:						
Office of Surface Mining Reclamation and Enforcement:						
Regulation and technology	59	59	62	58	59	60
Abandoned mine reclamation fund	167	163	33	186	157	156
United States Fish and Wildlife Service:						
State and tribal wildlife grants	67	50	69	74	66	81
Cooperative endangered species conservation fund	80	80	80	38	80	80
Landowner incentive program	22	15	....	14	21	22
National Park Service:						
Urban park and recreation fund	....	....	....	14	9	3
National recreation and preservation	54	47	49	59	52	50
Land acquisition and State assistance	30	2	....	107	83	60
Historic preservation fund	115	59	64	66	77	79
Environmental Protection Agency:						
State and tribal assistance grants	3,141	3,009	2,739	3,874	3,634	3,381
Hazardous substance superfund	45	33	29	38	25	25
Leaking underground storage tank trust fund	70	56	60	54	53	54
Total, discretionary	**4,578**	**3,916**	**3,549**	**5,242**	**4,894**	**4,548**
Mandatory:						
Department of the Interior:						
Bureau of Land Management:						
Miscellaneous permanent payment accounts	139	40	49	138	46	49
Minerals Management Service:						
National forests fund, Payment to States	9	6	7	9	6	8
Leases of lands acquired for flood control, navigation, and allied purposes	5	3	3	5	3	3
Coastal impact assistance	....	250	250	....	250	250
Office of Surface Mining Reclamation and Enforcement:						
Abandoned mine reclamation fund	....	....	94	....	....	25

Table 8–4. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued

(In millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2006 Actual	2007 Estimate	2008 Estimate	2006 Actual	2007 Estimate	2008 Estimate
Bureau of Reclamation:						
Bureau of Reclamation loan subsidy	2	4	....	2	4	....
United States Fish and Wildlife Service:						
Federal aid in wildlife restoration	265	293	300	257	251	264
Cooperative endangered species conservation fund	39	46	48	39	46	48
Sport fish restoration	364	432	452	365	376	410
Department of the Treasury:						
Financial Management Service:						
Payment to terrestrial wildlife habitat restoration trust fund	5	5	5	5	5	5
Total, mandatory	**828**	**1,079**	**1,208**	**820**	**987**	**1,062**
Total, natural resources and environment	**5,406**	**4,995**	**4,757**	**6,062**	**5,881**	**5,610**
AGRICULTURE						
Discretionary:						
Department of Agriculture:						
Cooperative State Research, Education, and Extension Service:						
Extension activities	456	456	436	423	443	496
Outreach for socially disadvantaged farmers	6	6	7	6	6	7
Research and education activities	241	249	223	241	256	249
Integrated activities	25	25	5	23	27	26
Agricultural Marketing Service:						
Payments to States and possessions	11	1	1	5	1	1
Farm Service Agency:						
State mediation grants	4	4	4	4	4	5
Total, discretionary	**743**	**741**	**676**	**702**	**737**	**784**
Mandatory:						
Department of Agriculture:						
Office of the Secretary:						
Fund for rural America	....	....	....	1	....	....
Farm Service Agency:						
Commodity Credit Corporation fund	46	41	40	46	41	40
Total, mandatory	**46**	**41**	**40**	**47**	**41**	**40**
Total, agriculture	**789**	**782**	**716**	**749**	**778**	**824**
COMMERCE AND HOUSING CREDIT						
Mandatory:						
Department of Commerce:						
National Oceanic and Atmospheric Administration:						
Promote and develop fishery products and research pertaining to American fisheries	12	6	6	12	9	6
Federal Communications Commission:						
Universal service fund	1,462	1,977	1,760	1,462	1,977	1,760
Total, commerce and housing credit	**1,474**	**1,983**	**1,766**	**1,474**	**1,986**	**1,766**
TRANSPORTATION						
Discretionary:						
Department of Transportation:						
Federal Aviation Administration:						
Grants-in-aid for airports (Airport and airway trust fund)	....	....	....	3,841	3,821	3,711
Federal Highway Administration:						
Emergency relief program	3,452	....	....	849	1,438	586
State infrastructure banks	....	....	....	1	1	1
Appalachian development highway system	20	82	....	95	139	127
Federal-aid highways	....	....	....	32,703	33,083	36,857
Miscellaneous appropriations	....	....	–149	187	116	41
Miscellaneous highway trust funds	....	....	–260	145	140	11
Federal Motor Carrier Safety Administration:						
Motor Carrier Safety Grants	279	291	300	74	271	284
National Highway Traffic Safety Administration:						
Highway traffic safety grants	558	566	581	263	534	580

Table 8–4. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued

(In millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2006 Actual	2007 Estimate	2008 Estimate	2006 Actual	2007 Estimate	2008 Estimate
Federal Railroad Administration:						
Alaska railroad rehabilitation	10	10		20	11	6
Federal Transit Administration:						
Job access and reverse commute grants				95	103	65
Interstate transfer grants-transit				–19	2	2
Washington Metropolitan Area Transit Authority				4	2	1
Formula grants	144			3,376	2,464	1,504
Capital investment grants	1,487	1,548	1,400	3,073	3,350	2,905
Discretionary grants (Highway trust fund, mass transit account)				92	53	40
Formula and bus grants	8,281	7,190	7,873	1,863	4,074	5,759
Pipeline and Hazardous Materials Safety Administration:						
Pipeline safety	19	20	24	19	23	24
United States-Canada Alaska Rail Commission:						
Contribution to United States-Canada Alaska Rail Commission				2		
Total, discretionary	**14,250**	**9,707**	**9,769**	**46,683**	**49,625**	**52,504**
Mandatory:						
Department of Transportation:						
Federal Aviation Administration:						
Grants-in-aid for airports (Airport and airway trust fund)	3,070	4,267	2,750			
Federal Highway Administration:						
Federal-aid highways	32,916	37,498	40,381			
Total, mandatory	**35,986**	**41,765**	**43,131**			
Total, transportation	**50,236**	**51,472**	**52,900**	**46,683**	**49,625**	**52,504**
COMMUNITY AND REGIONAL DEVELOPMENT						
Discretionary:						
Department of Agriculture:						
Rural Development:						
Rural community advancement program	735	553		773	726	
Rural Utilities Service:						
Distance learning, telemedicine, and broadband program	16	16	16	14	13	15
Rural water and waste disposal subsidy			502			485
Rural Housing Service:						
Rural community facility subsidy			22			74
Rural Business—Cooperative Service:						
Rural business and industry subsidy			38			71
Department of Commerce:						
Economic development assistance programs	250	231	170	284	314	295
Department of Homeland Security:						
Federal Emergency Management Agency:						
State and local programs	2,318	2,367	1,633	2,601	1,956	2,128
Firefighter assistance grants	648	662	300	228	565	639
Mitigation grants				34	98	
Disaster Relief	–17,423	2,909	1,409	11,868	6,895	4,302
Department of Housing and Urban Development:						
Community Planning and Development:						
Community development fund	20,851	4,215	2,681	5,012	7,828	7,999
Urban development action grants					2	2
Community development loan guarantees subsidy	4	3		8	8	5
Brownfields redevelopment				18	22	28
Empowerment zones/enterprise communities/renewal communities				39	35	30
Office of Lead Hazard Control and Healthy Homes:						
Lead hazard reduction	150	150	116	120	141	154
Department of the Interior:						
Bureau of Indian Affairs and Bureau of Indian Education:						
Operation of Indian programs	149	150	150	148	146	147
Indian guaranteed loan subsidy	26	20	6	24	20	6
Appalachian Regional Commission	56	27	57	63	65	66
Delta regional authority	12	5	4	6	5	7
Denali Commission	49	8	2	42	44	70

Table 8–4. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued

(In millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2006 Actual	2007 Estimate	2008 Estimate	2006 Actual	2007 Estimate	2008 Estimate
Total, discretionary	**7,841**	**11,316**	**7,106**	**21,282**	**18,883**	**16,523**
Mandatory:						
Department of Housing and Urban Development:						
Community Planning and Development:						
Community development loan guarantees subsidy	3	8	.....	3	8	.....
Total, community and regional development	**7,844**	**11,324**	**7,106**	**21,285**	**18,891**	**16,523**
EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES						
Discretionary:						
Department of Commerce:						
National Telecommunications and Information Administration:						
Public telecommunications facilities, planning and construction	22	20	.....	24	33	25
Information infrastructure grants	.....	.....	.....	11	7	4
Department of Education:						
Office of Elementary and Secondary Education:						
Reading excellence	.....	.....	.....	1	6	.....
Indian education	115	115	115	114	116	113
Impact aid	1,224	1,253	1,224	1,138	1,456	1,224
Education reform	.....	.....	.....	15	4	.....
Education for the disadvantaged	14,434	14,434	16,641	14,604	14,716	14,478
School improvement programs	5,110	5,120	4,635	5,589	5,439	5,107
Office of Innovation and Improvement:						
Innovation and improvement	643	549	778	451	893	625
Office of Safe and Drug-Free Schools:						
Safe schools and citizenship education	688	685	290	717	730	685
Office of English Language Acquisition:						
English language acquisition	629	631	631	551	795	585
Office of Special Education and Rehabilitative Services:						
Special education	11,439	11,346	10,505	11,582	11,267	10,581
Rehabilitation services and disability research	127	127	56	140	172	80
American Printing House for the Blind	18	18	18	19	20	18
Office of Vocational and Adult Education:						
Career, technical and adult education	1,972	1,970	1,960	1,958	2,034	1,910
Office of Postsecondary Education:						
Higher education	403	403	302	439	478	424
Office of Federal Student Aid:						
Student financial assistance	65	64	.....	68	71	51
Institute of education sciences	25	49	49	4	38	39
Hurricane education recovery	1,885	.....	.....	1,140	743	.....
Department of Health and Human Services:						
Administration for Children and Families:						
Promoting safe and stable families	82	82	82	82	82	82
Children and families services programs	8,560	8,507	7,869	8,492	8,466	8,104
Administration on Aging:						
Aging services programs	1,345	1,349	1,318	1,358	1,327	1,323
Department of the Interior:						
Bureau of Indian Affairs and Bureau of Indian Education:						
Operation of Indian programs	116	116	116	114	111	112
Department of Labor:						
Employment and Training Administration:						
Training and employment services	4,706	4,897	4,543	4,566	4,489	4,283
Community service employment for older Americans	94	94	76	88	94	76
State unemployment insurance and employment service operations	124	120	17	155	123	130
Unemployment trust fund	726	952	256	803	1,055	797
Corporation for National and Community Service:						
Domestic volunteer service programs, operating expenses	105	105	.....	142	133	79
National and community service programs, operating expenses	265	265	255	255	224	200
Corporation for Public Broadcasting	460	464	350	460	464	350
District of Columbia:						
District of Columbia General and Special Payments:						
Federal payment for resident tuition support	33	33	35	33	33	35
Federal payment for school improvement	40	40	41	40	40	41
National Endowment for the Arts: grants and administration	41	40	41	37	38	39

Table 8–4. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued

(In millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2006 Actual	2007 Estimate	2008 Estimate	2006 Actual	2007 Estimate	2008 Estimate
Institute of Museum and Library Services:						
Office of Museum and Library Services: grants and administration	238	231	254	226	273	282
Total, discretionary	**55,734**	**54,079**	**52,457**	**55,416**	**55,970**	**51,882**
Mandatory:						
Department of Education:						
Office of Special Education and Rehabilitative Services:						
Rehabilitation services and disability research	2,720	2,837	2,874	2,679	2,848	2,858
Department of Health and Human Services:						
Administration for Children and Families:						
Promoting safe and stable families	364	364	364	334	361	357
Social services block grant	2,250	1,700	1,200	1,848	2,155	1,306
Department of Labor:						
Employment and Training Administration:						
Federal unemployment benefits and allowances	259	260	260	235	260	260
Foreign labor certification processing	....	....	5	....	....	5
Total, mandatory	**5,593**	**5,161**	**4,703**	**5,096**	**5,624**	**4,786**
Total, education, training, employment, and social services	**61,327**	**59,240**	**57,160**	**60,512**	**61,594**	**56,668**
HEALTH						
Discretionary:						
Department of Agriculture:						
Food Safety and Inspection Service:						
Salaries and expenses	43	43	46	38	45	44
Department of Health and Human Services:						
Health Resources and Services Administration	3,298	3,302	2,847	3,340	3,183	3,110
Centers for Disease Control and Prevention:						
Disease control, research, and training	4,052	3,926	3,926	3,039	3,832	3,969
Substance Abuse and Mental Health Services Administration	3,204	2,308	2,196	3,183	2,308	2,294
Departmental Management:						
Public health and social services emergency fund	436	242	436	184	158	321
General departmental management	102	110	106	109	77	80
Department of Labor:						
Occupational Safety and Health Administration:						
Salaries and expenses	101	91	91	101	101	97
Mine Safety and Health Administration:						
Salaries and expenses	8	8	8	8	8	8
Total, discretionary	**11,244**	**10,030**	**9,656**	**10,002**	**9,712**	**9,923**
Mandatory:						
Department of Health and Human Services:						
Centers for Medicare and Medicaid Services:						
Grants to States for medicaid	215,471	168,290	204,944	180,625	191,876	201,944
State children's health insurance fund	4,365	5,040	5,040	5,451	5,647	6,644
State grants and demonstrations	2,566	707	764	1,269	1,679	496
Total, mandatory	**222,402**	**174,037**	**210,748**	**187,345**	**199,202**	**209,084**
Total, health	**233,646**	**184,067**	**220,404**	**197,347**	**208,914**	**219,007**
INCOME SECURITY						
Discretionary:						
Department of Agriculture:						
Food and Nutrition Service:						
Commodity assistance program	187	177	70	182	180	79
Special supplemental nutrition program for women, infants, and children (WIC)	5,172	5,169	5,387	5,056	5,172	5,320
Department of Health and Human Services:						
Administration for Children and Families:						
Low income home energy assistance	3,160	2,161	1,782	2,637	2,635	1,874
Refugee and entrant assistance	387	370	473	425	421	479
Payments to States for the child care and development block grant	2,055	2,056	2,056	2,185	2,017	2,046

Table 8–4. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued

(In millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2006 Actual	2007 Estimate	2008 Estimate	2006 Actual	2007 Estimate	2008 Estimate
Department of Homeland Security:						
Federal Emergency Management Agency:						
Emergency food and shelter	151	151	140	151	151	140
Department of Housing and Urban Development:						
Public and Indian Housing Programs:						
Public housing operating fund	3,564	3,564	4,000	3,496	3,614	3,891
Drug elimination grants for low-income housing	–3	....	....	1	2	1
Revitalization of severely distressed public housing (HOPE VI)	99	183	–99	567	560	535
Native Hawaiian Housing Block Grant	9	....	6	....	2	3
Tenant based rental assistance	14,401	15,081	16,000	12,966	15,321	15,986
Project-based rental assistance	205	221	221	210	222	200
Public housing capital fund	2,420	2,208	2,024	3,161	3,082	3,075
Prevention of resident displacement	....	....	....	71	1	....
Native American housing block grant	624	624	627	585	584	579
Housing certificate fund	....	....	....	2,188	....	....
Community Planning and Development:						
Homeless assistance grants	1,327	1,353	1,586	1,346	1,378	1,395
Home investment partnership program	1,757	1,805	1,967	1,812	1,870	1,901
Housing opportunities for persons with AIDS	286	296	300	309	309	309
Rural housing and economic development	17	24	....	21	22	27
Housing Programs:						
Homeownership and opportunity for people everywhere grants (HOPE grants)	....	....	....	1	1	1
Housing for persons with disabilities	231	240	125	301	260	259
Housing for the elderly	726	747	575	922	875	874
Department of Labor:						
Employment and Training Administration:						
Unemployment trust fund	2,514	2,653	2,654	2,668	2,668	2,795
Total, discretionary	**39,289**	**39,083**	**39,894**	**41,261**	**41,347**	**41,769**
Mandatory:						
Department of Agriculture:						
Agricultural Marketing Service:						
Funds for strengthening markets, income, and supply (section 32)	1,133	1,177	1,087	1,281	1,024	1,087
Food and Nutrition Service:						
Food stamp program	4,579	4,636	4,832	4,608	4,638	4,812
Commodity assistance program	15	15	15	15	15	15
Child nutrition programs	12,534	13,033	13,739	12,263	13,482	13,669
Department of Health and Human Services:						
Administration for Children and Families:						
Payments to States for child support enforcement and family support programs	3,322	4,399	3,957	4,001	4,519	4,085
Contingency fund	....	....	....	77	103	91
Payments to States for foster care and adoption assistance	6,620	6,941	6,892	6,353	6,533	6,834
Child care entitlement to States	1,926	2,917	2,917	3,060	2,828	2,800
Temporary assistance for needy families	11,988	17,059	17,059	16,897	17,318	17,296
Total, mandatory	**42,117**	**50,177**	**50,498**	**48,555**	**50,460**	**50,689**
Total, income security	**81,406**	**89,260**	**90,392**	**89,816**	**91,807**	**92,458**
SOCIAL SECURITY						
Mandatory:						
Social Security Administration:						
Federal disability insurance trust fund	32	54	60	9	50	57
VETERANS BENEFITS AND SERVICES						
Discretionary:						
Department of Veterans Affairs:						
Veterans Health Administration:						
Medical services	466	501	563	466	501	563
Departmental Administration:						
Grants for construction of State extended care facilities	85	85	85	122	92	86
Grants for the construction of State veterans cemeteries	32	18	32	37	15	21
Total, veterans benefits and services	**583**	**604**	**680**	**625**	**608**	**670**

Table 8–4. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued

(In millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2006 Actual	2007 Estimate	2008 Estimate	2006 Actual	2007 Estimate	2008 Estimate
ADMINISTRATION OF JUSTICE						
Discretionary:						
Department of Homeland Security:						
Federal Emergency Management Agency:						
State and local programs	411	364	263	292	255	334
Department of Housing and Urban Development:						
Fair Housing and Equal Opportunity:						
Fair housing activities	46	45	45	47	46	45
Department of Justice:						
Legal Activities and U.S. Marshals:						
Assets forfeiture fund	17	17	21	16	15	16
Office of Justice Programs:						
Justice assistance	151	87	100	256	139	166
State and local law enforcement assistance	1,115	1,042	390	1,711	1,272	1,037
Juvenile justice programs	270	263	226	366	403	377
Community oriented policing services	385	428	–55	708	634	293
Violence against women prevention and prosecution programs	368	401	356	367	297	347
Equal Employment Opportunity Commission:						
Salaries and expenses	33	28	28	29	43	42
Federal Drug Control Programs:						
High-intensity drug trafficking areas program	200	225	220	172	170	218
State Justice Institute:						
State Justice Institute: salaries and expenses	4			5		
Total, discretionary	**3,000**	**2,900**	**1,594**	**3,969**	**3,274**	**2,875**
Mandatory:						
Department of Justice:						
Legal Activities and U.S. Marshals:						
Assets forfeiture fund	383	282	375	342	377	270
Office of Justice Programs:						
Crime victims fund	585	537	589	561	582	570
Department of the Treasury:						
Departmental Offices:						
Treasury forfeiture fund	84	80	80	89	80	80
Total, mandatory	**1,052**	**899**	**1,044**	**992**	**1,039**	**920**
Total, administration of justice	**4,052**	**3,799**	**2,638**	**4,961**	**4,313**	**3,795**
GENERAL GOVERNMENT						
Discretionary:						
Department of Health and Human Services:						
Administration for Children and Families:						
Disabled voter services				3	5	2
Department of the Interior:						
United States Fish and Wildlife Service:						
National wildlife refuge fund	14	14	11	14	14	13
Insular Affairs:						
Assistance to territories	48	47	47	58	53	52
Trust Territory of the Pacific Islands						1
Department-Wide Programs:						
Payments in lieu of taxes	233	233	190	232	233	190
District of Columbia:						
District of Columbia Courts:						
Federal payment to the District of Columbia courts	217	220	214	182	220	214
Defender services in District of Columbia courts	45	37	43	37	37	42
District of Columbia General and Special Payments:						
Federal support for economic development and management reforms in the District	52	13	38	52	13	38
Election Assistance Commission:						
Election reform programs				58		
Total, discretionary	**609**	**564**	**543**	**636**	**575**	**552**

Table 8–4. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued

(In millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2006 Actual	2007 Estimate	2008 Estimate	2006 Actual	2007 Estimate	2008 Estimate
Mandatory:						
Department of Agriculture:						
Forest Service:						
Forest Service permanent appropriations	582	364	130	425	409	130
Department of Energy:						
Energy Programs:						
Payments to States under Federal Power Act	3	3	3	3	3	3
Department of Homeland Security:						
Security, Enforcement, and Investigations:						
Refunds, transfers, and expenses of operation, Puerto Rico	106	111	117	101	142	117
Department of the Interior:						
Bureau of Land Management:						
Miscellaneous permanent payment accounts	109	103	4	109	103	9
Minerals Management Service:						
Mineral leasing and associated payments	2,113	1,875	1,995	2,113	1,875	1,995
Geothermal lease revenues, payment to counties	4	3	....	4	3	....
United States Fish and Wildlife Service:						
National wildlife refuge fund	12	9	7	12	9	6
Insular Affairs:						
Assistance to territories	28	31	28	29	36	34
Payments to the United States territories, fiscal assistance	131	119	119	131	119	119
Department of the Treasury:						
Alcohol and Tobacco Tax and Trade Bureau:						
Internal revenue collections for Puerto Rico	360	448	484	360	448	484
Corps of Engineers-Civil Works:						
Permanent appropriations	....	4	4	....	4	4
Total, mandatory	**3,448**	**3,070**	**2,891**	**3,287**	**3,151**	**2,901**
Total, general government	**4,057**	**3,634**	**3,434**	**3,923**	**3,726**	**3,453**
Total, Grants	**451,509**	**411,868**	**442,643**	**434,099**	**448,829**	**453,986**
Discretionary	138,152	133,155	126,105	186,095	185,842	182,232
Mandatory	313,357	278,713	316,538	248,004	262,987	271,754

APPENDIX: SELECTED GRANT DATA BY STATE

This Appendix displays State-by-State spending for the selected grant programs to State and local governments shown in the following table, "Summary of Programs by Agency and Bureau." The programs selected here cover more than 80 percent of total grant spending.

The first summary table shows the obligations for each program. The second summary table, "Summary of Programs by State," shows the amounts for each State for these programs. The individual program tables display obligations for each program on a State-by-State basis, consistent with the estimates in this budget. Each table reports the following information:

- The Federal agency that administers the program.
- The program title and number as contained in the *Catalog of Federal Domestic Assistance.*
- The budget account number from which the program is funded.
- Actual 2006 obligations by State, Federal territory, and Indian tribes in thousands of dollars. Undistributed obligations shown at the bottom of each page are generally project funds that are not distributed by formula, or programs for which State-by-State data are not available.
- Estimates of 2007 obligations by State from previous budget authority, from new budget authority, and total obligations.
- Estimates of 2008 obligations by State, which are also based on the 2008 Budget request, unless otherwise noted.
- The percentage share of 2008 estimated program funds distributed to each State.

