

FISCAL YEAR 2009

# BUDGET

OF THE U.S. GOVERNMENT



OFFICE OF MANAGEMENT AND BUDGET



# BUDGET



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BUDGET OF THE UNITED STATES GOVERNMENT

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*Fiscal Year 2009*

## THE BUDGET DOCUMENTS

***Budget of the United States Government, Fiscal Year 2009*** contains the Budget Message of the President, information on the President's priorities, and budget overviews organized by agency.

***Analytical Perspectives, Budget of the United States Government, Fiscal Year 2009*** contains analyses that are designed to highlight specified subject areas or provide other significant presentations of budget data that place the budget in perspective. This volume includes economic and accounting analyses; information on Federal receipts and collections; analyses of Federal spending; information on Federal borrowing and debt; baseline or current services estimates; and other technical presentations.

The *Analytical Perspectives* volume also contains supplemental material with several detailed tables, including tables showing the budget by agency and account and by function, subfunction, and program, that is available on the Internet and as a CD-ROM in the printed document.

***Historical Tables, Budget of the United States Government, Fiscal Year 2009*** provides data on budget receipts, outlays, surpluses or deficits, Federal debt, and Federal employment over an extended time period, generally from 1940 or earlier to 2009 or 2013. To the extent feasible, the data have been adjusted to provide consistency with the 2009 Budget and to provide comparability over time.

***Appendix, Budget of the United States Government, Fiscal Year 2009*** contains detailed information on the various appropriations and funds that constitute the budget and is designed primarily for the use of the Appropriations Committees. The *Appendix* contains more detailed financial information on individual programs and appropriation accounts than any of the other budget documents. It

includes for each agency: the proposed text of appropriations language; budget schedules for each account; legislative proposals; explanations of the work to be performed and the funds needed; and proposed general provisions applicable to the appropriations of entire agencies or group of agencies. Information is also provided on certain activities whose transactions are not part of the budget totals.

### AUTOMATED SOURCES OF BUDGET INFORMATION

The information contained in these documents is available in electronic format from the following sources:

**Internet.** All budget documents, including documents that are released at a future date, spreadsheets of many of the budget tables, and a public use budget database are available for downloading in several formats from the Internet. Links to documents and materials from budgets of prior years are also provided. To access these documents use the following address:

***[www.budget.gov/budget](http://www.budget.gov/budget)***

**Budget CD-ROM.** The CD-ROM contains all of the budget documents in fully indexed PDF format along with the software required for viewing the documents. The CD-ROM has many of the budget tables in spreadsheet format and also contains the materials that are included on the separate *Analytical Perspectives* CD-ROM.

For more information on access to electronic versions of the budget documents (except CD-ROMs), call (202) 512-1530 in the D.C. area or toll-free (888) 293-6498. To purchase the budget CD-ROM or printed documents call (202) 512-1800.

### GENERAL NOTES

1. All years referred to are fiscal years, unless otherwise noted.
2. Detail in this document may not add to the totals due to rounding.

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# THE BUDGET MESSAGE OF THE PRESIDENT

TO THE CONGRESS OF THE UNITED STATES:

At *www.budget.gov*, Americans will find the budget of the Federal Government for Fiscal Year 2009. Two key principles guided the development of my Budget—keeping America safe and ensuring our continued prosperity.

As we enter this New Year, our economy retains a solid foundation despite some challenges, revenues have reached record levels, and we have reduced the Federal deficit by \$250 billion since 2004. Thanks to the hard work of the American people and spending discipline in Washington, we are now on a path to balance the budget by 2012. Our formula for achieving a balanced budget is simple: create the conditions for economic growth, keep taxes low, and spend taxpayer dollars wisely or not at all.

As Commander in Chief, my highest priority is the security of the American people. So my Budget invests substantial resources to protect the United States from those who would do us harm. Continuing our Nation's efforts to combat terrorism around the globe, my Budget provides our men and women in uniform the tools they need to succeed in Afghanistan and Iraq, and it furnishes the resources needed for our civilians to help those nations achieve economic and political stabilization. My Budget also strengthens our overseas diplomatic capabilities and development efforts, advances our political and economic interests abroad, and improves the lives of people around the world.

Here at home, we are blessed to live in a country that rewards hard work and innovation. In our flexible and dynamic economy, people can pursue their dreams, turn ideas into enterprises, and provide for their families.

As we look back over the past 7 years, we see the economy has successfully responded to substantial challenges, including a recession, terrorist attacks, corporate scandals, wars, and devastating natural disasters. It is a measure of our economy's resilience and the effectiveness of pro-growth policies that our economy has absorbed these shocks, grown for 6 straight years, and had the longest period of uninterrupted job growth on record. Yet mixed indicators confirm that economic growth cannot be taken for granted. To insure against the risk of an economic downturn, I will work with the Congress to pass a growth plan that will provide immediate, meaningful, and temporary help to our economy.

Americans have real concerns about their ability to afford healthcare coverage, pay rising energy bills, and meet monthly mortgage payments. They expect their elected leaders in Washington to address these pressures on our economy. So my Budget puts forth proposals to make health care more affordable and accessible, reduce our dependence on oil, and help Americans struggling to keep their homes.

Above all, my Budget continues the pro-growth policies that have helped promote innovation and entrepreneurship. I will not jeopardize our country's continued prosperity with a tax increase. Higher taxes would only lead to more wasteful spending in Washington—putting at risk both economic growth and a balanced budget.

As we work to keep taxes low, we must do more to restrain spending. My Budget proposes to keep non-security discretionary spending growth below 1 percent for 2009 and then hold it at that level for the next 4 years. It also cuts spending on projects that are not achieving results—because good intentions alone do not justify a program that is not working.

One of the best ways to reduce waste and increase accountability is to make Federal spending more transparent. To help Americans see where their money is being spent, we have launched a website called *www.USAspending.gov*, and to help Americans see the kind of results they are getting for their money, we launched *www.ExpectMore.gov*. I invite all Americans to log on and find out for themselves how their hard-earned tax dollars are being spent.

Billions of those tax dollars go to something called earmarks. Earmarks are special-interest items that are slipped into big spending bills or committee reports, often at the last hour, without discussion or debate. Last January, I asked the Congress to reform earmarks, and lawmakers took some modest steps in that direction. But they failed to end the practice of concealing earmarks in report language—and they continued to fund thousands of them. So I will take steps to advance earmark reform. I also call on the Congress to adopt the legislative line-item veto, which gives the legislative and executive branches a tool to help eliminate wasteful spending. Common-sense reform will help prevent billions of taxpayers' dollars from being spent on unnecessary and unjustified projects.

As we take these steps to address discretionary spending, we also need to confront the biggest challenge to the Federal budget: the unsustainable growth in entitlement spending. Many Americans depend on programs like Social Security, Medicare, and Medicaid, and we have an obligation to make sure they are sound for our children and grandchildren. If we do not address this challenge, we will leave our children three bad options: huge tax increases, huge deficits, or huge cuts in benefits. The longer we put off the problem, the more difficult, unfair, and expensive a solution becomes.

My Budget works to slow the rate of growth of these programs in the short term, which will save \$208 billion over 5 years. This step alone would reduce Medicare's 75-year unfunded obligation by nearly one-third. My Administration cannot solve this problem alone, though. We need a commitment from the Congress to reform and improve these vital programs so they can serve future generations of Americans.

In my 2009 Budget, I have set clear priorities that will help us meet our Nation's most pressing needs while addressing the long-term challenges ahead. With pro-growth policies and spending discipline, we will balance the budget in 2012, keep the tax burden low, and provide for our national security. And that will help make our country safer and more prosperous.

GEORGE W. BUSH

THE WHITE HOUSE,

February 4, 2008.



# OVERVIEW OF THE PRESIDENT'S 2009 BUDGET

## Highlights of the President's Budget

- Balances the budget by 2012;
- Combats terrorism and protects the homeland to keep America safe;
- Promotes economic growth and prevents tax increases to keep America prosperous;
- Addresses the challenges facing American families—quality education for their children, affordable health care, rising energy costs, and falling home values;
- Spends taxpayer dollars wisely, focusing resources on programs that are getting results, cutting wasteful spending, and holding the growth in non-security discretionary spending to less than one percent; and
- Slows the unsustainable growth of entitlement spending with sensible reforms.

The President's Budget reaches balance in 2012, while continuing to invest in the Nation's safety and prosperity. Critical to continued deficit reduction is a growing economy, and for that reason the Budget promotes an economic growth plan, makes tax relief permanent, and proposes other policies to improve the quality of education, expand access to affordable health care, address the rising cost of energy, and help Americans keep their homes. Also vital to deficit reduction is spending restraint. The Budget holds non-security discretionary spending in check while beginning to address our long-term challenge of unsustainable entitlement spending.



Source: U.S. Naval Petty Officer 2nd Class Felecito Rustique

## KEEPING AMERICA SAFE

The 2009 Budget supports our troops fighting terrorism abroad, strengthens our military for the future, enhances our international diplomacy, and protects our homeland from attack.

### *A Strong Defense*

The Budget invests substantial and needed resources to maintain high levels of military readiness and to continue the transformation of our military to meet the new threats of the 21st Century. It supports the U.S. strategic goal of a democratic Iraq and Afghanistan that can govern, defend, and sustain themselves and will be allies in the Global War on Terror. It also provides emergency funding for our troops in harm's way into 2009.

### ***International Engagement***

Diplomatic and development efforts support our national security goals by promoting peace, strengthening democratic institutions, and increasing economic opportunity. The Budget supports freedom in Iraq, helps build a stable Afghanistan, promotes stability in the Middle East, continues our commitments to Africa, and launches a new initiative to address common security concerns in the Americas. It will also help build healthier and more prosperous societies through the President's Emergency Plan for AIDS Relief, the President's Malaria Initiative, support for the Millennium Challenge Corporation, and enhanced basic education programs. The Budget also invests needed resources to increase our diplomatic and development capabilities, including civilian experts who can deploy quickly to respond to crises and help plan and execute civilian stabilization and reconstruction efforts in post-conflict countries.

### ***Homeland Security***

The Budget invests in homeland security and terrorism prevention by enhancing border security and enforcing our immigration laws. To help make our borders more secure, it invests in 2,200 new border patrol agents and, together with 2008 funding, provides \$2 billion to construct a system using the most effective mix of current and next generation technology, as well as additional fencing, to protect the borders. It includes a new Southwest Border Enforcement Initiative to ensure that we have the investigators, prosecutors, marshals, and detention capabilities needed to catch criminals at our borders and prosecute them. The Budget expands programs to verify employment, which helps participating U.S. employers hire and maintain a legal workforce. It also provides 1,000 new detention beds for persons who cross our borders or who are in the United States illegally, and it strengthens a program to improve coordination and provide training and support in immigration law for State and local law enforcement officials.

## **KEEPING AMERICA PROSPEROUS**

### ***Economic Growth***

The Budget advances proven policies that will promote our Nation's economic growth and prosperity. As we enter 2008, the U.S. economy benefits from a solid foundation, but the Administration does not take economic growth for granted.

Our economic fundamentals are sound, yet there are mixed signals in the economy. At the end of 2007, the United States had experienced the longest uninterrupted period of job growth in American history, even as the pace of job creation slowed. Unemployment remains low by historical standards, even as it rose to five percent in December.

America has enjoyed economic growth averaging 2.8 percent for the past six years, but growth in the first part of 2008 is expected to be slower. Core inflation remains low, but energy and food prices have been rising. While consumer spending has been strong, many people are seeing their home values decline after years of steady increase. U.S. exports are strong, but domestic manufacturing is facing challenges. While the economy is expected to grow over the coming year, it is essential to minimize the risk of a downturn. That is why the President will work with Congress to enact a growth plan with immediate, temporary, and meaningful help for the economy.

These economic indicators also reinforce the need for policies that prevent tax increases, open new markets for U.S. exports through trade agreements, increase energy production, and reform the mortgage markets. The economy's ability to persevere through the challenges of turbulence in the

housing market and higher energy prices is a testament to the strong work ethic and ingenuity of the American people, and to the effectiveness of the President's pro-growth economic policies, including tax relief.

The Budget continues to support innovation and investment by making permanent the President's tax relief, which would otherwise expire in 2010. Proposals contained in this Budget will also strengthen the Nation's ability to compete in the global economy. They will advance the American Competitiveness Initiative to increase Federal investment in critical basic research, ensure the United States continues to lead the world in innovation, and provide American children with a stronger foundation in math and science. These initiatives will also promote the continued opening of new export markets for American farmers, manufacturers, and service providers.

The Budget addresses core issues that are on the minds of many Americans: the quality and cost of their children's education; access to affordable health care; our Nation's dependence on energy sources from unstable parts of the world; and turbulence in the housing market.

### ***Quality Education***

The President's landmark bipartisan education reform enacted in January 2002, the No Child Left Behind Act (NCLB), is achieving results. The most recent National Assessment of Educational Progress shows an across-the-board improvement in fourth and eighth grade reading and math scores, with minority students posting all-time highs in a number of categories. Low-income second-graders' reading scores increased 11 percentage points from 2004 to 2006, as the number of students demonstrating reading fluency rose from 33 percent to 44 percent.

The Budget seeks to build on these results by strengthening and reauthorizing NCLB. It provides \$14.3 billion in Title I funding for low-income schools, a 63-percent increase since 2001. It also proposes \$1 billion to continue effective, research-based literacy instruction through Reading First. It expands school choice and charter school options for students in need. And, it ensures our children are well-prepared for the global economy by emphasizing the math and science education components of the American Competitiveness Initiative.

The Budget also takes steps to make college more affordable for families struggling with rising tuition costs. In September 2007, the President signed the College Cost Reduction and Access Act into law, which achieved his longstanding goal of increasing need-based aid for students. The Act provided \$11.4 billion in new funding for Pell Grants over the next five years. The Budget implements and builds on this law by supporting a maximum Pell Grant of \$4,800 in 2009, and allowing the maximum Pell Grant to rise to \$5,400 by 2012. It also supports other higher education initiatives by providing nearly \$95 billion in financial aid to help almost 11 million students and their families pay for college.

### ***Affordable Health Care***

The Budget seeks to improve Americans' access to affordable health care by fostering a true marketplace for health care, encouraging competition, and improving efficiency.

It proposes replacing the existing—and unlimited—tax exclusion for employer-sponsored insurance with a standard deduction, which levels the playing field for Americans who purchase health care individually rather than through their employers. The Budget also improves access to health care



by increasing the power of small employers, civic groups, and community organizations to band together to negotiate lower-priced health premiums, allowing competition among health plans across State lines, reducing frivolous lawsuits that increase patients' costs, and promoting the use of health savings accounts.

It also proposes reauthorization of the State Children's Health Insurance Program with funds for outreach and enrollment to ensure that poor children can get the health care they need.

### ***Energy Security***

The President is committed to increasing our energy security, improving our air quality, and confronting climate change.

Last year, the President led the energy and climate debate by proposing an ambitious plan to reduce gasoline usage. As a result, he recently signed into law a bill that will set a mandatory Renewable Fuel Standard and also a national fuel economy standard of 35 miles per gallon by 2020 in order to cut domestic gasoline consumption, which will also reduce vehicle air pollution and greenhouse gas emissions. The Budget proposes to protect the economy against oil supply disruptions by doubling the capacity of the Strategic Petroleum Reserve.

The Budget also accelerates technological breakthroughs with the Advanced Energy Initiative, including a further focus on development of carbon capture and storage technologies, allowing America to continue to utilize our abundant domestic energy source—coal—with dramatically reduced greenhouse gas emissions. The Advanced Energy Initiative promotes licensing of new nuclear plants and develops an advanced nuclear fuel cycle, invests in making solar power cost-competitive with conventional electricity by 2015, and develops electrical energy storage technologies to advance the prospect of plug-in hybrid vehicles and to make the Nation's electricity grid more environmentally friendly.

### ***Housing and Homeownership***

The Budget includes proposals to preserve and promote homeownership and respond to the troubled mortgage market. It provides \$65 million for the Department of Housing and Urban Development's (HUD's) Housing Counseling program, a 30-percent increase over 2008, and \$150 million to the Neighborhood Reinvestment Corporation, to help educate consumers, combat foreclosures, and promote a healthier housing market. The Budget also increases mortgage financing options for homebuyers and homeowners by modernizing HUD's Federal Housing Administration (FHA). Through risk-based pricing and other reforms, FHA will offer a wider variety of mortgage products and create more homeownership opportunities. In addition, under FHASecure, FHA is allowing families who have become delinquent on their mortgage payments as a result of their loan resets, as well as those who are current, to qualify for refinancing.

On the tax side, the Budget includes a proposal to expand the mortgage revenue bond program to allow refinancing of home mortgages. This proposal would allow State and local governments to use these tax-exempt bonds to refinance existing loans to assist eligible subprime borrowers. As part of



Source: HUD

the proposal, the Budget would increase the volume cap on private activity bonds, which would be dedicated or targeted to eligible subprime loan refinancings.

The Administration also has taken further steps to address the challenges in the mortgage markets. In addition to the proposals above, the Administration has supported private sector efforts to assemble a group of lenders, loan servicers, mortgage counselors, and investors (the HOPE NOW alliance) to identify troubled borrowers and help them refinance or modify their mortgages, so more families can stay in their homes. As a first principle, the Budget also places on sure footing HUD's main programs responsible for housing more than four million low-income families.

## **FISCAL RESPONSIBILITY**

### ***Spending Discipline***

The 2009 Budget proposes that total discretionary spending rise no faster than the size of the economy, to prevent day-to-day Government spending from consuming an even larger share of the Nation's pocketbook. It also proposes to hold the rate of growth for non-security discretionary spending to less than one percent, well below the rate of inflation. This spending discipline requires tough choices among many competing priorities.

In constructing the Budget, each program was closely reviewed to determine if it is among the Nation's top priorities and if the program is effective and producing the intended results. Failure to meet these criteria resulted in the proposed termination or reduction of 151 programs for a savings of over \$18 billion, a step that will help channel resources to more effective programs. Funding for program integrity efforts have also been increased to reduce waste, fraud, and abuse—including the reduction of improper payments to ineligible recipients.

### ***Common-sense Budget Reforms***

The President's 2009 Budget also outlines a comprehensive series of budget reforms that will improve transparency and accountability in Government spending, including earmark reform. Earmarks are legislative provisions that direct money to a particular recipient or location, circumventing the normal merit-based process for awarding funds. Earmarks are often not subject to adequate legislative or public scrutiny, and that often leads to wasteful Federal spending. Last year, the President called for full disclosure of all earmarks, prohibiting earmarks from being slipped into so-called report language instead of actual legislation, eliminating wasteful earmarks, and cutting the number and amount of earmarks by half. Earmark reform, which will help restore public confidence in Federal spending decisions, remains a top priority.

The President has also called on the Congress to enact a legislative line-item veto. This would help the Executive and Legislative Branches work together to strike unwarranted earmarks and other wasteful and unnecessary spending from the budget.

### ***Responsible Steps to Secure the Future***

The 2009 Budget shows how the President and the Congress can work together to achieve a balanced budget by 2012. But this accomplishment will be short-lived without addressing our longer-term budgetary challenge—the unsustainable growth in Medicare, Medicaid, and Social Security. At the current level of Federal revenues relative to the economy, by 2040, spending on these and other mandatory programs would consume all available resources. This would, in turn,

crowd out all discretionary spending—for defense, homeland security, or education—unless steps are taken to reform entitlement programs.

The Budget takes an important step toward sensible reform of mandatory spending—saving \$208 billion over five years. Although this only represents 2.3 percent of mandatory spending, it lays the foundation for more comprehensive reforms that are needed to insure that these crucial programs continue providing health and retirement security for future generations.

# A RECORD OF ECONOMIC SUCCESS—BUT CHALLENGES AHEAD

*What I said in 2000 remains true today: No President should ever take America's economic growth for granted.*

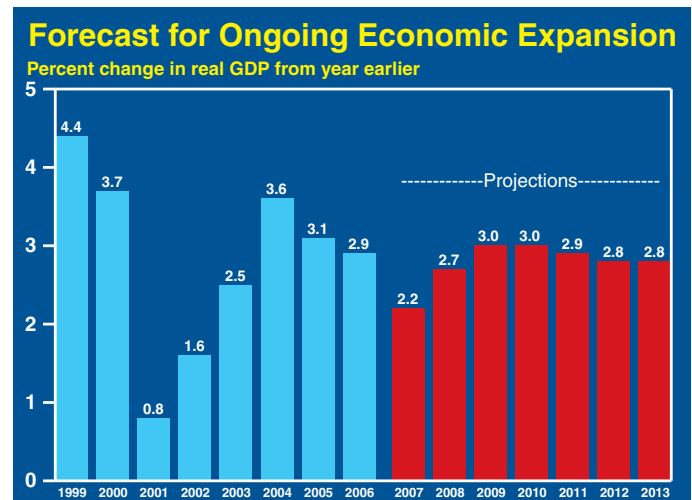
President George W. Bush  
February 2005

As we enter 2008 and look back over the past seven years, the fundamental resilience of the U.S. economy continues to be demonstrated. The dynamic flexibility of the economy coupled with the President's pro-growth policies—including tax relief for individuals and small businesses—have helped the Nation respond to substantial challenges. The economy has grown steadily for six straight years. Even so, recent mixed economic indicators confirm that economic growth must not be taken for granted. Recognizing the risks to the short-term outlook, the President called for the enactment of an economic growth package to bolster business investment and consumer spending and to promote economic growth and job creation.

Looking back, the sustained economic expansion of the past six years generated strong growth of Federal receipts, which, together with the President's ongoing efforts to restrain the growth of Federal spending, produced significant reductions in the Federal budget deficit in recent years. With the policies proposed in this Budget and a projection of continued economic growth following a near-term slowdown (see chart)—the Federal budget is on a path to balance.