Table 8–5. SUMMARY OF PROGRAMS BY AGENCY, BUREAU, AND PROGRAM

(Obligations in millions of dollars)

Agency, Bureau, and Program	FY 2006 (actual)	Estimated FY 2007 obligations from:			FY 2008 (estimated)
		Previous authority	New authority	Total	
Department of Agriculture, Food and Nutrition Service					
School Breakfast Program (10.553)	2,086	....	2,241	2,241	2,390
National School Lunch Program (10.555)	7,570	63	7,792	7,855	8,181
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (10.557)	5,363	295	5,168	5,463	5,477
Child and Adult Care Food Program (10.558)	2,141	....	2,172	2,172	2,289
State Administrative Matching Grants for Food Stamp Program (10.561)	2,455	....	2,551	2,551	2,662
Department of Education, Office of Elementary and Secondary Education					
Title I Grants to Local Educational Agencies (84.010)	12,713	....	12,713	12,713	13,910
Improving Teacher Quality State Grants (84.367)	2,887	....	2,887	2,887	2,787
Department of Education, Office of Special Education and Rehabilitative Services					
Special Education—Grants to States (84.027)	10,583	....	10,492	10,492	10,492
Rehabilitation Services—Vocational Rehabilitation Grants to States (84.126)	2,720	....	2,837	2,837	2,837
Department of Health and Human Services, Centers for Medicare and Medicaid Services					
State Children's Health Insurance Program (93.767)	4,365	....	5,040	5,040	5,040
Grants to States for Medicaid (93.778)	201,842	....	195,191	195,191	206,886
Department of Health and Human Services, Administration for Children and Families					
Temporary Assistance for Needy Families (TANF)—Family Assistance Grants (93.558)	17,140	....	17,059	17,059	17,059
Child Support Enforcement—Federal Share of State and Local Administrative Costs and Incentives (93.563)	4,197	....	4,415	4,415	3,963
Low Income Home Energy Assistance Program (93.568)	2,480	....	1,980	1,980	1,500
Child Care and Development Block Grant (93.575)	2,061	....	2,062	2,062	2,062
Child Care and Development Fund—Mandatory (93.596a)	1,240	....	1,240	1,240	1,240
Child Care and Development Fund—Matching (93.596b)	1,680	....	1,677	1,677	1,677
Head Start (93.600)	6,851	....	6,789	6,789	6,789
Foster Care—Title IV–E (93.658)	4,325	....	4,475	4,475	4,593
Adoption Assistance (93.659)	1,791	....	2,027	2,027	2,159
Social Services Block Grant (93.667)	2,250	....	1,700	1,700	1,200
Department of Homeland Security, Departmental Management					
Homeland Security Grant Program (97.067)	2,033	....	788	788	265
Department of Homeland Security, Federal Emergency Management Agency					
Disaster Grants—Public Assistance (Presidentially Declared Disasters) (97.036)	8,147	....	....	....	....
Department of Housing and Urban Development, Public and Indian Housing Programs					
Public Housing Operating Fund (14.850)	3,564	1	3,564	3,565	4,000
Section 8 Housing Choice Vouchers (14.871)	13,797	724	15,081	15,805	16,000
Public Housing Capital Fund (14.872)	2,409	335	2,208	2,543	2,024
Department of Housing and Urban Development, Community Planning and Development					
Community Development Block Grants (14.218)	3,823	467	3,888	4,355	2,619
Department of the Interior, Minerals Management Service					
Mineral Leasing and Associated Payments	2,113	....	1,875	1,875	1,995
Department of Transportation, Federal Aviation Administration					
Airport Improvement Program (20.106)	3,709	....	3,514	3,514	2,750
Department of Transportation, Federal Highway Administration					
Highway Planning and Construction (20.205)	33,128	....	35,672	35,672	39,585
Department of Transportation, Federal Transit Administration					
Capital Investment Grants—Fixed Guideway Modernization (Section 5309) (20.500)	1,407	197	1,036	1,233	1,701
Federal Transit Formula Grants and Research (20.507)	5,534	1,566	3,645	5,211	6,568
Total	**378,403**	**3,649**	**363,779**	**367,428**	**382,699**

Table 8–6. Summary of Programs by State

(Obligations in millions of dollars)

State or Territory	All programs FY 2006 (actual)	Programs distributed in all years					FY 2008 Percentage of distributed total
		FY 2006 (actual)	Estimated FY 2007 obligations from:			FY 2008 (estimated)	
			Previous authority	New authority	Total		
Alabama	5,326	5,326	36	5,104	5,140	5,239	1.40
Alaska	1,754	1,754	8	1,741	1,749	1,789	0.48
Arizona	6,977	6,977	48	7,264	7,311	7,830	2.10
Arkansas	3,857	3,857	12	3,868	3,881	4,160	1.12
California	44,287	44,287	465	42,429	42,895	44,570	11.95
Colorado	3,590	3,590	17	3,604	3,620	3,788	1.02
Connecticut	4,244	4,244	105	4,179	4,285	4,365	1.17
Delaware	998	998	4	984	988	1,055	0.28
District of Columbia	1,998	1,998	43	1,981	2,024	2,151	0.58
Florida	18,461	18,461	244	15,921	16,165	16,638	4.46
Georgia	9,432	9,432	105	9,090	9,195	9,799	2.63
Hawaii	1,456	1,456	10	1,348	1,358	1,394	0.37
Idaho	1,454	1,454	7	1,473	1,480	1,579	0.42
Illinois	12,937	12,937	100	12,421	12,521	13,273	3.56
Indiana	6,533	6,533	41	6,726	6,767	7,059	1.89
Iowa	3,097	3,097	11	3,024	3,034	3,191	0.86
Kansas	2,656	2,656	19	2,544	2,563	2,639	0.71
Kentucky	5,613	5,613	22	5,544	5,566	5,800	1.56
Louisiana	10,060	10,060	58	6,321	6,379	6,740	1.81
Maine	2,212	2,212	6	1,807	1,812	1,865	0.50
Maryland	5,534	5,534	60	5,505	5,565	5,833	1.56
Massachusetts	8,946	8,946	140	9,573	9,714	9,821	2.63
Michigan	10,327	10,327	37	10,339	10,376	10,421	2.79
Minnesota	5,495	5,495	51	5,503	5,554	6,049	1.62
Mississippi	7,116	7,116	23	4,454	4,477	4,786	1.28
Missouri	7,037	7,037	33	7,189	7,222	7,604	2.04
Montana	1,317	1,317	6	1,224	1,230	1,287	0.35
Nebraska	1,994	1,994	7	1,806	1,813	1,892	0.51
Nevada	1,767	1,767	19	1,601	1,620	1,634	0.44
New Hampshire	1,235	1,235	7	1,203	1,211	1,261	0.34
New Jersey	9,391	9,391	82	9,280	9,362	9,781	2.62
New Mexico	3,719	3,719	17	3,690	3,706	3,885	1.04
New York	38,888	38,888	647	39,090	39,737	39,940	10.71
North Carolina	10,192	10,192	64	10,449	10,514	11,954	3.21
North Dakota	832	832	–11	758	747	815	0.22
Ohio	14,007	14,007	76	14,502	14,578	14,926	4.00
Oklahoma	4,169	4,169	18	4,520	4,538	4,687	1.26
Oregon	3,886	3,886	14	3,870	3,885	4,119	1.10
Pennsylvania	15,985	15,985	165	15,964	16,129	16,757	4.49
Rhode Island	1,830	1,830	18	1,743	1,762	1,858	0.50
South Carolina	4,909	4,909	25	4,733	4,759	4,769	1.28
South Dakota	1,077	1,077	6	1,017	1,023	1,053	0.28
Tennessee	7,563	7,563	29	7,228	7,257	7,381	1.98
Texas	23,293	23,293	225	23,349	23,574	24,268	6.51
Utah	3,202	3,202	37	3,188	3,225	3,370	0.90
Vermont	1,065	1,065	3	1,029	1,032	1,087	0.29
Virginia	5,317	5,317	53	5,539	5,592	5,901	1.58
Washington	6,359	6,359	65	6,119	6,184	6,370	1.71
West Virginia	3,121	3,121	16	3,126	3,142	3,313	0.89
Wisconsin	5,379	5,379	24	5,456	5,480	5,615	1.51
Wyoming	1,861	1,861	7	1,744	1,751	1,853	0.50
American Samoa	62	62	2	59	61	61	0.02
Guam	132	132	4	135	139	135	0.04
Northern Mariana Islands	66	66	2	62	64	57	0.02
Puerto Rico	2,347	2,347	62	2,377	2,439	2,488	0.67
Freely Associated States	7	7	....	7	7	7	*
Virgin Islands	146	146	4	140	144	146	0.04
Indian Tribes	761	761	3	777	780	807	0.22
Total, programs distributed by State in all years	**367,278**	**367,278**	**3,403**	**355,721**	**359,124**	**372,917**	**100.00**
MEMORANDUM:.							
Not distributed by State in all years [1]	11,125	11,125	245	8,059	8,304	9,782	N/A
Total, including undistributed	378,403	378,403	3,649	363,779	367,428	382,699	N/A

* $500,000 or less or 0.005 percent or less.

[1] The sum of programs not distributed by State in all years.

Table 8-7. School Breakfast Program (10.553)

(Obligations in thousands of dollars)

State or Territory	FY 2006 Actual	Estimated FY 2007 obligations from:			FY 2008 (estimated)	FY 2008 Percentage of distributed total
		Previous authority	New authority	Total		
Alabama	39,539	....	43,632	43,632	46,529	1.95
Alaska	4,986	....	5,502	5,502	5,867	0.25
Arizona	41,125	....	45,382	45,382	48,395	2.02
Arkansas	29,311	....	32,345	32,345	34,493	1.44
California	244,215	....	269,500	269,500	287,386	12.02
Colorado	17,157	....	18,933	18,933	20,190	0.84
Connecticut	12,828	....	14,156	14,156	15,096	0.63
Delaware	4,899	....	5,406	5,406	5,765	0.24
District of Columbia	4,117	....	4,543	4,543	4,845	0.20
Florida	119,072	....	131,399	131,399	140,121	5.86
Georgia	102,069	....	112,635	112,635	120,113	5.03
Hawaii	7,321	....	8,079	8,079	8,615	0.36
Idaho	10,408	....	11,485	11,485	12,248	0.51
Illinois	57,686	....	63,658	63,658	67,884	2.84
Indiana	33,279	....	36,724	36,724	39,162	1.64
Iowa	13,470	....	14,864	14,864	15,851	0.66
Kansas	15,434	....	17,032	17,032	18,162	0.76
Kentucky	42,329	....	46,711	46,711	49,812	2.08
Louisiana	45,828	....	50,572	50,572	53,929	2.26
Maine	6,033	....	6,658	6,658	7,099	0.30
Maryland	23,746	....	26,204	26,204	27,944	1.17
Massachusetts	26,919	....	29,706	29,706	31,678	1.33
Michigan	46,487	....	51,299	51,299	54,705	2.29
Minnesota	21,505	....	23,731	23,731	25,307	1.06
Mississippi	42,730	....	47,154	47,154	50,284	2.10
Missouri	40,822	....	45,048	45,048	48,038	2.01
Montana	4,495	....	4,960	4,960	5,290	0.22
Nebraska	8,713	....	9,615	9,615	10,253	0.43
Nevada	11,783	....	13,003	13,003	13,866	0.58
New Hampshire	3,069	....	3,387	3,387	3,612	0.15
New Jersey	34,067	....	37,594	37,594	40,089	1.68
New Mexico	26,354	....	29,082	29,082	31,013	1.30
New York	111,431	....	122,967	122,967	131,129	5.49
North Carolina	73,581	....	81,198	81,198	86,588	3.62
North Dakota	2,808	....	3,099	3,099	3,304	0.14
Ohio	56,991	....	62,891	62,891	67,066	2.81
Oklahoma	36,521	....	40,302	40,302	42,977	1.80
Oregon	25,748	....	28,413	28,413	30,300	1.27
Pennsylvania	50,475	....	55,700	55,700	59,398	2.49
Rhode Island	5,160	....	5,694	5,694	6,072	0.25
South Carolina	46,550	....	51,369	51,369	54,779	2.29
South Dakota	4,852	....	5,354	5,354	5,710	0.24
Tennessee	48,591	....	53,621	53,621	57,181	2.39
Texas	277,837	....	306,599	306,599	326,952	13.68
Utah	11,292	....	12,461	12,461	13,288	0.56
Vermont	3,184	....	3,514	3,514	3,747	0.16
Virginia	38,462	....	42,444	42,444	45,261	1.89
Washington	30,440	....	33,591	33,591	35,821	1.50
West Virginia	17,048	....	18,813	18,813	20,062	0.84
Wisconsin	16,933	....	18,686	18,686	19,926	0.83
Wyoming	2,202	....	2,430	2,430	2,591	0.11
American Samoa	....	....	....	....	....	....
Guam	1,753	....	1,934	1,934	2,063	0.09
Northern Mariana Islands	....	....	....	....	....	....
Puerto Rico	26,392	....	29,124	29,124	31,058	1.30
Freely Associated States	....	....	....	....	....	....
Virgin Islands	883	....	974	974	1,039	0.04
Indian Tribes	....	....	....	....	....	....
Undistributed	55,138	....	....	....	....	....
DOD/AF/USMC/Navy	30	....	33	33	35	*
Total	**2,086,098**	....	**2,241,210**	**2,241,210**	**2,389,988**	[1] **100.00**

* $500 or less or 0.005 percent or less.
[1] Excludes undistributed obligations.

Table 8-8. National School Lunch Program (10.555)

(Obligations in thousands of dollars)

State or Territory	FY 2006 Actual	Estimated FY 2007 obligations from: Previous authority	New authority	Total	FY 2008 (estimated)	FY 2008 Percentage of distributed total
Alabama	140,626	1,210	149,087	150,297	156,532	1.91
Alaska	23,222	200	24,619	24,819	25,849	0.32
Arizona	163,074	1,403	172,886	174,289	181,519	2.22
Arkansas	88,703	763	94,040	94,803	98,736	1.21
California	960,948	8,264	1,018,766	1,027,030	1,069,640	13.07
Colorado	77,686	668	82,360	83,028	86,473	1.06
Connecticut	59,462	512	63,040	63,552	66,188	0.81
Delaware	16,666	143	17,669	17,812	18,551	0.23
District of Columbia	14,649	126	15,530	15,656	16,306	0.20
Florida	404,115	3,477	428,430	431,907	449,824	5.50
Georgia	310,125	2,668	328,785	331,453	345,203	4.22
Hawaii	28,354	244	30,060	30,304	31,561	0.39
Idaho	33,922	292	35,963	36,255	37,759	0.46
Illinois	284,408	2,447	301,520	303,967	316,577	3.87
Indiana	138,480	1,191	146,812	148,003	154,143	1.88
Iowa	62,924	541	66,710	67,251	70,041	0.86
Kansas	62,606	539	66,373	66,912	69,687	0.85
Kentucky	122,667	1,055	130,048	131,103	136,542	1.67
Louisiana	151,869	1,307	161,007	162,314	169,047	2.07
Maine	22,453	193	23,804	23,997	24,993	0.31
Maryland	91,658	789	97,173	97,962	102,025	1.25
Massachusetts	102,191	879	108,340	109,219	113,750	1.39
Michigan	184,249	1,585	195,335	196,920	205,089	2.51
Minnesota	94,387	812	100,066	100,878	105,063	1.28
Mississippi	126,244	1,086	133,840	134,926	140,523	1.72
Missouri	134,630	1,158	142,730	143,888	149,858	1.83
Montana	17,621	152	18,681	18,833	19,614	0.24
Nebraska	40,006	344	42,413	42,757	44,531	0.54
Nevada	48,854	420	51,793	52,213	54,380	0.66
New Hampshire	15,765	136	16,714	16,850	17,548	0.21
New Jersey	145,162	1,249	153,896	155,145	161,581	1.98
New Mexico	64,259	553	68,125	68,678	71,527	0.87
New York	463,599	3,988	491,493	495,481	516,036	6.31
North Carolina	236,140	2,031	250,348	252,379	262,849	3.21
North Dakota	12,135	104	12,865	12,969	13,508	0.17
Ohio	219,989	1,893	233,225	235,118	244,872	2.99
Oklahoma	106,373	915	112,773	113,688	118,405	1.45
Oregon	72,946	628	77,335	77,963	81,197	0.99
Pennsylvania	225,243	1,938	238,795	240,733	250,720	3.06
Rhode Island	20,103	173	21,313	21,486	22,377	0.27
South Carolina	130,187	1,120	138,020	139,140	144,912	1.77
South Dakota	19,154	165	20,306	20,471	21,320	0.26
Tennessee	161,539	1,390	171,258	172,648	179,810	2.20
Texas	846,828	7,285	897,780	905,065	942,612	11.52
Utah	57,542	495	61,004	61,499	64,050	0.78
Vermont	9,612	83	10,190	10,273	10,699	0.13
Virginia	140,682	1,210	149,147	150,357	156,594	1.91
Washington	119,857	1,031	127,069	128,100	133,414	1.63
West Virginia	46,223	398	49,004	49,402	51,451	0.63
Wisconsin	100,393	864	106,433	107,297	111,748	1.37
Wyoming	9,322	80	9,883	9,963	10,376	0.13
American Samoa	....	....	....	....	....	....
Guam	5,610	48	5,948	5,996	6,245	0.08
Northern Mariana Islands	....	....	....	....	....	....
Puerto Rico	104,369	898	110,649	111,547	116,174	1.42
Freely Associated States	....	....	....	....	....	....
Virgin Islands	4,506	39	4,777	4,816	5,016	0.06
Indian Tribes	....	....	....	....	....	....
Undistributed	220,130	....	....	....	....	....
DOD/AF/USMC/Navy	5,290	46	5,608	5,654	5,888	0.07
Total	**7,569,757**	**63,228**	**7,791,838**	**7,855,066**	**8,180,933**	[1] **100.00**

[1] Excludes undistributed obligations.

Table 8-9. Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (10.557)

(Obligations in thousands of dollars)

State or Territory	FY 2006 Actual	Estimated FY 2007 obligations from:			FY 2008 (estimated)	FY 2008 Percentage of distributed total
		Previous authority	New authority	Total		
Alabama	87,836	4,877	84,604	89,481	90,045	1.65
Alaska	22,813	1,267	21,974	23,241	23,387	0.43
Arizona	95,434	5,298	91,922	97,220	97,834	1.80
Arkansas	55,944	3,106	53,885	56,991	57,351	1.05
California	891,953	49,519	859,130	908,649	914,380	16.78
Colorado	53,928	2,994	51,944	54,938	55,284	1.01
Connecticut	37,059	2,057	35,695	37,752	37,991	0.70
Delaware	12,506	694	12,046	12,740	12,821	0.24
District of Columbia	12,890	716	12,416	13,132	13,214	0.24
Florida	253,231	14,059	243,913	257,972	259,599	4.76
Georgia	174,247	9,674	167,835	177,509	178,629	3.28
Hawaii	29,836	1,656	28,738	30,394	30,586	0.56
Idaho	21,077	1,170	20,301	21,471	21,607	0.40
Illinois	193,217	10,727	186,107	196,834	198,076	3.64
Indiana	79,808	4,431	76,871	81,302	81,815	1.50
Iowa	39,774	2,208	38,310	40,518	40,774	0.75
Kansas	38,076	2,114	36,675	38,789	39,034	0.72
Kentucky	83,488	4,635	80,416	85,051	85,588	1.57
Louisiana	100,807	5,597	97,098	102,695	103,342	1.90
Maine	14,828	823	14,282	15,105	15,201	0.28
Maryland	69,093	3,836	66,551	70,387	70,831	1.30
Massachusetts	75,840	4,211	73,049	77,260	77,747	1.43
Michigan	146,696	8,144	141,298	149,442	150,385	2.76
Minnesota	77,642	4,311	74,785	79,096	79,595	1.46
Mississippi	67,537	3,750	65,052	68,802	69,235	1.27
Missouri	80,188	4,452	77,237	81,689	82,205	1.51
Montana	13,088	727	12,606	13,333	13,417	0.25
Nebraska	25,542	1,418	24,602	26,020	26,184	0.48
Nevada	29,027	1,612	27,959	29,571	29,757	0.55
New Hampshire	13,165	731	12,681	13,412	13,496	0.25
New Jersey	98,738	5,482	95,105	100,587	101,221	1.86
New Mexico	38,206	2,121	36,800	38,921	39,167	0.72
New York	350,694	19,470	337,789	357,259	359,513	6.60
North Carolina	146,997	8,161	141,588	149,749	150,694	2.77
North Dakota	9,440	524	9,093	9,617	9,677	0.18
Ohio	165,805	9,205	159,704	168,909	169,975	3.12
Oklahoma	56,573	3,141	54,491	57,632	57,996	1.06
Oregon	63,983	3,552	61,629	65,181	65,592	1.20
Pennsylvania	141,741	7,869	136,525	144,394	145,306	2.67
Rhode Island	16,335	907	15,734	16,641	16,746	0.31
South Carolina	72,970	4,051	70,285	74,336	74,805	1.37
South Dakota	12,259	681	11,808	12,489	12,567	0.23
Tennessee	108,469	6,022	104,478	110,500	111,197	2.04
Texas	498,446	27,673	480,104	507,777	510,981	9.38
Utah	34,826	1,933	33,544	35,477	35,702	0.66
Vermont	11,918	662	11,479	12,141	12,218	0.22
Virginia	95,059	5,278	91,561	96,839	97,450	1.79
Washington	111,441	6,187	107,340	113,527	114,244	2.10
West Virginia	32,286	1,792	31,098	32,890	33,098	0.61
Wisconsin	72,010	3,998	69,360	73,358	73,821	1.35
Wyoming	7,067	392	6,807	7,199	7,245	0.13
American Samoa	6,903	383	6,649	7,032	7,077	0.13
Guam	7,023	390	6,765	7,155	7,200	0.13
Northern Mariana Islands	4,636	257	4,465	4,722	4,753	0.09
Puerto Rico	199,223	11,061	191,892	202,953	204,233	3.75
Freely Associated States	....	....	....	....	....	....
Virgin Islands	5,521	307	5,318	5,625	5,660	0.10
Indian Tribes	49,982	2,775	48,143	50,918	51,239	0.94
Undistributed	47,706	....	48,510	48,510	28,710	....
Total	**5,362,827**	**295,088**	**5,168,046**	**5,463,134**	**5,477,497**	[1] **100.00**

[1] Excludes undistributed obligations.

Table 8-10. Child and Adult Care Food Program (10.558)

(Obligations in thousands of dollars)

State or Territory	FY 2006 Actual	Estimated FY 2007 obligations from:			FY 2008 (estimated)	FY 2008 Percentage of distributed total
		Previous authority	New authority	Total		
Alabama	33,900	....	35,409	35,409	37,306	1.63
Alaska	7,186	....	7,506	7,506	7,908	0.35
Arizona	42,853	....	44,761	44,761	47,159	2.06
Arkansas	28,448	....	29,715	29,715	31,306	1.37
California	241,873	....	252,641	252,641	266,176	11.63
Colorado	18,856	....	19,696	19,696	20,751	0.91
Connecticut	10,695	....	11,171	11,171	11,770	0.51
Delaware	10,350	....	10,811	10,811	11,390	0.50
District of Columbia	3,617	....	3,778	3,778	3,980	0.17
Florida	111,034	....	115,978	115,978	122,191	5.34
Georgia	81,193	....	84,808	84,808	89,351	3.90
Hawaii	4,791	....	5,004	5,004	5,272	0.23
Idaho	5,103	....	5,330	5,330	5,616	0.25
Illinois	97,786	....	102,140	102,140	107,612	4.70
Indiana	30,736	....	32,105	32,105	33,824	1.48
Iowa	20,628	....	21,546	21,546	22,701	0.99
Kansas	30,047	....	31,385	31,385	33,066	1.44
Kentucky	24,717	....	25,818	25,818	27,201	1.19
Louisiana	46,106	....	48,159	48,159	50,739	2.22
Maine	9,228	....	9,639	9,639	10,155	0.44
Maryland	33,230	....	34,710	34,710	36,569	1.60
Massachusetts	43,298	....	45,226	45,226	47,649	2.08
Michigan	51,046	....	53,319	53,319	56,175	2.45
Minnesota	54,276	....	56,693	56,693	59,730	2.61
Mississippi	27,274	....	28,488	28,488	30,015	1.31
Missouri	39,093	....	40,834	40,834	43,021	1.88
Montana	9,101	....	9,506	9,506	10,015	0.44
Nebraska	23,079	....	24,107	24,107	25,398	1.11
Nevada	4,033	....	4,213	4,213	4,438	0.19
New Hampshire	2,844	....	2,971	2,971	3,130	0.14
New Jersey	50,258	....	52,496	52,496	55,308	2.42
New Mexico	34,496	....	36,032	36,032	37,962	1.66
New York	149,995	....	156,674	156,674	165,067	7.21
North Carolina	72,377	....	75,600	75,600	79,650	3.48
North Dakota	9,107	....	9,513	9,513	10,022	0.44
Ohio	63,168	....	65,981	65,981	69,515	3.04
Oklahoma	48,927	....	51,106	51,106	53,843	2.35
Oregon	22,757	....	23,770	23,770	25,044	1.09
Pennsylvania	57,680	....	60,248	60,248	63,476	2.77
Rhode Island	7,168	....	7,487	7,487	7,888	0.34
South Carolina	23,274	....	24,310	24,310	25,613	1.12
South Dakota	6,627	....	6,922	6,922	7,293	0.32
Tennessee	39,977	....	41,757	41,757	43,994	1.92
Texas	181,695	....	189,785	189,785	199,952	8.74
Utah	19,162	....	20,015	20,015	21,087	0.92
Vermont	3,912	....	4,086	4,086	4,305	0.19
Virginia	28,391	....	29,655	29,655	31,244	1.37
Washington	37,874	....	39,560	39,560	41,680	1.82
West Virginia	14,741	....	15,397	15,397	16,222	0.71
Wisconsin	34,508	....	36,045	36,045	37,975	1.66
Wyoming	4,844	....	5,060	5,060	5,331	0.23
American Samoa	....	....	....	....	....	....
Guam	53	....	55	55	58	*
Northern Mariana Islands	....	....	....	....	....	....
Puerto Rico	21,786	....	22,756	22,756	23,975	1.05
Freely Associated States	....	....	....	....	....	....
Virgin Islands	654	....	683	683	720	0.03
Indian Tribes	....	....	....	....	....	....
Undistributed	61,236	....	....	....	....	....
Total	**2,141,088**	....	**2,172,460**	**2,172,460**	**2,288,838**	[1] **100.00**

* $500 or less or 0.005 percent or less.
[1] Excludes undistributed obligations.