Looking forward, sustained economic growth—and the ability of the economy to overcome future challenges—should not be taken for granted. Whether the challenges are the uncertainties about the short-run

cyclical performance of the economy, or the projected long-run entitlement spending burden, it is of fundamental importance for pro-growth and strong security policies to be maintained. Such policies include preserving the underlying low-tax environment; maintaining domestic security and defense policies to provide for a safe environment for our country and its economy; restraining growth in Government spending; reducing burdensome regulatory policies; and furthering pro-growth trade, energy, and environmental policies. A positive environment for small businesses, research and development, entrepreneurial activity, efficient use of capital, and proper returns for prudent risk-taking promotes technology and productivity gains. Solid and sustained economic performance is a necessary foundation for a sound fiscal environment and for advancing Americans' standards of living.



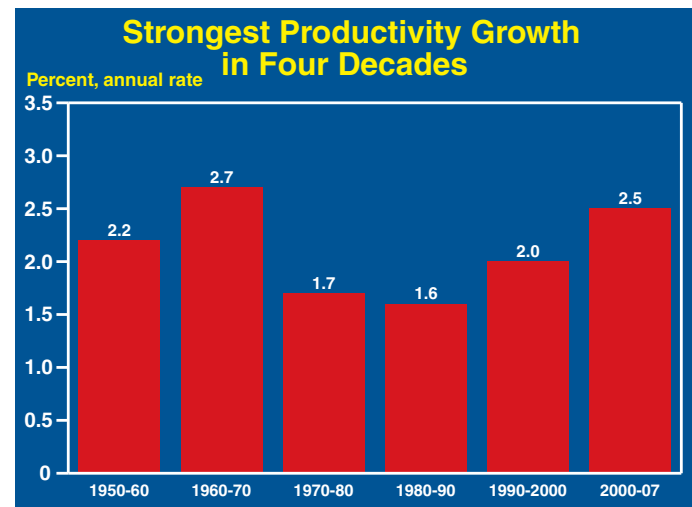
## A RECORD OF SUCCESS

Over the past seven years, the economy has faced numerous challenges, including the collapse of the stock market bubble from the late 1990s and the related economic slowdown and recession of 2000–2001; the terrorist attacks of September 11, 2001, and continuing efforts of the terrorists; corporate scandals; Hurricane Katrina and the severe hurricane season of 2005; and recently, rising oil and energy prices, declines in the housing market, and financial and credit market disruptions. Facing these challenges, the President and his Administration have continuously worked to adopt and maintain pro-growth policies. In 2001 the President, working with the Congress on a bipartisan basis, enacted the largest tax cut since the Reagan Administration. The tax cut doubled the Child Tax credit, cut the marriage penalty, and lowered individual income tax rates. These tax changes, combined with an aggressive monetary response by the Federal Reserve, countered the recession then underway and subsequently helped the economy weather the effects of the September 11th terrorist attacks.

The 2001 tax cuts helped stabilize the economy, but it remained weak in the face of the declining stock market and corporate accounting scandals that rocked business and investor confidence. So the President pressed for additional tax relief in 2002 and again in 2003, including provisions to encourage business investment in new plant and equipment and an historic reduction in the capital gains and dividend tax rates. The President has continued to urge the Congress to extend and preserve the tax relief.

The pro-growth policies have been successful, as demonstrated by the sustained economic expansion, growth in productivity, ongoing jobs gains, and low unemployment:

- Through the third quarter of 2007, the U.S. economy experienced six years of uninterrupted growth, during which real gross domestic product (GDP) grew at an average annual rate of 2.8 percent; growth over the past four quarters was 2.8 percent, as well.
- So far this decade, labor productivity growth—the increase in output per labor hour—has averaged 2.5 percent, well above the average growth rates during the decades of the 1970s, 1980s, and 1990s. Labor productivity growth ultimately is the basis for improving the standard of living of the Nation's workers and households.
- Since August 2003, nonfarm payroll employment registered a total gain of more than 8.3 million jobs (including the effects of the preliminary estimates of the annual benchmark revision), with 1.3 million added during 2007. This is the longest sustained period of jobs gains on record, with total employment growth being better than all other major industrialized nations combined.



Source: Bureau of Labor Statistics

Rates of growth calculated from annual average levels; estimated value for 2007 Q4.

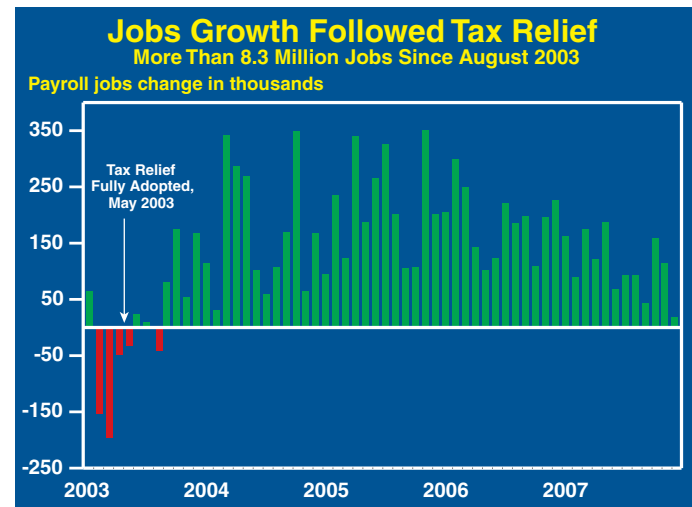


- The unemployment rate ended 2007 at 5.0 percent in December, well below the average rates in each of the past three decades. The unemployment rate has risen slightly over the past year, but the Administration forecast assumes it will flatten out at around 4.8 percent in coming years—at a still-low level by historical standards.

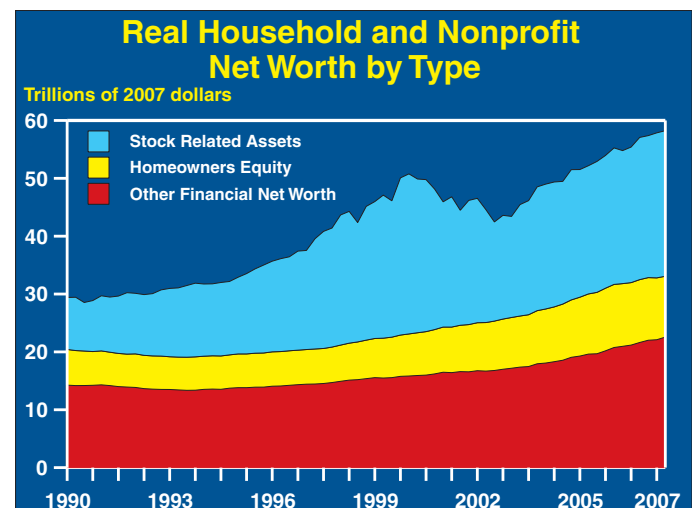
Americans' wages, incomes and wealth also rose during the expansion:

- Real after-tax per capita personal income has increased by more than \$3,500 in today's prices—an increase of more than 11 percent—since January 2001.
- During 2007, despite heightened volatility, values of corporate equities still registered gains, with the Dow up 6.4 percent and the S&P 500—a key measure for many retirement stock funds—up 3.5 percent for the year. At year-end, the Dow was up more than 70 percent since late 2002; the NASDAQ was up more than 100 percent over the same time period.
- Household wealth increased 7.3 percent over the past year, and stood at \$58.6 trillion at the end of the third quarter. Nearly 30 percent of the Nation's net worth has been added since the 2003 tax cuts. Even with the moderation in the value of real estate assets, the value of real net worth continued to rise through the third quarter of 2007 reflecting gains in other assets.

The Nation also has experienced solid gains from international trade; real exports increased by 10.3 percent over the past four quarters while real imports rose 1.7 percent, resulting in a \$101 billion reduction in the annualized real trade deficit over that period.



8.3 million total accounts for announced preliminary benchmark adjustment.



## SHORT-RUN CHALLENGES

Although the economy has experienced solid growth over the past six years, risks remain as the economy currently faces significant headwinds. Economic expansions do not end simply because they have continued for a long period of time. Significant slowdowns or declines in economic activity occur because of external shocks, large imbalances that must be corrected, or reactions to policy changes. For example, the economic slowdown and recession of 2000–2001 occurred in large part because of the correction to the excessive valuation of the stock market of the late 1990s and the related excess investment in technology assets at the time. Although the current expectation is for ongoing growth, the economy is working off the housing sector imbalance and is burdened by higher oil and energy prices. At the same time, and on a positive note, the improvement in real net exports made a positive

contribution to real GDP growth of 0.9 percentage point on average for the four quarters ending in the third quarter of 2007—roughly offsetting the –0.9 percentage point effect on real GDP growth from the decline in real residential investment. Recognizing the mixed economic signals and the risks to short-term economic growth, the President called for the quick adoption of an effective growth package of broad-based tax relief to boost consumption and investment and to help keep instability and uncertainty from causing additional harm to the overall economy.

### ***Helping Americans Weather the Housing Downturn***

The Administration has aggressively pursued policies to help deal with current challenges. Facing declines in housing markets of the past two years, the Administration has made proposals for modernization of the Federal Housing Administration (FHA) and for expanded refinancing opportunities through new uses and increased allowances for tax-exempt State and local bonds; implemented efforts to promote additional refinancing opportunities through FHASecure; expanded cooperation with private-sector groups through the HOPE NOW alliance; and worked to help borrowers and lenders reach voluntary agreements for alleviating interest rate resets. The Administration also worked with the Congress to adopt temporary tax relief for homeowners who face additional tax liability from mortgage debt cancelled by their lenders. These policies are intended to help provide transition relief—without any direct costly “bailout” from the Federal Government for individuals or institutions that had taken on excessive speculative risk and without interfering with the effective functioning of the free market. As such, the policies provide targeted assistance while avoiding longer-run costs from a perception of the Government bearing the cost of risky speculation or reckless financial decisions (what economists call “moral hazard”). Even with such efforts, the correction to the housing imbalance and the related financial market difficulties are having adverse effects on the performance of the economy in the short run.

### ***Addressing America’s Oil Dependence***

Though inflation is relatively low by historical standards, it remains a challenge, especially in the face of higher food and energy prices. Although high energy prices likely will continue to be a challenge in the short run, the Administration’s energy strategy is directed at promoting energy security by improving efficiencies, increasing domestic oil production, pursuing alternatives to oil, taking advantage of new technologies, and increasing the Strategic Petroleum Reserve. The President set a Twenty in Ten goal of cutting U.S. consumption of gasoline by 20 percent over the next 10 years, and the Congress responded by passing legislation that takes a significant step toward this goal.

## **THE LONG-RUN CHALLENGE**

The President’s tax relief policies will continue to promote growth in the years ahead by reducing the inherent biases in our Federal tax system against work, saving, investment, economic risk-taking, and entrepreneurship. Along with the tax cuts, other policies of this Administration will continue to strengthen our economy over the longer-run outlook. For example, the Administration has:

- Worked to provide sufficient resources for defense and homeland security, a necessity for establishing a safe environment for promoting economic security and growth in standards of living.
- Limited the regulatory burden Americans face while preserving protections for workers and consumers.
- Promoted American exports by actively working to open new markets with free trade agreement (FTA) negotiations in Latin America, Asia, the Middle East, and Africa. In the last six years the Administration has secured congressional approval of new free trade agreements with 13 countries and concluded FTA negotiations with three additional countries.

- Put in place policies to restrain excessive health care inflation through market-based reforms in Medicare and through the market discipline resulting from the enactment and growing popularity of Health Savings Accounts.
- Advanced the American Competitiveness Initiative, to build on our successes and remain a leader in science and technology through increasing investment in research and development, strengthening education, and encouraging entrepreneurship.

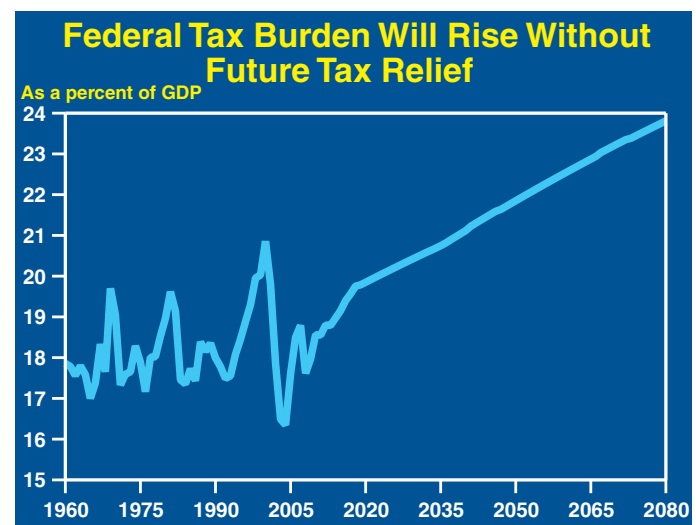
Efforts must continue to sustain, improve, and build on these policies, and to address long-term national issues such as access to affordable health care and reform of our important, yet currently unsustainable, entitlement programs. The long-run entitlement outlook, in particular, is very problematic. On this, the President also has taken the lead, advocating Social Security reform, and proposing savings in mandatory programs, including changes to Medicare that would resolve nearly one-third of the long-run unfunded obligation. Congress has not yet risen to the challenge.

The Administration also has advocated fundamental tax reform to make the tax code even more efficient and pro-growth. The U.S. Treasury recently put forward a review of potential approaches for reform of the U.S. business tax system to help promote a more competitive economic environment for U.S. businesses. Policies that foster the country's entrepreneurial spirit and reward the ingenuity that plays such a critical role in developing new technologies and generating productivity gains provide the ultimate improvements in standards of living.

Some argue that taxes are not high enough and should be increased to deal with the budget challenges we face, both in the short run and the long run. A higher and growing tax burden and excessive spending increases are the wrong formula for economic growth. Americans are not under-taxed. The overall tax burden for the economy is at a high level by historical standards. The total tax burden, including Federal, State and local government as a whole, shows that more than one-third of all the income in the economy ("national income") is being paid to government. Further, without reform or active management to reduce taxes on an ongoing basis, biases in the tax code tend to push that burden ever higher over time.

At the Federal level, taxes were at 18.8 percent of GDP in 2007—above the 40-year historical average of 18.3 percent. Even with the extension of the President's tax relief, the tax burden is projected to rise over time, in part because of "real bracket creep"—the tendency for real growth in wages and salaries to push taxpayers into higher tax brackets (tax brackets are only indexed for inflation and not real wage gains); the accompanying chart shows the projected Federal tax burden rising steadily over time, to more than 20 percent of GDP by 2030 and nearly 24 percent of GDP by 2080. That burden would be even higher if the President's tax relief were not extended. The ongoing tendency for the tax burden to rise over time further reveals the importance of not only extending the President's tax relief but also providing for future tax policies that limit the increase in the tax burden.

Economists long have recognized that higher taxes—and higher income tax rates, in particular—impose costs on the economy from the forgone value of production and income that is lost and the distortion of incentives. For the long-term U.S. economic outlook, the large tax increases required to deal with projected entitlement spending would threaten economic growth and, ultimately, the



ability of the economy to generate growth in standards of living and in revenues. Such concerns underscore the importance of curbing increases in long-term entitlement spending, rather than attempting to rely on tax increases to resolve the challenge.

## **THE ECONOMY AND THE BUDGET: REDUCING THE DEFICIT**

In February 2004, the President's Budget forecasted a deficit for 2004 of 4.5 percent of GDP, or \$521 billion. Even coming out of a recession and in time of war, that was a significant fiscal shortfall, and the President rightly determined it needed to be addressed. He set a goal of cutting the deficit in half by 2009, which was achieved three years ahead of schedule. Upon completing this goal, the President set a new goal for the Nation in January 2007: balancing the budget. The policies contained in this Budget represent the next steps toward meeting that goal.

Significant deficit reduction is not easy. On the receipts side, governments face the choice of pursuing pro-growth policies to generate higher tax receipts, or raising taxes and thereby sacrificing some of their economic growth. This Administration chose to pursue pro-growth policies, which have worked. Along with steady growth in output and incomes, there has been remarkable growth in Federal tax receipts. In 2005, tax receipts rose 14.5 percent, the largest one-year growth in receipts since 1982. Tax receipts rose another 11.8 percent in 2006, and 6.7 percent in 2007.

Restraining spending growth is the other side of successful deficit reduction. Since the September 11th terrorist attacks, the President's Budgets have provided the necessary funding for prosecuting the Global War on Terror and for homeland security needs, while calling for increasing restraint in non-security discretionary spending and significant reductions in mandatory spending. The 2009 Budget continues this emphasis on fiscal discipline. Non-security discretionary spending growth is at less than 1 percent, total discretionary spending grows less than the growth of nominal GDP, and the Budget proposes more than \$200 billion in mandatory savings over five years.

Strong receipts growth and spending restraint produced substantial improvement in the deficit, with the deficit declining by \$250 billion over the past three years. At just 1.2 percent of GDP, this deficit was well below the 40-year average of 2.4 percent of GDP. In addition, the Federal debt held by the public ended 2007 at 36.8 percent of GDP, lower than the average for the 1990s and only marginally higher than the 35.6 percent 40-year average. As a percentage of output, U.S. net Government debt compares favorably to other major countries: it is below the G-7 average, and lower than for Germany, Italy, and Japan.

The progress in reducing the deficit and toward achieving a balanced budget would not be possible without the Administration's pro-growth economic policies. By reducing the deficit through spending restraint and growth-generated revenue increases, the Administration has shown the great strides that can be made toward fiscal discipline without raising taxes. Nonetheless, challenges will continue in coming years to maintain the budget on a path to balance as pressures for higher deficits will persist.

Looking forward, we cannot take economic growth for granted. It is of fundamental importance to continue to adopt and maintain sound pro-growth policies that reward work and prudent risk-taking. The pro-growth tax cuts enacted in 2001 and 2003, currently scheduled to expire at the end of 2010, should be made permanent as proposed in this Budget to ensure continued economic growth. The tax cuts helped boost our economy out of recession and will continue to provide beneficial incentives, and future economic growth will help to generate the resources needed to address the very real problems the country will face from the unsustainable growth in Medicare, Medicaid, and Social Security spending. The right policy setting—a low-tax environment, spending restraint, defense and domestic security, efficient regulation, and market-oriented trade, energy and environmental policies—is the best foundation for ensuring an expanding economy, a sustainable fiscal outlook, and ongoing gains in Americans' standards of living.

# THE NATION'S FISCAL OUTLOOK

The President's 2009 Budget proposes to boost near-term economic growth, restrain spending, and reform entitlements, leading to a balanced budget by 2012 and a more fiscally prudent path for the long term. By adopting pro-growth economic policies and spending restraint, the President has succeeded in reducing the deficit. The deficit fell in 2007 for the third year in a row and was very low by historical standards. Despite these recent improvements in the deficit and an economy that retains a solid foundation, short-term economic challenges exist and the strong economic growth of the last few years cannot be taken for granted. The 2009 Budget includes an economic growth package that will provide temporary and immediate tax relief to bolster consumer spending and business investment in order to maintain a healthy economy and ensure that the Budget remains on a path to balance.

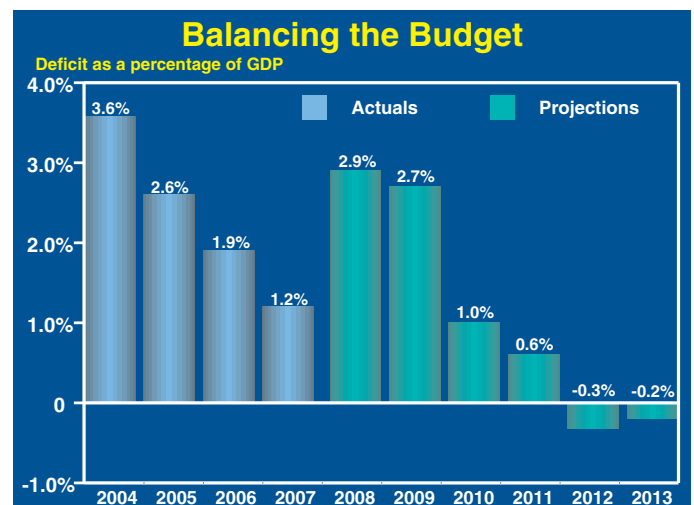
While achieving a balanced budget in 2012 is important, the longer-term budget outlook remains sobering. Rising health care costs and the aging of the Nation's population are expected to put enormous and unsustainable pressures on Medicare, Medicaid, and Social Security. The 2009 Budget proposes to begin addressing the Nation's long-term fiscal challenges by reforming these programs in a sensible way. The President is committed to meaningful entitlement reform that will preserve these vital programs for future generations.

## BALANCING THE BUDGET IN THE NEAR-TERM

The 2009 Budget continues to reflect the President's priorities of promoting economic growth and restraining Federal spending, which benefit both taxpayers and the Nation's treasury. The September 11th terrorist attacks, the subsequent Global War on Terror, and Hurricane Katrina all put significant fiscal pressures on the Federal budget. Despite these challenges, the deficit fell \$250 billion in the last three years.

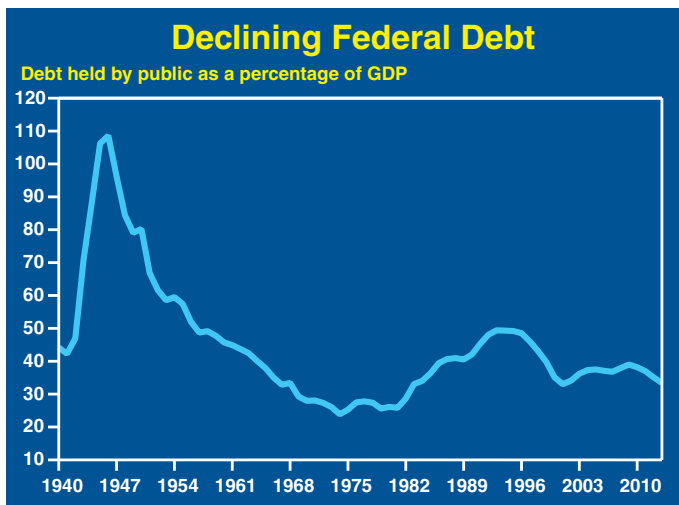
For 2007, the deficit was \$162 billion, lower than the deficits in each of the previous four years. To compare annual deficits over a period of time, it is helpful to consider the deficit in comparison to the size of the Nation's economy, typically represented by gross domestic product (GDP), or the total amount of final goods and services produced in the economy.

The 2007 deficit was 1.2 percent of GDP, well below the 40-year average of 2.4 percent of GDP. Four years ago, the President announced in his 2005 Budget that by 2009 he would cut the deficit in half from its projected peak. The President achieved his goal three years ahead of schedule, in 2006, when the deficit fell from a projected peak of 4.5 percent of GDP, or \$521 billion, to 1.9 percent of GDP, or \$248 billion. Last year, the President announced a new goal of balancing the budget. The policies in this Budget continue the effort to reach that goal.



The 2008 deficit is projected to be \$410 billion, or 2.9 percent of GDP, and the 2009 deficit is projected to be \$407 billion, or 2.7 percent of GDP. The primary reason for increasing deficits in the near term is the President's economic growth package and an expected slowing of receipt growth, due to an expected reduction in corporate tax receipts from recent high levels. Another reason for increases in the projected near-term deficits is increasing defense and emergency spending.

The Budget reflects the full cost of the Global War on Terror for 2008. Actual funding needs for 2009 and beyond will be determined by security conditions in Iraq and Afghanistan, and will continue to be evaluated. In addition, the Budget reflects a one-year extension of Alternative Minimum Tax relief for the 2008 tax year and an allowance for the cost of an economic growth plan. The Budget proposes to allow Americans to invest in voluntary personal retirement accounts beginning in 2013 and makes permanent the President's tax relief. Taken together, the President's policies are expected to lead to fiscal improvements, with a deficit of \$160 billion, or 1.0 percent of GDP, in 2010 and surpluses of \$48 billion and \$29 billion, or 0.3 percent and 0.2 percent of GDP, projected for 2012 and 2013, respectively.



To understand the Nation's fiscal outlook, it is helpful to consider both the budget deficit and the amount of debt held by the public. Debt held by the public reflects the amount of money that the Government has borrowed from outside the Government to finance current and past deficits. Debt held by the public has ranged from 33 to 49 percent of GDP over the past 20 years and averaged 35.6 percent over the past 40 years. At the end of 2007, debt held by the public was \$5.035 trillion, or 36.8 percent of GDP, falling from 37.1 percent in 2006. For 2012, debt held by the public is projected to be 35.1 percent, below the long-term historical average. Declining deficits and reductions in the debt held by the

public demonstrate that the President's pro-growth policies, coupled with spending restraint, are working to improve the Nation's fiscal outlook.

### ***Promoting Economic Growth***

The foundation for the President's pro-growth economic agenda is his tax relief policy. Permitting hard-working individuals to keep a greater portion of their income and encouraging prudent risk-taking among investors create an economic climate in which workers and businesses thrive. Through the President's tax relief efforts, tax rates for individual income, capital gains, dividends, estates and gifts have all been cut. In addition, the President's efforts have doubled the child tax credit, reduced the marriage tax penalty and increased incentives for retirement savings, education savings, and small business investment.

Since the President's tax relief program was fully implemented in 2003, the economy has created more than 8.3 million jobs. The jobs gains and relatively low unemployment reflect the sustained economic growth of the past six years, a period during which real GDP growth averaged 2.8 percent per year.

The growth in tax receipts in recent years has been particularly impressive. 2007 was the third year in a row in which receipts grew faster than GDP. The strong showing in 2007—with tax receipts

of \$2.568 trillion, 6.7 percent greater than in 2006—follows two years of double-digit growth in receipts in 2005 and 2006, with 2005 witnessing a 14.5 percent increase and 2006 witnessing an 11.8 percent increase. At 18.8 percent of GDP, receipts for 2007 were above the 40-year historical average of 18.3 percent.

Even with this recent strong economic and receipt growth, 2008 has already shown mixed economic signals and the Administration recognizes that economic growth cannot be taken for granted. For this reason, the Budget reflects an allowance for an economic growth plan that provides an immediate and temporary boost to private-sector spending and investment. The President has called on the Congress to work with him to enact a package that provides tax relief for individuals and tax incentives for businesses, and that is substantial enough to have an impact on the Nation's large and dynamic economy. Any economic growth package should be built on broad-based tax relief and should not include any tax increases.

The 2009 Budget proposes to continue, for the longer term, tax policies that promote entrepreneurship, job creation, and economic growth. The Budget proposes to make permanent those provisions of the 2001 and 2003 tax relief packages that are set to expire at the end of this decade. The Budget also proposes tax modifications to close loopholes, simplify the tax code for families, increase compliance, promote retirement savings, increase small business investment, and make health care affordable for all Americans.

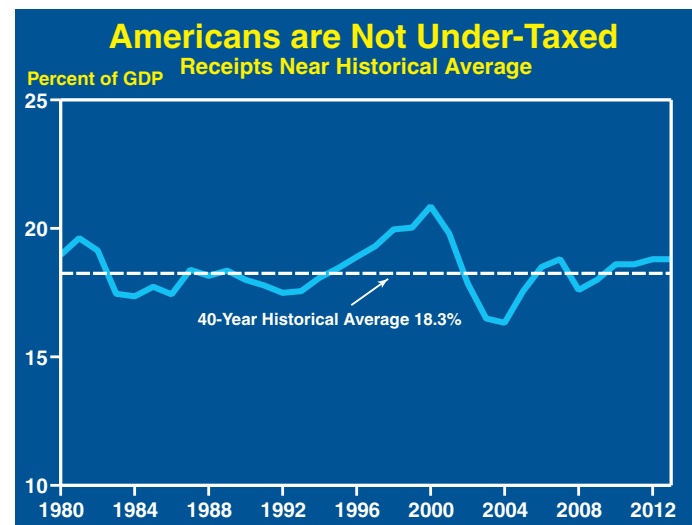
In addition to tax relief, the President will continue to promote economic growth through many other initiatives. Specifically, the Administration is working to: advance basic research and development; promote innovation and accountability in education; reduce the paperwork burden and unnecessary regulations imposed on business; reduce costly and unnecessary litigation; open new markets for American exporters; and advance pro-growth energy policies.

### ***Protecting Americans***

Keeping Americans safe, both at home and abroad, continues to be the President's top priority, and the President believes that being both safe and free is essential to the Nation's continued prosperity. In his 2009 Budget, the President proposes funding levels that will continue the Global War on Terror militarily and diplomatically, and that will transform the military for the 21st Century.

Between 2001 and 2007, security spending increased 48 percent overall. Spending increased 43 percent for the Department of Defense, 219 percent for homeland security, and 46 percent for international affairs (non-homeland). These increases were essential after the September 11th terrorist attacks on the Nation's homeland.

The 2009 Budget proposes an 8.2 percent increase in total security spending. A 7.5 percent increase for defense will be used to maintain a high level of military readiness that can support the Global War on Terror and respond, if necessary, to other military threats. In addition, the defense increase will be used to continue to transform the military to ensure that it has the flexibility to meet ever-changing defense challenges. To protect the Nation's homeland, the Budget proposes a 10.7 percent increase in funding for improving nuclear detection capabilities, expanding cyber security protections, securing



the Nation's borders and removing those individuals in the country illegally, and developing stronger identification and screening capabilities. To support the Nation's diplomatic and international development efforts overseas, the Budget proposes a 14.9 percent increase for international affairs. These funds will be used primarily to support key allies in the Global War on Terror and improve response to international crises, to promote democracy throughout the world, to expand education for the world's poorest children, and to combat global HIV/AIDS and malaria.

### ***Slowing Growth in Non-Security and Entitlement Spending***

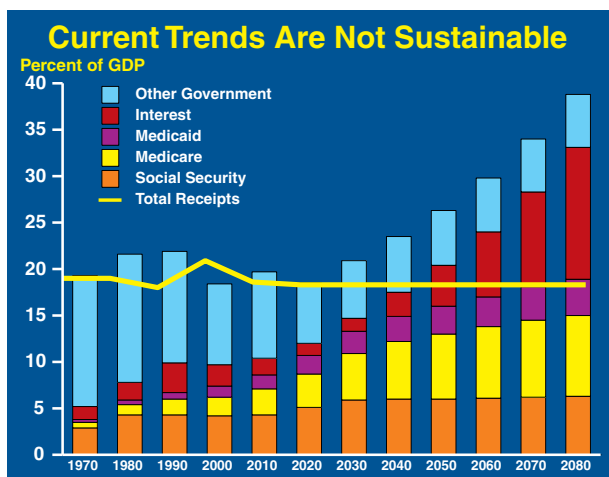
Several years of strong receipt growth and spending restraint have improved the near-term budget outlook. Total outlays for 2007 were \$2.73 trillion, or 20.0 percent of GDP, slightly below the 40-year historical average of 20.6 percent. Outlays in 2007 were only 2.8 percent higher than in 2006, representing the smallest percentage increase in outlays in 10 years.

The Budget will maintain 2009 outlays as a share of GDP at close to the historical level of 20.6 percent by restraining non-security spending and entitlement growth. The Budget proposes sensible reforms to entitlement programs that result in savings of \$16 billion in 2009, \$208 billion over the five-year budget horizon and \$619 billion over the 10-year horizon. In total, the Budget proposes to eliminate or reduce 151 discretionary programs, saving over \$18 billion in 2009.

As discussed below, the majority of entitlement savings, \$603 billion over the 10-year period, are derived from reforms to Medicare and Medicaid. In addition to changes to Medicare and Medicaid, the Budget proposes to increase premiums paid to the Pension Benefit Guaranty Corporation, eliminate Social Services Block Grants, terminate the Perkins loan program, and modify the Disability Insurance program.

## **FACING FUTURE BUDGETARY CHALLENGES**

For the near-term, the 2009 budget deficit is projected to equal 2.7 percent of GDP, with smaller deficits in the years that follow and small surpluses projected beginning in 2012. Although the five-year budget horizon projects manageable deficits by historical standards, and even small surpluses beginning in 2012, the long-term outlook is much less optimistic.



Long-term projections of all Government programs and interest on Government debt show that by 2080, the deficit could exceed 20 percent of GDP if receipts are held at the 40-year historical average of 18.3 percent of GDP. In addition, these deficits could lead to unsustainable levels of borrowing, with debt held by the public exceeding 280 percent of GDP by 2080.

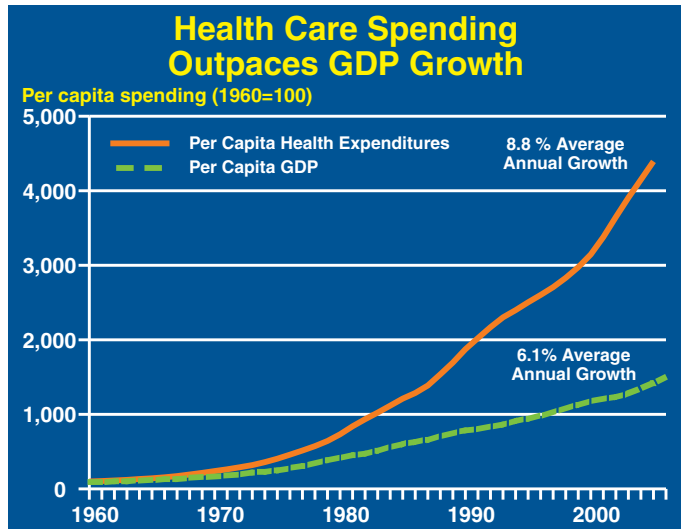
To understand how the Nation might avert a fiscal crisis, it is helpful to review how the Nation arrived on its current fiscal path. In 1970, spending on the Government's three largest entitlement programs—Medicare, Medicaid, and Social Security—was equal to 3.8 percent of GDP. This figure has more than doubled, reaching 8.4 percent today. If health care costs continue to outpace inflation, 75 years from now spending on these three programs is projected to be 19 percent of GDP. This means that in 2080



these three programs alone could account for about as much spending, expressed as a percentage of GDP, as total Government spending does today.

### ***Health Care Costs and Longer Life Expectancy Impact Federal Programs***

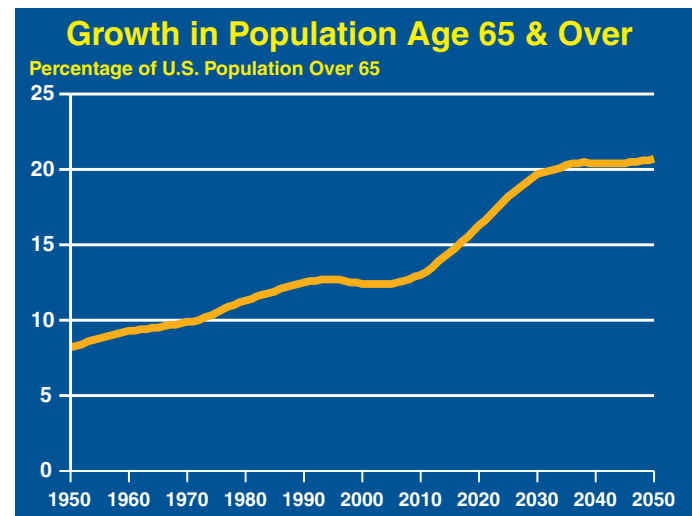
The reasons for the projected dramatic increases in costs for Medicare, Medicaid, and Social Security are growing health care costs and an aging population.



First, since 1960, health care costs have grown 2.7 percentage points faster per year than the economy as a whole. This growth in overall health care costs is particularly problematic for the Federal Government because it is the Nation's largest purchaser of health care, accounting for approximately one-third of all health care spending in the country. The Government provides health care to seniors and low-income individuals through its two largest health care programs, Medicare and Medicaid, and to veterans, active duty military, and civilian personnel through a number of other programs. In 1966, Medicare and Medicaid accounted for only 1 percent of all Government expenditures, but now they

account for 20 percent. The Medicare program's Board of Trustees assumes that Medicare costs will continue to outpace overall economic growth by an average of 1 percent per year over the next seven decades.

Second, beginning this year, the first of the Nation's 78 million baby boomers, those individuals born between 1946 and 1964, will begin to collect retirement benefits under Social Security. Three years from now, beginning in 2011, these oldest baby boomers will be eligible for Medicare benefits. Compounding this unprecedented growth in new beneficiaries are the continued growth in life expectancy and the decline in the working population relative to the retired population. Over the next 25 years, the share of the population aged 65 and older is forecast to increase from 12 percent to 20 percent, and the share of the population that is working in paid employment is forecast to fall from its current 60 percent to 55 percent.



The first factor affecting the Government's long-term costs, health care cost growth, cannot be predicted with certainty, but can be influenced significantly by Government policies. The second factor, the aging of the Nation's population, can be predicted with a fair degree of certainty. The Budget takes into account these economic and demographic realities by proposing practical policy changes to alleviate some of the long-term fiscal pressure that the Government will be facing. In an

attempt to reduce the growth in overall health care costs and the costs of Medicare and Medicaid in particular, the Budget is proposing a number of health care reforms. In addition, the Budget proposes several sensible reforms to Social Security. These proposals, coupled with other Budget proposals, are important and meaningful steps to putting the Nation on a more prudent fiscal path.

### ***Strengthening Social Security***

Because of the increase in the number of retirees, increasing life expectancy, and the resulting decline in the number of workers relative to the retiree population, Social Security benefit payments are projected to exceed the program's dedicated cash income beginning in 2017. This mismatch between benefit payments and cash income must be addressed, and the sooner it is addressed, the more moderate and fair the changes to the program can be.

The President is committed to strengthening Social Security and supports a bipartisan reform process in which all participants are encouraged to bring options for strengthening Social Security to the table. The Budget reflects the President's proposal to allow workers to use a portion of the Social Security payroll tax to fund voluntary personal retirement accounts. These accounts would give Americans an opportunity to build a nest egg and pursue a higher return on their payroll taxes than is possible in the current system, thereby giving them greater control over their retirement finances. Under the President's proposal, beginning in 2013 workers will be allowed to use up to four percent of their Social Security taxable earnings, up to a \$1,400 annual limit, to fund their personal retirement accounts. The \$1,400 cap will be increased by \$100, adjusted for wage growth, each year beginning in 2014 and continuing until 2018.

The President has also embraced the idea of progressive indexing as part of a solution to restore Social Security to sustainable solvency. Over time, wages tend to rise faster than prices. Currently, the first Social Security payment that a person receives is based on a formula that indexes an individual's earnings to the rate of growth in wages. Under progressive indexing, a lower wage earner would continue to have his or her earnings indexed to wage growth, but a higher wage earner would have his or her earnings indexed to inflation; middle-income workers would receive benefits that are indexed in part to wage growth and in part to inflation. By providing a higher rate of indexing for lower wage workers than for higher wage workers, progressive indexing protects those who most rely on Social Security.

## **REFORMING HEALTH CARE**

In his Budget, the President proposes reforms to the Nation's health care system including private health insurance and the Federal health care programs of Medicare, Medicaid, and the State Children's Health Insurance Program (SCHIP). The President's proposals are designed to give all Americans access to affordable health care and to address the cost pressures health care places on the economy and the Federal budget.

The President proposes replacing the existing—and unlimited—tax exclusion for employer-sponsored insurance with a standard health insurance tax deduction. As long as families have at least a catastrophic health insurance policy, they will be able to deduct \$15,000 from their income (\$7,500 for an individual). This will foster a true marketplace for health care, encourage competition, improve the efficiency of the system, and reduce the ranks of the uninsured.

The Budget also proposes three initiatives to restructure health insurance markets. The first will establish association health plans to allow small employers, civic groups, and community organizations to use collective purchasing power to negotiate lower-priced coverage for their employees, members, and their families. The second will create a competitive marketplace across State lines,

which will maintain strong consumer protections. The third will reform medical liability law to increase access to high-quality, affordable health care for all Americans and to reduce frivolous, time-consuming legal proceedings against doctors and health care providers.

The President continues his commitment to consumer-focused policies that emphasize transparency of price and quality information. The Budget proposes to modify the standard IRS W-2 form to require employers to include the amount they paid for health insurance premiums on each employee's behalf. Additionally, the Budget contains a package of proposals that promote the use of health savings accounts, including allowing health plans with at least 50 percent coinsurance to qualify as high-deductible health plans.

To help States offer health insurance options to hard-to-insure populations, the President proposes \$75 million in both 2009 and 2010, as authorized by the State High Risk Pool Funding Extension Act of 2006.

### ***Fostering Affordable Choices in the Health Care System***

Over the past year, the Secretary of Health and Human Services (HHS) has spoken with various health care stakeholders, including the Nation's governors and Members of Congress, about opportunities to improve access to affordable insurance.

The Federal Government's current system of paying for health care results in billions of dollars being spent inefficiently through a patchwork of subsidies and payments to providers. In addition to directly funding the costs of health care for enrollees, the Medicare and Medicaid programs make separate payments that subsidize a provider's operating expenses or fund indirectly the cost of uncompensated care. The health care system could operate more efficiently if some portion of these separate payments to institutions were redirected to help people with poor health or limited income afford health insurance. The uninsured often use emergency rooms as a source of primary care, which leads to suboptimal care and spending outcomes. If this spending were focused on helping the uninsured purchase private insurance, people would receive the care they need in the most appropriate setting.

The health care system needs to be transformed in a way that avoids costly and unnecessary medical visits and emphasizes up-front, affordable private health insurance options. This transformation could happen by subsidizing the purchase of private insurance for low-income individuals. However, any such health care reforms need to be State-based and budget neutral within health care spending, and must not result in the creation of a new entitlement program or affect savings proposed in the President's Budget. The Federal Government would maintain its commitment to the neediest and most vulnerable populations, while acknowledging that States are best situated to craft innovative solutions to move people into affordable insurance.

### ***Preserving Quality, While Slowing the Unsustainable Growth in Medicare***

The Medicare program, established in 1965, offers health care services to individuals aged 65 and older and certain people with disabilities. In 2007, nearly 44 million people were enrolled in the Medicare program. Medicare has traditionally consisted of two parts: Hospital Insurance, also known as Part A, and Supplementary Medical Insurance, also known as Part B. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) reformed Medicare by providing new voluntary prescription drug coverage, also known as Part D, which began on January 1, 2006. In addition, the MMA created the Medicare Advantage program, also known as Part C, which offers greater choices and higher-quality care to beneficiaries through competition among private health plans. These programs offer Medicare beneficiaries additional coverage, more choice, and health care savings.

According to the 2007 Medicare Trustees' Report, Medicare's dedicated revenues from designated payroll taxes and from premium payments covered 59 percent of benefits in 2006. The remaining 41 percent was financed from general tax revenues. By 2030, dedicated revenues are projected to finance only 47 percent of total Medicare benefits, leaving 53 percent of program costs to be funded by general tax revenues. This projected rate of growth in Medicare benefits is not sustainable over the long run.

The Administration is committed to reforming Medicare to ensure efficient and high-quality care and to improve the fiscal sustainability of the program for the future. Currently, Medicare spending is growing at an annual rate of 7.2 percent. The 2009 Budget includes proposals to slow the annual rate of growth in the Medicare program to 5.0 percent. Over five years, these proposals are estimated to produce a total of \$178 billion in savings.

### ***Improving Fiscal Sustainability***

The Administration is committed to slowing Medicare's rate of growth while also promoting the delivery of high-quality services to program beneficiaries. For two consecutive years, the Medicare Trustees have found that more than 45 percent of projected Medicare expenditures will require funding from general tax revenue (rather than dedicated resources) within the current or next six years. Accordingly, the Budget proposes legislation that will reduce Medicare spending by \$556 billion over 10 years and more than \$10 trillion over 75 years.

In addition to proposing specific reforms to reduce the unsustainable growth in the near term, the Budget also proposes to address the long-term unfunded obligation in Medicare by adding to the MMA funding warning an incentive for Medicare reform. Specifically, in the year in which the 45-percent threshold is exceeded, provider payments would be automatically reduced by four-tenths of one percent per year. The provider payments would continue to be reduced by an additional four-tenths of one percent per year as long as Medicare's dedicated funding sources cover 55 percent or less of program costs. The provision is intended to encourage the Congress and the Administration to reach agreement on reforms needed to slow the growth in program costs.