Table 8-11. State Administrative Matching Grants for Food Stamp Program (10.561)

(Obligations in thousands of dollars)

State or Territory	FY 2006 Actual	Estimated FY 2007 obligations from:			FY 2008 (estimated)	FY 2008 Percentage of distributed total
		Previous authority	New authority	Total		
Alabama	30,789	....	30,616	30,616	31,948	1.20
Alaska	9,742	....	9,687	9,687	10,109	0.38
Arizona	32,769	....	32,585	32,585	34,002	1.28
Arkansas	24,277	....	24,140	24,140	25,191	0.95
California	435,360	....	432,909	432,909	451,744	16.97
Colorado	23,694	....	23,560	23,560	24,585	0.92
Connecticut	21,748	....	21,625	21,625	22,566	0.85
Delaware	8,664	....	8,615	8,615	8,990	0.34
District of Columbia	13,451	....	13,375	13,375	13,957	0.52
Florida	72,355	....	71,947	71,947	75,078	2.82
Georgia	59,420	....	59,085	59,085	61,656	2.32
Hawaii	10,917	....	10,855	10,855	11,328	0.43
Idaho	8,537	....	8,489	8,489	8,858	0.33
Illinois	91,040	....	90,528	90,528	94,467	3.55
Indiana	37,385	....	37,175	37,175	38,792	1.46
Iowa	16,632	....	16,538	16,538	17,258	0.65
Kansas	17,303	....	17,206	17,206	17,954	0.67
Kentucky	30,079	....	29,909	29,909	31,211	1.17
Louisiana	47,744	....	47,475	47,475	49,541	1.86
Maine	8,270	....	8,224	8,224	8,582	0.32
Maryland	34,940	....	34,743	34,743	36,255	1.36
Massachusetts	39,858	....	39,634	39,634	41,359	1.55
Michigan	93,105	....	92,581	92,581	96,609	3.63
Minnesota	41,159	....	40,928	40,928	42,708	1.60
Mississippi	26,503	....	26,353	26,353	27,500	1.03
Missouri	35,284	....	35,085	35,085	36,612	1.38
Montana	8,211	....	8,165	8,165	8,520	0.32
Nebraska	14,673	....	14,591	14,591	15,226	0.57
Nevada	12,692	....	12,620	12,620	13,170	0.49
New Hampshire	5,354	....	5,324	5,324	5,556	0.21
New Jersey	89,092	....	88,591	88,591	92,446	3.47
New Mexico	18,424	....	18,321	18,321	19,118	0.72
New York	276,857	....	275,299	275,299	287,277	10.79
North Carolina	66,199	....	65,826	65,826	68,690	2.58
North Dakota	6,669	....	6,631	6,631	6,920	0.26
Ohio	100,137	....	99,573	99,573	103,906	3.90
Oklahoma	42,224	....	41,987	41,987	43,814	1.65
Oregon	45,328	....	45,073	45,073	47,034	1.77
Pennsylvania	136,979	....	136,208	136,208	142,135	5.34
Rhode Island	7,733	....	7,690	7,690	8,024	0.30
South Carolina	21,274	....	21,154	21,154	22,074	0.83
South Dakota	7,221	....	7,180	7,180	7,493	0.28
Tennessee	42,800	....	42,560	42,560	44,411	1.67
Texas	179,510	....	178,500	178,500	186,267	7.00
Utah	20,024	....	19,911	19,911	20,778	0.78
Vermont	5,862	....	5,829	5,829	6,083	0.23
Virginia	79,531	....	79,083	79,083	82,524	3.10
Washington	48,976	....	48,701	48,701	50,820	1.91
West Virginia	13,746	....	13,668	13,668	14,263	0.54
Wisconsin	34,291	....	34,098	34,098	35,582	1.34
Wyoming	3,951	....	3,929	3,929	4,100	0.15
American Samoa	....	....	....	....	....	....
Guam	2,517	....	2,503	2,503	2,612	0.10
Northern Mariana Islands	....	....	....	....	....	....
Puerto Rico	....	....	....	....	....	....
Freely Associated States	....	....	....	....	....	....
Virgin Islands	4,141	....	4,118	4,118	4,297	0.16
Indian Tribes	....	....	....	....	....	....
Undistributed	−110,543	....	....	....	....	....
Total	**2,454,896**	....	**2,551,000**	**2,551,000**	**2,662,000**	[1] **100.00**

[1] Excludes undistributed obligations.

Table 8-12. Title I Grants to Local Educational Agencies (84.010)

(Obligations in thousands of dollars)

State or Territory	FY 2006 Actual	Estimated FY 2007 obligations from: Previous authority	New authority	Total	FY 2008 (estimated)	FY 2008 Percentage of distributed total
Alabama	199,115	....	192,920	192,920	209,039	1.50
Alaska	33,134	....	33,536	33,536	37,170	0.27
Arizona	260,348	....	261,506	261,506	285,534	2.05
Arkansas	125,531	....	121,264	121,264	129,523	0.93
California	1,723,483	....	1,614,040	1,614,040	1,767,658	12.71
Colorado	129,040	....	123,166	123,166	133,331	0.96
Connecticut	100,364	....	110,619	110,619	118,876	0.85
Delaware	33,835	....	33,734	33,734	37,399	0.27
District of Columbia	48,702	....	45,943	45,943	49,867	0.36
Florida	648,780	....	585,698	585,698	639,516	4.60
Georgia	411,619	....	407,228	407,228	443,327	3.19
Hawaii	45,972	....	39,302	39,302	41,042	0.30
Idaho	42,377	....	40,901	40,901	44,932	0.32
Illinois	539,610	....	588,963	588,963	652,228	4.69
Indiana	184,340	....	227,419	227,419	246,398	1.77
Iowa	64,917	....	68,486	68,486	73,268	0.53
Kansas	81,640	....	84,542	84,542	90,976	0.65
Kentucky	184,219	....	182,269	182,269	196,261	1.41
Louisiana	283,726	....	275,087	275,087	298,264	2.14
Maine	45,516	....	43,353	43,353	47,250	0.34
Maryland	171,998	....	186,326	186,326	206,301	1.48
Massachusetts	207,264	....	210,251	210,251	226,515	1.63
Michigan	426,805	....	456,631	456,631	499,236	3.59
Minnesota	109,156	....	114,399	114,399	123,385	0.89
Mississippi	170,367	....	171,499	171,499	185,338	1.33
Missouri	188,075	....	201,220	201,220	217,710	1.57
Montana	40,962	....	38,273	38,273	41,722	0.30
Nebraska	50,562	....	50,587	50,587	54,588	0.39
Nevada	76,712	....	79,068	79,068	88,390	0.64
New Hampshire	31,001	....	34,313	34,313	37,977	0.27
New Jersey	265,388	....	249,374	249,374	265,576	1.91
New Mexico	112,418	....	103,003	103,003	107,860	0.78
New York	1,205,156	....	1,197,913	1,197,913	1,335,800	9.60
North Carolina	292,733	....	298,503	298,503	325,485	2.34
North Dakota	30,068	....	29,515	29,515	32,712	0.24
Ohio	410,461	....	445,977	445,977	484,906	3.49
Oklahoma	140,733	....	126,946	126,946	132,886	0.96
Oregon	130,590	....	121,175	121,175	129,518	0.93
Pennsylvania	483,257	....	513,126	513,126	561,163	4.03
Rhode Island	47,136	....	49,795	49,795	54,372	0.39
South Carolina	177,541	....	185,909	185,909	202,199	1.45
South Dakota	36,392	....	36,775	36,775	40,915	0.29
Tennessee	205,049	....	204,431	204,431	222,890	1.60
Texas	1,186,021	....	1,158,900	1,158,900	1,261,370	9.07
Utah	54,087	....	57,543	57,543	62,767	0.45
Vermont	28,355	....	26,896	26,896	29,788	0.21
Virginia	208,012	....	203,783	203,783	220,745	1.59
Washington	175,975	....	181,353	181,353	195,986	1.41
West Virginia	99,180	....	88,808	88,808	90,874	0.65
Wisconsin	154,633	....	200,471	200,471	218,836	1.57
Wyoming	28,892	....	27,643	27,643	30,684	0.22
American Samoa	8,494	....	8,436	8,436	9,406	0.07
Guam	10,290	....	9,261	9,261	8,387	0.06
Northern Mariana Islands	3,477	....	3,303	3,303	3,551	0.03
Puerto Rico	451,345	....	452,318	452,318	536,485	3.86
Freely Associated States	....	....	....	....	....	....
Virgin Islands	11,413	....	11,336	11,336	12,639	0.09
Indian Tribes	88,423	....	89,762	89,762	100,076	0.72
Undistributed	....	....	....	....	....	....
Census	3,437	....	3,437	3,437	4,000	0.03
Pacific Regional Education Lab	5,000	....	5,000	5,000	5,000	0.04
Total	**12,713,125**	....	**12,713,233**	**12,713,233**	**13,909,900**	[1] **100.00**

[1] Excludes undistributed obligations.

Table 8-13. Improving Teacher Quality State Grants (84.367)

(Obligations in thousands of dollars)

State or Territory	FY 2006 Actual	Estimated FY 2007 obligations from: Previous authority	New authority	Total	FY 2008 (estimated)	FY 2008 Percentage of distributed total
Alabama	46,150	....	46,151	46,151	44,496	1.60
Alaska	13,752	....	13,752	13,752	13,259	0.48
Arizona	48,147	....	48,148	48,148	45,973	1.66
Arkansas	28,203	....	28,203	28,203	27,163	0.98
California	335,451	....	335,457	335,457	322,115	11.61
Colorado	32,312	....	32,313	32,313	31,117	1.12
Connecticut	26,179	....	26,179	26,179	25,400	0.92
Delaware	13,752	....	13,752	13,752	13,259	0.48
District of Columbia	13,752	....	13,752	13,752	13,259	0.48
Florida	134,653	....	134,655	134,655	129,262	4.66
Georgia	77,237	....	77,239	77,239	74,165	2.67
Hawaii	13,752	....	13,752	13,752	13,259	0.48
Idaho	13,752	....	13,752	13,752	13,259	0.48
Illinois	116,334	....	116,336	116,336	112,548	4.06
Indiana	47,998	....	47,999	47,999	46,366	1.67
Iowa	21,617	....	21,618	21,618	20,960	0.76
Kansas	22,209	....	22,209	22,209	21,515	0.78
Kentucky	44,228	....	44,229	44,229	42,819	1.54
Louisiana	64,350	....	64,351	64,351	62,372	2.25
Maine	13,752	....	13,752	13,752	13,259	0.48
Maryland	41,277	....	41,278	41,278	39,938	1.44
Massachusetts	50,505	....	50,506	50,506	49,056	1.77
Michigan	108,504	....	108,505	108,505	105,577	3.81
Minnesota	37,545	....	37,545	37,545	36,445	1.31
Mississippi	41,918	....	41,919	41,919	40,606	1.46
Missouri	49,119	....	49,120	49,120	47,466	1.71
Montana	13,752	....	13,752	13,752	13,259	0.48
Nebraska	14,029	....	14,029	14,029	13,536	0.49
Nevada	15,208	....	15,208	15,208	14,524	0.52
New Hampshire	13,752	....	13,752	13,752	13,259	0.48
New Jersey	64,457	....	64,458	64,458	62,398	2.25
New Mexico	23,007	....	23,007	23,007	22,186	0.80
New York	228,755	....	228,758	228,758	222,219	8.01
North Carolina	64,910	....	64,912	64,912	62,230	2.24
North Dakota	13,752	....	13,752	13,752	13,259	0.48
Ohio	103,564	....	103,566	103,566	100,485	3.62
Oklahoma	33,350	....	33,350	33,350	32,147	1.16
Oregon	28,259	....	28,260	28,260	27,220	0.98
Pennsylvania	112,880	....	112,881	112,881	109,650	3.95
Rhode Island	13,752	....	13,752	13,752	13,259	0.48
South Carolina	36,834	....	36,835	36,835	35,403	1.28
South Dakota	13,752	....	13,752	13,752	13,259	0.48
Tennessee	49,235	....	49,236	49,236	47,408	1.71
Texas	239,613	....	239,617	239,617	230,552	8.31
Utah	18,476	....	18,476	18,476	17,818	0.64
Vermont	13,752	....	13,752	13,752	13,259	0.48
Virginia	51,710	....	51,711	51,711	49,857	1.80
Washington	47,045	....	47,046	47,046	45,399	1.64
West Virginia	23,520	....	23,521	23,521	22,900	0.83
Wisconsin	44,988	....	44,989	44,989	43,715	1.58
Wyoming	13,752	....	13,752	13,752	13,259	0.48
American Samoa	3,416	....	3,416	3,416	3,281	0.12
Guam	5,057	....	5,057	5,057	4,895	0.18
Northern Mariana Islands	1,611	....	1,611	1,611	1,551	0.06
Puerto Rico	91,727	....	91,729	91,729	88,438	3.19
Freely Associated States	....	....	....	....	....	....
Virgin Islands	4,281	....	4,281	4,281	4,141	0.15
Indian Tribes	14,365	....	14,365	14,365	13,868	0.50
Undistributed	14,437	....	14,437	14,437	13,937	....
Total	**2,887,439**	....	**2,887,488**	**2,887,488**	**2,787,488**	[1] **100.00**

[1] Excludes undistributed obligations.

Table 8-14. Special Education—Grants to States (84.027)

(Obligations in thousands of dollars)

State or Territory	FY 2006 Actual	Estimated FY 2007 obligations from:			FY 2008 (estimated)	FY 2008 Percentage of distributed total
		Previous authority	New authority	Total		
Alabama	167,635	....	166,195	166,195	166,195	1.58
Alaska	32,452	....	32,157	32,157	32,157	0.31
Arizona	162,328	....	160,852	160,852	160,852	1.53
Arkansas	103,400	....	102,488	102,488	102,488	0.98
California	1,130,940	....	1,120,726	1,120,726	1,120,726	10.68
Colorado	137,481	....	136,232	136,232	136,232	1.30
Connecticut	122,567	....	121,552	121,552	121,552	1.16
Delaware	29,742	....	29,471	29,471	29,471	0.28
District of Columbia	14,954	....	14,818	14,818	14,818	0.14
Florida	580,457	....	575,467	575,467	575,467	5.48
Georgia	285,369	....	282,776	282,776	282,776	2.70
Hawaii	36,801	....	36,471	36,471	36,471	0.35
Idaho	50,036	....	49,584	49,584	49,584	0.47
Illinois	466,850	....	462,872	462,872	462,872	4.41
Indiana	235,740	....	233,778	233,778	233,778	2.23
Iowa	112,542	....	111,615	111,615	111,615	1.06
Kansas	98,509	....	97,661	97,661	97,661	0.93
Kentucky	145,505	....	144,269	144,269	144,269	1.38
Louisiana	174,506	....	172,920	172,920	172,920	1.65
Maine	50,442	....	50,027	50,027	50,027	0.48
Maryland	184,574	....	183,007	183,007	183,007	1.74
Massachusetts	261,681	....	259,526	259,526	259,526	2.47
Michigan	369,262	....	365,972	365,972	365,972	3.49
Minnesota	174,985	....	173,502	173,502	173,502	1.65
Mississippi	109,703	....	108,724	108,724	108,724	1.04
Missouri	209,400	....	207,671	207,671	207,671	1.98
Montana	33,879	....	33,574	33,574	33,574	0.32
Nebraska	68,834	....	68,267	68,267	68,267	0.65
Nevada	61,046	....	60,492	60,492	60,492	0.58
New Hampshire	43,748	....	43,387	43,387	43,387	0.41
New Jersey	333,206	....	330,463	330,463	330,463	3.15
New Mexico	84,016	....	83,315	83,315	83,315	0.79
New York	699,789	....	693,935	693,935	693,935	6.61
North Carolina	288,431	....	285,889	285,889	285,889	2.72
North Dakota	24,150	....	23,930	23,930	23,930	0.23
Ohio	403,485	....	399,918	399,918	399,918	3.81
Oklahoma	136,350	....	135,170	135,170	135,170	1.29
Oregon	118,887	....	117,857	117,857	117,857	1.12
Pennsylvania	393,753	....	390,290	390,290	390,290	3.72
Rhode Island	40,312	....	39,980	39,980	39,980	0.38
South Carolina	161,465	....	160,107	160,107	160,107	1.53
South Dakota	28,769	....	28,507	28,507	28,507	0.27
Tennessee	214,982	....	213,139	213,139	213,139	2.03
Texas	888,269	....	880,215	880,215	880,215	8.39
Utah	98,327	....	97,444	97,444	97,444	0.93
Vermont	23,285	....	23,074	23,074	23,074	0.22
Virginia	259,641	....	257,403	257,403	257,403	2.45
Washington	204,037	....	202,211	202,211	202,211	1.93
West Virginia	70,009	....	69,433	69,433	69,433	0.66
Wisconsin	191,909	....	190,281	190,281	190,281	1.81
Wyoming	24,428	....	24,206	24,206	24,206	0.23
American Samoa	6,122	....	6,110	6,110	6,110	0.06
Guam	13,575	....	13,547	13,547	13,547	0.13
Northern Mariana Islands	4,652	....	4,643	4,643	4,643	0.04
Puerto Rico	99,227	....	98,325	98,325	98,325	0.94
Freely Associated States	6,579	....	6,579	6,579	6,579	0.06
Virgin Islands	8,628	....	8,611	8,611	8,611	0.08
Indian Tribes	86,306	....	86,306	86,306	86,306	0.82
Undistributed	....	....	....	....	....	....
Technical Assistance	15,000	....	15,000	15,000	15,000	0.14
Total	**10,582,961**	....	**10,491,941**	**10,491,941**	**10,491,941**	[1] **100.00**

[1] Excludes undistributed obligations.

Table 8-15. Rehabilitation Services—Vocational Rehabilitation Grants to States (84.126)

(Obligations in thousands of dollars)

State or Territory	FY 2006 Actual	Estimated FY 2007 obligations from:			FY 2008 (estimated)	FY 2008 Percentage of distributed total
		Previous authority	New authority	Total		
Alabama	55,858	....	56,445	56,445	55,155	1.94
Alaska	8,994	....	9,342	9,342	9,342	0.33
Arizona	51,413	....	56,407	56,407	57,084	2.01
Arkansas	34,986	....	35,708	35,708	35,365	1.25
California	260,883	....	271,453	271,453	271,762	9.58
Colorado	32,548	....	34,105	34,105	35,528	1.25
Connecticut	19,462	....	19,871	19,871	19,720	0.70
Delaware	9,004	....	9,342	9,342	9,342	0.33
District of Columbia	12,250	....	12,182	12,182	12,492	0.44
Florida	140,570	....	154,109	154,109	150,676	5.31
Georgia	81,909	....	86,685	86,685	91,012	3.21
Hawaii	10,749	....	11,255	11,255	10,900	0.38
Idaho	14,723	....	15,465	15,465	15,648	0.55
Illinois	100,712	....	103,911	103,911	103,891	3.66
Indiana	63,749	....	66,226	66,226	65,825	2.32
Iowa	30,428	....	31,581	31,581	30,768	1.08
Kansas	25,966	....	26,963	26,963	26,583	0.94
Kentucky	49,003	....	50,877	50,877	51,115	1.80
Louisiana	54,442	....	56,315	56,315	55,711	1.96
Maine	15,047	....	14,885	14,885	14,854	0.52
Maryland	39,360	....	39,069	39,069	37,646	1.33
Massachusetts	44,839	....	45,164	45,164	45,051	1.59
Michigan	92,608	....	95,240	95,240	96,112	3.39
Minnesota	41,955	....	43,338	43,338	42,601	1.50
Mississippi	40,552	....	41,031	41,031	40,799	1.44
Missouri	59,109	....	61,039	61,039	61,268	2.16
Montana	10,650	....	10,907	10,907	10,624	0.37
Nebraska	17,112	....	17,540	17,540	17,140	0.60
Nevada	16,598	....	17,844	17,844	17,653	0.62
New Hampshire	10,238	....	10,574	10,574	10,605	0.37
New Jersey	52,405	....	54,175	54,175	54,539	1.92
New Mexico	21,894	....	22,360	22,360	22,386	0.79
New York	142,194	....	146,134	146,134	145,603	5.13
North Carolina	83,840	....	90,329	90,329	91,614	3.23
North Dakota	8,957	....	9,342	9,342	9,342	0.33
Ohio	114,994	....	118,397	118,397	118,931	4.19
Oklahoma	39,002	....	40,565	40,565	40,118	1.41
Oregon	33,265	....	34,855	34,855	34,701	1.22
Pennsylvania	118,964	....	121,735	121,735	119,677	4.22
Rhode Island	9,972	....	10,276	10,276	9,932	0.35
South Carolina	47,937	....	49,595	49,595	50,089	1.77
South Dakota	9,018	....	9,342	9,342	9,342	0.33
Tennessee	63,092	....	64,866	64,866	64,763	2.28
Texas	201,770	....	212,142	212,142	214,752	7.57
Utah	25,154	....	26,821	26,821	27,637	0.97
Vermont	8,999	....	9,342	9,342	9,342	0.33
Virginia	60,880	....	62,457	62,457	61,302	2.16
Washington	46,907	....	48,831	48,831	50,423	1.78
West Virginia	25,011	....	24,796	24,796	25,018	0.88
Wisconsin	52,854	....	54,832	54,832	54,572	1.92
Wyoming	8,194	....	9,342	9,342	9,342	0.33
American Samoa	891	....	924	924	916	0.03
Guam	1,289	....	2,831	2,831	2,840	0.10
Northern Mariana Islands	1,055	....	1,126	1,126	1,142	0.04
Puerto Rico	60,974	....	70,460	70,460	70,167	2.47
Freely Associated States	....	....	....	....	....	....
Virgin Islands	1,936	....	1,965	1,965	1,951	0.07
Indian Tribes	33,024	....	34,444	34,444	34,444	1.21
Undistributed	....	....	....	....	....	....
Total	**2,720,192**	....	**2,837,160**	**2,837,160**	**2,837,160**	[1] **100.00**

[1] Excludes undistributed obligations.

Table 8-16. State Children's Health Insurance Program (93.767)

(Obligations in thousands of dollars)

State or Territory	FY 2006 Actual	Estimated FY 2007 obligations from:			FY 2008 (estimated)	FY 2008 Percentage of distributed total
		Previous authority	New authority	Total		
Alabama	64,182	....	74,295	74,295	74,295	1.47
Alaska	9,100	....	11,535	11,535	11,535	0.23
Arizona	107,366	....	127,859	127,859	127,859	2.54
Arkansas	43,796	....	49,308	49,308	49,308	0.98
California	646,682	....	790,789	790,789	790,789	15.69
Colorado	57,951	....	71,545	71,545	71,545	1.42
Connecticut	34,535	....	39,891	39,891	39,891	0.79
Delaware	9,045	....	11,058	11,058	11,058	0.22
District of Columbia	9,557	....	11,709	11,709	11,709	0.23
Florida	249,330	....	296,067	296,067	296,067	5.87
Georgia	129,458	....	165,874	165,874	165,874	3.29
Hawaii	12,404	....	15,314	15,314	15,314	0.30
Idaho	20,611	....	24,316	24,316	24,316	0.48
Illinois	225,395	....	209,767	209,767	209,767	4.16
Indiana	73,000	....	93,469	93,469	93,469	1.85
Iowa	33,096	....	36,230	36,230	36,230	0.72
Kansas	27,490	....	36,542	36,542	36,542	0.73
Kentucky	57,764	....	70,115	70,115	70,115	1.39
Louisiana	77,133	....	89,586	89,586	89,586	1.78
Maine	11,928	....	15,172	15,172	15,172	0.30
Maryland	62,419	....	66,961	66,961	66,961	1.33
Massachusetts	81,306	....	73,335	73,335	73,335	1.46
Michigan	117,165	....	149,383	149,383	149,383	2.96
Minnesota	46,515	....	48,613	48,613	48,613	0.96
Mississippi	123,498	....	60,495	60,495	60,495	1.20
Missouri	64,245	....	72,140	72,140	72,140	1.43
Montana	12,558	....	15,736	15,736	15,736	0.31
Nebraska	32,591	....	21,892	21,892	21,892	0.43
Nevada	41,896	....	52,056	52,056	52,056	1.03
New Hampshire	9,193	....	10,779	10,779	10,779	0.21
New Jersey	139,970	....	105,206	105,206	105,206	2.09
New Mexico	42,157	....	52,045	52,045	52,045	1.03
New York	272,452	....	340,807	340,807	340,807	6.76
North Carolina	113,067	....	136,117	136,117	136,117	2.70
North Dakota	6,346	....	7,738	7,738	7,738	0.15
Ohio	124,632	....	157,997	157,997	157,997	3.13
Oklahoma	57,371	....	70,828	70,828	70,828	1.41
Oregon	46,887	....	56,734	56,734	56,734	1.13
Pennsylvania	134,097	....	173,554	173,554	173,554	3.44
Rhode Island	33,619	....	13,983	13,983	13,983	0.28
South Carolina	55,545	....	70,651	70,651	70,651	1.40
South Dakota	8,372	....	10,354	10,354	10,354	0.21
Tennessee	80,407	....	97,460	97,460	97,460	1.93
Texas	454,742	....	557,980	557,980	557,980	11.07
Utah	32,208	....	40,486	40,486	40,486	0.80
Vermont	4,818	....	5,753	5,753	5,753	0.11
Virginia	72,303	....	94,070	94,070	94,070	1.87
Washington	64,706	....	79,883	79,883	79,883	1.58
West Virginia	23,350	....	27,517	27,517	27,517	0.55
Wisconsin	55,764	....	69,563	69,563	69,563	1.38
Wyoming	5,881	....	6,942	6,942	6,942	0.14
American Samoa	546	....	630	630	630	0.01
Guam	1,592	....	1,838	1,838	1,838	0.04
Northern Mariana Islands	501	....	578	578	578	0.01
Puerto Rico	41,675	....	48,090	48,090	48,090	0.95
Freely Associated States	....	....	....	....	....	....
Virgin Islands	1,183	....	1,365	1,365	1,365	0.03
Indian Tribes	....	....	....	....	....	....
Undistributed	....	....	....	....	....	....
Total	[1] **4,365,400**	....	**5,040,000**	**5,040,000**	[2] **5,040,000**	[3] **100.00**

[1] Includes $283 million in shortfall funding from the Deficit Reduction Act.
[2] Assumes program receives reauthorization.
[3] Excludes undistributed obligations.