### ***Encouraging Provider Competition, Efficiency, and High-Quality Care***

Competition and efficiency improve care for beneficiaries by encouraging quality and lowering costs. The 2009 Budget proposes to adjust annual provider updates to encourage implementation of best practices that will restrain costs and improve efficiency. The Budget supports payment reforms for providers, such as hospital value-based purchasing, that do not increase Medicare spending and that encourage providers to administer high-quality, efficient care. In addition, the Budget proposes incentives that encourage high-quality hospital services and reduce medical errors. The Budget also proposes to introduce more competition into Medicare by establishing competitive bidding for clinical laboratory services and accelerating the transition to competitive contracts for fee-for-service claims processing.

### ***Aligning Medicare Payments with Current Costs and Practices***

Medicare's payment policies need to be updated to keep pace with evolution in health care treatments and settings. The Budget includes proposals that ensure that patients are served in the most medically appropriate and cost-efficient setting for post-acute care, and that payments for medical equipment and services do not exceed their costs.

### ***Increasing Beneficiary Responsibility for Health Care Choices***

One reason for the excessive growth in health care spending is the lack of knowledge consumers have about their health care choices and costs. The Budget proposes to encourage greater individual responsibility for health care use and costs for high-income beneficiaries, who are most able to contribute to the costs of their coverage. This will be facilitated by a number of steps the Administration has taken already that increase the transparency of health care costs and quality, and support greater health care value for Medicare beneficiaries.

### ***Improving Program Integrity***

Medicare program integrity efforts have yielded savings from the recovery of overpayments and the collection of criminal fines and penalties from Medicare fraud. The Budget proposes additional funds to address program integrity vulnerabilities.

### ***Promoting Fiscal Responsibility in SCHIP and Medicaid***

Established in 1997, SCHIP provides health care coverage to low-income, uninsured children who do not qualify for Medicaid. The Medicare, Medicaid, and SCHIP Extension Act of 2007, P.L. 110-173, extended SCHIP funding through March 31, 2009. The President's Budget includes a robust SCHIP reauthorization proposal that refocuses SCHIP on low-income children, as was originally intended.

Established in 1965, Medicaid is an open-ended health care entitlement financed jointly by the Federal Government and States. The Federal Government pays, on average, 57 percent of Medicaid expenses. In 2009, it will cover approximately 51 million low-income children and families, pregnant women, seniors, and disabled individuals. Federal Medicaid outlays are estimated to be \$218 billion.

### ***Focusing SCHIP Coverage on Low-Income Children***

The President is fully committed to reauthorizing SCHIP in a fiscally responsible manner. It is critical that SCHIP be reauthorized in a way that continues to cover the Nation's neediest children.

The Administration and the Congress have not been able to find common ground on the best way to reauthorize SCHIP. The Budget includes a fiscally responsible reauthorization proposal that would cover, on average, 5.6 million low-income children by 2013.

When SCHIP was established, the focus was on low-income children, primarily children below 200 percent of the Federal poverty level. The Budget continues to focus on these children by increasing funding to States by \$19.7 billion through 2013. The Budget also includes outreach grants of \$50 million in 2009 and \$100 million in each of the following four years for States, localities, schools, and community-based organizations to reach eligible uninsured children.

At the same time, the Administration proposes policies that will increase the long-term sustainability of SCHIP. The Budget reauthorization proposal helps those who are now uninsured obtain health insurance, but does not move those who now have private health insurance into Government programs. The Budget also clarifies SCHIP eligibility by clearly defining income.

### ***Enhancing Access to and Ensuring Continuity of Health Coverage***

The Budget includes proposals to ensure continued access to health care for eligible individuals. First, the Budget proposes to extend coverage through September 30, 2009, for Medicaid beneficiaries who qualify for Transitional Medical Assistance benefits or who qualify for Medicare

Part B premium assistance as Qualified Individuals. Second, the Budget proposes modifications to the Health Insurance Portability and Accountability Act of 1996 to give greater continuity in coverage for Medicaid/SCHIP beneficiaries. Lastly, the Budget proposes modifications that will make it easier for States to implement premium assistance programs.

### ***Strengthening Program Integrity and Accountability in Medicaid***

In addition to proposals that enhance access and continuity of coverage, the Budget proposes reforms to improve program integrity, increase State flexibility, and promote cost-effective management of Medicaid dollars. Many reforms build on past efforts by the Congress and the Administration to improve Medicaid fiscal integrity and to increase program efficiencies.

*Long-Term Care.* To preserve Medicaid for the neediest individuals, the Budget proposes to maintain the home equity limit, which partly determines an individual's eligibility for Medicaid Long Term Care (LTC), at \$500,000. The Budget also proposes to give States more flexibility to tailor acute care benefits in a manner that better meets the needs of higher-income LTC populations. The Budget further includes an administrative action to clarify what types of inflation protection must be included in LTC insurance plans offered through the Partnership for LTC program.

*Managed Care.* To ensure that savings generated by managed care are spent appropriately and to remove ambiguity about how those savings can be used, the Administration will issue a regulation detailing which services are allowable under section 1915(b)(3) of the Social Security Act. Additionally, to give States greater flexibility in coordinating care for special populations, the Budget proposes to allow States to require all Medicaid beneficiaries to be enrolled in managed care. Further, the Administration proposes extending the renewal period for section 1915(b) waivers from two years to three years to simplify program administration.

*Prescription Drugs.* The President supports market-based prescription drug reforms. The Budget proposes to remove "best price" from the Medicaid rebate calculation to allow manufacturers to negotiate deeper discounts in the private sector without affecting rebate levels. The Budget also proposes to rationalize reimbursement for multiple-source prescription drugs and to implement Medicare-Medicaid drug claim data sharing, which would allow States to better manage beneficiary care.

*Reimbursement Reform.* The Federal Government generally reimburses States for medical services at the statutory Federal Medical Assistance Percentage (FMAP) and at 50 percent for administrative activities under Medicaid, but exceptions exist. To create consistency and preserve the integrity of the matching structure across Medicaid, the Budget proposes to align reimbursement for family planning services and for premium assistance provided to Qualified Individuals at FMAP. The Budget also proposes to align reimbursement rates for all Medicaid administrative services and case management at 50 percent.

*Financing Reforms.* The Budget proposes to restructure Medicaid financing to increase program efficiencies and fiscal integrity. The Budget proposes to recoup duplicative administrative payments that were inappropriately included in the Temporary Assistance for Needy Families block grants. Also, the Administration will codify the longstanding HHS policy not to bill Medicaid when services are provided free of charge to the public.

*Reducing Improper Payments.* The Budget includes proposals that will help States reduce improper payments, including: 1) enhancements to third-party liability law that strengthen Medicaid's position as payer of last resort; 2) two proposals that give States tools to help identify improper provider claims and duplicative benefits received by the same beneficiary in more than one State; and 3) a permanent extension with modifications of a demonstration using web-based tools to verify the assets of Medicaid applicants.

*Accountability and Transparency.* The Budget proposes to require States to report on performance measures and link State performance to grant awards. The Budget also proposes to require an annual report on Medicaid’s financial status.

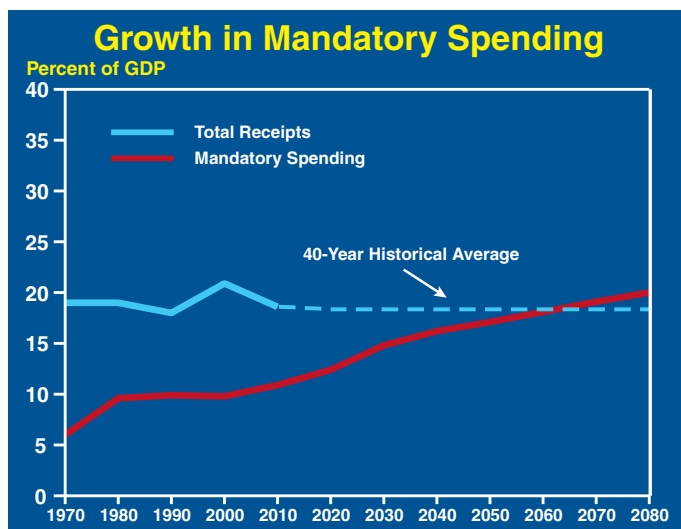
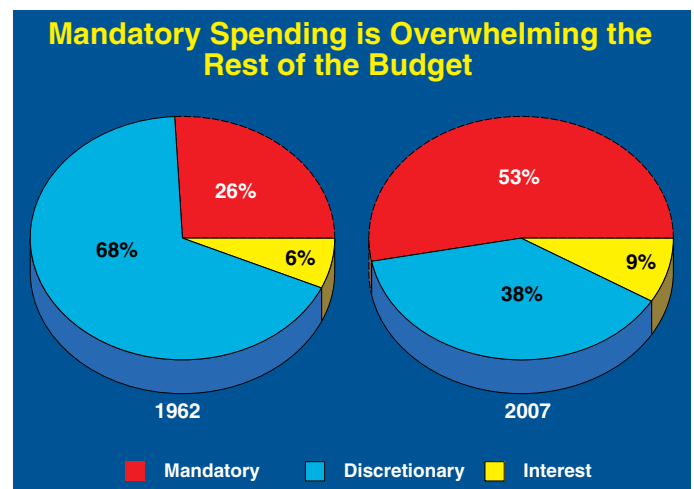
## COMMON-SENSE BUDGET REFORMS

With tax relief and other pro-growth policies, plus his proposals to limit discretionary spending and reduce the future costs of the Nation’s major entitlement programs, the President has demonstrated his commitment to fiscal responsibility. In this Budget, the President is again proposing a number of common-sense reforms to improve the way that the Congress and the President make decisions about how best to spend taxpayer dollars.

### *Restraining Automatic Spending*

Nearly two-thirds of all Government spending occurs automatically, without any action by the Congress or the President. This spending includes payments for interest on Federal debt and spending for “entitlement” programs in which the law specifies both the criteria that entitle an individual to a payment from the Government and the formula that establishes the amount of the payment. The automatic nature of spending for entitlement programs ensures that the health care and income needs of seniors and persons who are disabled, widowed, or orphaned will be met. Because interest and entitlement program spending is automatic or “mandatory,” the Congress and the President must enact legislation to change the path of this spending.

As a share of total Government spending, mandatory spending has grown dramatically over the past four decades. In 1962, mandatory spending accounted for 26 percent of all Government spending. By 2007 that percentage had more than doubled, reaching 53 percent.



In relation to GDP, mandatory spending has also more than doubled from 1962 to 2007, growing from 4.9 percent of GDP to 10.6 percent. If changes to entitlement programs are not made, mandatory spending is projected to increase to 20 percent of GDP by 2080, which, as a share of GDP, would be roughly equal to total Government spending today. Stated differently, if left unchanged, mandatory spending alone is projected to exceed total projected Government receipts in approximately 50 years.

To prevent the mandatory spending problem from becoming worse while also keeping taxes low, the Budget proposes to impose a new

statutory pay-as-you-go requirement on any legislation that affects mandatory spending. Under the proposal, any legislation that increases mandatory spending could not result in an increase in the deficit; any increase would have to be offset by a reduction in mandatory spending in the same or other mandatory programs. Any legislation that increases mandatory spending without an equal offset would be subject to a point of order and would need 60 votes, or a three-fifths vote, in the Senate. If, at the end of a congressional session, the enacted mandatory spending legislation results in an increase in the deficit, then OMB would be required to make across-the-board cuts to non-exempt mandatory programs to eliminate any deficit increase. Unlike the current pay-as-you-go rules adopted by the Congress, the Administration's pay-as-you-go proposal would be statutory and could not simply be waived by 60 votes in the Senate. In addition, the Administration's proposal would ensure that additional spending is not financed by burdening the American people with additional taxes.

In addition to the pay-as-you-go rule for mandatory spending, the Budget proposes to curtail expansions in long-term obligations for Social Security, Supplemental Security Income, Medicare, Federal civilian and military retirement, and veterans disability compensation. Under the proposal, any legislation that increases the actuarial unfunded obligation of any of these programs would be subject to a point of order, or a three-fifths vote, in the Senate.

### ***Restraining Annually Appropriated Spending***

As distinct from mandatory spending, which occurs automatically without new congressional or Presidential action, "discretionary" spending is subject to annual review and appropriations action by the Congress and the President. Without laws enacting annual appropriations, most agencies cannot obligate or spend money to carry out their day-to-day operations. Discretionary spending has tended to increase steadily over time, which is why the President's Budget proposes to place statutory limits or "caps" on discretionary spending each year beginning in 2009 and continuing through 2013. Under the proposal, any appropriations bill that causes the caps to be exceeded would be subject to a point of order, or a three-fifths vote, in the Senate. If the total spending enacted in the appropriations laws exceeds the spending caps in any year, OMB would be required to make across-the-board cuts to reduce total discretionary spending to the statutory limit.

The Budget proposes to exempt program integrity efforts from the proposed statutory spending caps by adjusting the caps for amounts dedicated to such efforts. Program integrity efforts are intended to stop payments to individuals not eligible for benefits and to collect unpaid taxes due the Government and can generate as high as a ten-to-one return to the Government.

### ***Spending Tax Dollars Wisely***

*Legislative Line-Item Veto.* In his Budget, the President is again proposing that the Congress enact a legislative line-item veto. Under the proposal, if the Congress were to enact legislation that includes wasteful spending provisions or targeted tax benefits, the President would return to Congress for cancellation individual provisions that would be voted up or down without amendment under expedited legislative procedures. If the Congress were to pass some or all of the President's proposed cancellations, any savings associated with the approved cancellations would be used for deficit reduction and could not be used to offset other spending. Forty-three of the Nation's Governors are authorized to exercise a line-item veto, and the President should be authorized to do the same with respect to Federal Government spending.



*Earmark Reforms.* The President is also proposing that the Congress continue to make reforms to the earmarking process. Earmarks are provisions in legislation or congressional committee reports that designate a portion of a larger sum of money to be used for a particular purpose, where the recipient or location is named or where the legislation otherwise circumvents a competitive or merit-based process for awarding funds. The number and cost of earmarks have grown dramatically in recent years, more than tripling since the early 1990s. In an effort to bring greater transparency to earmarks, the Administration provides detailed information about these spending provisions at [www.earmarks.omb.gov](http://www.earmarks.omb.gov). OMB estimates that the number of earmarks grew to over 13,000 in 2005 at a cost of nearly \$19 billion. The need for the line-item veto tool was again underscored with the recent congressional action on the 2008 appropriations, which contain more than 11,700 earmarks and other wasteful spending provisions. Last year, the President called on the Congress to provide greater transparency and full disclosure of earmarks by eliminating wasteful earmarks, reducing the number and cost of earmarks by half, and placing earmarks in statutory language rather than report language. The President remains committed to earmark reform and urges the Congress to make earmark reform a top priority for 2008.

*Bipartisan Results Commission and Sunset Commission.* In addition to proposing a line-item veto and a reduction in earmarks, the President proposes to create bipartisan Results Commissions and a bipartisan Sunset Commission. Results Commissions would propose ways to restructure or consolidate programs or agencies where duplicative or overlapping responsibilities have been identified. If approved by the President, the Results Commissions' proposals would be transmitted to the Congress and considered under expedited legislative procedures. The Sunset Commission would review all Federal agencies and programs on a 10-year schedule and recommend to the President whether the agencies and programs should be continued.

### ***Ensuring an Efficient and Transparent Budget Process***

The President is committed to promoting an orderly and transparent budget process. An orderly and efficient budget process would inform the public about the use of their tax dollars and permit Government managers to anticipate likely funding levels for the programs they manage. To bring greater transparency to Federal spending as it is proposed and after it has been spent, the Administration places information on the Internet so it is available to the taxpayer. Such sites include [www.omb.gov](http://www.omb.gov) with details of the President's Budget, [www.ExpectMore.gov](http://www.ExpectMore.gov) with results on how Federal programs are working, [www.results.gov](http://www.results.gov) with scorecards on the performance of Federal agencies, and [www.USAspending.gov](http://www.USAspending.gov) with data showing how Federal dollars were spent.

*Joint Budget Resolution.* In his Budget, the President is again proposing that the Congress be required to pass each year a joint budget resolution that has the force of law. The current budget resolution that is passed by Congress does not require the President's signature, thereby excluding the President from the early stages of the congressional budget process. Requiring the President's signature on a joint budget resolution would bring the President into the budget process earlier in time and permit the President and the Congress to reach agreement on overall fiscal policy before Congress begins its work on individual tax and spending bills.

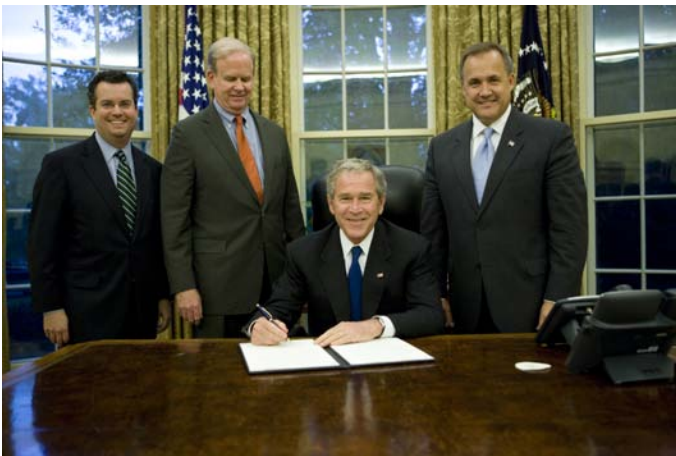
*Biennial Budgeting.* To further improve the efficiency of the budget process, the President is proposing that biennial budgeting be adopted for all Executive Branch agencies. Appropriations legislation would be adopted in odd-numbered years and authorizing legislation would be adopted in even-numbered years. Biennial budgeting would give the Congress and Executive Branch officials more time to devote to program oversight. It would also give Government managers more certainty regarding funding levels, permitting them to devote more time to day-to-day program management and longer-term program planning.

*Government Shut-down Prevention.* To serve the American taxpayers without interruption, the 2009 Budget proposes to prevent Government shutdowns by allowing funding to occur automatically for those agencies, programs, or accounts for which appropriations bills have not been enacted at the start of the fiscal year. Funding would automatically be provided at the lower of the President's request or the prior year's enacted funding level. This would prevent an interruption in vital services to American taxpayers and prevent the uncertainty and confusion that arises when the Congress does not complete its work on appropriations bills and must instead write last-minute continuing resolutions to keep Government operations running temporarily.

# MANAGING FOR RESULTS

*It is the policy of the Federal Government to spend taxpayer dollars effectively and more effectively each year. Agencies shall apply taxpayer resources efficiently in a manner that maximizes the effectiveness of Government programs in serving the American people.*

Executive Order 13450: Improving Government Program Performance  
President George W. Bush



President George W. Bush signs Executive Order institutionalizing program improvement and accountability.

Through the President's Management Agenda (PMA) launched in 2001, Federal agencies and their employees have laid the foundation necessary for continual improvements in Government performance. Agencies, programs, and staff must have clear, transparent goals so that the American people can hold them accountable for results.

The PMA includes five major initiatives. Each initiative's primary goal is to help make programs work better. These initiatives—Improved Program Performance; Strategic Management of Human Capital; Expanded Electronic Government; Improved Financial Performance; and Competitive

Sourcing—have achieved remarkable success. During this Administration, and for the first time, agencies publicly report goals for what they expect to achieve in the next year and beyond.

To institutionalize the results-driven culture of the PMA, President Bush issued an Executive Order (EO) on November 13, 2007, that formalizes the commitment of the Government to spend taxpayers' money wisely and more effectively every year. The EO ensures agency and program performance is transparent so that taxpayers have the critical information needed to hold Government accountable.

## PERFORMING BETTER

Agencies have systematically reviewed the performance of nearly all programs (over 1,000) using a consistent methodology called the Program Assessment Rating Tool (PART). These reviews have helped ensure that all programs have clear, specific definitions of success, outcome-oriented performance measures to track that success, and concrete improvement plans. Importantly, all of this information is transparent and available to the public on [www.ExpectMore.gov](http://www.ExpectMore.gov).

Some key successes:

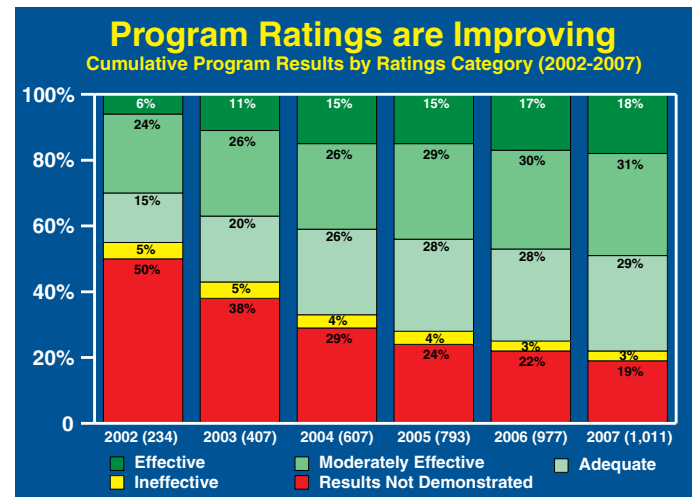
- 89 percent of programs established or clarified their long-term and annual performance goals to focus on outcomes that are important to the American people.
- 82 percent of programs are achieving their performance goals.

- 73 percent of programs are measuring their efficiency, a relatively new metric for Government programs.
- 70 percent of programs are improving efficiency annually, producing more value per dollar spent.
- 55 percent of programs that were initially unable to demonstrate results have improved their overall performance rating.

Visitors to [www.ExpectMore.gov](http://www.ExpectMore.gov) can learn where the Government is successful, where it falls short, and in both situations, what Government is doing to improve program performance every year. They can also find important documents about agency performance and management, including every major agency's budget, financial report, and performance report card.