Table 8-17. Grants to States for Medicaid (93.778)

(Obligations in thousands of dollars)

State or Territory	FY 2006 Actual	Estimated FY 2007 obligations from: Previous authority	New authority	Total	FY 2008 (estimated)	FY 2008 Percentage of distributed total
Alabama	2,811,355	....	2,806,831	2,806,831	2,819,149	1.36
Alaska	733,492	....	872,800	872,800	897,687	0.43
Arizona	4,436,368	....	4,662,315	4,662,315	5,114,866	2.47
Arkansas	2,304,017	....	2,444,471	2,444,471	2,661,730	1.29
California	21,931,980	....	20,818,937	20,818,937	21,560,850	10.42
Colorado	1,532,446	....	1,603,055	1,603,055	1,675,586	0.81
Connecticut	2,227,657	....	2,224,734	2,224,734	2,285,441	1.10
Delaware	515,728	....	545,539	545,539	592,470	0.29
District of Columbia	1,062,487	....	1,199,039	1,199,039	1,279,839	0.62
Florida	8,733,890	....	8,715,628	8,715,628	9,121,444	4.41
Georgia	4,744,732	....	4,541,194	4,541,194	4,955,788	2.40
Hawaii	728,625	....	643,587	643,587	657,414	0.32
Idaho	777,351	....	820,475	820,475	891,629	0.43
Illinois	5,993,277	....	5,775,493	5,775,493	6,168,570	2.98
Indiana	3,696,015	....	3,888,848	3,888,848	4,069,372	1.97
Iowa	1,754,671	....	1,717,644	1,717,644	1,829,478	0.88
Kansas	1,320,586	....	1,354,092	1,354,092	1,395,370	0.67
Kentucky	3,343,139	....	3,306,988	3,306,988	3,461,452	1.67
Louisiana	3,631,368	....	3,692,810	3,692,810	3,999,621	1.93
Maine	1,506,300	....	1,157,172	1,157,172	1,194,973	0.58
Maryland	2,929,314	....	2,952,992	2,952,992	3,116,243	1.51
Massachusetts	5,150,675	....	5,911,206	5,911,206	5,927,750	2.87
Michigan	5,206,747	....	5,336,206	5,336,206	5,162,765	2.50
Minnesota	3,079,537	....	3,168,233	3,168,233	3,577,872	1.73
Mississippi	2,810,880	....	2,696,873	2,696,873	2,970,793	1.44
Missouri	4,208,911	....	4,442,233	4,442,233	4,712,989	2.28
Montana	569,840	....	546,316	546,316	563,911	0.27
Nebraska	1,050,601	....	957,874	957,874	1,008,403	0.49
Nevada	719,691	....	671,157	671,157	671,000	0.32
New Hampshire	626,147	....	650,051	650,051	694,608	0.34
New Jersey	5,047,720	....	4,952,112	4,952,112	5,130,144	2.48
New Mexico	1,929,108	....	1,997,852	1,997,852	2,103,655	1.02
New York	24,223,095	....	25,020,102	25,020,102	24,961,924	12.07
North Carolina	6,206,828	....	6,528,916	6,528,916	7,831,399	3.79
North Dakota	354,268	....	366,542	366,542	386,256	0.19
Ohio	7,945,914	....	8,543,294	8,543,294	8,687,791	4.20
Oklahoma	2,199,646	....	2,662,883	2,662,883	2,732,840	1.32
Oregon	2,079,179	....	2,158,554	2,158,554	2,316,595	1.12
Pennsylvania	9,287,096	....	9,469,818	9,469,818	9,928,379	4.80
Rhode Island	1,004,539	....	974,072	974,072	1,056,158	0.51
South Carolina	2,986,972	....	2,898,600	2,898,600	2,853,534	1.38
South Dakota	430,904	....	431,162	431,162	430,179	0.21
Tennessee	4,825,494	....	4,594,265	4,594,265	4,629,530	2.24
Texas	11,431,765	....	12,634,509	12,634,509	13,023,608	6.30
Utah	1,167,263	....	1,119,241	1,119,241	1,192,293	0.58
Vermont	575,123	....	591,582	591,582	625,536	0.30
Virginia	2,529,202	....	2,726,856	2,726,856	2,943,719	1.42
Washington	3,240,127	....	3,197,092	3,197,092	3,281,008	1.59
West Virginia	1,658,639	....	1,779,241	1,779,241	1,899,449	0.92
Wisconsin	2,880,647	....	2,985,034	2,985,034	3,040,913	1.47
Wyoming	256,828	....	265,055	265,055	274,265	0.13
American Samoa	6,120	....	8,496	8,496	8,496	*
Guam	9,390	....	13,130	13,130	13,690	0.01
Northern Mariana Islands	3,467	....	4,662	4,662	4,662	*
Puerto Rico	241,017	....	286,222	286,222	286,222	0.14
Freely Associated States	....	....	....	....	....	....
Virgin Islands	9,702	....	13,295	13,295	13,815	0.01
Indian Tribes	....	....	....	....	....	....
Undistributed	....	....	....	....	....	....
Survey & Certification	186,478	....	256,900	256,900	262,000	0.13
Fraud Control Units	161,600	....	174,800	174,800	183,540	0.09
Vaccines for Children	1,974,295	....	2,905,330	2,905,330	2,761,957	1.34
Medicare Part B Transfer	264,230	....	350,000	350,000	....	....
Incurred But Not Reported	6,829,757	....	3,000,000	3,000,000	3,000,000	1.45
Adjustments	−241,804	....	−7,843,497	−7,843,497	−4,016,947	−1.94
Total	**201,842,436**	....	**195,190,913**	**195,190,913**	**206,885,673**	[1] **100.00**

* $500 or less or 0.005 percent or less.

[1] Excludes undistributed obligations.

Table 8-18. Temporary Assistance for Needy Families (TANF)—Family Assistance Grants (93.558)

(Obligations in thousands of dollars)

State or Territory	FY 2006 Actual	Estimated FY 2007 obligations from: Previous authority	New authority	Total	FY 2008 (estimated)	FY 2008 Percentage of distributed total
Alabama	123,072	....	104,408	104,408	104,408	0.61
Alaska	54,837	....	53,620	53,620	53,620	0.31
Arizona	226,449	....	226,131	226,131	226,131	1.33
Arkansas	63,117	....	62,951	62,951	62,951	0.37
California	3,669,879	....	3,665,160	3,665,160	3,665,160	21.49
Colorado	150,126	....	149,626	149,626	149,626	0.88
Connecticut	264,387	....	266,788	266,788	266,788	1.56
Delaware	31,411	....	32,291	32,291	32,291	0.19
District of Columbia	90,505	....	92,610	92,610	92,610	0.54
Florida	624,265	....	622,746	622,746	622,746	3.65
Georgia	374,208	....	368,025	368,025	368,025	2.16
Hawaii	98,905	....	98,905	98,905	98,905	0.58
Idaho	33,911	....	33,911	33,911	33,911	0.20
Illinois	585,057	....	585,057	585,057	585,057	3.43
Indiana	207,020	....	206,799	206,799	206,799	1.21
Iowa	131,525	....	130,994	130,994	130,994	0.77
Kansas	101,931	....	101,931	101,931	101,931	0.60
Kentucky	181,288	....	181,288	181,288	181,288	1.06
Louisiana	181,998	....	180,999	180,999	180,999	1.06
Maine	78,121	....	78,121	78,121	78,121	0.46
Maryland	228,194	....	229,098	229,098	229,098	1.34
Massachusetts	459,371	....	459,371	459,371	459,371	2.69
Michigan	776,207	....	775,353	775,353	775,353	4.55
Minnesota	263,548	....	263,434	263,434	263,434	1.54
Mississippi	100,142	....	95,803	95,803	95,803	0.56
Missouri	217,052	....	217,052	217,052	217,052	1.27
Montana	39,172	....	39,172	39,172	39,172	0.23
Nebraska	57,855	....	57,769	57,769	57,769	0.34
Nevada	46,637	....	47,641	47,641	47,641	0.28
New Hampshire	38,521	....	38,521	38,521	38,521	0.23
New Jersey	404,035	....	404,035	404,035	404,035	2.37
New Mexico	117,131	....	117,131	117,131	117,131	0.69
New York	2,443,135	....	2,442,931	2,442,931	2,442,931	14.32
North Carolina	338,350	....	338,350	338,350	338,350	1.98
North Dakota	26,400	....	26,400	26,400	26,400	0.15
Ohio	727,968	....	727,968	727,968	727,968	4.27
Oklahoma	147,594	....	147,594	147,594	147,594	0.87
Oregon	166,799	....	166,799	166,799	166,799	0.98
Pennsylvania	719,499	....	719,499	719,499	719,499	4.22
Rhode Island	95,104	....	95,022	95,022	95,022	0.56
South Carolina	119,961	....	99,968	99,968	99,968	0.59
South Dakota	21,280	....	21,280	21,280	21,280	0.12
Tennessee	251,394	....	213,089	213,089	213,089	1.25
Texas	551,999	....	538,965	538,965	538,965	3.16
Utah	84,349	....	84,314	84,314	84,314	0.49
Vermont	47,353	....	47,353	47,353	47,353	0.28
Virginia	158,442	....	158,285	158,285	158,285	0.93
Washington	382,854	....	382,854	382,854	382,854	2.24
West Virginia	109,185	....	110,176	110,176	110,176	0.65
Wisconsin	314,580	....	314,499	314,499	314,499	1.84
Wyoming	18,430	....	18,501	18,501	18,501	0.11
American Samoa	....	....	....	....	....	....
Guam	2,599	....	3,465	3,465	3,465	0.02
Northern Mariana Islands	....	....	....	....	....	....
Puerto Rico	71,562	....	71,563	71,563	71,563	0.42
Freely Associated States	....	....	....	....	....	....
Virgin Islands	2,890	....	2,847	2,847	2,847	0.02
Indian Tribes	160,573	....	167,529	167,529	167,529	0.98
Undistributed	....	....	....	....	....	....
Tribal New Program	7,558	....	7,633	7,633	7,633	0.04
Responsible Fatherhood	149,975	....	150,000	150,000	150,000	0.88
Territories Matching Fund	....	....	15,000	15,000	15,000	0.09
Total [1]	[2] **17,139,710**	....	**17,058,625**	**17,058,625**	**17,058,625**	[3] **100.00**

[1] Unobligated contingency fund balances were $1,900 million in 2006 and are estimated to be $1,793 million in 2007 and $1,703 million in 2008.
[2] Includes State Family Assistance Grants and Supplemental Population Growth Grants. For 2006, also includes $107 million in Contingency funds.
[3] Excludes undistributed obligations.

Table 8-19. Child Support Enforcement—Federal Share of State and Local Administrative Costs and Incentives (93.563)

(Obligations in thousands of dollars)

State or Territory	FY 2006 Actual	Estimated FY 2007 obligations from:			FY 2008 (estimated)	FY 2008 Percentage of distributed total
		Previous authority	New authority	Total		
Alabama	42,365	....	44,452	44,452	39,637	1.00
Alaska	16,879	....	17,711	17,711	15,792	0.40
Arizona	48,888	....	51,296	51,296	45,739	1.15
Arkansas	31,758	....	33,322	33,322	29,713	0.75
California	795,581	....	834,765	834,765	744,340	18.78
Colorado	57,248	....	60,068	60,068	53,561	1.35
Connecticut	42,267	....	44,349	44,349	39,545	1.00
Delaware	20,373	....	21,376	21,376	19,060	0.48
District of Columbia	18,081	....	18,971	18,971	16,916	0.43
Florida	212,260	....	222,714	222,714	198,589	5.01
Georgia	83,222	....	87,321	87,321	77,862	1.96
Hawaii	14,539	....	15,255	15,255	13,603	0.34
Idaho	20,349	....	21,351	21,351	19,038	0.48
Illinois	116,701	....	122,448	122,448	109,184	2.76
Indiana	46,365	....	48,649	48,649	43,379	1.09
Iowa	41,034	....	43,055	43,055	38,391	0.97
Kansas	37,582	....	39,433	39,433	35,161	0.89
Kentucky	48,210	....	50,584	50,584	45,105	1.14
Louisiana	54,608	....	57,298	57,298	51,091	1.29
Maine	12,539	....	13,157	13,157	11,732	0.30
Maryland	65,615	....	68,847	68,847	61,389	1.55
Massachusetts	68,874	....	72,266	72,266	64,438	1.63
Michigan	199,793	....	209,633	209,633	186,925	4.72
Minnesota	106,479	....	111,723	111,723	99,621	2.51
Mississippi	18,695	....	19,616	19,616	17,491	0.44
Missouri	69,953	....	73,398	73,398	65,447	1.65
Montana	10,161	....	10,661	10,661	9,507	0.24
Nebraska	34,168	....	35,851	35,851	31,967	0.81
Nevada	29,869	....	31,341	31,341	27,946	0.71
New Hampshire	14,543	....	15,259	15,259	13,606	0.34
New Jersey	172,482	....	180,977	180,977	161,373	4.07
New Mexico	27,776	....	29,144	29,144	25,987	0.66
New York	243,896	....	255,908	255,908	228,187	5.76
North Carolina	101,518	....	106,518	106,518	94,980	2.40
North Dakota	9,382	....	9,844	9,844	8,778	0.22
Ohio	240,706	....	252,561	252,561	225,203	5.68
Oklahoma	41,393	....	43,431	43,431	38,727	0.98
Oregon	43,159	....	45,285	45,285	40,379	1.02
Pennsylvania	192,854	....	202,352	202,352	180,433	4.55
Rhode Island	8,004	....	8,398	8,398	7,488	0.19
South Carolina	29,500	....	30,953	30,953	27,600	0.70
South Dakota	6,903	....	7,243	7,243	6,458	0.16
Tennessee	54,725	....	57,420	57,420	51,200	1.29
Texas	226,374	....	237,523	237,523	211,793	5.34
Utah	31,737	....	33,300	33,300	29,693	0.75
Vermont	8,161	....	8,563	8,563	7,635	0.19
Virginia	72,485	....	76,055	76,055	67,816	1.71
Washington	109,443	....	114,833	114,833	102,394	2.58
West Virginia	23,103	....	24,241	24,241	21,615	0.55
Wisconsin	99,816	....	104,732	104,732	93,387	2.36
Wyoming	6,663	....	6,992	6,992	6,234	0.16
American Samoa	....	....	....	....	....	....
Guam	4,271	....	4,481	4,481	3,996	0.10
Northern Mariana Islands	....	....	....	....	....	....
Puerto Rico	41,585	....	43,633	43,633	38,907	0.98
Freely Associated States	....	....	....	....	....	....
Virgin Islands	3,928	....	4,121	4,121	3,675	0.09
Indian Tribes	17,665	....	30,000	30,000	53,000	1.34
Undistributed	....	....	....	....	....	....
Total	**4,196,528**	....	**4,414,678**	**4,414,678**	**3,962,713**	[1] **100.00**

[1] Excludes undistributed obligations.

Table 8-20. Low Income Home Energy Assistance Program (93.568)

(Obligations in thousands of dollars)

State or Territory	FY 2006 Actual	Estimated FY 2007 obligations from:			FY 2008 (estimated)	FY 2008 Percentage of distributed total
		Previous authority	New authority	Total		
Alabama	31,129		16,673	16,673	12,574	0.84
Alaska	8,738		7,418	7,418	5,594	0.37
Arizona	13,994		7,448	7,448	5,617	0.37
Arkansas	22,765		12,796	12,796	9,650	0.64
California	152,030		89,199	89,199	67,269	4.48
Colorado	31,704		31,334	31,334	23,631	1.58
Connecticut	47,809		40,920	40,920	30,860	2.06
Delaware	10,141		5,431	5,431	4,096	0.27
District of Columbia	7,852		6,355	6,355	4,793	0.32
Florida	49,529		26,527	26,527	20,006	1.33
Georgia	39,170		20,979	20,979	15,822	1.05
Hawaii	2,555		2,113	2,113	1,593	0.11
Idaho	13,673		11,642	11,642	8,780	0.59
Illinois	145,959		113,259	113,259	85,415	5.69
Indiana	53,980		51,272	51,272	38,667	2.58
Iowa	36,762		36,343	36,343	27,409	1.83
Kansas	26,786		16,675	16,675	12,576	0.84
Kentucky	44,347		26,686	26,686	20,126	1.34
Louisiana	32,010		17,144	17,144	12,929	0.86
Maine	25,835		25,541	25,541	19,262	1.28
Maryland	58,499		31,332	31,332	23,629	1.58
Massachusetts	82,764		81,820	81,820	61,706	4.11
Michigan	108,028		106,543	106,543	80,351	5.36
Minnesota	78,363		77,469	77,469	58,424	3.89
Mississippi	26,793		14,350	14,350	10,822	0.72
Missouri	59,541		45,240	45,240	34,118	2.27
Montana	14,224		11,843	11,843	8,931	0.60
Nebraska	21,102		17,961	17,961	13,546	0.90
Nevada	7,112		3,809	3,809	2,873	0.19
New Hampshire	18,197		15,493	15,493	11,684	0.78
New Jersey	77,346		75,798	75,798	57,164	3.81
New Mexico	11,031		9,358	9,358	7,058	0.47
New York	250,543		247,980	247,980	187,016	12.47
North Carolina	67,810		36,319	36,319	27,390	1.83
North Dakota	14,298		12,753	12,753	9,617	0.64
Ohio	122,259		100,195	100,195	75,563	5.04
Oklahoma	26,228		13,991	13,991	10,552	0.70
Oregon	24,059		23,614	23,614	17,809	1.19
Pennsylvania	134,810		133,273	133,273	100,509	6.70
Rhode Island	15,780		13,435	13,435	10,132	0.68
South Carolina	24,867		13,318	13,318	10,044	0.67
South Dakota	12,227		10,410	10,410	7,851	0.52
Tennessee	46,363		27,033	27,033	20,387	1.36
Texas	82,421		44,144	44,144	33,292	2.22
Utah	16,806		14,233	14,233	10,734	0.72
Vermont	13,639		11,613	11,613	8,758	0.58
Virginia	71,259		38,166	38,166	28,783	1.92
Washington	38,885		38,355	38,355	28,925	1.93
West Virginia	23,818		17,660	17,660	13,319	0.89
Wisconsin	70,538		69,733	69,733	52,590	3.51
Wyoming	6,644		5,558	5,558	4,191	0.28
American Samoa	55		44	44	33	*
Guam	120		95	95	72	*
Northern Mariana Islands	42		33	33	25	*
Puerto Rico	2,990		2,381	2,381	1,795	0.12
Freely Associated States						
Virgin Islands	114		91	91	68	*
Indian Tribes	26,135		21,280	21,280	16,048	1.07
Undistributed						
Discretionary Funds	26,953		27,225	27,225	27,225	1.82
Technical Assistance	294		297	297	297	0.02
Total	**2,479,725**		**1,980,000**	**1,980,000**	**1,500,000**	[1] **100.00**

* $500 or less or 0.005 percent or less.

[1] Excludes undistributed obligations.

Table 8-21. Child Care and Development Block Grant (93.575)

(Obligations in thousands of dollars)

State or Territory	FY 2006 Actual	Estimated FY 2007 obligations from: Previous authority	New authority	Total	FY 2008 (estimated)	FY 2008 Percentage of distributed total
Alabama	40,558	....	40,166	40,166	40,166	1.95
Alaska	4,031	....	4,037	4,037	4,037	0.20
Arizona	49,967	....	50,263	50,263	50,263	2.44
Arkansas	24,681	....	25,039	25,039	25,039	1.21
California	228,983	....	230,818	230,818	230,818	11.19
Colorado	23,735	....	23,885	23,885	23,885	1.16
Connecticut	14,304	....	14,330	14,330	14,330	0.69
Delaware	4,526	....	4,408	4,408	4,408	0.21
District of Columbia	3,096	....	3,057	3,057	3,057	0.15
Florida	114,828	....	114,080	114,080	114,080	5.53
Georgia	75,686	....	77,908	77,908	77,908	3.78
Hawaii	8,099	....	7,737	7,737	7,737	0.38
Idaho	11,585	....	11,574	11,574	11,574	0.56
Illinois	75,951	....	76,663	76,663	76,663	3.72
Indiana	41,403	....	41,684	41,684	41,684	2.02
Iowa	18,217	....	17,763	17,763	17,763	0.86
Kansas	18,822	....	18,656	18,656	18,656	0.90
Kentucky	35,437	....	35,306	35,306	35,306	1.71
Louisiana	46,991	....	45,956	45,956	45,956	2.23
Maine	6,852	....	6,705	6,705	6,705	0.33
Maryland	26,266	....	25,531	25,531	25,531	1.24
Massachusetts	25,610	....	25,589	25,589	25,589	1.24
Michigan	58,711	....	58,069	58,069	58,069	2.82
Minnesota	25,797	....	25,584	25,584	25,584	1.24
Mississippi	32,277	....	31,879	31,879	31,879	1.55
Missouri	38,877	....	38,680	38,680	38,680	1.88
Montana	5,699	....	5,650	5,650	5,650	0.27
Nebraska	11,885	....	11,506	11,506	11,506	0.56
Nevada	13,529	....	14,087	14,087	14,087	0.68
New Hampshire	4,722	....	4,714	4,714	4,714	0.23
New Jersey	36,865	....	36,730	36,730	36,730	1.78
New Mexico	18,519	....	18,306	18,306	18,306	0.89
New York	107,464	....	107,664	107,664	107,664	5.22
North Carolina	65,036	....	66,549	66,549	66,549	3.23
North Dakota	3,832	....	3,645	3,645	3,645	0.18
Ohio	67,666	....	67,281	67,281	67,281	3.26
Oklahoma	31,231	....	31,057	31,057	31,057	1.51
Oregon	22,319	....	22,465	22,465	22,465	1.09
Pennsylvania	62,745	....	62,629	62,629	62,629	3.04
Rhode Island	5,809	....	5,497	5,497	5,497	0.27
South Carolina	37,046	....	36,946	36,946	36,946	1.79
South Dakota	5,724	....	5,416	5,416	5,416	0.26
Tennessee	45,097	....	44,427	44,427	44,427	2.15
Texas	210,925	....	216,109	216,109	216,109	10.48
Utah	22,353	....	22,349	22,349	22,349	1.08
Vermont	2,946	....	2,898	2,898	2,898	0.14
Virginia	39,823	....	38,903	38,903	38,903	1.89
Washington	32,997	....	33,070	33,070	33,070	1.60
West Virginia	13,678	....	13,550	13,550	13,550	0.66
Wisconsin	29,774	....	29,631	29,631	29,631	1.44
Wyoming	2,803	....	2,694	2,694	2,694	0.13
American Samoa	2,681	....	2,679	2,679	2,679	0.13
Guam	4,064	....	4,061	4,061	4,061	0.20
Northern Mariana Islands	1,700	....	1,722	1,722	1,722	0.08
Puerto Rico	38,244	....	35,432	35,432	35,432	1.72
Freely Associated States	....	....	....	....	....	....
Virgin Islands	1,866	....	1,847	1,847	1,847	0.09
Indian Tribes	41,242	....	41,242	41,242	41,242	2.00
Undistributed	....	....	....	....	....	....
Technical Assistance	4,587	....	5,155	5,155	5,155	0.25
Research Set-Aside	9,521	....	9,821	9,821	9,821	0.48
Child Care Aware	982	....	982	982	982	0.05
Total	**2,060,664**	....	**2,062,081**	**2,062,081**	**2,062,081**	[1] **100.00**

[1] Excludes undistributed obligations.