To improve the results of Federal programs, in 2008 agencies will:

- Improve the quality of performance and efficiency goals to ensure they are consistent, reasonably aggressive, and outcome-oriented goals.
- Implement the President's EO by ensuring each agency appoints a Performance Improvement Officer who is held accountable for coordinating performance management activities and helping the head of the agency hold personnel accountable for results.



## IMPROVING HUMAN CAPITAL MANAGEMENT

Federal managers and employees are developing clear goals for each employee that help provide a framework for meaningful feedback on performance. To improve program performance every year, employees must understand how their efforts contribute to agency achievements and work with their managers to devise strategies for continual improvement. Agencies are also working to ensure personnel have the skills they need to achieve their mission and have reduced the time it takes to hire new employees.

Some key successes:

- 81 percent of agencies reduced “skills gaps” in mission critical occupations, up from 77 percent in 2006.
- 77 percent of agencies reduced skills gaps in leadership, up from 58 percent in 2006.
- 78 percent of new employees are hired within a 45-day time frame, up from 64 percent in 2006. The average time to hire is now 31 days, down from 34 in 2006.

To improve the skills and effectiveness of Federal employees, agencies will:

- Ensure managers are held accountable for outcome-oriented performance goals.
- Demonstrate that key employee skills gaps have been reduced through a results-based approach by 2008.

For more information, please visit [www.results.gov](http://www.results.gov).

## USING INFORMATION TECHNOLOGY MORE EFFECTIVELY

By strategically investing in information technology (IT) and professionally managing those investments, agencies are positioned to provide quality information and services to the public. The PMA scorecard has established a framework for effectively using IT to help achieve agency goals.

- Today, 92 percent of IT systems operate with completed security accreditations, compared to 21 percent in 2001.
- 50 percent of agencies implement IT projects within 90 percent of cost, schedule, and performance expectations.

To expand the benefits received from use of IT, agencies will:

- Reduce competency and skill gaps in the IT workforce to better achieve program results.
- Increase citizen satisfaction with IT services.
- Mitigate security and privacy risks associated with information services.

For more information please visit [www.omb.gov/egov](http://www.omb.gov/egov).

## IMPROVING FINANCIAL AND REAL PROPERTY MANAGEMENT

To ensure managers have current and accurate financial information for decision-making, and that the Federal Government properly accounts for taxpayer resources, agencies have strengthened their financial management practices.

- For the third straight year, every major Federal agency completed its Performance and Accountability Report within just 45 days after the end of the fiscal year.
- At the same time, Federal agencies are improving the quality of financial information. The number of clean audit opinions has increased to 19 (of 24), while the number of material weaknesses has declined by more than 35 percent since 2001. In addition, 13 agencies have a clean opinion with no material weaknesses, up from just eight agencies last year. The goals for 2008 are for 21 agencies to earn clean audit opinions and to reduce the number of repeat material weaknesses to 10 percent.
- Agencies have also continued their efforts to ensure that their mission critical assets are fully utilized and maintained at the right cost and condition. To that end, agencies have identified and disposed of over \$7 billion in unneeded property. The goal for 2008 is to dispose of an additional \$1 billion in unneeded property and dispose of a cumulative \$15 billion by 2015.

For more information please visit [www.omb.gov/financial](http://www.omb.gov/financial).

## ELIMINATING IMPROPER PAYMENTS

Agencies are improving the accuracy of Federal payments by ensuring that dollars are properly accounted for and are going to the right person in the correct amount.

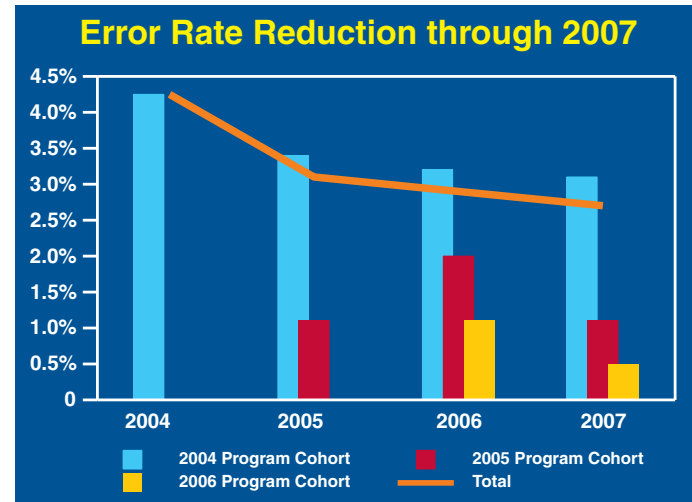
Some key successes in 2007:

- Federal agencies reduced the Government-wide error rate for the programs originally reported in 2004 from 4.25 percent to 3.1 percent.
- When improper payments were originally reported in 2004, only 30 programs estimated and reported the extent of their erroneous payments. Today, as a result of the Eliminating Improper Payments initiative under the PMA, more than 70 programs have reported this information.

To ensure the accuracy of payments in 2008, agencies will:

- Continue to monitor and report payment errors.
- Implement corrective action plans that address root causes of error.

The Federal Government has established an impressive track record of making improper payment measurements transparent to the public and then taking quick and effective action to eliminate them. For more information, please visit [www.omb.gov/financial](http://www.omb.gov/financial).



## USING COMPETITION TO GET TAXPAYERS THE BEST SERVICE AT THE LOWEST COST

Federal managers of commercial activities—such as IT support, accounting, and logistics—continue to use public-private competition to make common-sense decisions about whether taxpayers are better served through performance by a reengineered Government organization or, alternatively, by the best-qualified contractor.

Agencies have projected that competitions completed during the last four years should generate a total of about \$7 billion in savings, or an estimated annualized savings of about \$1 billion, through process reengineering, workforce realignments, better leveraging of technology, and operational consolidations. Agencies are tracking the implementation of their competitions to ensure results are realized. They already have identified close to \$1 billion in actual savings and cost avoidances that enable resources to be focused on better Government services, such as improved stewardship of our national forests and improved disability claims processing.

Agencies will continue to use competitive sourcing where the benefits of public-private competition can help achieve savings and greater Government performance for taxpayers. Agencies have developed plans to independently validate savings and performance improvements and will use these results in evaluating future opportunities for competition.

To achieve even greater savings and better service, in 2008 agencies will:

- Ensure they conduct independent validations of the results of competitions.
- Identify future opportunities for competitive sourcing.

- Work with the Congress to remove legislative restrictions on competitive sourcing. Elimination of these legislative constraints would allow taxpayers to get the best results possible from competitive sourcing and manage their resources in the most effective manner possible.

To further maximize the benefits of competition, agencies across the Government have coordinated their buying strategies to leverage the Government's vast purchasing power. Strategic sourcing is enabling agencies to reduce contract costs anywhere from 5 to 40 percent, on average, for routine requirements, such as domestic delivery services and office supplies. Through aggressive planning, agencies will ensure the acquisition workforce has the skills to deliver the best results possible and maximize agency effectiveness.

For more information, please visit [www.omb.gov/procurement](http://www.omb.gov/procurement).

## USING MANAGEMENT SCORECARDS TO DRIVE RESULTS

While there has been clear progress on each initiative, agencies are committed to continuing to do more in order to make the Government as effective as possible. For example:

- While about two-thirds of the Budget is allocated to effective or moderately effective programs, the Federal Government continues to spend \$138 billion on 222 programs that have not demonstrated results or are ineffective.
- While about half of the Federal agencies can now quantify and articulate how the benefits derived from their IT investments exceed the costs, half still cannot.
- While 19 major agencies received clean audit opinions on their financial statements, five did not.

Each initiative has a set of goals that all agencies strive to achieve and these are measured through a public scorecard with red, yellow, and green ratings. An agency earns the top green status when it has successfully achieved all the desired objectives in the initiative. Agencies also receive progress scores that assess how well they are implementing their planned improvements.

With the help of the PMA, agencies have become more disciplined, transparent, and results-oriented in their management of programs, people, costs, and investments. For each management area, agencies identify clear goals and timeframes. They develop plans, identify responsible individuals, and provide resources to achieve these goals.

Each quarter, a scorecard reporting on agencies implementation of each PMA initiative is posted at [www.results.gov](http://www.results.gov).







## DEPARTMENT OF AGRICULTURE

### The President's 2009 Budget will:

- Ensure the continuation of a strong farm economy and fulfill the Administration's commitment to reduce trade barriers;
- Provide nutrition assistance programs to one in five Americans;
- Maintain support for the Northwest Forest Plan by providing for the offer of 800 million board feet of timber to be harvested;
- Encourage rural development through program reforms and improved housing opportunities; and
- Help ensure the safety of both imported and domestic products.

### *Ensuring the Continuation of a Strong Farm Economy*

- *Promotes a strong farm economy.* The Administration's farm bill proposals represent a comprehensive, reform-minded, and fiscally responsible approach to supporting America's farmers and ranchers, including:
  - Reforms to tighten payment limits and revise the countercyclical support program to be responsive to actual conditions and provide a strong safety net.
  - Revisions to make commodity programs less market-distorting, reduce friction with America's trading partners, and increase spending on conservation and energy programs.
- *Reduces trade barriers.* Encourages future growth in agriculture through the reduction of trade barriers.
  - Maintains and opens new markets for American farmers and ranchers, to build on record levels for U.S. agricultural exports that will eclipse the \$81.9 billion record set in 2007.
  - Continues efforts toward approval and implementation of the free trade agreements with Colombia, Panama, and South Korea to level the playing field for U.S. producers.



Source: Department of Agriculture

Workers unloading wheat from a cargo ship.

### ***Promoting Nutrition Assistance Programs***

- *Reauthorizes the Food Stamp Program.* Improves the integrity of this program by tightening overly broad waivers from eligibility criteria, and removes penalties for college and retirement savings, and child care expenses.
- *Increases funding for the Special Supplemental Nutrition Program for Women, Infants and Children (WIC).* Provides \$6.1 billion for WIC services, reaching an estimated 8.6 million beneficiaries in 2009. 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 promote the intake of fresh fruits and vegetables.

### ***Developing Sustainable Forests***

- *Supports the Northwest Forest Plan.* Provides a national timber sales target of 3.5 billion board feet, which includes the Northwest Forest Plan's goal of 800 million board feet of timber for the Forest Service in 2009. The goal is a sustainable level that provides enough timber to build 64,000 three-bedroom houses, but is well below the 10 billion board feet of timber harvested in 1990.
- *Improves forest health.* Reduces the threat of catastrophic wildfires to communities and the environment by providing \$297 million for hazardous fuels reduction projects—a more than fourfold increase since 2000.
- *Improves stewardship.* Supports stewardship of America's national forests, which are vital parts of the Nation's natural heritage, economic base, environmental resources, and recreational opportunities.

### ***Encouraging Rural Development***

- *Increases homeownership.* Provides more efficient and effective housing assistance for rural residents. Promotes the use of guaranteed loans by providing a \$4.8 billion guaranteed single family housing loan level, an increase of \$659 million over 2008, to maintain single family homeownership opportunities while eliminating the more costly direct homeownership loans.
- *Provides rental assistance.* Ensures that all current tenants will continue to receive support by providing \$997 million in rental assistance, including \$897 million for rental assistance grants and \$100 million for vouchers, rather than the traditional unit-based assistance.

### ***Improving Import and Domestic Food Safety***

- *Ensures the safety of meat, poultry, and egg products.* Supports efforts to:
  - Determine the equivalency of foreign food safety inspection systems;
  - Inspect domestic and imported meat, poultry, and egg products for compliance with U.S. food safety laws and regulations; and
  - Improve the ability to detect harmful agents in food with rapid test capabilities.
- *Reduces the risk of plant and animal pests and diseases impacting the United States.* Supports efforts to:
  - Monitor for, and respond to, domestic pests and diseases of plants and animals;
  - Monitor pests and diseases overseas and propose necessary regulatory actions; and
  - Detect and prevent the entry and dissemination of commodities that may harbor disease.

### ***Major Savings and Reforms***

- Identifies 33 programs representing \$2.3 billion for termination or reduction, including:
  - Resource Conservation and Development Program, which duplicates other Department of Agriculture economic development programs that encourage State and local governments to plan and implement projects, including those for resource protection, community zoning and infrastructure, and economic development;
  - Commodity Supplemental Food Program, which, in the limited areas where it is available, duplicates two of the Nation's largest Federal nutrition assistance programs—Food Stamps and WIC; and
  - Watershed Surveys and Planning Program, which subsidizes local planning activities for water resource use, and Watershed and Flood Prevention Operations Program, which subsidizes local dam and water supply construction projects. This is not a core responsibility of the Federal Government.

### ***Since 2001, the Department of Agriculture has:***

- Opened new markets for American farmers and ranchers, helping lead to a record level for U.S. agricultural exports of \$81.9 billion in 2007, up nearly 55 percent since 2001.
- Reduced hazardous fuels on 13.5 million acres of forest and doubled the yearly acreage coverage under the President's Healthy Forests Initiative.
- Enrolled over one million acres into the Wetlands Reserve Program to restore and protect these ecologically valuable lands.
- Provided assistance to farmers and ranchers resulting in conservation on more than 130 million acres of land.
- Provided food and nutrition benefits to an additional 9.1 million people participating in the Food Stamp Program and approximately one million women, infants, and children participating in WIC.
- Strengthened domestic surveillance and testing of avian influenza to ensure rapid detection and response. Provided assistance to 142 countries where highly pathogenic avian influenza has been detected to slow the spread of the disease abroad.
- Encouraged the development of a domestic renewable fuels industry with incentives that resulted in the production of 9 billion gallons of ethanol and 250 million gallons of biodiesel.
- Helped reduce the prevalence of *Listeria monocytogenes* on ready-to-eat meat by over 50 percent through effective inspection systems and response mechanisms.

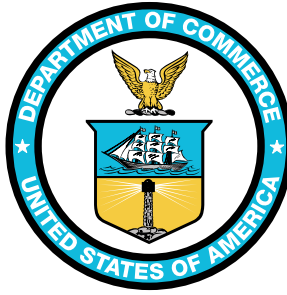
**Department of Agriculture**  
(Dollar amounts in millions)

	2007 Actual	Estimate	
		2008	2009
<b>Spending</b>			
Discretionary Budget Authority:			
Commodities and International.....	3,132	3,144	3,263
Rural Development .....	2,478	2,335	2,111
Forest Service.....	4,325	4,488	4,111
Conservation .....	873	937	800
Food and Nutrition Service .....	5,536	6,013	6,372
Research .....	2,539	2,594	2,216
Marketing and Regulatory Programs .....	1,911	1,925	1,999
Central Administration .....	523	441	526
Subtotal .....	21,317	21,877	21,398
Receipts .....	-52	-40	-45
Mandatory savings proposals .....	—	—	-573
Total, Discretionary budget authority .....	21,265	21,837	20,780
<i>Memorandum:</i>			
<i>Budget authority from enacted supplementals .....</i>	<i>4,042</i>	<i>1,573</i>	<i>—</i>
<i>Additional funding requirements (P.L. 480 Title II) .....</i>	<i>—</i>	<i>350</i>	<i>—</i>
Total, Discretionary outlays .....	24,398	28,267	22,643
Mandatory Outlays:			
Food and Nutrition Service .....	47,924	53,213	55,022
Commodity Credit Corporation.....	10,750	10,120	9,912
Crop Insurance .....	3,471	4,385	5,221
Natural Resources Conservation Service .....	1,484	1,785	2,546
Agricultural Marketing Service.....	889	685	1,473
Forest Service.....	791	557	420
Rural Development, including liquidating accounts .....	-3,154	-2,169	-1,622
Receipts, reestimates, and all other programs .....	-2,111	-2,075	-857
Total, Mandatory outlays .....	60,044	66,501	72,115
Total, Outlays .....	84,442	94,768	94,758

**Department of Agriculture—Continued**  
(Dollar amounts in millions)

	2007 Actual	Estimate	
		2008	2009
<b>Credit activity</b>			
Direct Loan Disbursements:			
Farm Loans.....	1,070	1,091	1,073
Commodity Credit Corporation.....	11,286	9,339	8,786
Rural Utilities Service.....	6,453	7,127	6,501
Rural Housing.....	1,841	1,951	933
Rural Business and Community Development.....	53	66	64
P.L. 480.....	91	39	—
Total, Direct loan disbursements.....	20,794	19,613	17,357
Guaranteed Loan Commitments:			
Farm Loans.....	2,110	2,475	2,500
Commodity Credit Corporation.....	1,334	2,274	2,675
Rural Utilities Service.....	7	52	34
Rural Housing Service.....	3,645	5,478	5,514
Rural Business Service.....	598	1,072	1,097
Total, Guaranteed loan commitments.....	7,694	11,351	11,820
		<b>Number of Programs</b>	<b>2009 BA Savings</b>
<b>Major Savings, Discretionary</b>			
Terminations.....	19		—786
Reductions.....	14		—1,506





## DEPARTMENT OF COMMERCE

### **The President's 2009 Budget will:**

- Advance technological innovation through the President's American Competitiveness Initiative;
- Open new markets for U.S. exporters, protect intellectual property rights, obtain compliance with trade agreements, and enforce unfair trade laws;
- Support critical demographic and economic statistics, including the 2010 Decennial Census;
- Enhance understanding of the planet's weather and climate;
- Improve stewardship of ocean and coastal resources and wildlife; and
- Restrain spending in lower-priority areas.

### ***Advancing U.S. Competitiveness through Technological Innovation, Free Trade, and Intellectual Property Protection***

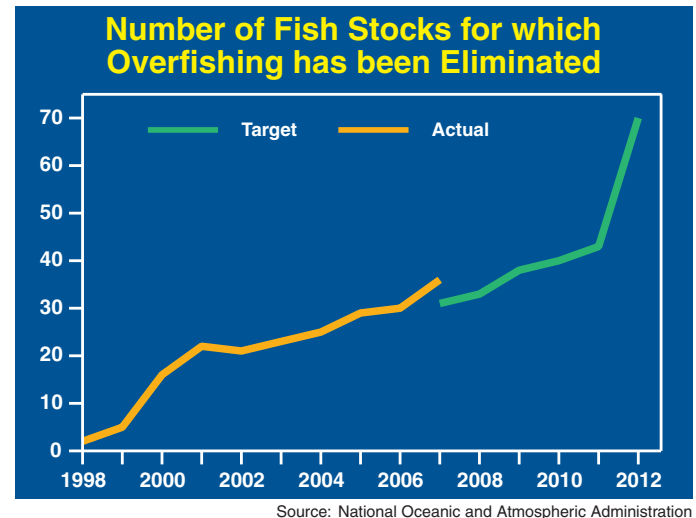
- *Supports the American Competitiveness Initiative.* Provides \$634 million for investments in quantum and neutron research, nanotechnology, and related scientific work at the National Institute of Standards and Technology, a 20-percent increase over the 2008 enacted level, excluding earmarks and unrequested grants.
- *Facilitates the transition to digital television broadcasts.* Ensures a smooth transition from analog to digital television broadcasts by February 18, 2009, through information and assistance efforts, thereby clearing valuable radio spectrum to enhance the capabilities of first responders and bring greater choice to media and telecommunications consumers.
- *Advances free trade.* Opens and expands new markets for U.S. goods and services, helps develop and enforce free trade agreements with other nations, eliminates barriers to sales of U.S. products, and improves the competitiveness of U.S. firms. Disseminates advanced U.S. clean energy technologies throughout the Asia-Pacific region by hosting trade missions and other outreach events.
- *Protects intellectual property rights.* Combats global piracy and counterfeiting, and strengthens the United States Patent and Trademark Office to support efforts to safeguard the value of intellectual property through more efficient and higher quality patent and trademark examinations.

### ***Improving Public and Private-Sector Decisions with Enhanced Data***

- *Prepares for the 2010 Decennial Census.* Opens field offices and finalizes systems for the population count in spring 2010, which is called for in Article I of the Constitution.
- *Improves economic data.* Promotes more accurate data on the contributions of the health care sector and research and development to gross domestic product (GDP), and also significantly improves measurement of the service sector.

### ***Enhancing the Ability to Observe, Protect, and Manage the Earth's Resources***

- *Improves weather forecasting and global climate monitoring.* Provides \$981 million to develop and acquire vital weather satellites and climate sensors (an increase of \$175 million over the 2008 request and \$220 million over the enacted level) and \$31 million over the 2008 request in new initiatives to improve forecasts of severe weather, fires, and droughts.
- *Protects oceans and manages natural resources.* Increases funding for last year's initiative supporting the Ocean Action Plan by \$31 million over the 2008 request, to \$154 million. These funds will enhance fisheries management and support the Magnuson-Stevens Act requirement of eliminating overfishing by 2011, as well as strengthen efforts to advance ocean observing networks, study ocean acidification, reduce harmful marine debris, support maritime commerce, and protect marine mammals.



### ***Major Savings and Reforms***

- Six programs representing \$375 million have been identified for termination or reduction, including:
  - Federal funding for Manufacturing Extension Partnership centers, which will become independent, as intended when the program began.
  - Economic Development Administration grants, which will be reduced and re-focused on economic adjustment assistance, to respond to sudden and severe economic events.
  - Public Telecommunications Facilities, Planning, and Construction grants, which in recent years have supported public broadcasters' transition to digital broadcasts—a transition that is now largely complete.

### ***Since 2001, the Department of Commerce has:***

- Vigorously contributed to the Administration's free-trade agenda, leading to the signing or completion of free trade agreements with 17 countries that feature increased intellectual property protections and expanded access for U.S. products and services. From 2001 to 2006, annual U.S. exports increased by \$440 billion (nearly 30 percent in constant dollars), which benefits businesses of all sizes and American workers.