Table 8-22. Child Care and Development Fund—Mandatory (93.596a)

(Obligations in thousands of dollars)

State or Territory	FY 2006 Actual	Estimated FY 2007 obligations from: Previous authority	New authority	Total	FY 2008 (estimated)	FY 2008 Percentage of distributed total
Alabama	16,442	....	16,442	16,442	16,442	1.33
Alaska	3,545	....	3,545	3,545	3,545	0.29
Arizona	19,827	....	19,827	19,827	19,827	1.60
Arkansas	5,300	....	5,300	5,300	5,300	0.43
California	85,590	....	85,590	85,590	85,590	6.90
Colorado	10,174	....	10,174	10,174	10,174	0.82
Connecticut	18,738	....	18,738	18,738	18,738	1.51
Delaware	5,179	....	5,179	5,179	5,179	0.42
District of Columbia	4,567	....	4,567	4,567	4,567	0.37
Florida	43,027	....	43,027	43,027	43,027	3.47
Georgia	36,548	....	36,548	36,548	36,548	2.95
Hawaii	4,972	....	4,972	4,972	4,972	0.40
Idaho	2,868	....	2,868	2,868	2,868	0.23
Illinois	56,874	....	56,874	56,874	56,874	4.59
Indiana	26,182	....	26,182	26,182	26,182	2.11
Iowa	8,508	....	8,508	8,508	8,508	0.69
Kansas	9,812	....	9,812	9,812	9,812	0.79
Kentucky	16,702	....	16,702	16,702	16,702	1.35
Louisiana	13,865	....	13,865	13,865	13,865	1.12
Maine	3,019	....	3,019	3,019	3,019	0.24
Maryland	23,301	....	23,301	23,301	23,301	1.88
Massachusetts	44,973	....	44,973	44,973	44,973	3.63
Michigan	32,082	....	32,082	32,082	32,082	2.59
Minnesota	23,368	....	23,368	23,368	23,368	1.89
Mississippi	6,293	....	6,293	6,293	6,293	0.51
Missouri	24,669	....	24,669	24,669	24,669	1.99
Montana	3,191	....	3,191	3,191	3,191	0.26
Nebraska	10,595	....	10,595	10,595	10,595	0.85
Nevada	2,580	....	2,580	2,580	2,580	0.21
New Hampshire	4,582	....	4,582	4,582	4,582	0.37
New Jersey	26,374	....	26,374	26,374	26,374	2.13
New Mexico	8,308	....	8,308	8,308	8,308	0.67
New York	101,984	....	101,984	101,984	101,984	8.23
North Carolina	69,639	....	69,639	69,639	69,639	5.62
North Dakota	2,506	....	2,506	2,506	2,506	0.20
Ohio	70,125	....	70,125	70,125	70,125	5.66
Oklahoma	24,910	....	24,910	24,910	24,910	2.01
Oregon	19,409	....	19,409	19,409	19,409	1.57
Pennsylvania	55,337	....	55,337	55,337	55,337	4.46
Rhode Island	6,634	....	6,634	6,634	6,634	0.54
South Carolina	9,867	....	9,867	9,867	9,867	0.80
South Dakota	1,711	....	1,711	1,711	1,711	0.14
Tennessee	37,702	....	37,702	37,702	37,702	3.04
Texas	59,844	....	59,844	59,844	59,844	4.83
Utah	12,592	....	12,592	12,592	12,592	1.02
Vermont	3,945	....	3,945	3,945	3,945	0.32
Virginia	21,329	....	21,329	21,329	21,329	1.72
Washington	41,883	....	41,883	41,883	41,883	3.38
West Virginia	8,727	....	8,727	8,727	8,727	0.70
Wisconsin	24,511	....	24,511	24,511	24,511	1.98
Wyoming	2,815	....	2,815	2,815	2,815	0.23
American Samoa	....	....	....	....	....	....
Guam	....	....	....	....	....	....
Northern Mariana Islands	....	....	....	....	....	....
Puerto Rico	....	....	....	....	....	....
Freely Associated States	....	....	....	....	....	....
Virgin Islands	....	....	....	....	....	....
Indian Tribes	58,340	....	58,340	58,340	58,340	4.71
Undistributed	....	....	....	....	....	....
Technical Assistance	3,792	....	3,792	3,792	3,792	0.31
Total	**1,239,657**	....	**1,239,657**	**1,239,657**	**1,239,657**	[1] **100.00**

[1] Excludes undistributed obligations.

Table 8-23. Child Care and Development Fund—Matching (93.596b)

(Obligations in thousands of dollars)

State or Territory	FY 2006 Actual	Estimated FY 2007 obligations from: Previous authority	New authority	Total	FY 2008 (estimated)	FY 2008 Percentage of distributed total
Alabama	24,871	....	24,871	24,871	24,871	1.48
Alaska	4,204	....	4,196	4,196	4,196	0.25
Arizona	36,239	....	36,179	36,179	36,179	2.16
Arkansas	15,462	....	15,435	15,435	15,435	0.92
California	221,412	....	221,032	221,032	221,032	13.18
Colorado	27,340	....	27,294	27,294	27,294	1.63
Connecticut	18,943	....	18,908	18,908	18,908	1.13
Delaware	4,420	....	4,413	4,413	4,413	0.26
District of Columbia	2,627	....	2,622	2,622	2,622	0.16
Florida	91,116	....	90,962	90,962	90,962	5.42
Georgia	54,242	....	54,150	54,150	54,150	3.23
Hawaii	6,918	....	6,906	6,906	6,906	0.41
Idaho	8,522	....	8,507	8,507	8,507	0.51
Illinois	74,674	....	74,544	74,544	74,544	4.44
Indiana	36,702	....	36,639	36,639	36,639	2.18
Iowa	15,328	....	15,300	15,300	15,300	0.91
Kansas	15,603	....	15,576	15,576	15,576	0.93
Kentucky	22,416	....	22,416	22,416	22,416	1.34
Louisiana	26,556	....	26,556	26,556	26,556	1.58
Maine	6,100	....	6,089	6,089	6,089	0.36
Maryland	31,566	....	31,566	31,566	31,566	1.88
Massachusetts	33,274	....	33,216	33,216	33,216	1.98
Michigan	57,026	....	56,925	56,925	56,925	3.39
Minnesota	27,941	....	27,892	27,892	27,892	1.66
Mississippi	17,173	....	17,143	17,143	17,143	1.02
Missouri	31,311	....	31,256	31,256	31,256	1.86
Montana	4,548	....	4,539	4,539	4,539	0.27
Nebraska	9,917	....	9,900	9,900	9,900	0.59
Nevada	14,146	....	14,123	14,123	14,123	0.84
New Hampshire	6,685	....	6,673	6,673	6,673	0.40
New Jersey	49,429	....	49,344	49,344	49,344	2.94
New Mexico	11,122	....	11,102	11,102	11,102	0.66
New York	104,303	....	104,120	104,120	104,120	6.21
North Carolina	49,039	....	48,955	48,955	48,955	2.92
North Dakota	3,072	....	3,066	3,066	3,066	0.18
Ohio	62,884	....	62,770	62,770	62,770	3.74
Oklahoma	19,718	....	19,683	19,683	19,683	1.17
Oregon	19,355	....	19,321	19,321	19,321	1.15
Pennsylvania	63,075	....	62,964	62,964	62,964	3.75
Rhode Island	5,467	....	5,458	5,458	5,458	0.33
South Carolina	23,271	....	23,232	23,232	23,232	1.39
South Dakota	4,289	....	4,282	4,282	4,282	0.26
Tennessee	31,862	....	31,806	31,806	31,806	1.90
Texas	146,569	....	146,323	146,323	146,323	8.72
Utah	17,634	....	17,634	17,634	17,634	1.05
Vermont	2,885	....	2,880	2,880	2,880	0.17
Virginia	41,312	....	41,242	41,242	41,242	2.46
Washington	33,507	....	33,507	33,507	33,507	2.00
West Virginia	8,648	....	8,633	8,633	8,633	0.51
Wisconsin	29,166	....	29,114	29,114	29,114	1.74
Wyoming	2,578	....	2,578	2,578	2,578	0.15
American Samoa	....	....	....	....	....	....
Guam	....	....	....	....	....	....
Northern Mariana Islands	....	....	....	....	....	....
Puerto Rico	....	....	....	....	....	....
Freely Associated States	....	....	....	....	....	....
Virgin Islands	....	....	....	....	....	....
Indian Tribes	....	....	....	....	....	....
Undistributed	....	....	....	....	....	....
Technical Assistance	3,501	....	3,501	3,501	3,501	0.21
Total	[1] **1,679,968**	....	**1,677,343**	**1,677,343**	**1,677,343**	[2] **100.00**

[1] Includes reappropriated funds from prior year.
[2] Excludes undistributed obligations.

Table 8-24. Head Start (93.600)

(Obligations in thousands of dollars)

State or Territory	FY 2006 Actual	Estimated FY 2007 obligations from: Previous authority	New authority	Total	FY 2008 (estimated)	FY 2008 Percentage of distributed total
Alabama	105,468	....	105,468	105,468	105,468	1.55
Alaska	12,337	....	12,337	12,337	12,337	0.18
Arizona	102,373	....	102,373	102,373	102,373	1.51
Arkansas	63,824	....	63,824	63,824	63,824	0.94
California	822,591	....	822,591	822,591	822,591	12.12
Colorado	67,594	....	67,594	67,594	67,594	1.00
Connecticut	51,333	....	51,333	51,333	51,333	0.76
Delaware	13,092	....	13,092	13,092	13,092	0.19
District of Columbia	24,834	....	24,834	24,834	24,834	0.37
Florida	260,267	....	260,267	260,267	260,267	3.83
Georgia	166,672	....	166,672	166,672	166,672	2.46
Hawaii	22,637	....	22,637	22,637	22,637	0.33
Idaho	22,565	....	22,565	22,565	22,565	0.33
Illinois	267,812	....	267,812	267,812	267,812	3.95
Indiana	95,151	....	95,151	95,151	95,151	1.40
Iowa	50,988	....	50,988	50,988	50,988	0.75
Kansas	50,372	....	50,372	50,372	50,372	0.74
Kentucky	106,670	....	106,670	106,670	106,670	1.57
Louisiana	144,312	....	144,312	144,312	144,312	2.13
Maine	27,310	....	27,310	27,310	27,310	0.40
Maryland	77,184	....	77,184	77,184	77,184	1.14
Massachusetts	107,169	....	107,169	107,169	107,169	1.58
Michigan	231,993	....	231,993	231,993	231,993	3.42
Minnesota	71,219	....	71,219	71,219	71,219	1.05
Mississippi	159,927	....	159,927	159,927	159,927	2.36
Missouri	117,695	....	117,695	117,695	117,695	1.73
Montana	20,721	....	20,721	20,721	20,721	0.31
Nebraska	35,665	....	35,665	35,665	35,665	0.53
Nevada	24,015	....	24,015	24,015	24,015	0.35
New Hampshire	13,240	....	13,240	13,240	13,240	0.20
New Jersey	127,607	....	127,607	127,607	127,607	1.88
New Mexico	51,730	....	51,730	51,730	51,730	0.76
New York	428,470	....	428,470	428,470	428,470	6.31
North Carolina	139,735	....	139,735	139,735	139,735	2.06
North Dakota	16,988	....	16,988	16,988	16,988	0.25
Ohio	244,205	....	244,205	244,205	244,205	3.60
Oklahoma	80,166	....	80,166	80,166	80,166	1.18
Oregon	58,821	....	58,821	58,821	58,821	0.87
Pennsylvania	225,685	....	225,685	225,685	225,685	3.32
Rhode Island	21,775	....	21,775	21,775	21,775	0.32
South Carolina	81,603	....	81,603	81,603	81,603	1.20
South Dakota	18,620	....	18,620	18,620	18,620	0.27
Tennessee	118,039	....	118,039	118,039	118,039	1.74
Texas	473,492	....	473,492	473,492	473,492	6.97
Utah	37,353	....	37,353	37,353	37,353	0.55
Vermont	13,412	....	13,412	13,412	13,412	0.20
Virginia	98,018	....	98,018	98,018	98,018	1.44
Washington	99,268	....	99,268	99,268	99,268	1.46
West Virginia	50,091	....	50,091	50,091	50,091	0.74
Wisconsin	89,887	....	89,887	89,887	89,887	1.32
Wyoming	12,236	....	12,236	12,236	12,236	0.18
American Samoa	2,127	....	2,127	2,127	2,127	0.03
Guam	2,140	....	2,140	2,140	2,140	0.03
Northern Mariana Islands	1,646	....	1,646	1,646	1,646	0.02
Puerto Rico	246,599	....	246,599	246,599	246,599	3.63
Freely Associated States	....	....	....	....	....	....
Virgin Islands	7,910	....	7,910	7,910	7,910	0.12
Indian Tribes	185,394	....	185,394	185,394	185,394	2.73
Undistributed	....	....	....	....	....	....
Palau	1,319	....	1,319	1,319	1,319	0.02
Migrant Program	283,371	....	283,371	283,371	283,371	4.17
Unallocated Expansion	....	....	70,629	70,629	70,629	1.04
Technical Assistance	164,057	....	104,815	104,815	104,815	1.54
Research, Development, & Education	19,788	....	19,800	19,800	19,800	0.29
Program Support	38,202	....	38,590	38,590	38,590	0.57
Hurricane Relief	73,999	....	....	....	....	....
Total	**6,850,783**	....	**6,788,571**	**6,788,571**	**6,788,571**	[1] **100.00**

[1] Excludes undistributed obligations.

Table 8-25. Foster Care—Title IV–E (93.658)

(Obligations in thousands of dollars)

State or Territory	FY 2006 Actual	Estimated FY 2007 obligations from:			FY 2008 (estimated)	FY 2008 Percentage of distributed total
		Previous authority	New authority	Total		
Alabama	18,616	....	19,252	19,252	19,703	0.43
Alaska	16,010	....	16,557	16,557	16,945	0.37
Arizona	94,357	....	97,580	97,580	99,867	2.17
Arkansas	31,578	....	32,657	32,657	33,422	0.73
California	1,183,911	....	1,224,363	1,224,363	1,253,059	27.28
Colorado	61,416	....	63,514	63,514	65,003	1.42
Connecticut	82,984	....	85,820	85,820	87,831	1.91
Delaware	6,157	....	6,367	6,367	6,516	0.14
District of Columbia	9,363	....	9,683	9,683	9,909	0.22
Florida	144,204	....	149,131	149,131	152,626	3.32
Georgia	31,631	....	32,712	32,712	33,478	0.73
Hawaii	23,637	....	24,445	24,445	25,018	0.54
Idaho	8,907	....	9,212	9,212	9,428	0.21
Illinois	213,896	....	221,204	221,204	226,388	4.93
Indiana	99,023	....	102,406	102,406	104,806	2.28
Iowa	26,704	....	27,617	27,617	28,264	0.62
Kansas	29,911	....	30,933	30,933	31,658	0.69
Kentucky	54,155	....	56,005	56,005	57,318	1.25
Louisiana	55,643	....	57,544	57,544	58,893	1.28
Maine	8,149	....	8,427	8,427	8,624	0.19
Maryland	121,066	....	125,202	125,202	128,136	2.79
Massachusetts	68,972	....	71,329	71,329	73,000	1.59
Michigan	91,435	....	94,559	94,559	96,775	2.11
Minnesota	58,689	....	60,694	60,694	62,116	1.35
Mississippi	7,925	....	8,196	8,196	8,388	0.18
Missouri	57,235	....	59,191	59,191	60,578	1.32
Montana	12,864	....	13,303	13,303	13,615	0.30
Nebraska	14,470	....	14,964	14,964	15,315	0.33
Nevada	21,183	....	21,907	21,907	22,420	0.49
New Hampshire	16,913	....	17,491	17,491	17,901	0.39
New Jersey	54,992	....	56,870	56,870	58,203	1.27
New Mexico	20,872	....	21,585	21,585	22,091	0.48
New York	342,991	....	354,710	354,710	363,022	7.90
North Carolina	84,336	....	87,218	87,218	89,262	1.94
North Dakota	9,751	....	10,084	10,084	10,320	0.22
Ohio	201,789	....	208,683	208,683	213,574	4.65
Oklahoma	42,358	....	43,805	43,805	44,832	0.98
Oregon	55,539	....	57,437	57,437	58,783	1.28
Pennsylvania	220,820	....	228,365	228,365	233,717	5.09
Rhode Island	13,014	....	13,459	13,459	13,774	0.30
South Carolina	10,622	....	10,985	10,985	11,243	0.24
South Dakota	5,592	....	5,783	5,783	5,918	0.13
Tennessee	40,841	....	42,236	42,236	43,226	0.94
Texas	212,079	....	219,325	219,325	224,466	4.89
Utah	23,033	....	23,820	23,820	24,378	0.53
Vermont	11,452	....	11,843	11,843	12,121	0.26
Virginia	78,547	....	81,231	81,231	83,135	1.81
Washington	78,829	....	81,522	81,522	83,432	1.82
West Virginia	12,715	....	13,149	13,149	13,457	0.29
Wisconsin	84,861	....	87,761	87,761	89,818	1.96
Wyoming	3,080	....	3,185	3,185	3,260	0.07
American Samoa	....	....	....	....	....	....
Guam	....	....	....	....	....	....
Northern Mariana Islands	....	....	....	....	....	....
Puerto Rico	37,195	....	38,466	38,466	39,367	0.86
Freely Associated States	....	....	....	....	....	....
Virgin Islands	....	....	....	....	....	....
Indian Tribes	....	....	....	....	....	....
Undistributed	....	....	....	....	....	....
Technical Assistance	9,051	....	11,213	11,213	15,601	0.34
New Program Option	....	....	....	....	9,000	0.20
Total	**4,325,363**	....	[1] **4,475,000**	**4,475,000**	**4,593,000**	[2] **100.00**

[1] Assumes a lapse of $282 million.
[2] Excludes undistributed obligations.

Table 8-26. Adoption Assistance (93.659)

(Obligations in thousands of dollars)

State or Territory	FY 2006 Actual	Estimated FY 2007 obligations from: Previous authority	New authority	Total	FY 2008 (estimated)	FY 2008 Percentage of distributed total
Alabama	7,812	....	8,839	8,839	9,414	0.44
Alaska	7,283	....	8,241	8,241	8,778	0.41
Arizona	37,146	....	42,030	42,030	44,767	2.07
Arkansas	10,132	....	11,464	11,464	12,210	0.57
California	313,126	....	354,296	354,296	377,372	17.48
Colorado	19,941	....	22,563	22,563	24,032	1.11
Connecticut	24,854	....	28,122	28,122	29,953	1.39
Delaware	1,605	....	1,816	1,816	1,934	0.09
District of Columbia	11,621	....	13,149	13,149	14,005	0.65
Florida	60,960	....	68,975	68,975	73,467	3.40
Georgia	34,751	....	39,320	39,320	41,880	1.94
Hawaii	11,221	....	12,697	12,697	13,524	0.63
Idaho	3,369	....	3,812	3,812	4,060	0.19
Illinois	88,696	....	100,357	100,357	106,893	4.95
Indiana	36,956	....	41,815	41,815	44,538	2.06
Iowa	21,852	....	24,725	24,725	26,335	1.22
Kansas	13,084	....	14,804	14,804	15,769	0.73
Kentucky	24,766	....	28,022	28,022	29,847	1.38
Louisiana	13,507	....	15,283	15,283	16,278	0.75
Maine	8,318	....	9,412	9,412	10,024	0.46
Maryland	19,671	....	22,257	22,257	23,706	1.10
Massachusetts	28,982	....	32,793	32,793	34,928	1.62
Michigan	113,110	....	127,982	127,982	136,316	6.31
Minnesota	22,009	....	24,903	24,903	26,525	1.23
Mississippi	4,284	....	4,847	4,847	5,163	0.24
Missouri	36,222	....	40,984	40,984	43,653	2.02
Montana	7,437	....	8,415	8,415	8,963	0.42
Nebraska	7,035	....	7,960	7,960	8,479	0.39
Nevada	6,573	....	7,437	7,437	7,922	0.37
New Hampshire	3,571	....	4,041	4,041	4,304	0.20
New Jersey	31,676	....	35,840	35,840	38,174	1.77
New Mexico	11,677	....	13,212	13,212	14,072	0.65
New York	211,357	....	239,146	239,146	254,719	11.80
North Carolina	28,654	....	32,422	32,422	34,533	1.60
North Dakota	3,397	....	3,843	3,843	4,094	0.19
Ohio	146,037	....	165,238	165,238	175,998	8.15
Oklahoma	28,611	....	32,373	32,373	34,481	1.60
Oregon	30,402	....	34,399	34,399	36,639	1.70
Pennsylvania	73,207	....	82,832	82,832	88,226	4.09
Rhode Island	9,409	....	10,646	10,646	11,339	0.53
South Carolina	13,004	....	14,714	14,714	15,672	0.73
South Dakota	2,706	....	3,062	3,062	3,261	0.15
Tennessee	29,991	....	33,934	33,934	36,144	1.67
Texas	58,296	....	65,960	65,960	70,256	3.25
Utah	6,826	....	7,724	7,724	8,226	0.38
Vermont	5,678	....	6,425	6,425	6,843	0.32
Virginia	14,197	....	16,064	16,064	17,110	0.79
Washington	34,314	....	38,825	38,825	41,353	1.92
West Virginia	10,741	....	12,153	12,153	12,945	0.60
Wisconsin	39,670	....	44,885	44,885	47,808	2.21
Wyoming	850	....	962	962	1,025	0.05
American Samoa	....	....	....	....	....	....
Guam	....	....	....	....	....	....
Northern Mariana Islands	....	....	....	....	....	....
Puerto Rico	866	....	980	980	1,043	0.05
Freely Associated States	....	....	....	....	....	....
Virgin Islands	....	....	....	....	....	....
Indian Tribes	....	....	....	....	....	....
Undistributed	....	....	....	....	....	....
Total	**1,791,460**	....	[1] **2,027,000**	**2,027,000**	**2,159,000**	[2] **100.00**

[1] Assumes a lapse of $17 million.
[2] Excludes undistributed obligations.

Table 8-27. Social Services Block Grant (93.667)

(Obligations in thousands of dollars)

State or Territory	FY 2006 Actual	Estimated FY 2007 obligations from: Previous authority	New authority	Total	FY 2008 (estimated)	FY 2008 Percentage of distributed total
Alabama	26,163	....	26,163	26,163	18,468	1.54
Alaska	3,772	....	3,772	3,772	2,662	0.22
Arizona	32,442	....	32,442	32,442	22,900	1.91
Arkansas	15,845	....	15,845	15,845	11,185	0.93
California	206,275	....	206,275	206,275	145,607	12.13
Colorado	26,454	....	26,454	26,454	18,673	1.56
Connecticut	20,249	....	20,249	20,249	14,294	1.19
Delaware	4,752	....	4,752	4,752	3,354	0.28
District of Columbia	3,275	....	3,275	3,275	2,312	0.19
Florida	98,934	....	98,934	98,934	69,836	5.82
Georgia	50,485	....	50,485	50,485	35,637	2.97
Hawaii	7,311	....	7,311	7,311	5,160	0.43
Idaho	7,943	....	7,943	7,943	5,607	0.47
Illinois	73,557	....	73,557	73,557	51,922	4.33
Indiana	36,016	....	36,016	36,016	25,423	2.12
Iowa	17,114	....	17,114	17,114	12,081	1.01
Kansas	15,832	....	15,832	15,832	11,176	0.93
Kentucky	23,937	....	23,937	23,937	16,897	1.41
Louisiana	26,138	....	26,138	26,138	18,450	1.54
Maine	7,590	....	7,590	7,590	5,358	0.45
Maryland	32,024	....	32,024	32,024	22,605	1.88
Massachusetts	37,398	....	37,398	37,398	26,399	2.20
Michigan	58,596	....	58,596	58,596	41,362	3.45
Minnesota	29,411	....	29,411	29,411	20,761	1.73
Mississippi	16,749	....	16,749	16,749	11,823	0.99
Missouri	33,161	....	33,161	33,161	23,408	1.95
Montana	5,334	....	5,334	5,334	3,765	0.31
Nebraska	10,111	....	10,111	10,111	7,137	0.59
Nevada	13,028	....	13,028	13,028	9,196	0.77
New Hampshire	7,485	....	7,485	7,485	5,284	0.44
New Jersey	50,216	....	50,216	50,216	35,447	2.95
New Mexico	10,897	....	10,897	10,897	7,692	0.64
New York	111,555	....	111,555	111,555	78,744	6.56
North Carolina	48,872	....	48,872	48,872	34,498	2.87
North Dakota	3,685	....	3,685	3,685	2,601	0.22
Ohio	66,478	....	66,478	66,478	46,925	3.91
Oklahoma	20,413	....	20,413	20,413	14,409	1.20
Oregon	20,692	....	20,692	20,692	14,606	1.22
Pennsylvania	71,882	....	71,882	71,882	50,740	4.23
Rhode Island	6,256	....	6,256	6,256	4,416	0.37
South Carolina	24,108	....	24,108	24,108	17,017	1.42
South Dakota	4,443	....	4,443	4,443	3,136	0.26
Tennessee	33,959	....	33,959	33,959	23,971	2.00
Texas	128,578	....	128,578	128,578	90,761	7.56
Utah	13,669	....	13,669	13,669	9,649	0.80
Vermont	3,599	....	3,599	3,599	2,540	0.21
Virginia	42,938	....	42,938	42,938	30,309	2.53
Washington	35,643	....	35,643	35,643	25,160	2.10
West Virginia	10,524	....	10,524	10,524	7,429	0.62
Wisconsin	31,811	....	31,811	31,811	22,455	1.87
Wyoming	2,914	....	2,914	2,914	2,057	0.17
American Samoa	49	....	49	49	34	*
Guam	293	....	293	293	207	0.02
Northern Mariana Islands	59	....	59	59	41	*
Puerto Rico	8,793	....	8,793	8,793	6,207	0.52
Freely Associated States	....	....	....	....	....	....
Virgin Islands	293	....	293	293	207	0.02
Indian Tribes	....	....	....	....	....	....
Undistributed	....	....	....	....	....	....
Hurricane Relief	550,000	....	....	....	....	....
Total	**2,250,000**	....	**1,700,000**	**1,700,000**	**1,200,000**	[1] **100.00**

* $500 or less or 0.005 percent or less.