- Enforced trade agreements by initiating 286 antidumping or countervailing duty investigations and applied anti-subsidy countervailing duty investigations on imports from emerging non-market economies for the first time in 23 years.
- Enhanced the quality and timeliness of key economic data; for example, making GDP information on a State-by-State basis available 12 months earlier.
- Supported sound management of fisheries and related ocean resources, including protecting over 7,000 species within the world's largest marine protected area—the Papahānaumokuākea Marine National Monument in Hawaii.
- Improved weather forecasting and climate science capabilities, such as increasing the lead time for winter storm warnings from 9 hours in 2000 to 19 hours in 2007.

**Department of Commerce**  
(Dollar amounts in millions)

	2007 Actual	Estimate	
		2008	2009
<b>Spending</b>			
Discretionary Budget Authority:			
Departmental Management:			
Salaries and Expenses .....	49	44	61
Emergency Steel Guaranteed Loan Program .....	—	—	–49
Headquarters Renovation .....	—	4	7
National Intellectual Property Law Enforcement Coordination Council .....	—	—	1
Office of the Inspector General .....	23	22	25
Subtotal, Departmental Management .....	72	70	45
Economic Development Administration .....	281	274	133
Bureau of the Census .....	893	1,230	2,605
Economics and Statistics Administration .....	80	80	91
International Trade Administration .....	402	405	420
Bureau of Industry and Security .....	75	73	84
Minority Business Development Agency .....	30	29	29
National Oceanic and Atmospheric Administration (NOAA):			
Operations, Research, and Facilities .....	2,821	2,933	2,913
Procurement, Acquisition and Construction .....	1,085	971	1,239
Other accounts .....	–11	68	–42
Subtotal, NOAA .....	4,065	3,972	4,110
U.S. Patent and Trademark Office (PTO):			
Program level .....	1,779	1,916	2,075
Fees .....	–1,791	–1,916	–2,075
Subtotal, PTO .....	–12	—	—
Technology Administration .....	2	—	—

**Department of Commerce—Continued**  
(Dollar amounts in millions)

	2007 Actual	Estimate	
		2008	2009
<b>National Institute of Standards and Technology (NIST):</b>			
Scientific and Technical Research and Services.....	439	446	539
Industrial Technology Services .....	177	136	4
Construction of Research Facilities.....	59	160	99
Subtotal, NIST .....	675	742	642
National Telecommunications and Information Administration.....	40	36	19
Discretionary offsetting receipts.....	-23	-4	-1
Total, Discretionary budget authority .....	6,410	6,907	8,177
<i>Memorandum: Budget authority from enacted supplementals .....</i>	170	—	—
Total, Discretionary outlays .....	6,418	7,145	8,072
<b>Mandatory Outlays:</b>			
Digital Television Fund programs:			
Public Safety Interoperable Communications grants.....	24	296	396
Digital Television Converter Box program .....	36	404	534
Other programs.....	—	152	102
All other .....	8	162	151
Mandatory offsetting receipts <sup>1</sup> .....	—	-852	-1,032
Total, Mandatory outlays .....	68	162	151
Total, Outlays .....	6,486	7,327	8,223
<b>Credit activity</b>			
Direct Loan Disbursements:			
Fisheries Finance Direct Loan Financing account.....	84	52	39
	<b>Number of</b>		<b>2009</b>
<b>Major Savings, Discretionary</b>	<b>Programs</b>		<b>Savings</b>
Terminations .....	4		-200
Reductions .....	2		-175

<sup>1</sup> Mandatory offsetting receipts include spectrum auction receipts that fund mandatory programs in the National Telecommunications and Information Administration created by the Deficit Reduction Act of 2005.



## DEPARTMENT OF DEFENSE

### **The President's 2009 Budget will:**

- Support the national defense, funding America's troops;
- Prepare the force and develop capabilities to meet current and future threats;
- Care for the All-Volunteer Force, our wounded warriors, and their families; and
- Fortify infrastructure for the 21st Century.

### ***Supporting the National Defense, Funding America's Troops***

- *Supports military readiness.* \$515.4 billion for the Department of Defense's (DOD's) base budget—a nearly 74-percent increase over 2001. This funding will ensure a high level of military readiness by sustaining regular and irregular warfighting capabilities, responding to evolving threats, and supporting our servicemembers and their families.
- *Provides resources for the Global War on Terror.* \$70.0 billion as an emergency allowance to support activities related to the Global War on Terror into 2009. The Administration will request additional funding once the specific needs of our troops are better known.

### ***Preparing the Force and Developing Capabilities to Meet Current and Future Threats***

- *Grows the Force.* \$20.5 billion to continue efforts to increase the size of the Active Army to 547,400 and the Marine Corps to 202,000. This amount includes the cost of the additional forces, as well as their equipment, training, and facilities.
- *Continues to reorganize the Army.* Supports the Army's transformation from a division-centric force to a modular force composed of more flexible and self-sustaining fighting units with increased mobility and combat power.
- *Maintains the Nation's military skills and operational readiness.* \$159.7 billion to support daily operational needs of the Department, maintain combat readiness and training standards, and support recruitment and retention efforts.
- *Continues to enhance special operations.* \$5.7 billion for the United States Special Operations Command to continue training and equipping its forces to respond to future requirements to address a wider spectrum of potential threats.
- *Strengthens the National Guard and Reserve.* \$49.1 billion to recruit, train, equip, and sustain National Guard and Reserve units that provide critical military capabilities both at home and abroad.

- *Creates AFRICOM.* \$389 million to establish a new command to strengthen ties with African governments, institutions, and organizations to foster an environment of security and peace.
- *Builds partnership capacity.* \$750 million to support allies as they develop and improve their capability to provide for their own defense and contribute to the global fight against terrorism.
- *Recapitalizes aging aircraft fleets.* \$17.3 billion to continue modernization of the Nation's tactical aircraft fleets, developing and procuring fighter aircraft for the Air Force, Navy, and Marine Corps to counter potential threats, and to continue investments in the aerial refueling and cargo airlift fleets that provide crucial support to a wide range of military and other national activities.
- *Improves technology to support our troops.*
  - \$7.5 billion to support the Army and Marine Corps efforts to provide survivable, capable, and modern tactical vehicles and vehicle armor to the entire force.
  - \$12.7 billion to continue procurement of transformational warships, such as the first CVN-21 aircraft carrier, Virginia Class Submarines, and DDG-1000 destroyers.
  - \$1.8 billion to continue development and procurement of major unmanned aerial vehicles to conduct a wide variety of combat and military support missions, thereby significantly reducing the risks to U.S. forces.
  - \$496 million to combat improvised explosive devices through attacking the terrorist network, defeating the device, and training the force.
- *Maintains leadership in space.* \$10.7 billion in investment funds to build a robust, secure, and protected space-based capability, which includes advanced communications and early-warning and navigation satellites, resulting in a significant contribution to both military readiness and the Nation's economic growth.
- *Enhances missile defense.* \$10.4 billion to continue to develop, test, and field missile defense systems to protect America, its allies, and deployed forces.
- *Strengthens intelligence and security capabilities.*
  - Funds military intelligence operations to provide the strategic, departmental, and tactical information that the Secretary of Defense and military commanders need to defend America and its interests.
  - Funds counterintelligence activities to protect U.S. forces from espionage and terrorist attacks both at home and abroad.
  - Increases funding by over \$300 million to improve the security of U.S. networks and the protection of defense information.



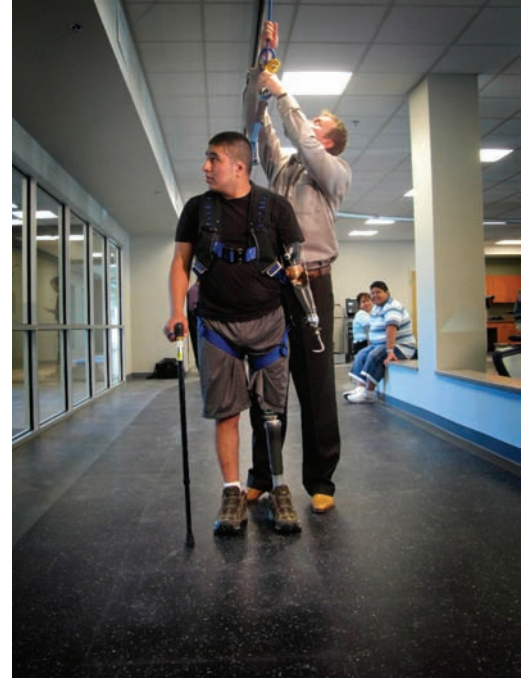
Source: U.S. Navy; Petty Officer 2nd Class Brian P. Seymour

Coalition forces and members of the Faryab Provincial and District police mentor team and Afghan National Police exit their vehicles to begin a patrol near Qala-i-Wali in the Ghowrmach district of Afghanistan.

### ***Caring for the All-Volunteer Force, Our Wounded Warriors, and Their Families***

- *Compensates servicemembers.* 3.4 percent pay raise for military personnel, bringing the total basic pay increases since 2001 to about 37 percent.

- *Provides high quality medical care.* \$42.8 billion in resources, including \$10 billion in mandatory funding, for the Defense Health Program, more than doubling the 2001 level, to ensure that the brave volunteers who serve our country get the high quality medical care that they deserve.
- *Sustains the health care system.* Aligns military health care premiums and copayments for retirees under age 65 with general health insurance plans to ensure the sustainability of a high quality health care system for our military while preventing unnecessary tradeoffs with critical military capabilities.
- *Cares for wounded warriors.* Continues to implement recommendations made by the President's Commission on Care for America's Returning Wounded Warriors.
- *Supports servicemembers and their families.* Provides for activities such as family support programs and child care programs for military dependents. DOD is committed to providing military families with a quality of life that is commensurate with their service, and recognizes that the strength of our soldiers is reinforced by the strength of their families.



Source: Fred W. Baker III

Army National Guard Spc. Marco Robledo is hooked into the harness of the Solo-Step system, which allows him to practice walking independently without danger of falling. This one-of-a-kind system is only at the new Military Advanced Training Center at Walter Reed Army Medical Center.

### ***Strengthening Infrastructure for the 21st Century***

- *Sizes infrastructure to requirements.* \$9.1 billion for DOD to continue its efforts to shift military infrastructure for the future as recommended by the Base Realignment and Closure Commission.
- *Adjusts global posture.* \$649 million for new basing that will continue the shift of defense posture from legacy Cold War relationships and forces overseas to new structures that provide more strategic flexibility.
- *Supports readiness and environmental protection.* \$40 million for the Readiness and Environmental Protection Initiative, which has protected over 48,000 acres around military bases to date.
- *Improves housing for retired veterans.* Begins a \$76 million major dormitory renovation at the Washington Armed Forces Retirement Home, and continues the rebuilding of the Gulfport Home in Mississippi.

### ***Major Savings and Reforms***

- In an effort to use resources effectively, DOD proposes to streamline and simplify the acquisition system to provide lasting solutions for: predictable performance in cost and schedule control; reduced time for decision-making; alignment in the skills of the workforce; improved centers of excellence; and ever-improving levels of cost-effective support to the warfighter.

***Since 2001, the Department of Defense has:***

- Removed two brutal regimes, reduced terrorist safe havens, and captured or killed terrorists who threatened the United States, its people, and its interests around the globe.
- Adapted effectively to evolving, asymmetric threats, improved its ability to conduct counter-insurgency operations, and maintained its effectiveness in more traditional warfighting tasks.
- Developed a new national defense strategy and established or reorganized military commands to lead effectively the Global War on Terror, transform the military, protect the homeland, defend against long-range attack, and engage in Africa.
- Launched the most significant transformation of the Army in a generation—transitioning from a Division-based Army to more lethal, agile, and capable Brigade Combat Teams.
- Provided battlefield commanders with unprecedented situational awareness through the development of the Global Information Grid—a netcentric information infrastructure that enables rapid data processing and analysis.
- Fielded a broad range of unmanned aerial vehicles that perform reconnaissance, strike, and force protection activities, transforming the way U.S. forces fight.
- Developed and procured new technologies that detect, disarm, destroy, and protect against improvised explosive devices.
- Transformed America’s global defense posture, enabling forces to deploy quickly in times of crisis and ensuring a new global military presence prepared for 21st Century challenges.
- Continued to maintain and sustain an initial Missile Defense system to protect America, its allies, friends, and deployed forces against attack.
- Delivered aid to millions affected by natural disasters at home and abroad.
- Converted over 31,000 military positions to civilian positions to relieve strain on the military force and ensure all military personnel are performing “military essential” activities.
- Established the National Security Personnel System, now serving 130,000 civilian employees, to create a flexible and responsive 21st Century national security workforce.
- Eliminated, via privatization or military construction, over 90 percent of all inadequate domestic military family housing units.

**Department of Defense**  
(In millions of dollars)

	2007 Actual	Estimate	
		2008	2009
<b>Spending</b>			
Discretionary Budget Authority:			
Military Personnel.....	110,407	116,476	125,247
Operation and Maintenance.....	146,155	164,171	179,788
<i>Legislative proposal, Defense Health Enrollment Fees and Deductible (non-add)</i> .....	—	—	– 1,184
Procurement.....	83,820	98,985	104,216
Research, Development, Test and Evaluation.....	75,893	76,537	79,616
Military Construction.....	9,167	17,764	21,197
Family Housing.....	4,004	2,866	3,203
Revolving and Management Funds.....	2,281	2,691	2,173
Subtotal, Discretionary budget authority.....	431,726	479,490	515,440
Budget authority from enacted supplementals.....	169,215	86,721	—
Additional funding requirements <sup>1</sup> .....	—	102,373	70,000
Subtotal, Emergency discretionary budget authority.....	169,215	189,094	70,000
Total, Discretionary budget authority.....	600,941	668,584	585,440
Discretionary Outlays:			
Base budget and enacted supplementals.....	527,951	554,637	610,594
Additional funding requirements <sup>1</sup> .....	—	26,389	37,688
Total, Discretionary outlays.....	527,951	581,026	648,282
Mandatory Outlays.....	1,925	2,032	2,881
Total, Outlays.....	529,876	583,058	651,163
<b>Credit activity</b>			
Total Direct Loan Disbursements, Family Housing Improvement.....	12	91	59

<sup>1</sup> Funding for the Global War on Terror, including the 2008 DOD request currently pending before the Congress and the 2009 allowance, which may not be limited to DOD.





# NATIONAL INTELLIGENCE PROGRAM

## **The President's 2009 Budget will:**

- Strengthen the capabilities of the Nation's intelligence agencies to furnish timely, accurate, and insightful intelligence on the capabilities and intentions of foreign powers, including international terrorist groups;
- Implement the National Intelligence Strategy and other Presidential guidance relating to intelligence; and
- Implement the Director of National Intelligence's 500-Day Plan for actions to enhance integration and collaboration among intelligence agencies.

The National Intelligence Program (NIP) funds intelligence activities in several Departments and the Central Intelligence Agency (CIA). The NIP budget is classified, so the 2009 Budget does not publicly disclose funding requests for intelligence activities. However, since the NIP supports key elements of America's national security and the Budget sustains the Administration's investments in this area, this chapter highlights some of the NIP-funded activities without detailing funding information.

## ***Collecting Intelligence and Strengthening Capabilities***

- The 2009 Budget:
  - Funds effective intelligence collection;
  - Enables analysis of that intelligence and production of finished intelligence products;
  - Ensures timely and effective dissemination of intelligence to those who need it, ranging from the President, to heads of Executive Departments, to military forces, and to law enforcement communities; and
  - Strengthens intelligence agencies' ability to collect intelligence from human sources, increase the security of Federal cyber networks, and protect against the threat of international terrorism in the United States.

## ***Implementing the National Intelligence Strategy***

- The Director of National Intelligence (DNI), the Director of the CIA, and Department Secretaries with intelligence organizations will use 2009 NIP funds to support the National Intelligence Strategy by providing intelligence for five mission objectives:
  - Defeat terrorists;
  - Prevent the spread of weapons of mass destruction;
  - Bolster the growth of democracy;
  - Penetrate and analyze the most difficult targets of U.S. foreign policy; and
  - Anticipate developments of strategic concern.

### ***Enhancing Integration and Collaboration through the DNI's 500-Day Plan***

- *Creates a culture of collaboration.* Build a diverse intelligence workforce for the Nation that collaborates across professional disciplines and intelligence agencies.
- *Accelerates information sharing.* Establish common operating environments and information policies to ensure effective intelligence dissemination throughout the intelligence agencies and among authorized consumers.
- *Fosters transformation.* Develop and implement new methods of collecting intelligence and improve the analysis and dissemination of intelligence.
- *Expands technology leadership.* Facilitate advanced research on the frontiers of science that has the potential for substantial improvement of intelligence capabilities.
- *Modernizes business practices.* Bring organizational services within intelligence agencies up to date, such as financial management and security clearance processing.
- *Aligns intelligence community policies.* Update policies to ensure consistency with the Intelligence Reform and Terrorism Prevention Act (Public Law 108-458).

### ***Since 2001, the Administration has:***

- Strengthened intelligence agencies' abilities to fight international terrorism at home and abroad.
- Supported creation of the Office of the DNI to develop the NIP for the President, improve coordination among U.S. intelligence agencies, and implement the Intelligence Reform and Terrorism Prevention Act and Presidential guidance on intelligence matters.
- Established the National Counterterrorism Center as the primary organization in the United States for integrating and analyzing all intelligence pertaining to international terrorism and counterterrorism, and for conducting strategic operational planning by integrating all instruments of national power.
- Expanded U.S. capabilities in every intelligence discipline—from human intelligence to space reconnaissance.



## DEPARTMENT OF EDUCATION

### The President's 2009 Budget will:

- Build on the success of the No Child Left Behind Act;
- Advance the President's historic commitment to increasing access to higher education;
- Ensure Federal education investments are targeted to high-performing programs; and
- Support State and local leadership to improve the quality of education for America's children.

### *Building on the Success of the No Child Left Behind (NCLB) Act*

- *Improves access to quality education.* Fosters positive change in the Nation's schools by requiring accountability for results, offering more choices for parents and students, providing greater flexibility for States and school districts, and expanding the use of proven instructional methods. Successful NCLB results include:
  - Improvement across-the-board in fourth and eighth grade reading and math on the National Assessment of Educational Progress (NAEP) with minority students posting all-time highs in a number of categories;
  - Increase of 11 percentage points in second grade reading scores in the research-based Reading First program from 2004–2006;
  - Establishment in all 50 States of systems for holding districts and schools accountable for improving student achievement; and
  - Enhanced educational options for students in struggling schools, including the choice of a better performing public school and access to free tutoring.
- *Builds on the 2007 blueprint for reauthorizing and strengthening NCLB.*
  - \$14.3 billion for Title I, a 63-percent increase since 2001.
  - \$1 billion for effective, research-based literacy instruction through Reading First.
  - \$491 million for School Improvement Grants to help turn around schools in need of improvement, along with over \$570 million reserved from Title I.

### 2007 Reading Achievement Gains on NAEP

Student Group	Grade 4		Grade 8	
	Since 2000	Since 2005	Since 2000	Since 2005
Overall	↑	↑	↑	↑
White	↑	↑	↑	↑
Black	↑	↑	↑	↑
Hispanic	↑	↑	↑	↔

↑ Indicates the score was significantly higher in 2007.

↔ Indicates there was no significant change in the score in 2007.

Source: National Center for Educational Statistics

- *Expands school choice to support students at risk of being left behind.*
  - \$25 million, or 12-percent, increase in Federal grants to charter schools.
  - A new \$300 million Pell Grants for Kids to enable low income students enrolled in low performing schools to attend a private or out of district public school.
  - Reforms to the 21st Century Community Learning Centers program to make \$800 million available in scholarships for low-income students to participate in after school programs of their choice.
- *Assists at-risk students.* Provide extra assistance for students most at risk of being left behind, including students with disabilities, migrant students, students in State-run institutions, and limited English proficient students.
- *Emphasizes math and science.* Ensure the Nation's future competitiveness by supporting the education components of the President's American Competitiveness Initiative.
  - \$70 million to train teachers to teach Advanced Placement/International Baccalaureate courses and expand low-income students access to these courses.
  - \$95 million for Math Now, to prepare elementary and middle school students for more rigorous high school math classes.
  - \$10 million for an Adjunct Teacher Corps to bring math and science professionals into high-need schools as teachers.

### ***Sustaining the President's Historic Commitment to Higher Education***

- *Makes college more affordable for neediest students.* In September 2007, the President signed the College Cost Reduction and Access Act into law, which helped further his longstanding goal of increasing need-based aid for students. The Act provided \$11.4 billion in new funding for Pell Grants over the next five years building on the Administration's unprecedented funding increase for this program. The Budget implements and builds on this law and promotes access to higher education by providing:
  - \$95 billion in loans and grants to help 10.9 million students pay for college;
  - \$2.7 billion increase in annual appropriations for Pell Grants. This investment, together with funding provided by the College Cost Reduction and Access Act, will support a maximum Pell Grant of \$4,800 in 2009 and allow the maximum grant to rise to \$5,400 by 2012;
  - \$21 million to improve access to, and success in, postsecondary education for adult and non-traditional students and \$363 million in new loans for short-term training; and
  - A 50-percent tax credit for the first \$2,000 that moderate- and low-income parents invest annually in 529 tuition-savings accounts.

### ***Major Savings and Reforms***

- In order to fund increases for education programs that are effective or show promise of demonstrating results while restraining overall Federal spending, the Budget reduces or terminates funding for 50 programs totaling \$3.8 billion. Many of these funding reductions were based, in part, on the Administration's thorough review of programs under the Program Assessment Rating Tool (PART). Program terminations include:
  - Even Start, which received an Ineffective PART rating and failed to effectively increase the literacy skills of participating children and parents according to three national evaluations; and
  - Small, narrowly focused programs that have not demonstrated results, do not align with national priorities, or can be funded under other authorities, including programs such as the

Exchanges with Historic Whaling and Trading Partners, Education Technology State Grants, and the Carol M. White Physical Education Program. Populations served by these programs receive services through other Federal programs.