[1] Excludes undistributed obligations.

Table 8-28. Homeland Security Grant Program (97.067)

(Obligations in thousands of dollars)

State or Territory	FY 2006 Actual	Estimated FY 2007 obligations from: Previous authority	New authority	Total	FY 2008 (estimated)	FY 2008 Percentage of distributed total
Alabama	18,916	....	11,824	11,824	4,495	1.70
Alaska	11,047	....	9,252	9,252	2,923	1.10
Arizona	24,351	....	13,557	13,557	4,892	1.85
Arkansas	11,036	....	10,101	10,101	3,768	1.42
California	271,002	....	54,027	54,027	17,029	6.42
Colorado	25,386	....	10,807	10,807	4,503	1.70
Connecticut	16,297	....	10,449	10,449	4,075	1.54
Delaware	12,108	....	8,802	8,802	2,990	1.13
District of Columbia	70,419	....	28,106	28,106	2,893	1.09
Florida	111,003	....	19,376	19,376	9,498	3.58
Georgia	51,572	....	16,688	16,688	6,162	2.32
Hawaii	14,957	....	9,283	9,283	3,169	1.20
Idaho	13,765	....	9,067	9,067	3,208	1.21
Illinois	110,894	....	28,116	28,116	7,815	2.95
Indiana	25,264	....	12,599	12,599	5,180	1.95
Iowa	16,066	....	9,811	9,811	3,861	1.46
Kansas	16,969	....	10,167	10,167	3,771	1.42
Kentucky	27,503	....	11,333	11,333	4,334	1.63
Louisiana	36,320	....	14,457	14,457	4,494	1.70
Maine	9,774	....	8,853	8,853	3,189	1.20
Maryland	28,360	....	11,466	11,466	4,893	1.85
Massachusetts	58,046	....	28,197	28,197	5,290	2.00
Michigan	54,702	....	14,321	14,321	6,772	2.55
Minnesota	17,631	....	11,729	11,729	4,713	1.78
Mississippi	11,091	....	9,784	9,784	3,834	1.45
Missouri	48,163	....	12,200	12,200	4,981	1.88
Montana	9,779	....	8,689	8,689	3,031	1.14
Nebraska	23,893	....	9,747	9,747	3,367	1.27
Nevada	23,917	....	9,684	9,684	3,549	1.34
New Hampshire	9,869	....	9,296	9,296	3,181	1.20
New Jersey	57,947	....	13,828	13,828	6,175	2.33
New Mexico	10,463	....	9,159	9,159	3,418	1.29
New York	252,532	....	84,520	84,520	10,499	3.96
North Carolina	35,216	....	13,637	13,637	6,064	2.29
North Dakota	12,848	....	8,379	8,379	2,919	1.10
Ohio	49,537	....	16,834	16,834	7,333	2.77
Oklahoma	22,285	....	10,500	10,500	4,089	1.54
Oregon	21,704	....	10,063	10,063	4,100	1.55
Pennsylvania	67,203	....	25,240	25,240	7,707	2.91
Rhode Island	9,745	....	9,515	9,515	3,097	1.17
South Carolina	18,258	....	10,890	10,890	4,340	1.64
South Dakota	9,840	....	8,433	8,433	2,971	1.12
Tennessee	18,144	....	13,463	13,463	5,031	1.90
Texas	102,194	....	24,182	24,182	11,571	4.36
Utah	10,821	....	9,935	9,935	3,607	1.36
Vermont	12,651	....	8,371	8,371	2,912	1.10
Virginia	21,814	....	13,777	13,777	5,644	2.13
Washington	40,445	....	14,452	14,452	5,143	1.94
West Virginia	15,467	....	9,376	9,376	3,397	1.28
Wisconsin	27,927	....	11,330	11,330	4,886	1.84
Wyoming	9,373	....	8,514	8,514	2,863	1.08
American Samoa	5,159	....	2,727	2,727	1,685	0.64
Guam	3,337	....	2,882	2,882	1,842	0.69
Northern Mariana Islands	3,203	....	2,709	2,709	1,706	0.64
Puerto Rico	10,645	....	9,946	9,946	4,238	1.60
Freely Associated States	102	....	150	150	115	0.04
Virgin Islands	3,579	....	2,929	2,929	1,892	0.71
Indian Tribes	....	....	....	....	....	....
Undistributed	....	....	....	....	....	....
Total	**2,032,541**	....	**787,530**	[1] **787,530**	[1] **265,100**	[2] **100.00**

[1] FY 2007-2008 amounts do not include funds subject to risk and threat analysis.
[2] Excludes undistributed obligations.

Table 8-29. Disaster Grants—Public Assistance (Presidentially Declared Disasters) (97.036)

(Obligations in thousands of dollars)

State or Territory	FY 2006 Actual	Estimated FY 2007 obligations from:			FY 2008 (estimated)	FY 2008 Percentage of distributed total
		Previous authority	New authority	Total		
Alabama	111,839					
Alaska	16,846					
Arizona	7,164					
Arkansas	45,375					
California	173,937					
Colorado	12,123					
Connecticut	14,707					
Delaware	6,942					
District of Columbia	1,772					
Florida	1,822,569					
Georgia	17,262					
Hawaii	25,386					
Idaho	2,370					
Illinois	13,546					
Indiana	4,691					
Iowa	1,284					
Kansas	48,095					
Kentucky	4,878					
Louisiana	2,988,611					
Maine	5,416					
Maryland	10,194					
Massachusetts	25,969					
Michigan	1,481					
Minnesota	17,595					
Mississippi	1,548,706					
Missouri	16,793					
Montana	397					
Nebraska	6,619					
Nevada	9,990					
New Hampshire	24,278					
New Jersey	2,794					
New Mexico	1,628					
New York	59,622					
North Carolina	27,300					
North Dakota	16,854					
Ohio	5,305					
Oklahoma	16,859					
Oregon	8,414					
Pennsylvania	42,947					
Rhode Island	1,110					
South Carolina	14,643					
South Dakota	25,019					
Tennessee	44,599					
Texas	851,540					
Utah	3,234					
Vermont	61					
Virginia	11,525					
Washington	6,854					
West Virginia	1,240					
Wisconsin	1,149					
Wyoming						
American Samoa	1,659					
Guam	276					
Northern Mariana Islands	1,333					
Puerto Rico	14,539					
Freely Associated States						
Virgin Islands	−862					
Indian Tribes						
Undistributed						
Micronesia	852					
Total	**8,147,330**			[1]	[1]	

[1] Grants are funded as needed through the Disaster Relief Fund, and are not awarded unless a state has significant damage from a declared major disaster. There are no estimates for 2007 and 2008 since disaster-related damages have not yet occurred.

Table 8-30. Public Housing Operating Fund (14.850)

(Obligations in thousands of dollars)

State or Territory	FY 2006 Actual	Estimated FY 2007 obligations from:			FY 2008 (estimated)	FY 2008 Percentage of distributed total
		Previous authority	New authority	Total		
Alabama	105,777	36	105,780	105,816	118,720	2.97
Alaska	7,953	3	7,954	7,957	8,927	0.22
Arizona	15,290	5	15,291	15,296	17,162	0.43
Arkansas	25,785	9	25,786	25,795	28,940	0.72
California	102,907	35	102,910	102,945	115,499	2.89
Colorado	20,605	7	20,606	20,613	23,127	0.58
Connecticut	56,203	19	56,205	56,224	63,081	1.58
Delaware	8,988	3	8,988	8,991	10,088	0.25
District of Columbia	40,862	14	40,863	40,877	45,862	1.15
Florida	86,675	30	86,678	86,708	97,281	2.43
Georgia	108,382	37	108,385	108,422	121,645	3.04
Hawaii	10,417	4	10,416	10,420	11,692	0.29
Idaho	991	....	991	991	1,112	0.03
Illinois	232,696	80	232,702	232,782	261,170	6.53
Indiana	39,265	13	39,266	39,279	44,069	1.10
Iowa	5,517	2	5,518	5,520	6,192	0.15
Kansas	15,957	5	15,957	15,962	17,910	0.45
Kentucky	52,913	18	52,915	52,933	59,388	1.48
Louisiana	60,189	21	60,191	60,212	67,554	1.69
Maine	9,949	3	9,950	9,953	11,167	0.28
Maryland	74,032	25	74,033	74,058	83,091	2.08
Massachusetts	120,793	42	120,795	120,837	135,574	3.39
Michigan	49,838	17	49,840	49,857	55,937	1.40
Minnesota	44,941	15	44,942	44,957	50,440	1.26
Mississippi	28,014	10	28,015	28,025	31,442	0.79
Missouri	37,157	13	37,159	37,172	41,704	1.04
Montana	4,116	1	4,115	4,116	4,620	0.12
Nebraska	11,426	4	11,427	11,431	12,825	0.32
Nevada	14,499	5	14,500	14,505	16,274	0.41
New Hampshire	7,785	3	7,785	7,788	8,738	0.22
New Jersey	168,489	58	168,493	168,551	189,107	4.73
New Mexico	8,187	3	8,188	8,191	9,189	0.23
New York	904,356	310	904,382	904,692	1,015,019	25.38
North Carolina	96,267	33	96,270	96,303	108,047	2.70
North Dakota	2,246	1	2,246	2,247	2,521	0.06
Ohio	173,629	60	173,634	173,694	194,875	4.87
Oklahoma	25,324	9	25,325	25,334	28,423	0.71
Oregon	15,255	5	15,255	15,260	17,121	0.43
Pennsylvania	244,823	84	244,830	244,914	274,780	6.87
Rhode Island	21,864	8	21,865	21,873	24,539	0.61
South Carolina	29,223	10	29,224	29,234	32,799	0.82
South Dakota	2,398	1	2,398	2,399	2,691	0.07
Tennessee	87,377	30	87,380	87,410	98,069	2.45
Texas	119,403	41	119,406	119,447	134,013	3.35
Utah	4,150	1	4,150	4,151	4,658	0.12
Vermont	2,545	1	2,545	2,546	2,857	0.07
Virginia	63,692	22	63,694	63,716	71,485	1.79
Washington	34,042	12	34,043	34,055	38,207	0.96
West Virginia	16,766	6	16,766	16,772	18,817	0.47
Wisconsin	20,565	7	20,566	20,573	23,081	0.58
Wyoming	1,272	1	1,271	1,272	1,428	0.04
American Samoa	....	....	....	....	....	....
Guam	3,039	1	3,039	3,040	3,411	0.09
Northern Mariana Islands	....	....	....	....	....	....
Puerto Rico	100,525	34	100,528	100,562	112,826	2.82
Freely Associated States	....	....	....	....	....	....
Virgin Islands	18,539	6	18,539	18,545	20,806	0.52
Indian Tribes	....	....	....	....	....	....
Undistributed	....	....	....	....	....	....
Total	**3,563,898**	**1,223**	**3,564,000**	**3,565,223**	**4,000,000**	[1] **100.00**

[1] Excludes undistributed obligations.

Table 8-31. Section 8 Housing Choice Vouchers (14.871)

(Obligations in thousands of dollars)

State or Territory	FY 2006 Actual	Estimated FY 2007 obligations from: Previous authority	New authority	Total	FY 2008 (estimated)	FY 2008 Percentage of distributed total
Alabama	127,597	4,350	140,824	145,174	149,406	0.93
Alaska	25,208	859	27,821	28,681	29,517	0.18
Arizona	123,774	4,220	136,604	140,824	144,929	0.91
Arkansas	80,666	2,750	89,028	91,778	94,453	0.59
California	2,494,118	85,038	2,752,653	2,837,691	2,920,407	18.25
Colorado	188,818	6,438	208,391	214,829	221,091	1.38
Connecticut	268,159	9,143	295,956	305,099	313,992	1.96
Delaware	29,239	997	32,270	33,267	34,237	0.21
District of Columbia	111,868	3,814	123,465	127,279	130,989	0.82
Florida	600,515	20,475	662,763	683,238	703,154	4.39
Georgia	351,497	11,984	387,933	399,917	411,574	2.57
Hawaii	76,922	2,623	84,896	87,518	90,069	0.56
Idaho	30,449	1,038	33,605	34,643	35,653	0.22
Illinois	682,461	23,269	753,204	776,472	799,106	4.99
Indiana	167,166	5,700	184,494	190,193	195,737	1.22
Iowa	78,936	2,691	87,119	89,810	92,428	0.58
Kansas	47,632	1,624	52,569	54,193	55,773	0.35
Kentucky	136,301	4,647	150,429	155,077	159,597	1.00
Louisiana	204,130	6,960	225,290	232,250	239,019	1.49
Maine	63,454	2,163	70,032	72,195	74,300	0.46
Maryland	305,871	10,429	337,578	348,006	358,150	2.24
Massachusetts	679,638	23,173	750,088	773,261	795,801	4.97
Michigan	265,481	9,052	293,000	302,052	310,856	1.94
Minnesota	183,294	6,249	202,294	208,544	214,623	1.34
Mississippi	94,177	3,211	103,940	107,151	110,274	0.69
Missouri	186,318	6,353	205,631	211,984	218,163	1.36
Montana	24,364	831	26,889	27,720	28,528	0.18
Nebraska	51,180	1,745	56,485	58,230	59,928	0.37
Nevada	87,228	2,974	96,270	99,244	102,137	0.64
New Hampshire	62,097	2,117	68,534	70,651	72,711	0.45
New Jersey	526,783	17,961	581,388	599,349	616,819	3.86
New Mexico	63,563	2,167	70,152	72,319	74,427	0.47
New York	1,595,757	54,408	1,761,170	1,815,578	1,868,501	11.68
North Carolina	275,520	9,394	304,080	313,474	322,612	2.02
North Dakota	25,766	878	28,437	29,315	30,170	0.19
Ohio	447,835	15,269	494,257	509,526	524,378	3.28
Oklahoma	107,139	3,653	118,245	121,898	125,451	0.78
Oregon	164,645	5,614	181,712	187,326	192,786	1.20
Pennsylvania	432,950	14,762	477,829	492,591	506,949	3.17
Rhode Island	141,099	4,811	155,725	160,536	165,215	1.03
South Carolina	55,916	1,906	61,712	63,618	65,473	0.41
South Dakota	107,206	3,655	118,319	121,974	125,530	0.78
Tennessee	22,616	771	24,960	25,731	26,481	0.17
Texas	151,665	5,171	167,387	172,558	177,588	1.11
Utah	860,784	29,349	950,011	979,360	1,007,907	6.30
Vermont	55,851	1,904	61,640	63,544	65,397	0.41
Virginia	34,542	1,178	38,122	39,300	40,446	0.25
Washington	267,173	9,109	294,868	303,977	312,838	1.96
West Virginia	284,715	9,707	314,228	323,935	333,377	2.08
Wisconsin	51,357	1,751	56,681	58,432	60,135	0.38
Wyoming	120,411	4,105	132,893	136,998	140,992	0.88
American Samoa	8,822	301	9,737	10,038	10,330	0.06
Guam	24,443	833	26,977	27,811	28,621	0.18
Northern Mariana Islands	2,011	69	2,219	2,288	2,355	0.01
Puerto Rico	....	....	....	....	....	....
Freely Associated States	....	....	....	....	....	....
Virgin Islands	7,364	251	8,127	8,378	8,623	0.05
Indian Tribes	....	....	....	....	....	....
Undistributed	....	....	....	....	....	....
Disaster Assistance	132,297	258,003	....	258,003	....	....
Total	**13,796,790**	**723,899**	**15,080,930**	**15,804,830**	**16,000,000**	[1] **100.00**

[1] Excludes undistributed obligations.

Table 8-32. Public Housing Capital Fund (14.872)

(Obligations in thousands of dollars)

State or Territory	FY 2006 Actual	Estimated FY 2007 obligations from: Previous authority	New authority	Total	FY 2008 (estimated)	FY 2008 Percentage of distributed total
Alabama	74,004	10,282	67,826	78,108	62,174	3.07
Alaska	2,684	373	2,460	2,833	2,255	0.11
Arizona	11,120	1,545	10,191	11,736	9,342	0.46
Arkansas	22,002	3,057	20,164	23,221	18,484	0.91
California	100,539	13,969	92,145	106,114	84,466	4.17
Colorado	15,451	2,147	14,160	16,307	12,980	0.64
Connecticut	33,286	4,625	30,506	35,131	27,964	1.38
Delaware	5,172	719	4,740	5,459	4,345	0.21
District of Columbia	32,991	4,584	30,237	34,821	27,717	1.37
Florida	81,434	11,315	74,635	85,950	68,415	3.38
Georgia	90,927	12,634	83,335	95,969	76,390	3.77
Hawaii	13,756	1,911	12,608	14,519	11,557	0.57
Idaho	1,163	162	1,066	1,228	977	0.05
Illinois	174,966	24,310	160,357	184,667	146,994	7.26
Indiana	31,987	4,444	29,316	33,760	26,873	1.33
Iowa	5,958	828	5,461	6,289	5,006	0.25
Kansas	13,193	1,833	12,092	13,925	11,084	0.55
Kentucky	44,145	6,134	40,459	46,593	37,087	1.83
Louisiana	85,130	11,828	78,022	89,850	71,520	3.53
Maine	6,477	900	5,937	6,837	5,442	0.27
Maryland	46,050	6,398	42,204	48,602	38,687	1.91
Massachusetts	66,694	9,267	61,125	70,392	56,031	2.77
Michigan	46,547	6,467	42,661	49,128	39,106	1.93
Minnesota	35,343	4,911	32,392	37,303	29,693	1.47
Mississippi	32,255	4,482	29,563	34,045	27,099	1.34
Missouri	39,839	5,535	36,513	42,048	33,470	1.65
Montana	3,418	475	3,132	3,607	2,871	0.14
Nebraska	9,927	1,379	9,098	10,477	8,340	0.41
Nevada	10,809	1,502	9,908	11,410	9,082	0.45
New Hampshire	5,906	821	5,412	6,233	4,961	0.25
New Jersey	83,574	11,612	76,596	88,208	70,213	3.47
New Mexico	8,379	1,164	7,680	8,844	7,040	0.35
New York	407,605	56,634	373,571	430,205	342,440	16.92
North Carolina	63,768	8,859	58,443	67,302	53,573	2.65
North Dakota	−89,446	−12,428	−81,977	−94,405	−75,146	−3.71
Ohio	103,676	14,405	95,019	109,424	87,101	4.30
Oklahoma	21,551	2,994	19,751	22,745	18,105	0.89
Oregon	11,436	1,589	10,480	12,069	9,607	0.47
Pennsylvania	167,687	23,299	153,685	176,984	140,878	6.96
Rhode Island	15,409	2,141	14,123	16,264	12,946	0.64
South Carolina	26,877	3,734	24,634	28,368	22,581	1.12
South Dakota	2,053	285	1,882	2,167	1,725	0.09
Tennessee	65,426	9,091	59,963	69,054	54,966	2.72
Texas	98,404	13,672	90,188	103,860	82,672	4.08
Utah	3,562	495	3,264	3,759	2,992	0.15
Vermont	2,902	403	2,660	3,063	2,438	0.12
Virginia	55,883	7,765	51,217	58,982	46,949	2.32
Washington	32,047	4,453	29,371	33,824	26,923	1.33
West Virginia	10,650	1,480	9,760	11,240	8,947	0.44
Wisconsin	21,463	2,981	19,670	22,651	18,031	0.89
Wyoming	1,080	150	989	1,139	907	0.04
American Samoa	....	....	....	....	....	....
Guam	2,783	387	2,551	2,938	2,338	0.12
Northern Mariana Islands	....	....	....	....	....	....
Puerto Rico	140,910	19,578	129,144	148,722	118,382	5.85
Freely Associated States	....	....	....	....	....	....
Virgin Islands	8,308	1,154	7,615	8,769	6,980	0.34
Indian Tribes	....	....	....	....	....	....
Undistributed	....	....	....	....	....	....
Total	**2,409,160**	**334,734**	**2,208,000**	**2,542,734**	**2,024,000**	[1] **100.00**

[1] Excludes undistributed obligations.

Table 8-33. Community Development Block Grants (14.218)

(Obligations in thousands of dollars)

State or Territory	FY 2006 Actual	Estimated FY 2007 obligations from:			FY 2008 (estimated)	FY 2008 Percentage of distributed total
		Previous authority	New authority	Total		
Alabama	50,788	2,968	51,956	54,924	37,198	1.54
Alaska	4,749	....	4,966	4,966	3,555	0.15
Arizona	55,309	....	56,969	56,969	40,787	1.69
Arkansas	27,654	....	28,958	28,958	20,733	0.86
California	480,027	71,904	492,314	564,218	352,475	14.57
Colorado	40,129	299	40,312	40,611	28,862	1.19
Connecticut	39,212	21,963	43,946	65,909	31,463	1.30
Delaware	7,265	....	7,588	7,588	5,433	0.22
District of Columbia	21,318	19,275	19,570	38,845	14,011	0.58
Florida	173,253	111,108	169,636	280,744	121,452	5.02
Georgia	83,164	....	86,888	86,888	62,208	2.57
Hawaii	15,362	....	16,034	16,034	11,480	0.47
Idaho	11,176	1,324	12,807	14,131	9,169	0.38
Illinois	184,134	25,499	184,729	210,228	132,258	5.47
Indiana	80,895	2,372	73,973	76,345	52,961	2.19
Iowa	41,419	....	43,378	43,378	31,057	1.28
Kansas	25,586	2,485	29,402	31,887	21,050	0.87
Kentucky	46,705	....	48,021	48,021	34,381	1.42
Louisiana	58,207	11,307	65,464	76,771	46,869	1.94
Maine	20,040	....	20,828	20,828	14,912	0.62
Maryland	57,100	8,511	58,583	67,094	41,943	1.73
Massachusetts	120,971	481	115,618	116,099	82,777	3.42
Michigan	138,796	....	138,827	138,827	99,394	4.11
Minnesota	61,912	491	61,168	61,659	43,794	1.81
Mississippi	35,644	3,094	37,051	40,145	26,527	1.10
Missouri	67,950	769	71,029	71,798	50,854	2.10
Montana	9,236	....	9,688	9,688	6,936	0.29
Nebraska	21,305	....	20,440	20,440	14,634	0.61
Nevada	20,332	....	21,316	21,316	15,261	0.63
New Hampshire	13,278	....	13,919	13,919	9,965	0.41
New Jersey	108,937	28,144	106,359	134,503	76,148	3.15
New Mexico	21,193	445	22,157	22,602	15,863	0.66
New York	374,643	22,905	368,230	391,135	263,636	10.90
North Carolina	73,787	....	74,998	74,998	53,695	2.22
North Dakota	6,390	....	6,693	6,693	4,792	0.20
Ohio	164,287	7,583	170,739	178,322	122,241	5.05
Oklahoma	31,032	4,616	31,883	36,499	22,827	0.94
Oregon	38,405	....	38,602	38,602	27,637	1.14
Pennsylvania	222,491	8,780	233,915	242,695	167,473	6.92
Rhode Island	18,138	....	18,067	18,067	12,935	0.53
South Carolina	35,795	5,031	40,929	45,960	29,303	1.21
South Dakota	8,024	....	8,416	8,416	6,025	0.25
Tennessee	50,425	....	52,727	52,727	37,750	1.56
Texas	265,035	95,902	268,828	364,730	192,469	7.96
Utah	20,446	3,171	21,689	24,860	15,528	0.64
Vermont	8,369	....	8,789	8,789	6,293	0.26
Virginia	64,727	4,731	64,541	69,272	46,208	1.91
Washington	61,696	3,441	64,748	68,189	46,357	1.92
West Virginia	25,166	112	26,452	26,564	18,938	0.78
Wisconsin	65,898	2,726	70,376	73,102	50,386	2.08
Wyoming	4,233	460	4,430	4,890	3,172	0.13
American Samoa	1,020	1,018	1,028	2,046	1,028	0.04
Guam	2,757	2,751	2,779	5,530	2,779	0.11
Northern Mariana Islands	1,233	1,230	1,243	2,473	1,243	0.05
Puerto Rico	112,482	1,371	116,634	118,005	83,505	3.45
Freely Associated States	....	....	....	....	....	....
Virgin Islands	1,934	1,930	1,950	3,880	1,950	0.08
Indian Tribes	....	....	....	....	....	....
Undistributed	21,541	....	....	....	200,000	....
Brownfields	....	....	15,000	15,000	....	....
Economic Development Initiative Rescission	....	....	....	....	−356,000	−14.72
Adjustments to Prior Year Funds	....	−12,777	....	−12,777	....	....
Total [1]	[2] **3,823,000**	**467,420**	**3,887,580**	[3] **4,355,000**	[3] **2,618,580**	[4] **100.00**

[1] Includes Small Cities Program (CFDA 14.219), Special Purpose Grants/Insular Areas (CFDA 14.225), State's Program (CFDA 14.228), and Brownfields Economic Development Initiative (CFDA 14.246).