***Since 2001, the Department of Education has:***

- Reformed K–12 education through the No Child Left Behind Act, which is raising academic standards for students, improving accountability in schools and States, and expanding parental choice.
- Aligned the Individuals with Disabilities Education Act with No Child Left Behind accountability systems to improve the quality of education for students with disabilities and ensure that all students achieve high academic standards.
- Reformed the Federal student aid programs to make them more cost efficient and targeted additional aid to the neediest students, including an estimated 5.3 million Pell Grant recipients in the 2007/2008 academic year.
- Assessed 92 programs using the PART to guide budget decisions and programmatic reforms.

**Educational Reform, Infrastructure Improvements, and National Security in the District of Columbia**

The District of Columbia (D.C.) is the Seat of Government of the United States and the Nation's capital. As such, the Federal Government has a particular interest in ensuring that D.C. provides a healthy, vibrant environment for its local citizens and visitors from across the Nation and around the world. Accordingly, the Budget provides \$157 million for D.C. This includes \$74 million to improve K–12 education in the District, the Mayor's top priority.

The Budget expands upon the successful three-sector education strategy, an effort to help all sectors of education in the Nation's capital. In addition to \$18 million in base funding, the Budget provides \$20 million to jump-start reform initiatives for the District's traditional public school system, where the Mayor's office has assumed more responsibility and is committed to building on key principles of the No Child Left Behind Act. It provides \$18 million to support public charter school development and quality, and \$18 million to continue and better target the D.C. Opportunity Scholarship program, which provides District parents—particularly low-income parents—more options for obtaining a quality education for their children. The Budget proposes an increase to the maximum scholarship amount for high school tuition, and to track future tuition expenses more accurately by indexing the scholarships to inflation.

The Budget also supports the District's unique position as the Nation's capital by providing \$15 million for planning and security costs directly related to the Federal Government's presence in the District. These funds defray D.C.'s security costs for events such as the 2009 Presidential inauguration, and the annual World Bank and International Monetary Fund meetings.

The President's Budget continues support for infrastructure improvements and public safety projects in the District, providing: \$14 million to rehabilitate existing water, sewer, and waste water treatment systems; \$10 million to support forensic and public health needs; and \$7 million to continue the rehabilitation of the city's public libraries.

**Department of Education**  
(Dollar amounts in millions)

	2007 Actual	Estimate	
		2008	2009
<b>Spending</b>			
Discretionary Budget Authority:			
No Child Left Behind Act:			
Title I Grants to LEAs <sup>1</sup> .....	12,838	13,899	14,305
School Improvement Grants .....	125	491	491
Reading First .....	1,029	393	1,000
Striving Readers .....	32	35	100
Pell Grants for Kids .....	—	—	300
21st Century Learning Opportunities .....	981	1,081	800
Charter Schools Grants .....	215	211	236
American Competitiveness Initiative .....	37	44	175
Teacher Quality State Grants .....	2,887	2,935	2,835
Teacher Incentive Fund .....	—	97	200
English Language Acquisition State Grants .....	669	700	730
Special Education State Grants <sup>2</sup> .....	10,783	10,948	11,285
Career and Technical Education State Grants <sup>3</sup> .....	1,182	1,161	—
Adult Education .....	572	561	568
Federal Student Aid:			
Pell Grants—Discretionary funding .....	13,661	14,215	16,851
Pell Grants—Mandatory funding (non-add) .....	—	2,030	2,090
Supplemental Educational Opportunity Grants .....	771	757	—
Federal Work Study .....	980	980	980
Higher Education:			
Minority Serving Institutions—Discretionary funding .....	435	432	293
Minority Serving Institutions—Mandatory funding (non-add) .....	—	250	250
TRIO programs—Discretionary funding .....	828	828	828
TRIO programs—Mandatory funding (non-add) .....	—	57	57
GEAR UP .....	303	303	303
National Security Language Initiative .....	24	26	59
All other .....	9,116	9,063	6,850
Total, Discretionary budget authority <sup>4</sup> .....	57,469	59,183	59,210
 <i>Memorandum: Budget authority from enacted supplementals</i> .....	 374	 —	 —
Total, Discretionary outlays .....	57,367	60,171	59,032

**Department of Education—Continued**  
(Dollar amounts in millions)

	2007 Actual	Estimate	
		2008	2009
<b>Mandatory Outlays:</b>			
Legislative proposal, Federal Direct Student Loans .....	4,194	4,973	-1,349
Legislative proposal, Federal Family Education Loans .....	1,766	-1,092	1,094
Legislative proposal, Perkins Loan recall .....	—	—	-1,116
Pell Grants, Mandatory add-on.....	—	562	2,026
Academic Competitiveness/SMART Grants.....	449	599	705
Vocational Rehabilitation (VR) State Grants.....	2,766	2,916	2,945
All other .....	-150	-63	183
<b>Total, Mandatory outlays .....</b>	<b>9,025</b>	<b>7,895</b>	<b>4,488</b>
<b>Total, Outlays .....</b>	<b>66,392</b>	<b>68,066</b>	<b>63,520</b>
<b>Credit activity</b>			
<b>Direct Loan Disbursements:</b>			
TEACH Grants.....	—	30	96
Legislative proposal, Loans for Short Term Training .....	—	—	37
Federal Direct Student Loans (FDSL).....	12,290	13,832	14,594
FDSL Consolidation.....	3,575	4,114	4,424
Historically Black College and University Capital Financing.....	170	192	147
<b>Total, Direct loan disbursements .....</b>	<b>16,035</b>	<b>18,168</b>	<b>19,298</b>
<b>Guaranteed Loan Disbursements:</b>			
Legislative proposal, Loans for Short Term Training .....	—	—	246
Family Federal Education Loans (FFEL) .....	50,181	54,875	57,076
FFEL Consolidation .....	46,596	33,991	38,018
<b>Total, Guaranteed loan disbursements .....</b>	<b>96,777</b>	<b>88,866</b>	<b>95,340</b>
		<b>Number of Programs</b>	<b>2009 Savings</b>
<b>Major Savings, Discretionary</b>			
Terminations .....	47		-3,261
Reductions .....	3		-544

<sup>1</sup> Program level. Budget authority is \$551 million less than program level in 2008.  
<sup>2</sup> Program level. Budget authority is \$1,433 million less than program level in 2008 and \$791 million less than program level in 2009.  
<sup>3</sup> Program level. Budget authority is \$791 million more than program level in 2009.  
<sup>4</sup> Program level. Budget authority is \$1,984 million less than program level in 2008. The 2008 discretionary total does not include mandatory changes enacted in that year's appropriations bills. The 2009 discretionary total is net of two mandatory changes—a \$652 million cancellation of Academic Competitiveness/SMART Grant balances, and a \$101 million reduction from the VR State Grants baseline.







## DEPARTMENT OF ENERGY

### **The President's 2009 Budget will:**

- Support deployment and expand research into cost-effective carbon capture and storage;
- Accelerate technological breakthroughs with the Advanced Energy Initiative;
- Provide additional energy security with the Strategic Petroleum Reserve;
- Foster scientific leadership with the American Competitiveness Initiative;
- Advance environmental cleanup and nuclear waste management;
- Maintain the nuclear weapons stockpile and continue to transform the weapons complex; and
- Support work with other countries to prevent the spread of weapons of mass destruction.

### ***Supporting Deployment and Expanding Research of Cost-Effective Carbon Capture and Storage***

- *Demonstrates that America can use its own abundant energy source—coal—while still reducing carbon emissions.* \$400 million to research and \$241 million to demonstrate technologies for cost-effective carbon capture and storage for coal-fired power plants through:
  - A restructured carbon capture and storage program that maximizes the role of private sector innovation and assures a productive public-private partnership;
  - New pilot-scale research on a range of advanced technologies that could dramatically reduce the cost and energy consumption of carbon capture; and
  - Large-scale projects to demonstrate underground carbon storage.
- *Accelerates commercial deployment of technologies that are central to carbon capture and storage.* Implements \$1.65 billion in investment tax credits and makes use of loan guarantees.

### ***Accelerating Technological Breakthroughs with the Advanced Energy Initiative***

- *Promotes licensing of new nuclear plants and researches an advanced nuclear fuel cycle.* \$242 million for Nuclear Power 2010, an industry cost-shared effort to bring new nuclear plant technologies to market and demonstrate streamlined regulatory processes. \$302 million focuses the Advanced Fuel Cycle Initiative on innovative transmutation and separations research and development.
- *Invests in making solar power cost-competitive with conventional sources of electricity by 2015.* \$156 million for the Solar America Initiative to advance the availability of photovoltaics.
- *Supports a robust vehicle technology program.* Develops lithium-ion batteries, plug-in hybrids, and drive-train electrification to diversify and make the Nation's vehicle fleets more efficient and reduce petroleum dependency.

### ***Providing Additional Energy Security with the Strategic Petroleum Reserve***

- *Protects the economy against oil disruptions.* Doubles capacity of the Strategic Petroleum Reserve by expanding it to 1.5 billion barrels—first filling the reserve to its existing capacity and then expanding capacity at existing and new sites.
- *Provides clean, renewable hydropower.* \$209 million for the Power Marketing Administrations (Southeastern, Southwestern, and Western) and estimated budget obligations of \$3.5 billion for the Bonneville Power Administration to improve energy reliability and capacity while protecting fish and wildlife.

### ***Fostering Scientific Leadership with the American Competitiveness Initiative***

- *Supports basic research in the physical sciences and over 25,000 researchers.* \$4.7 billion for the Office of Science to enable scientific breakthroughs with broad impacts on future energy technologies and environmental solutions. Integrates basic research on carbon dioxide capture and storage, electrical energy storage, and high-level nuclear waste system performance with applied technology programs to reduce risk and accelerate achievement.
- *Operates world-class facilities and builds new tools for scientific discovery.* Starts construction of the National Synchrotron Light Source-II, a machine that will enable the measurement of material properties with unprecedented energy and spatial resolution, and continues a major upgrade at the Thomas Jefferson National Accelerator Facility that will allow world-leading studies of the structure of nuclear matter.

### ***Advancing Environmental Cleanup and Nuclear Waste Management***

- *Cleans up the environmental legacy of the Cold War.* \$5.5 billion to protect public health and safety by cleaning up nuclear research and weapons production sites. Finishes cleanup projects at Sandia National Laboratory and Argonne National Laboratory in 2009.
- *Continues essential engineering design and planning for the Yucca Mountain Repository.* \$495 million continues development of the nuclear waste repository and supports defense of the license application while under Nuclear Regulatory Commission review. The Administration will work with the Congress to provide a stable source of funding for the repository by establishing a budget-neutral mechanism for the Department to receive appropriations equal to annual Nuclear Waste Fund receipts from utilities.

### ***Maintaining the Nuclear Stockpile; Transforming the Weapons Complex***

- *Extends the life of existing warheads and accelerates dismantling of excess nuclear weapons.* \$6.6 billion for the National Nuclear Security Administration's Weapons Activities programs. Continues transformation of the weapons complex to a smaller, safer, more secure, and less expensive enterprise.
- *Provides nuclear propulsion plants for the U.S. Navy.* \$828 million for Naval Reactors to deliver safe and reliable nuclear propulsion plants for submarines and aircraft carriers.

### ***Working with Other Countries to Prevent the Spread of Weapons of Mass Destruction***

- *Detects, secures, eliminates, and disposes of dangerous nuclear materials around the world.* \$1.8 billion for Defense Nuclear Nonproliferation including \$487 million funded in the Office of

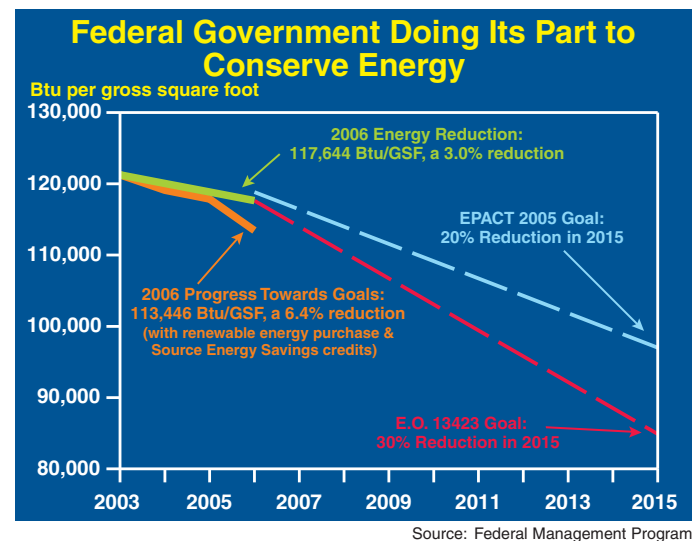
Nuclear Energy, and \$119 million funded in Weapons Activities, to deny terrorists and rogue states the weapons-usable materials and expertise needed to acquire or use nuclear weapons and radiological dispersal devices.

### ***Major Savings and Reforms***

- The Department estimates savings of \$538 million over seven years through competitive sourcing actions taken in 2003–2007.
- Increased energy efficiency of Federal buildings since 2003 has saved \$400 million each year, for a total of 19.5 trillion Btu, according to the Federal Energy Management Program. Energy investments made since 1985 saved \$1 billion in 2006, and \$6.9 billion in total.

### ***Since 2001, the Department of Energy has:***

- Fulfilled the President's \$2 billion commitment to the Coal Research Initiative three years early. Developed mercury control technologies that helped show how coal power plants could affordably meet emissions limits in the Clean Air Mercury Rule.
- Met the President's commitment to provide \$1.2 billion over five years to support the development of commercially viable hydrogen-powered fuel cells. In cooperation with auto and energy companies, tested hydrogen and fuel cell technologies in 77 vehicles and 14 fueling stations. Worked with industry to develop a fuel cell membrane durable for nearly 5,000 hours.
- Accelerated international cooperation on clean energy technologies through the International Partnership for the Hydrogen Economy; FutureGen; the Carbon Sequestration Leadership Forum; the Generation IV International Forum; the Global Nuclear Energy Partnership; the International Thermonuclear Experimental Reactor (ITER) fusion energy project; and the Asia-Pacific Partnership on Clean Development and Climate.
- Strengthened the Nation's capabilities in materials science by building five new Nanoscale Science Research Centers and a major new Spallation Neutron Source—all within budget and on schedule.
- Completed cleanup of 14 sites—including Rocky Flats, Colorado, and Fernald, Ohio—and advanced the cleanup of the 22 remaining sites for which the Department is responsible.
- Accelerated by two years the completion of upgrades at Russian sites that hold weapons-usable materials and Russian nuclear warheads.
- Expanded the Second Line of Defense program that installs nuclear detection equipment at border crossings and megaports around the world to protect against terrorism.
- Down-blended a cumulative total of more than 100 metric tons of surplus U.S. highly-enriched uranium for peaceful use as reactor fuel.
- Extended the "safe steaming" record for the Navy's nuclear propulsion plants to 138 million miles.



**Department of Energy**  
(Dollar amounts in millions)

	2007 Actual	Estimate	
		2008	2009
<b>Spending</b>			
Discretionary Budget Authority:			
National Defense:			
National Nuclear Security Administration.....	9,076	8,811	9,097
Other Defense activities.....	636	754	1,313
Energy Resources.....	3,237	4,066	3,652
Science.....	3,837	3,973	4,722
Environmental Management.....	6,186	5,695	5,528
Radioactive Waste Management.....	446	386	495
Corporate Management.....	191	194	207
Title 17 Innovative Technology Loan Guarantee Program.....	—	5	—
Total, Discretionary budget authority.....	23,609	23,884	25,012
<i>Memorandum: Budget authority from enacted supplementals</i> .....	135	—	—
Total, Discretionary outlays.....	22,989	25,193	26,005
Mandatory Outlays:			
Existing law.....	-1,881	-692	-1,310
Legislative proposal, Ultradeep Water, Oil, and Gas Research and Development.....	—	—	30
Total, Mandatory outlays.....	-1,881	-692	-1,280
Total, Outlays.....	21,108	24,501	24,725
<b>Credit activity</b>			
Guaranteed Loan Disbursements:			
Title 17 Innovative Technology Loan Guarantee Program.....	—	300	943
	<b>Number of</b>		<b>2009</b>
<b>Major Savings, Discretionary</b>	<b>Programs</b>		<b>Savings</b>
Terminations.....	3		-283



## DEPARTMENT OF HEALTH AND HUMAN SERVICES

### **The President's 2009 Budget will:**

- Prevent and prepare the Nation for health emergencies, including pandemic influenza and bioterrorism;
- Prioritize the healthcare of low-income children by reauthorizing the State Children's Health Insurance Program;
- Ensure efficient and high-quality care for beneficiaries and improve the fiscal sustainability of the Medicare and Medicaid programs;
- Promote market-based and high-tech reforms so that health care is more accessible and affordable for families;
- Expand and promote the use of health information technology and increase the transparency of health care price and quality information;
- Improve public health through science that protects food supplies and research that delivers new advances towards the cures for tomorrow; and
- Continue to assist low-income children, vulnerable populations, and families in need, including through the President's Faith-Based and Community Initiative.

### ***Preparing the Nation for Health Emergencies***

- *Prepares against an influenza pandemic.* \$507 million to improve America's readiness for an influenza pandemic, including working toward the goal of acquiring 20 million courses of pre-pandemic vaccine for the national stockpile.
- *Reinforces biodefense and protects the Nation from health emergencies.* Over \$4.4 billion to continue efforts to prevent and protect the public from a bioterrorism attack or other public health emergency.

### ***Reauthorizing the State Children's Health Insurance Program (SCHIP)***

- *Prioritizes health care coverage for children.* \$19.7 billion in SCHIP allotment increases through 2013 to meet anticipated State needs in covering low-income, uninsured children.
  - Provides funding to cover eligible, uninsured children at or below 200 percent of the Federal poverty level.
  - Includes Federal outreach grants of \$50 million in 2009 and \$100 million in each of the following four years to reach eligible uninsured children.
  - Clarifies eligibility for SCHIP by clearly defining income.

### ***Modernizing and Improving Medicare***

- *Encourages and recognizes provider competition, efficiency, and high-quality care.*
  - Adjusts annual provider updates to encourage implementation of best practices that will restrain costs and improve efficiencies.
  - Supports payment reforms for providers, such as physicians and hospitals, that do not increase Medicare spending and that encourage providers to provide high-quality, efficient care.
- *Rationalizes Medicare payment policies.* Refines Medicare payment policies for certain medical items and services to better align them with appropriate costs.
- *Increases beneficiary awareness and responsibility for their own health care.* Gives beneficiaries who are most able to contribute to the costs of their coverage more responsibility for their health care utilization and costs.
- *Improves fiscal sustainability.* Reduces Medicare's long-term budget shortfall by more than \$10 trillion over 75 years, nearly one-third of the unfunded obligation.
- *Improves Medicare program integrity.* Fights waste, fraud, and abuse by recovering over-payments and collecting criminal fines and penalties, and addresses other program integrity vulnerabilities.
- *Sustains historic reforms to Medicare.*
  - Continues successful implementation of the Medicare prescription drug benefit, which is projected to have over 25 million beneficiaries enrolled in private Prescription Drug Plans (PDPs) and Medicare Advantage Prescription Drug Plans (MA-PDs) and saves these enrollees an average of \$1,200 annually on their drug costs.
  - Offers beneficiaries greater choices and higher-quality health care through access to private health plans, which compete for their enrollment in Medicare Advantage.
  - For additional discussion of these Medicare reforms, please see the chapter, *The Nation's Fiscal Outlook*, in this *Budget* volume.

### ***Enhancing and Reforming Medicaid***

- *Provides greater access to health insurance.* Extends existing Medicaid eligibility for welfare recipients transitioning to work; continues Medicare Part B premium assistance for qualified low-income seniors; and enhances States' ability to implement premium assistance programs.
- *Increases program flexibility and efficiency.*
  - Preserves long-term care benefits for individuals with limited resources.
  - Provides States with greater flexibility to manage care for special populations and clarifies services States may offer with managed care savings.
  - Supports market-driven prescription drug reforms.
  - Creates consistency in, and preserves the integrity of, the Federal matching rate structure.
  - Codifies longstanding Department of Health and Human Services (HHS) policy not to bill Medicaid when services are provided free of charge to the public.
- *Reduces waste, fraud, and abuse and increases accountability.*
  - Provides States with new tools to verify eligibility and identify improper provider claims.
  - Strengthens Medicaid's position as the payer of last resort by facilitating payment by other liable third parties before paying for covered health care expenses.
  - Introduces performance reporting and links State performance to grant awards.
  - Increases transparency through the publication of an annual financial status report.

### ***Promoting Market-based Health Care***

- *Fosters a true marketplace for health care.* Encourages competition, improves efficiency, and reduces the ranks of the uninsured by promoting access to private insurance.
  - Replaces the existing—and unlimited—exclusion for employer-sponsored insurance with a standard deduction.
  - Increases small employers' power to negotiate lower-priced health premiums, allows competition among health plans across State lines, and reforms the medical liability law.
  - Provides \$75 million in both 2009 and 2010 to help high-risk populations gain access to health insurance.
  - Promotes the use of health savings accounts, including allowing health plans with at least 50-percent coinsurance to qualify as a high-deductible health plans.
- *Advances affordable insurance options.* Pursues opportunities to work toward State-based, budget-neutral initiatives to expand access to affordable insurance.
- *Facilitates health information technology advancements.* Supports adoption of health information technology as a normal cost of doing business, including policies that will encourage physicians and others to adopt electronic health records and through furthering technologies for safe, secure health information exchange.

### ***Improving Public Health through Science***

- *Supports the Nation's biomedical research efforts.* \$29 billion for the National Institutes of Health to enhance research on the fundamentals of diseases, disorders, and conditions while testing new therapeutics, tools, technologies, and applications.
- *Protects the Nation's food supply.* Builds on the Administration's *Import Safety Action Plan* and the Food and Drug Administration's (FDA's) *Food Protection Plan* by providing \$662 million to protect against intentional and unintentional contamination.
- *Establishes a pathway for FDA's approval of follow-on biologics.* Proposes new FDA authorities to approve follow-on protein products through a new regulatory pathway that protects patient safety, promotes innovation, and includes a financing structure to cover the costs of this activity through user fees.