[2] Excludes Disaster Supplementals.

[3] Based on estimated budget authority.

[4] Excludes undistributed obligations.

Table 8-34. Mineral Leasing and Associated Payments (1)

(Obligations in thousands of dollars)

State or Territory	FY 2006 Actual	Estimated FY 2007 obligations from: Previous authority	New authority	Total	FY 2008 (estimated)	FY 2008 Percentage of distributed total
Alabama	457	....	406	406	432	0.02
Alaska	14,431	....	12,811	12,811	13,626	0.68
Arizona	135	....	120	120	127	0.01
Arkansas	3,030	....	2,690	2,690	2,861	0.14
California	47,481	....	42,151	42,151	44,833	2.25
Colorado	147,408	....	130,861	130,861	139,187	6.98
Connecticut	....	....	....	....	....	....
Delaware	....	....	....	....	....	....
District of Columbia	....	....	....	....	....	....
Florida	142	....	126	126	134	0.01
Georgia	....	....	....	....	....	....
Hawaii	....	....	....	....	....	....
Idaho	1,275	....	1,132	1,132	1,204	0.06
Illinois	....	....	....	....	....	....
Indiana	....	....	....	....	....	....
Iowa	....	....	....	....	....	....
Kansas	2,447	....	2,172	2,172	2,311	0.12
Kentucky	....	....	....	....	....	....
Louisiana	790	....	701	701	746	0.04
Maine	....	....	....	....	....	....
Maryland	....	....	....	....	....	....
Massachusetts	....	....	....	....	....	....
Michigan	552	....	490	490	521	0.03
Minnesota	1	....	1	1	1	*
Mississippi	73	....	65	65	69	*
Missouri	....	....	....	....	....	....
Montana	38,273	....	33,977	33,977	36,138	1.81
Nebraska	28	....	24	24	26	*
Nevada	7,697	....	6,833	6,833	7,268	0.36
New Hampshire	....	....	....	....	....	....
New Jersey	....	....	....	....	....	....
New Mexico	574,195	....	509,741	509,741	542,171	27.18
New York	....	....	....	....	....	....
North Carolina	....	....	....	....	....	....
North Dakota	15,244	....	13,533	13,533	14,394	0.72
Ohio	....	....	....	....	....	....
Oklahoma	4,598	....	4,082	4,082	4,342	0.22
Oregon	657	....	583	583	620	0.03
Pennsylvania	....	....	....	....	....	....
Rhode Island	....	....	....	....	....	....
South Carolina	....	....	....	....	....	....
South Dakota	850	....	755	755	803	0.04
Tennessee	....	....	....	....	....	....
Texas	5,355	....	4,754	4,754	5,056	0.25
Utah	173,132	....	153,698	153,698	163,476	8.20
Vermont	....	....	....	....	....	....
Virginia	....	....	....	....	....	....
Washington	1,082	....	961	961	1,022	0.05
West Virginia	....	....	....	....	....	....
Wisconsin	....	....	....	....	....	....
Wyoming	1,073,217	....	952,746	952,746	1,013,361	50.80
American Samoa	....	....	....	....	....	....
Guam	....	....	....	....	....	....
Northern Mariana Islands	....	....	....	....	....	....
Puerto Rico	....	....	....	....	....	....
Freely Associated States	....	....	....	....	....	....
Virgin Islands	....	....	....	....	....	....
Indian Tribes	....	....	....	....	....	....
Undistributed	....	....	....	....	....	....
Total [1]	**2,112,550**	....	**1,875,413**	**1,875,413**	**1,994,729**	[2] **100.00**

* $500 or less or 0.005 percent or less.
[1] This program is not included in the Catalog of Federal Domestic Assistance.
[2] Excludes undistributed obligations.

Table 8-35. Airport Improvement Program (20.106)

(Obligations in thousands of dollars)

State or Territory	FY 2006 Actual	Estimated FY 2007 obligations from: Previous authority	New authority	Total	FY 2008 (estimated)	FY 2008 Percentage of distributed total
Alabama	59,317	....	56,132	56,132	43,285	1.64
Alaska	232,319	....	219,842	219,842	169,528	6.42
Arizona	71,738	....	67,885	67,885	52,349	1.98
Arkansas	35,625	....	33,712	33,712	25,997	0.98
California	317,795	....	300,728	300,728	231,902	8.78
Colorado	90,562	....	85,699	85,699	66,085	2.50
Connecticut	11,106	....	10,510	10,510	8,104	0.31
Delaware	6,322	....	5,983	5,983	4,613	0.17
District of Columbia	355	....	336	336	259	0.01
Florida	[1] 172,084	....	162,600	162,600	125,387	4.75
Georgia	96,322	....	91,149	91,149	70,288	2.66
Hawaii	33,076	....	31,300	31,300	24,136	0.91
Idaho	22,102	....	20,915	20,915	16,128	0.61
Illinois	159,073	....	150,530	150,530	116,079	4.40
Indiana	59,631	....	56,429	56,429	43,514	1.65
Iowa	40,959	....	38,759	38,759	29,889	1.13
Kansas	22,714	....	21,494	21,494	16,575	0.63
Kentucky	86,935	....	82,266	82,266	63,439	2.40
Louisiana	73,411	....	69,469	69,469	53,570	2.03
Maine	18,975	....	17,956	17,956	13,846	0.52
Maryland	37,672	....	35,649	35,649	27,490	1.04
Massachusetts	38,354	....	36,294	36,294	27,988	1.06
Michigan	110,228	....	104,308	104,308	80,436	3.05
Minnesota	65,442	....	61,927	61,927	47,754	1.81
Mississippi	110,723	....	104,776	104,776	80,797	3.06
Missouri	80,579	....	76,251	76,251	58,800	2.23
Montana	32,695	....	30,939	30,939	23,858	0.90
Nebraska	28,178	....	26,665	26,665	20,562	0.78
Nevada	44,720	....	42,319	42,319	32,633	1.24
New Hampshire	36,333	....	34,382	34,382	26,513	1.00
New Jersey	57,919	....	54,808	54,808	42,265	1.60
New Mexico	24,819	....	23,486	23,486	18,111	0.69
New York	155,910	....	147,537	147,537	113,771	4.31
North Carolina	65,624	....	62,099	62,099	47,887	1.81
North Dakota	19,499	....	18,452	18,452	14,229	0.54
Ohio	87,114	....	82,436	82,436	63,569	2.41
Oklahoma	45,615	....	43,166	43,166	33,287	1.26
Oregon	34,879	....	33,006	33,006	25,452	0.96
Pennsylvania	120,634	....	114,156	114,156	88,030	3.33
Rhode Island	25,758	....	24,375	24,375	18,796	0.71
South Carolina	27,419	....	25,947	25,947	20,009	0.76
South Dakota	24,073	....	22,780	22,780	17,567	0.67
Tennessee	68,291	....	64,624	64,624	49,834	1.89
Texas	266,211	....	251,914	251,914	194,260	7.36
Utah	46,630	....	44,126	44,126	34,027	1.29
Vermont	7,350	....	6,955	6,955	5,363	0.20
Virginia	84,730	....	80,179	80,179	61,829	2.34
Washington	95,985	....	90,830	90,830	70,042	2.65
West Virginia	31,463	....	29,773	29,773	22,959	0.87
Wisconsin	61,663	....	58,351	58,351	44,997	1.70
Wyoming	17,701	....	16,750	16,750	12,917	0.49
American Samoa	....	....	....	....	....	....
Guam	9,532	....	9,020	9,020	6,956	0.26
Northern Mariana Islands	29,999	....	28,388	28,388	21,891	0.83
Puerto Rico	11,440	....	10,832	10,832	8,353	0.32
Freely Associated States	....	....	....	....	....	....
Virgin Islands	3,299	....	3,121	3,121	2,407	0.09
Indian Tribes	....	....	....	....	....	....
Undistributed	90,339	....	90,185	90,185	109,388	....
Total	**3,709,241**	....	**3,514,500**	**3,514,500**	**2,750,000**	[2] **100.00**

[1] Includes Emergency Response Grant funding.
[2] Excludes undistributed obligations.

Table 8-36. Highway Planning and Construction (20.205)

(Obligations in thousands of dollars)

State or Territory	FY 2006 Actual	Estimated FY 2007 obligations from: Previous authority	New authority	Total	FY 2008 (estimated)	FY 2008 Percentage of distributed total
Alabama	618,975	....	548,700	548,700	654,118	1.99
Alaska	372,147	....	250,267	250,267	297,346	0.91
Arizona	476,573	....	538,529	538,529	607,839	1.85
Arkansas	433,870	....	347,184	347,184	415,195	1.26
California	2,850,603	....	2,408,038	2,408,038	3,156,772	9.61
Colorado	383,086	....	360,141	360,141	445,235	1.36
Connecticut	431,712	....	366,382	366,382	429,975	1.31
Delaware	140,484	....	109,353	109,353	131,851	0.40
District of Columbia	128,947	....	111,043	111,043	132,757	0.40
Florida	2,047,791	....	1,406,291	1,406,291	1,569,233	4.78
Georgia	1,095,630	....	969,692	969,692	1,156,480	3.52
Hawaii	110,882	....	115,267	115,267	136,719	0.42
Idaho	228,981	....	203,333	203,333	242,347	0.74
Illinois	1,023,014	....	910,388	910,388	1,140,222	3.47
Indiana	753,457	....	704,288	704,288	832,033	2.53
Iowa	339,701	....	295,144	295,144	361,208	1.10
Kansas	390,821	....	278,297	278,297	332,208	1.01
Kentucky	499,581	....	472,047	472,047	564,936	1.72
Louisiana	1,241,933	....	428,616	428,616	513,048	1.56
Maine	170,867	....	122,527	122,527	150,249	0.46
Maryland	475,565	....	441,365	441,365	514,730	1.57
Massachusetts	572,088	....	451,909	451,909	541,395	1.65
Michigan	976,091	....	821,004	821,004	1,050,691	3.20
Minnesota	474,610	....	437,258	437,258	567,992	1.73
Mississippi	1,262,560	....	329,837	329,837	391,126	1.19
Missouri	676,453	....	645,400	645,400	773,247	2.35
Montana	329,907	....	262,635	262,635	312,985	0.95
Nebraska	266,371	....	201,577	201,577	243,429	0.74
Nevada	274,778	....	189,509	189,509	212,782	0.65
New Hampshire	150,699	....	124,655	124,655	147,376	0.45
New Jersey	724,937	....	742,676	742,676	848,554	2.58
New Mexico	304,090	....	263,313	263,313	314,681	0.96
New York	1,388,547	....	1,235,368	1,235,368	1,463,313	4.45
North Carolina	847,860	....	790,658	790,658	938,729	2.86
North Dakota	242,982	....	170,821	170,821	205,828	0.63
Ohio	1,087,836	....	1,003,336	1,003,336	1,215,672	3.70
Oklahoma	500,605	....	417,431	417,431	503,858	1.53
Oregon	354,465	....	312,843	312,843	376,965	1.15
Pennsylvania	1,191,352	....	1,231,575	1,231,575	1,453,084	4.42
Rhode Island	184,152	....	138,243	138,243	162,932	0.50
South Carolina	528,297	....	463,552	463,552	524,163	1.60
South Dakota	227,132	....	183,777	183,777	220,571	0.67
Tennessee	615,152	....	608,526	608,526	707,799	2.15
Texas	2,584,506	....	2,336,793	2,336,793	2,668,568	8.12
Utah	231,410	....	198,305	198,305	235,490	0.72
Vermont	161,911	....	116,196	116,196	143,266	0.44
Virginia	667,161	....	752,517	752,517	867,826	2.64
Washington	693,629	....	464,963	464,963	566,351	1.72
West Virginia	427,069	....	297,110	297,110	355,794	1.08
Wisconsin	608,062	....	535,233	535,233	637,629	1.94
Wyoming	205,296	....	187,340	187,340	225,021	0.69
American Samoa	8,149	....	5,529	5,529	6,452	0.02
Guam	13,611	....	9,236	9,236	10,777	0.03
Northern Mariana Islands	4,862	....	3,299	3,299	3,850	0.01
Puerto Rico	93,690	....	110,025	110,025	137,895	0.42
Freely Associated States	....	....	....	....	....	....
Virgin Islands	33,433	....	22,686	22,686	26,471	0.08
Indian Tribes	....	....	....	....	....	....
Undistributed	....	....	8,219,992	8,219,992	6,738,016	....
Total	**33,128,373**	....	**35,672,019**	**35,672,019**	**39,585,079**	[1] **100.00**

[1] Excludes undistributed obligations.

Table 8-37. Capital Investment Grants—Fixed Guideway Modernization (Section 5309) (20.500)

(Obligations in thousands of dollars)

State or Territory	FY 2006 Actual	Estimated FY 2007 obligations from:			FY 2008 (estimated)	FY 2008 Percentage of distributed total
		Previous authority	New authority	Total		
Alabama	....	....	....	....	....	....
Alaska	12,758	146	10,138	10,284	21,263	1.25
Arizona	2,288	1,327	2,062	3,389	3,734	0.22
Arkansas	....	....	....	....	....	....
California	135,963	24,133	130,612	154,745	232,484	13.67
Colorado	4,503	....	2,677	2,677	5,340	0.31
Connecticut	43,825	22,730	32,925	55,655	50,358	2.96
Delaware	....	....	....	....	....	....
District of Columbia	70,359	3,012	45,518	48,530	84,789	4.98
Florida	21,251	7,036	16,645	23,681	30,827	1.81
Georgia	8,857	18,990	21,835	40,825	42,780	2.52
Hawaii	2,400	157	970	1,126	1,817	0.11
Idaho	....	....	....	....	....	....
Illinois	168,374	1,371	110,702	112,074	174,055	10.23
Indiana	13,891	....	7,192	7,192	11,591	0.68
Iowa	....	....	....	....	....	....
Kansas	....	....	....	....	....	....
Kentucky	....	....	....	....	....	....
Louisiana	2,667	804	2,492	3,296	3,813	0.22
Maine	....	....	....	....	....	....
Maryland	50,803	15,174	23,579	38,754	39,804	2.34
Massachusetts	103,609	29,265	63,138	92,403	100,627	5.92
Michigan	1,224	....	252	252	485	0.03
Minnesota	2,400	8,276	5,420	13,695	9,739	0.57
Mississippi	....	....	....	....	....	....
Missouri	8,355	16	3,415	3,431	6,730	0.40
Montana	....	....	....	....	....	....
Nebraska	....	....	....	....	....	....
Nevada	....	....	....	....	....	....
New Hampshire	....	....	....	....	....	....
New Jersey	93,563	3,150	86,183	89,333	133,509	7.85
New Mexico	....	....	....	....	....	....
New York	519,390	791	305,013	305,804	481,989	28.34
North Carolina	....	....	....	....	....	....
North Dakota	....	....	....	....	....	....
Ohio	22,659	1,699	14,407	16,106	22,927	1.35
Oklahoma	....	....	....	....	....	....
Oregon	7,525	*	5,847	5,847	6,831	0.40
Pennsylvania	28,834	45,089	81,264	126,353	124,611	7.33
Rhode Island	525	1,378	59	1,437	107	0.01
South Carolina	....	....	....	....	....	....
South Dakota	....	....	....	....	....	....
Tennessee	89	210	342	552	524	0.03
Texas	29,616	7,462	11,596	19,058	21,239	1.25
Utah	....	....	....	....	....	....
Vermont	....	....	....	....	....	....
Virginia	9,645	....	14,830	14,830	27,630	1.62
Washington	26,275	1,409	20,414	21,822	35,895	2.11
West Virginia	....	1,025	855	1,880	1,599	0.09
Wisconsin	785	260	820	1,080	1,615	0.09
Wyoming	....	....	....	....	....	....
American Samoa	....	....	....	....	....	....
Guam	....	....	....	....	....	....
Northern Mariana Islands	....	....	....	....	....	....
Puerto Rico	877	2,070	1,641	3,711	3,358	0.20
Freely Associated States	....	....	....	....	....	....
Virgin Islands	....	....	....	....	....	....
Indian Tribes	....	....	....	....	....	....
Undistributed	....	....	....	....	....	....
Oversight	13,298	....	13,298	13,298	18,854	1.11
Total [1]	**1,406,611**	**196,980**	**1,036,142**	**1,233,122**	**1,700,923**	[2] **100.00**

* $500 or less or 0.005 percent or less.

[1] Includes funding from the Formula and Bus Grants Program (69X8350).

[2] Excludes undistributed obligations.

Table 8-38. Federal Transit Formula Grants and Research (20.507)

(Obligations in thousands of dollars)

State or Territory	FY 2006 Actual	Estimated FY 2007 obligations from:			FY 2008 (estimated)	FY 2008 Percentage of distributed total
		Previous authority	New authority	Total		
Alabama	44,912	12,539	27,461	40,001	47,660	0.73
Alaska	23,818	5,020	21,857	26,877	38,650	0.59
Arizona	86,475	33,732	52,365	86,097	93,884	1.43
Arkansas	20,437	2,648	16,558	19,206	28,230	0.43
California	828,993	212,526	535,338	747,864	978,117	14.89
Colorado	72,793	4,132	50,443	54,575	87,656	1.33
Connecticut	71,059	44,329	54,261	98,590	98,542	1.50
Delaware	15,574	1,367	9,483	10,850	16,701	0.25
District of Columbia	133,260	11,648	55,579	67,228	102,258	1.56
Florida	197,020	76,751	171,374	248,125	308,158	4.69
Georgia	124,679	48,743	75,660	124,402	135,123	2.06
Hawaii	22,381	3,209	21,672	24,881	42,018	0.64
Idaho	10,593	2,901	10,281	13,182	17,661	0.27
Illinois	322,588	12,161	197,699	209,860	360,150	5.48
Indiana	57,379	22,743	44,683	67,427	80,469	1.23
Iowa	28,286	4,452	20,841	25,293	36,310	0.55
Kansas	12,975	10,844	17,193	28,036	29,439	0.45
Kentucky	29,299	5,387	27,660	33,048	48,438	0.74
Louisiana	35,556	19,706	36,256	55,962	65,311	0.99
Maine	19,599	1,805	8,150	9,955	13,695	0.21
Maryland	83,713	14,882	84,699	99,581	154,311	2.35
Massachusetts	117,962	72,869	134,291	207,161	251,367	3.83
Michigan	112,398	11,695	76,725	88,420	138,384	2.11
Minnesota	105,947	26,391	48,343	74,734	86,246	1.31
Mississippi	15,731	7,099	15,184	22,284	25,725	0.39
Missouri	80,944	14,739	45,616	60,355	80,769	1.23
Montana	7,010	4,146	8,590	12,736	14,272	0.22
Nebraska	16,073	2,063	12,858	14,921	21,867	0.33
Nevada	57,279	12,936	25,108	38,044	42,062	0.64
New Hampshire	22,022	3,599	7,840	11,439	13,479	0.21
New Jersey	214,384	14,442	221,942	236,384	404,893	6.16
New Mexico	18,869	10,234	15,093	25,327	26,496	0.40
New York	759,866	488,464	503,768	992,232	924,181	14.07
North Carolina	69,056	35,594	55,473	91,067	98,093	1.49
North Dakota	8,912	237	6,296	6,533	10,627	0.16
Ohio	205,835	25,658	95,353	121,011	172,746	2.63
Oklahoma	33,855	2,387	22,137	24,525	38,997	0.59
Oregon	99,939	3,077	40,102	43,178	71,395	1.09
Pennsylvania	504,096	63,651	147,579	211,230	269,748	4.11
Rhode Island	18,856	8,956	15,146	24,102	27,227	0.41
South Carolina	38,048	9,621	23,938	33,559	42,807	0.65
South Dakota	9,570	1,049	6,468	7,517	10,737	0.16
Tennessee	61,228	11,683	39,394	51,078	68,858	1.05
Texas	281,590	67,939	207,119	275,059	379,558	5.78
Utah	43,440	1,209	28,753	29,963	52,435	0.80
Vermont	11,344	253	3,751	4,004	6,455	0.10
Virginia	101,462	32,771	60,082	92,853	107,821	1.64
Washington	84,624	38,867	92,268	131,135	164,920	2.51
West Virginia	13,614	1,434	11,275	12,709	19,351	0.29
Wisconsin	66,401	11,835	46,497	58,331	83,621	1.27
Wyoming	4,381	1,725	5,187	6,912	8,414	0.13
American Samoa	....	297	395	692	490	0.01
Guam	982	....	669	669	1,071	0.02
Northern Mariana Islands	949	....	739	739	1,373	0.02
Puerto Rico	76,769	27,113	49,111	76,224	75,081	1.14
Freely Associated States	....	....	....	....	....	....
Virgin Islands	157	460	837	1,297	1,517	0.02
Indian Tribes	....	....	....	....	....	....
Undistributed	....	....	....	....	....	....
Oversight	28,685	....	31,542	31,542	41,966	0.64
Total [1]	**5,533,669**	**1,566,024**	**3,644,980**	**5,211,004**	**6,567,831**	[2] **100.00**

[1] Includes Metropolitan Planning (CFDA 20.505), Formula Program for Non-Urbanized Areas (CFDA 20.509), Rural Transportation Assistance Program (CFDA 20.509), Elderly and Persons with Disabilities (CFDA 20.513), Job Access and Reverse Commute (CFDA 20.516), and New Freedom Initiative (CFDA 20.521).

[2] Excludes undistributed obligations.

9. INTEGRATING SERVICES WITH INFORMATION TECHNOLOGY

As one of the largest users and acquirers of data, information and supporting technology systems in the world, the United States Government will continue its efforts to strengthen its capabilities in managing technology and information in order to be the world's leader in information technology. This year, the President proposes to spend about $65 billion for Information Technology (IT) and the associated support services. Departments and agencies continue to build upon their successes including their efforts with portfolio management by applying the principles and methods of Earned Value Management (EVM) to achieve greater savings, better results and improved customer service levels.

ACHIEVING RESULTS FOR THE AMERICAN PEOPLE

The Federal government continues to make progress by maximizing its, IT investments to deliver program results through the adoption of electronic government management principles and best practices. Departments and agencies continue to focus on:

- Improving service levels to citizens and government decision makers;
- Making better purchasing decisions;
- Securing our systems and data; and
- Reducing duplication and related costs.

This Budget chapter and Table 9–1, "Effectiveness of Agency's IT Management and E-Gov Processes," included on the CD–ROM, fulfill the statutory reporting requirement of the Clinger-Cohen Act of 1996. Other management guidance provided to Federal departments and agencies is included on Table 9–2, "Management Guidance," and is available at *www.whitehouse.gov/OMB/memoranda.*

Government Performance.—The Federal government has shown improvement over the last year in achieving the goals specifically included in the President's Management Agenda, the Expanded Electronic Government (E-Government) initiative. For example, each IT investment must have specific performance targets tied to a specific, significant, beneficial impact for our citizens. Performance functions must be defined, valued and deliver measurable results.

The Federal departments and agencies continue to improve in their efforts to guarantee the success and results for the taxpayer. There were 263 major investments representing about $10 billion on the "Management Watch List," i.e., those IT investment justifications needing improvement in performance measurement, earned value management or system security. Before the start of the fiscal year, agencies were directed to remediate the shortfalls identified prior to expending additional funds. The agencies have worked to remediate the weaknesses or have put measures in place to monitor the progress of the IT investment which could include multiple projects. If an investment is still on the "Management Watch List," agencies must describe their plans to manage or mitigate risk before undertaking or continuing activities related to that investment. As of December 31, 2006, 81 percent of the agencies (22 of 27) had all acceptable FY 2007 business cases. Thus, remaining on last year's Management Watch list, there were 84 business cases valued in FY 07 at $4.3 billion from five agencies. This year, 346 of the 840 FY 2008 major IT investments are on the "Management Watch List." These investments still need to address performance measures, implementation of earned value management, security or other issues before obligating funding in Fiscal Year 2008. See Table 9–3, "Agencies with IT Investments on the Management Watch List."

The Report on Information Technology (IT) Spending for the Federal Government (Exhibit 53) will be published in the spring of 2007 and is located at *www.whitehouse.gov/OMB*. It provides details of the Administration's proposed 2008 IT investments. Related documents on IT security and Electronic Government (E-Government) are also available at *www.whitehouse.gov/OMB*.

Fiscal Year 2008 proposed IT investments were analyzed for trends and potential duplications across government entities. At about $65 billion, the Fiscal Year 2008 Federal IT portfolio represents a 3 percent increase over Fiscal Year 2007 President's Budget. The following represents the highlights:

	FY 2006	FY 2007	FY 2008	Percent Change [1]
Major IT Investments	1,087	857	840	–2%
Not Well Planned and Managed	358	263	346	32%
Well Planned and Managed	682	594	494	–17%

[1] Change from FY 2007 to FY 2008.

The decreasing number of major IT investments is attributed to departments and agencies better managing their Capital Planning and Investment Control (CPIC) process in conformance with their enterprise architectures. The continued maturation of the CPIC processes provide for greater oversight and evaluation of the investments achieving and/or addressing intended results by departments' and agencies' Chief Information Officers. This oversight and understanding allows for changes in the IT portfolio to address mission priorities, consolidation and elimination of redundant investments.

With the Administration's focus on achieving program results, the department and agencies partner with OMB to identify high-risk projects (those IT projects requiring special attention from oversight authorities and/or the highest level of agency management) and report on the agreed upon list of projects quarterly to OMB. As a result, oversight authorities and agency management now have available quarterly data on the progress of these projects to ensure improved execution and performance. OMB is working with departments and agencies to implement corrective action plans in cases where a project did not meet one or more of the four principle criteria. Additional information about high-risk projects including agency performance for FY07Q1 can be found at: *www.whitehouse.gov/omb/egov/b-1-information.html#io.*

When duplication across Federal agencies has been identified, the Administration has an ongoing process to bring together the appropriate agencies and help them to consider broad-based approaches to promote inter-agency data sharing and cooperation in building common solutions, rather than maintaining separate investments. Upon migration to common, government-wide solutions, agencies will shut down existing systems—which will not only save money but also free-up resources for agencies to better focus on achieving their missions. These inter-agency taskforces focus on the agency Lines of Business (LoB) rather than a specific technology or investment. The following are the current LoB initiatives underway:

- Case Management;
- Federal Health Architecture;
- Financial Management;
- Human Resources Management;
- Grants Management;
- Information System Security;
- Budget Formulation and Execution;
- IT Infrastructure; and
- Geospatial.

The inter-agency taskforces have driven significant accomplishments for each LoB initiative. The Information System Security (ISS) LoB evaluated agency proposals to become shared service centers in the areas of security awareness training and Federal Information Security Management Act (FISMA) reporting. On the basis of the evaluation and recommendations, the following agencies were selected to be the initial shared service centers:

- Security Awareness Training:
  —Office of Personnel Management
  —Department of State/United States Agency for International Development
  —Department of Defense
- FISMA Reporting:
  —Environmental Protection Agency
  —Department of Justice

Accomplishments of this LoB and the remaining LoB initiatives as well as the next steps are included in Table 9–5, "Lines of Business (LoB) Update."

The Administration continues to leverage government buying power while reducing redundant purchases through the SmartBUY program. Launched in June 2003, the SmartBUY program continues to provide increased cost avoidance savings to federal agencies through new and existing agreements with commercial software providers. In FY 2006, the Federal Government has achieved cost avoidance of over $300 million for the Oracle agreement alone. The SmartBUY Office located at the General Services Administration (GSA) continues to manage a total of nine agreements. In December 2006, the Administration established an agreement with the first of several Antivirus software developers with projected cost avoidance of as much as $18 million annually compared with the current best pricing available on GSA schedule and projected agency buying patterns. SmartBUY will continue to identify and develop new agreements throughout the year. In particular, SmartBUY will pursue a multiple award agreement in support of OMB policy memorandum, M-06–16, "Protection of Sensitive Agency Information," which would include data at rest and remote access.

Government IT Workforce.—With rapid advances in IT, improved program performance is first and foremost driven by the Federal employees who manage the IT projects and portfolios. Qualified project managers and an IT workforce with the necessary skills and competencies help ensure agency investments are well planned and managed. In 2005, agencies submitted plans to OMB for closing critical IT skill and competency gaps. Progress against these plans is measured and included in the President's Management Agenda Human Capital Scorecard. As of September 30, 2006, out of the 26 scorecard agencies:

- 17 agencies (65 percent) have met all planned skill or competency gap closure milestones; and
- 15 agencies (58 percent) have met or are consistently meeting their IT hiring targets.

The table below provides a summary of agency progress toward hiring goals.

Job Area	Fiscal Year 2006—Total Number of Current Positions [1]	Number of Vacant Positions Agencies Planned to Fill by the End of Fiscal Year FY 2006
IT Project Management	4,619	600
IT Security	9,030	488
IT Architecture (Enterprise)	1,169	180
IT Architecture (Solutions)	942	148
Total	15,760	1,416

[1] As of date agencies reported to OMB.

Agencies have also made progress in assignment of project managers to major IT investments. As reported by agencies on their FY 2008 Exhibit 53 submissions, 83 percent of major IT investments have qualified project managers, an increase from approximately 70 percent in agency FY 2007 submissions.

Going forward, agencies are completing a new IT Workforce Assessment Survey developed and administered by the Chief Information Officers (CIO) Council. The survey collects information from Federal IT professionals about the types of work they perform, as well as their level of proficiency in competencies and skills. The survey also identifies top training needs; gathers information on the types of certifications owned by employees; and provides key demographic data. Using the survey results, agencies will prepare a gap analysis report and improvement plan. OMB will be working in conjunction with OPM and the CIO Council to review the survey results as well as the agency plans to address identified gaps.

Securing Government Systems.—The Federal government continues to improve information security performance; however, declines in a few agencies have resulted in a net decrease in overall performance in some areas. Additionally, aspects of IT security such as securing data on removable media remain under addressed government-wide. Departments and agencies progress against their corrective actions plans will be measured in the President's Management Agenda Expanded Electronic Government Scorecard. On balance, the majority of agencies continue to improve or sustain high performance. Agencies report quarterly on their efforts to address IT security weaknesses against key IT security performance measures.

The 2006 agency FISMA reports reveal continued progress in the area of system certification and accreditation. In FY 2006, the percentage of certified and accredited systems rose from 85 percent to 88 percent, despite a 3 percent increase in the total system inventory to 10,600 operational systems. A few larger agencies made exceptional progress in closing the gap on certification and accreditation and testing of security controls and contingency plans. The State Department and Department of Homeland security both more than doubled their percentage of secured systems. Several departments achieved impressive increases in the percentage of systems with tested security controls and/or contingency plans, most notably Homeland Security, the Department of Housing and Urban Development, the Department of Defense, Department of Energy, Education, and the General Services Administration.

Overall quality of the certification and accreditation processes as determined by agency Inspectors General (IG) decreased slightly compared to 2005, with 60 percent of agencies reporting "satisfactory" or better processes. Over 72 percent of agencies can demonstrate they have an effective process in place for identifying and correcting weaknesses, a slight decrease from 2005.

The overall security status and progress in percentage of systems, from FY 2002 to FY 2006, is as follows:

(In Fiscal Years)

	2002	2003	2004	2005	2006
Effective Security and Privacy Controls (C&A)	47%	62%	77%	85%	88%
Tested Contingency Plans	35%	48%	57%	61%	88%
Tested Security Controls	60%	64%	76%	72%	77%
Total Systems Reported	7,957	7,998	8,623	10,289	10,600

The number of agencies where the IG has verified the process exists to remediate IT security weaknesses (Plan of Actions & Milestones):

FY 2002	N/A (was not required in until FY 2003)
FY 2003	12
FY 2004	18
FY 2005	19
FY 2006	18

Government-wide, incremental progress in resolving fundamental IT security weaknesses has been made in many aspects of information security; however departments and agencies must continually assess the risks associated with technological developments and service offerings. Thus, each year brings new challenges and approaches, and potentially new measures for performance. Additional information and detail concerning the Federal Government's IT security program and agency IT security performance can be found in OMB's Annual Report to Congress on IT Security. The next such report will be issued by March 1, 2007, and will be made available on OMB's website.

Protecting Privacy.—In 2006, several agencies experienced high profile data security breaches involving personal information. Most notable of these was the Department of Veterans Affairs, but significant problems also exist at other departments and agencies. Virtually all of these incidents resulted from "internal" problems within agencies and not external attacks on agency systems.

To help address this issue, in May 2006, the President signed an Executive Order creating the Federal Identity Theft Task Force. Several of the Task Force's interim recommendations address the need to improve data security in the government, improve the agencies' ability to respond to data breaches, and reduce the risk to personally identifiable information.

In this context, OMB has issued four security and privacy policy and advisory memoranda. These memoranda reemphasize agency responsibilities under law and policy regarding protection and safeguard of sensitive personally identifiable information, including information accessed through removable media, and incident reporting. They are included in Table 9–2, "Management Guidance," and are available at: *www.whitehouse.gov/OMB/memoranda.*

To help ensure safeguard of personally identifiable information, agencies are required to report on several performance metrics related to information privacy. Additionally, this year agencies were also required to provide quantitative performance measures to assess the privacy of agencies' personally identifiable information. The FY 2006 agency FISMA reports reveal modest success in meeting several key privacy performance measures:

- *Program Oversight.* In 2006, the majority of agencies report having appropriate oversight over their privacy programs in place. All agencies report having a privacy official who participates in privacy compliance activities, however, 84 percent report coordinated oversight coordination with the Office of the Inspector General (OIG). Most agencies report privacy training for Federal employees and contractors, with 92 percent reporting general privacy training and 84 percent reporting job-specific privacy training.
- *Privacy Impact Assessments.* In 2006, 82 percent of applicable systems government-wide have publicly posted privacy impact assessments verses the goal of 90 percent.
- *System of Records Notices (SORNs).* In 2006, 82 percent of systems government-wide with personally identifiable information contained in a system of records covered by the Privacy Act have developed, published, and maintained current systems of records notices verses the goal of 90 percent.

Initiative to Secure Federal Information Systems and Facilities.—Inconsistent agency approaches to facility security and computer security are inefficient and costly, and increase risks to the Federal government. On August 27, 2004, the President signed Homeland Security Presidential Directive (HSPD) 12, "Policy for a Common Identification Standard for Federal Employees and Contractors," which requires agencies to implement a mandatory, government-wide standard for secure and reliable forms of identification for Federal employees and contractors. In October 2006, agencies met the major milestone of their HSPD-12 implementation plans which was to begin issuance of compliant identification cards. During FY2007—FY2008, agencies are required to complete issuance of these IDs to all applicable employees and contractors and install infrastructure to use them.

Initiative for Improving Government Networking Capabilities.—In order for the departments and agencies to overcome technical limitations arising from this need to interoperate and support emerging requirements and technologies, the Administration set June 2008 as the date by which all agencies' infrastructure (network backbones) must be IPv6-capable. In August 2005, OMB issued guidance to agencies to ensure an orderly and secure transition from Internet Protocol Version 4 (IPv4) to Version 6 (IPv6). Since the Internet Protocol is core to an agency's IT infrastructure, in February 2006, the Administration began using the Enterprise Architecture (EA) Assessment Framework to evaluate agency IPv6 transition planning and progress. The agencies are responsible for a series of actions by specific dates. For instance, by June 30, 2006, agencies were to complete:

—an inventory of existing routers, switches, and hardware firewalls; and

—an impact analysis of fiscal and operational impacts and risks.

Agencies are required to submit status reports with their quarterly EA submissions showing progress against the agency-specific milestones detailed in their IPv6 transition plans.

To avoid unnecessary costs in the future, agencies are also required to the maximum extent practicable, to ensure all new IT procurements are IPv6 compliant. Any exceptions to the use of IPv6 require the agency's CIO to give advance, written approval. In support of this requirement, the National Institute of Standards and Technology (NIST) will release a standards profile. The profile will be released for public comment in January 2007.

Additionally, the President's National Strategy to Secure Cyberspace directed the Secretary of Commerce to form a task force to examine the most recent iteration of the Internet Protocol, IP version 6 (IPv6). The President charged the task force with considering a variety of IPv6-related issues, "including the appropriate role of government, international interoperability, security in transition, and costs and benefits." The task force, co-chaired by the Administrator of the National Telecommunications and Information Administration (NTIA) and the Director of the NIST, prepared a report discussing the benefits and impacts of IPv6. This report was published in January 2006.

Making Government Accessible to All.—The efficient, effective, and appropriately consistent use of Federal agency public websites is important to promote a more citizen centered government. Federal agency public websites are information resources funded in whole or in part by the Federal government and operated by an agency, contractor, or other organization on behalf of the agency. They present government information or provide services to the public or a specific non-Federal user group and support the proper performance of an agency function.

GSA's Office of Citizen Services and Communications manages the operations of FirstGov.gov and recently upgraded their search capability and changed its name to USA.gov in order to improve public access to Federal government information.

An interagency "web content" working group, sponsored by GSA, regularly hosts training for Federal agency webmasters and public affairs officers. Recent courses provided instructions for making agency websites more effective and relevant to popular search engines. Additionally, a web content working group maintains *www.webcontent.gov,* conducts interagency meetings to assist agencies in managing their websites, and exchanges best practices among other agencies. These activities support agency efforts to provide access to and dissemination of government information to the public. GSA plans to complete the online tutorial by April 2007. This service will complement other services at USA.gov and elsewhere to aid the public in locating government information.

SUCCESSFULLY USING ELECTRONIC GOVERNMENT

The departments and agencies continue to leverage information technologies to make government services available to citizens while ensuring security of those systems, the privacy of the citizen information and the prudent use of taxpayer money. E-Government is about providing direct and measurable results supporting departments' and agencies' mission and goals. For departments and agencies, the benefits will far outweigh the cost of implementation. Increased agency adoption and customer utilization will become the primary measures of success. The expanded availability of government information and the utilization of an increased percentage of transactions between the Federal government and citizens will be measured, where appropriate and made available on line at *www.egov.gov*.

Examples of how the tenets of E-Government are helping to deliver services to the citizen and make the government more effective include:

Department of Commerce. The Online Positioning User Service (OPUS) transforms how users of global positioning systems obtain highly accurate geographic coordinates and elevation data (see: *www.ngs.noaa.gov/OPUS/*). The system allows users, such as professional surveyors, to electronically submit geospatial information via the Internet to the Department, where data are processed to determine corresponding three-dimensional positional coordinates. As a result, the Department is able to provide access to and disseminate more accurate and quality geospatial information to the public. For example, construction, transportation, and mapping industries reduce surveying time and costs (estimated $270 million cost savings to the public) of creating specific maps and other products needed to operate their business to a fraction of those previously reported.

User forums and workshops to obtain feedback are held regularly across the country, and usage of the system has grown from 1,000 data submissions per month in 2002, to over 13,000 per month in 2006. Extensive interaction between the National Oceanic and Atmospheric Administration (NOAA) and system users takes place during these sessions, and NOAA is currently identifying and surveying representatives from individual counties to ensure their diverse needs are being met. Additionally, users can complete an online survey to provide the Department comments and suggestions on how to improve the system and related positioning products and services. OPUS users include more than 175 organizations, including other Federal agencies, state and local governments, universities, the private sector, foreign governments, and others who share the goal of making more accurate positioning available worldwide. Users without Internet access and those with disabilities can mail their GPS observations to NOAA on a compact disk and receive the results back via the same mechanism on a prearranged basis.

U.S. Department of Agriculture. The Animal and Plant Health Inspection Service (APHIS) launched its new electronic permitting system (ePermits) on April 3, 2006. The system allows customers to apply for a permit, check its status, and view it online. The ability to submit applications and receive permits via the Internet and in some cases the ability to pay applicable permit application fees online, saves customers and APHIS the time and effort associated with the paper-based process. Additional information on system features can be found on the Web site at *www.aphis.usda.gov/permits/*.

To successfully implement the system, USDA demonstrated a desire to team with customers, state officials, and peer agencies by facilitating outreach sessions and customer tests. USDA continues to maintain ongoing dialogue with system developers, users, partners, and stakeholders to plan and implement additional features. Customers without Internet access at their facility can still use the paper permit application process and USDA developed the system to be compliant with Section 508 of The Rehabilitation Act of 1998.

Previously, the permit processing workload was growing to become unmanageable with current staff and resources. By eliminating the cost of processing paper and automating the system, more efficiency will result, with benefits to the Federal Government, state governments, and the general public estimated at $1.2 million per year in the first full year of operating the system. APHIS estimated that when the system is fully deployed it will cut in half the time it takes to process applications to import enterable plants and timber when the applications are entered online. In addition, the system will make it more difficult to tamper with a permit because the system provides immediate access to information relating to applications and permits

The Administration continues the focus of the department and agency specific services movement to citizen-centered services. Overall funding for the President's E-Government initiatives has reduced annually since Fiscal Year 2004 as the initiatives have met their milestones and have become incorporated into the daily operations of Federal departments and agencies. This reduction has come as result of moving the initiatives to fee-for-service models where appropriate, thereby eliminating the need for agency contributions. Table 9–4, "Status of the Presidential E-Government Initiatives," included on the CD–ROM, provides an update for each project.

CONTINUING TO ACHIEVE RESULTS

The Administration will continue to use the Federal Enterprise Architecture data for business analysis to focus our efforts to direct information technology investments to improve service delivery to citizens and other entities. The Administration will continue to improve performance and achieve results by continuing our efforts in linking IT investments to program performance as demonstrated by the analytical tool called the Program Assessment Rating Tool (PART).

In 2008 and beyond, the Federal government will continue to identify IT opportunities for collaboration and consolidation while improving services. Although the Federal government continues to improve, much more work is needed to better serve the citizen. Through the PMA, the Clinger-Cohen Act, the E-Government Act, FISMA, budget guidance and other management tools, the Federal government has the ability to be the best manager, innovator and user of information, services and information systems in the world. The Federal Government has huge potential and opportunities for growth and to ensure program success and results through the effective use of information technology. Each department and agency will leverage existing capabilities to the maximum potential while ensuring reliability, security, privacy and continuity of services. The institution of the management practices within each department and agency and throughout the government will ensure these results.

10. FEDERAL DRUG CONTROL FUNDING

Table 10–1. Federal Drug Control Funding, FY 2006–2008 [1]

(Budget authority, in millions of dollars)

Department/Agency	Estimate		2008 Request
	2006	2007	
Department of Defense	1,086.6	1,073.9	936.8
Department of Education	489.8	524.8	275.0
Department of Health and Human Services:			
National Institute on Drug Abuse	998.9	1,000.0	1,000.4
Substance Abuse and Mental Health Services Administration	2,440.9	2,442.5	2,360.4
Total HHS	3,439.7	3,442.5	3,360.7
Department of Homeland Security:			
Customs and Border Protection	1,635.3	1,874.6	1,970.3
Immigration and Customs Enforcement	382.3	422.8	450.2
U.S. Coast Guard	1,225.5	1,140.2	1,073.2
Total DHS	3,243.1	3,437.6	3,493.7
Department of Justice:			
Bureau of Prisons	62.6	65.1	67.2
Drug Enforcement Administration	1,890.8	1,876.0	2,041.8
Interagency Crime and Drug Enforcement	483.2	485.1	509.2
Office of Justice Programs	238.2	227.8	178.9
Total Department of Justice	2,674.9	2,654.0	2,797.0
ONDCP:			
Counterdrug Technology Assessment Center	29.7	19.6	5.0
Operations	26.6	26.0	23.9
High Intensity Drug Trafficking Area Program	224.7	225.3	220.0
Other Federal Drug Control Programs	193.0	194.0	224.5
Total ONDCP	474.0	464.9	473.4
Department of State:			
Bureau of International Narcotics and Law Enforcement Affairs	1,036.0	1,011.2	783.7
Economic Support Assistance	120.9	84.0	313.1
Total Department of State	1,156.9	1,095.2	1,096.8
Department of Treasury:			
Internal Revenue Service	55.0	55.0	57.3
Department of Veterans Affairs:			
Veterans Health Administration	376.7	376.6	392.0
Other Priorities [2]	2.6	3.7	78.7
Total Federal Drug Budget	**$12,999.2**	**$13,128.1**	**$12,961.4**

[1] Detail may not add due to rounding.

[2] Includes (1) the Small Business Administration's Drug-Free Workplace grants, (2) the Department of Transportation National Highway Traffic Safety Administration's Drug Impaired Driving Program, and (3) for FY 2008, Screening and Brief Intervention reimbursement by the Department of Health and Human Services' Centers for Medicare and Medicaid Services.

11. CALIFORNIA–FEDERAL BAY–DELTA PROGRAM BUDGET CROSSCUT (CALFED)

The California-Federal Bay-Delta program (also known as CALFED) is a cooperative effort of the Federal Government, the State of California, local Governments, and water users, to proactively address the water management and aquatic ecosystem needs of California's Central Valley. This valley, one of the most productive agricultural regions of the world, is drained by the Sacramento River in the north, and the San Joaquin River in the south. The two rivers meet southwest of Sacramento, forming the Sacramento-San Joaquin Delta, and drain west into San Francisco Bay.

The extensive development of the area's water resources has significantly boosted agricultural production, but has also adversely affected the region's ecosystems. CALFED participants recognized the need to provide a safe, clean, reliable source of water for multiple uses, while at the same time restoring or maintaining the ecosystems of the area and protecting against floods. This recognition resulted in the 1994 Bay-Delta Accord, which laid the foundation for the CALFED program. CALFED's adaptive management approach to water resources development and management seeks to balance achievement among the program's four objectives: Water Supply Reliability, Levee System Integrity, Water Quality, and Ecosystem Restoration. The program integrates science and monitoring into program management to track progress toward achieving those goals. The parties signed a Record of Decision in 2000, spelling out the different program components and goals.

In 2004, the President signed the Calfed Bay-Delta Authorization Act (P.L. 108–361) into law. This Act, authorizing funding and activities for the CALFED program through 2010, provides new programmatic authority for participating agencies, authorizes $395 million to be appropriated for the Federal share of CALFED activities, and specifies criteria for program cost-shares and achieving balanced implementation of CALFED program components. Federal agencies contributing to CALFED goals include: the Department of the Interior's Bureau of Reclamation, Fish and Wildlife Service, and U.S. Geological Survey; the Department of Agriculture's Natural Resources Conservation Service; the U.S. Army Corps of Engineers; the Department of Commerce's National Oceanic and Atmospheric Administration; and the Environmental Protection Agency.

The Budget includes a crosscut of estimated Federal funding by each of the CALFED agencies, fulfilling the reporting requirements of P.L. 108–361. Detailed tables are included on the CD–ROM included with the *Analytical Perspectives*, as well as an explanation of budget crosscut methodology.

CALFED–RELATED FEDERAL FUNDING BUDGET CROSSCUT

Federal Fiscal Years 1998–2008

(Dollars in millions)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Bureau of Reclamation	153.368	114.672	138.507	79.748	103.320	74.212	75.738	81.104	99.828	84.075	84.073
Corps of Engineers	100.686	103.341	93.786	54.192	58.227	57.827	72.644	52.306	91.285	76.980	29.755
Natural Resources Conservation Service	....	14.543	12.845	16.945	39.078	38.998	48.745	36.393	34.635	31.937	36.000
National Oceanic and Atmospheric Administration	0.300	0.375	0.450	0.550	0.575	0.775	0.775	0.775	0.775	0.500	0.525
Geological Survey	3.158	3.158	4.319	5.366	5.089	5.089	4.910	5.419	5.177	4.078	3.814
Fish and Wildlife Service	0.941	1.143	3.647	18.230	5.605	11.189	13.684	8.914	10.744	1.483	1.483
Environmental Protection Agency	3.204	3.049	57.262	53.375	54.255	20.693	62.780	97.652	32.324	0.533	[1] N/A
Total	**$261.657**	**$240.281**	**$310.816**	**$228.406**	**$266.149**	**$208.783**	**$279.276**	**$282.563**	**$274.768**	**$199.59**	**$155.650**

[1] Estimate not available.