President George W. Bush tours the Erlanger Hospital, Baroness Campus in Chattanooga, Tennessee.

### ***Expanding Care for Vulnerable Populations***

- *Strengthens access to priority drug treatment and prevention activities.* \$40 million for drug court services, and \$56 million to integrate screening, brief intervention, and referral to treatment of drug abuse in emergency departments and other health care settings.
- *Expands health care access.* \$2 billion for Health Centers, including an increase to create up to 40 new Health Centers in high-poverty areas.

### ***Strengthening Programs for Children***

- *Promotes school readiness.* \$7 billion to provide comprehensive, high-quality educational, health, nutritional, and social services to approximately 895,000 disadvantaged children and families through Head Start.
- *Increases adoption incentives.* \$20 million to build on the substantial increases in the number of adoptions since the mid-1990s.

### ***Supporting Faith-Based and Community Programs***

- *Builds capacity of faith-based and community organizations.* \$75 million to help grassroots faith-based and community-based organizations expand their capacity to provide social services for poor and low-income individuals and families, of which \$35 million is for Communities Empowering Youth, a grant aimed at presenting young people with alternatives to gang involvement and violence.
- *Mentors children of prisoners.* \$50 million to improve long-term outcomes for vulnerable children with parents in prison. Since 2004, the program has made 70,425 mentoring matches.
- *Expands access to substance abuse treatment.* \$98 million to expand substance abuse treatment capacity, including clinical treatment and recovery support services. The Access to Recovery program has served more than 199,000 people since 2004.
- *Educates youth about abstinence.* \$204 million to prevent teenage pregnancy, pre-marital sexual activity, and the incidence of sexually transmitted disease.

### ***Major Savings and Reforms***

- 13 programs representing nearly \$2.8 billion have been identified for major termination or reduction, including:
  - Recovery Community Services Program, because services provided, such as manicures and other non-traditional therapies, are not based on evidence-based practices for recovery and grantees have not consistently met all performance measures.
  - Health Professions Grants, because evaluations have found these activities do not have a demonstrated impact on the placement of health professionals in underserved areas.
- Medicare continues to reduce its improper payment rate, down from 4.4 percent of payments in 2006 to 3.9 percent in 2007—the lowest since HHS began tracking the statistic in 1996.

### ***Since 2001, the Department of Health and Human Services has:***

- Surpassed in 2007 the President's goal of creating 1,200 new or expanded Health Center sites. By 2009, Health Centers will have served over 100 million low-income patients.
- Continued the work of the landmark 1996 welfare reform by reauthorizing the Temporary Assistance for Needy Families program through 2010, including \$150 million for the healthy marriage and responsible fatherhood programs.
- Worked with States to make strong gains in child support collections, which reached \$23.9 billion and served an estimated 16 million child support cases in 2006.
- Implemented the voluntary Medicare prescription drug benefit, which is projected to have over 25 million enrollees in private PDPs and MA-PDs and receives consistent satisfaction rates around 75 percent; most recently, a *Wall Street Journal* poll found satisfaction rates as high as 87 percent.



- Increased enrollment in Medicare private plan options through the Medicare Advantage program to nine million beneficiaries.
- Promoted quality health care through the expanded use of health information technology as part of the President's goal of most Americans having access to an electronic health record by 2014.
- Invested more than \$9 billion to support public health systems improvements at the State and local levels and to increase hospital preparedness against a bioterrorism attack or other public health emergencies.
- Enhanced readiness of the U.S. Public Health Service Commissioned Corps, whose officers provide medical and health advice and services to the American people in times of peace and crisis.
- Strengthened mechanisms for detection of, mitigation of, and response to biological weapons attacks on the United States through coordination among Federal agencies and cooperation with State, local, international, and tribal governments.

### Department of Health and Human Services

(Dollar amounts in millions)

	2007 Actual	Estimate	
		2008	2009
<b>Spending</b>			
Discretionary Budget Authority:			
Food and Drug Administration <sup>1</sup> .....	1,760	1,413	1,771
<i>Program level (non-add)</i> .....	2,029	2,270	2,400
Health Resources and Services Administration.....	6,408	6,860	5,779
Indian Health Service.....	3,180	3,347	3,325
Centers for Disease Control and Prevention.....	5,983	6,067	5,691
National Institutes of Health.....	28,880	29,307	29,307
Substance Abuse and Mental Health Services Administration .....	3,206	3,234	3,025
Agency for Healthcare Research and Quality.....	—	—	—
<i>Program level (non-add)</i> .....	319	335	326
Centers for Medicare and Medicaid Services (CMS) <sup>2</sup> .....	3,141	3,151	3,272
Discretionary Health Care Fraud and Abuse Control .....	—	—	198
Administration for Children and Families .....	13,839	14,071	13,247
Administration on Aging.....	1,383	1,411	1,381
General Departmental Management.....	356	354	380
Office for Civil Rights.....	35	34	40
Office of the National Coordinator for Health Information Technology .....	42	42	18
<i>Program level (non-add)</i> .....	61	61	66
Office of Medicare Appeals.....	60	64	65
Public Health and Social Services Emergency Fund.....	694	729	1,396
Office of the Inspector General .....	40	43	46
All other .....	66	48	-454
Total, Discretionary budget authority .....	69,073	70,175	68,487

**Department of Health and Human Services—Continued**  
(Dollar amounts in millions)

	2007 Actual	Estimate	
		2008	2009
<i>Memorandum: Budget authority from enacted supplementals</i> .....	63	307	—
Total, Discretionary outlays .....	69,041	70,879	70,876
Mandatory Outlays:			
Medicare:			
Existing law <sup>3</sup> .....	370,806	391,266	420,077
Legislative proposal <sup>4</sup> .....	—	—	-12,437
Medicaid/SCHIP:			
Existing law .....	196,624	211,353	223,634
Legislative proposal <sup>4</sup> .....	—	140	500
All other programs:			
Existing law .....	34,015	34,142	33,893
Legislative proposal .....	—	5	329
Total, Mandatory outlays .....	601,445	636,906	665,996
Total, Outlays .....	670,486	707,785	736,872
		<b>Number of Programs</b>	<b>2009 Savings</b>
<b>Major Savings, Discretionary</b>			
Terminations .....	9		-1,656
Reductions .....	4		-1,140

<sup>1</sup> 2007 and 2008 FDA net budget authority increased by \$186 million and decreased by \$307 million, respectively, due to the timing and availability of user fee collections.

<sup>2</sup> Amounts appropriated to the Social Security Administration (SSA) from the Hospital Insurance and Supplementary Medical Insurance accounts are included in the corresponding table in the SSA chapter.

<sup>3</sup> Includes \$31 million in 2007 and \$60 million in 2008 of CMS Program Management mandatory funding.

<sup>4</sup> The costs for the Qualified Individuals proposal (\$105 million in 2008 and \$270 million in 2009) are included in the Medicaid totals and excluded from the Medicare totals.



## DEPARTMENT OF HOMELAND SECURITY

### The President's 2009 Budget will:

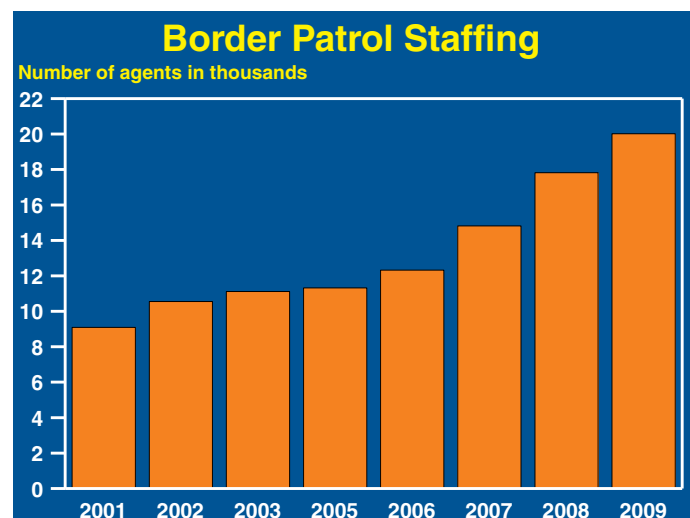
- Increase the Department's capabilities;
- Strengthen border security, interior enforcement, and immigration services;
- Enhance the security of the Nation's transportation system;
- Reinforce maritime safety and security;
- Fortify cyber security across the Federal Government;
- Improve BioWatch capabilities; and
- Expand the Federal Emergency Management Agency's operational capacity.

### *Increasing Homeland Security Capabilities*

- *Boosts overall spending to secure the Homeland.* 10.7-percent growth Government-wide compared to 2008. Within the Department of Homeland Security (DHS), spending will increase by 7.6 percent compared to 2008.

### *Strengthening Border Security, Interior Enforcement, and Immigration Services*

- *Increases Border Patrol agents.* Nearly \$500 million for 2,200 new Border Patrol agents, to accomplish the President's goal of more than doubling the size of the Border Patrol—from approximately 9,000 agents to 20,000 agents—since September 11, 2001.
- *Builds SBInet.* Funding to ensure \$2 billion over two years to continue to construct the most effective mix of current and next generation technology, as well as additional miles of fencing and other infrastructure to protect the border.
- *Supports the Southwest Border Counter-narcotics Strategy.* The increased 2009 investments by the Department in personnel and technology will enable DHS and partner agencies to capitalize on an array of intelligence and information sharing programs to much more effectively confront all border threats.



- *Provides additional detention beds.* 1,000 new detention beds, bringing the total number to 33,000 beds, to ensure the continuation of “catch and return.”
- *Partners with State and local law enforcement.* Expands the 287(g) program to improve coordination and provide assistance and training in immigration law for State and local law enforcement officials.

Additionally, this Budget supports key reforms in the programs and systems that provide immigration benefits and services, such as:

- *Expands E-Verify, the Employment Eligibility Verification Program.* \$100 million to continue expansion and enhancements for the Internet-based system that helps participating U.S. employers hire and maintain a legal workforce.
- *Reforms existing temporary-worker programs.* Proposes changes to the H-2A, H-2B, and H-1B programs to streamline the process for U.S. employers to hire the labor they need when no Americans are available, while also providing for appropriate labor protections for workers.
- *Improves the background check process for immigration benefit applicants.* Takes steps to eliminate the existing backlog of pending FBI name checks and prevent any new backlog.

### ***Enhancing the Security of the Nation’s Transportation System***

- *Devotes nearly \$6 billion to the multi-layered, risk-based aviation security system.*
  - \$3 billion for over 48,000 Transportation Security Officers and technologies to screen passengers and their baggage for weapons and explosives.
  - \$1.2 billion to recapitalize checked baggage screening devices and accelerate deployment of inline systems that will increase baggage throughput up to 300 percent. The Budget proposes a temporary, four-year surcharge in the passenger security fee of \$0.50 per enplanement with a maximum increase of \$1.00 per one-way trip. The additional fee collections of \$426 million would be deposited in the Aviation Security Capital Fund to accelerate the deployment of optimal checked baggage screening systems and address the need to recapitalize existing equipment deployed immediately after September 11, 2001.
  - \$128 million for enhancements at passenger checkpoints to improve the detection of prohibited items, especially weapons and explosives, through the use of additional sensors, such as whole body imaging, liquid bottle scanners, automated explosive sampling, and cast and prosthesis scanners. The Transportation Security Administration (TSA) will continue to provide specialized training in the detection of suspicious behaviors, fraudulent documents, and improvised explosive devices.
  - Nearly \$100 million for air cargo security inspectors, canine teams, and the Certified Shipper Program to achieve 100-percent screening of passenger air cargo in 2010.
- *Enhances security assessments.* Funds security assessments on more than 2.4 million individuals in the Nation’s transportation system, including commercial HAZMAT drivers, airport and port workers, and international airline flight crews. In addition, TSA will continuously vet 13 million individuals who have already undergone a security assessment. These assessments will be based on terrorism and criminal information from the U.S. intelligence community and FBI databases. And, TSA will assume the watch list matching of over two million airline passengers daily with the implementation of Secure Flight.
- *Addresses surface transportation vulnerabilities.* \$37 million for surface transportation security, including funding for nearly 100 inspectors to conduct risk-based assessments in the largest mass transit and rail systems.

### ***Reinforcing Maritime Safety and Security***

- *Recapitalizes assets.* \$990 million to fund Integrated Deepwater Systems, a multi-year recapitalization project for the Coast Guard's aircraft and largest sea-going ships that continues to build Maritime Domain Awareness, a major goal outlined in the President's National Strategy for Maritime Security.
- *Supports Transportation Worker Identification Credentials (TWICs).* Issues more than 100,000 TWICs to maritime workers to better safeguard U.S. ports. TWIC is one of the world's most advanced, interoperable biometric credentialing programs and is powered by state-of-the-art technologies.
- *Builds on law enforcement.* \$17.6 million in new funding to enhance Coast Guard intelligence and investigative capabilities.
- *Supports the Marine Inspection Program.* \$20 million in new funding for more marine inspectors to ensure compliance with vessel safety and security standards and to keep pace with the growth in maritime commerce.

### ***Fortifying Cyber Security across the Federal Government***

- *Enhances the U.S. Computer Emergency Readiness Team (US-CERT).* \$242 million to maintain and expand the capabilities of US-CERT to provide additional network defense measures and increase malware and intrusion analysis capabilities. A more robust US-CERT will increase the cyber security posture of the Federal Government and help ensure our networks are protected.

### ***Improving BioWatch Capabilities***

- *Upgrades the BioWatch Monitoring System.* Increases its investment in Gen 3, the next-generation BioWatch technology, to enable the BioWatch system to become fully automated and reduce detection times to as little as four hours. Completes the full testing and multi-city pilots of Gen 3 technologies and begins procurement and deployment.

### ***Expanding Federal Emergency Management Agency's (FEMA's) Operational Capacity***

- *Expands FEMA capabilities.* \$215 million to allow FEMA to implement Phase II of the Vision initiatives, including:
  - Completing the conversion of temporary, full-time employees to permanent staff.
  - Updating the information technology and logistics systems.
  - Meeting requirements of the Post-Katrina Emergency Management Reform Act, such as through the establishment of regional strike teams.
  - Improving emergency communications.
- *Provides grant support.* \$2.2 billion in support, primarily in the form of grants, to the Department's State and local partners in homeland security. The Budget continues to emphasize programs that distribute grant awards on the basis of risk, and this year introduces a grant program to help States implement Real ID requirements and provide a more efficient, merit-based allocation of limited resources.

**Since 2001, the Administration has:**

- Established the Department of Homeland Security, merging elements of 22 disparate agencies into a department of 166,234 personnel and \$40.7 billion in resources.
- Funded nearly 11,000 new Border Patrol agents, acquired nearly 13,000 new detention beds, and constructed close to 100 miles of new border fencing.
- Provided over \$27 billion to State, local, and tribal governments to enhance first responder preparedness.
- Created TSA, hired and trained a workforce, and deployed sufficient technology to electronically screen 100 percent of airline passengers and checked baggage.
- Strengthened marine transportation system and cargo supply chain security through the Container Security Initiative, Customs Trade Partnership Against Terrorism, and the Maritime Transportation Security Act; and awarded more than \$1 billion in port security grants to enhance the physical security of the Nation's seaports.
- Created the Domestic Nuclear Detection Office to detect, identify, and track down the origins of nuclear and radiological materials and help prevent terrorism.
- Successfully protected the Nation's leadership and visiting heads of foreign countries against potential terrorism and other threats, and helped maintain the integrity of the Nation's currency and financial systems, through the vigilant work of the U.S. Secret Service.

**Department of Homeland Security**  
(Dollar amounts in millions)

	2007 Actual	Estimate	
		2008	2009
<b>Spending</b>			
Gross Discretionary Budget Authority:			
Departmental Management and Operations .....	913	840	1,084
Office of the Inspector General .....	99	109	101
Citizenship and Immigration Services.....	180	-4	151
U.S. Secret Service.....	1,277	1,386	1,415
Transportation Security Administration.....	6,028	6,315	6,423
Federal Law Enforcement Training Center.....	250	267	274
Immigration and Customs Enforcement.....	4,446	4,817	5,364
Customs and Border Protection.....	6,332	7,875	9,494
U.S. Coast Guard .....	7,079	7,156	7,835
National Protection and Programs Directorate .....	945	1,016	1,447
Federal Emergency Management Agency.....	5,875	6,823	5,729
Science and Technology .....	848	830	869
Domestic Nuclear Detection Office .....	481	486	564
Total, Gross budget authority.....	34,753	37,916	40,749
Less fee-funded activities .....	-2,976	-2,957	-3,139
Total, Discretionary budget authority (net).....	31,777	34,959	37,611
<i>Bioshield (non-add)</i> .....	—	—	2,175

**Department of Homeland Security—Continued**  
(Dollar amounts in millions)

	2007 Actual	Estimate	
		2008	2009
<i>Memorandum:</i>			
Budget authority from enacted supplementals .....	7,669	5,719	—
Additional funding requirements .....	—	63	—
Total, Discretionary outlays .....	39,897	41,071	44,043
<b>Mandatory Outlays:</b>			
Citizenship and Immigration Services.....	1,655	2,390	2,539
Customs and Border Protection.....	1,035	2,281	1,463
U.S. Coast Guard .....	1,234	1,395	1,513
Transportation Security Administration.....	95	424	287
Legislative proposal .....	—	—	320
All other .....	–4,730	–5,209	–5,856
Total, Mandatory outlays .....	–711	1,281	266
Total, Outlays .....	39,186	42,352	44,309
<b>Credit activity</b>			
Direct Loan Disbursements:			
Disaster Assistance .....	162	160	160
	<b>Number of</b>		<b>2009</b>
<b>Major Savings, Discretionary</b>	<b>Programs</b>		<b>Savings</b>
Reductions .....	1		–1,905







## DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

### **The President's 2009 Budget will:**

- Ensure housing assistance for those most in need;
- Preserve and promote homeownership by addressing subprime mortgages;
- Strengthen communities by sustaining homeownership gains;
- Make further progress towards ending chronic homelessness; and
- Continue the trend of improving the Department's management and performance.

### ***Ensuring Housing Assistance for Those Most in Need***

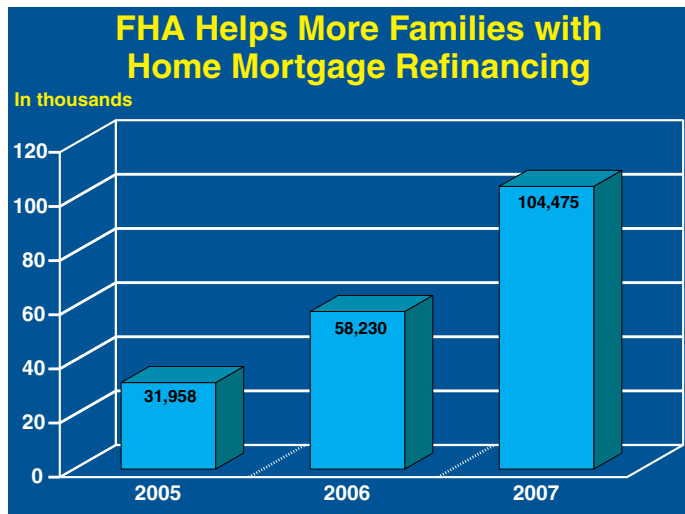
- *Increases primary housing programs.* As a first principle, sets on firm footing the Department's major programs that provide housing assistance to 11 million needy individuals.
- *Increases Project-Based Housing.* \$7 billion to renew all project-based rental contracts, and a \$400 million advance appropriation to bridge renewal funding into 2010, to provide housing assistance for nearly 1.3 million low-income tenants.
- *Maintains Housing Choice Vouchers.* Funds Housing Choice Vouchers for over two million extremely low- to low-income families, while removing the cap on the number of housing units Public Housing Authorities can assist.
- *Supports Public Housing Operating Fund.* At \$4.3 billion (the highest proposed funding level in history), the Fund provides the necessary operating expenses for 1.2 million public housing units.

### ***Preserving and Promoting Homeownership by Addressing Subprime Mortgages***

- *Helps homeowners avoid foreclosure.* \$65 million for the Department of Housing and Urban Development's (HUD's) Housing Counseling program, a 30-percent increase over the 2008 Budget, and \$150 million to the Neighborhood Reinvestment Corporation (NRC), a 25-percent increase over the 2008 Budget, to help educate consumers, combat foreclosures, and promote a healthier housing market. In 2006, 93 percent of all Federal Housing Administration (FHA) borrowers in default who completed Housing Counseling services successfully avoided foreclosure.

### ***Strengthening Communities by Sustaining Homeownership Gains***

- *Expands affordable housing and minority homeownership.* \$2 billion for the HOME Investment Partnerships program, including \$50 million for the American Dream Downpayment Initiative, which provides flexible housing assistance and increases affordable housing and minority homeownership. Since the inception of the HOME program 16 years ago, almost 812,000 units of affordable housing have been created.
- *Increases mortgage financing options for homebuyers and homeowners.* Enables FHA, through reforms such as risk-based pricing, to offer a wider variety of mortgage products and create more homeownership opportunities. FHA will be able to design mortgage products that can help at-risk borrowers, reward borrowers with good credit histories, and protect taxpayers with actuarially sound financing. As a consequence of difficulties in the subprime mortgage market, more Americans are turning to FHA as they refinance their homes.
- *Promotes healthy community development.* Funding for NRC will also help existing homeowners rehabilitate homes, assist communities, sustain homeownership gains, and expand economic development and training for community-based revitalization efforts.



Source: HUD

Number of families with conventional mortgages that have refinanced their single-family homes with FHA.

### ***Making Further Progress Toward Ending Chronic Homelessness***

- *Expands Homeless Assistance Grants.* Over \$1.6 billion for funding at least 160,000 beds for homeless individuals. Aided by this Administration initiative, HUD has documented an unprecedented 11.5 percent decline in chronic homelessness from 2005 to 2006.

### ***Continuing HUD's Improved Management and Performance***

- *Eliminates "High Risk" Designation.* For the first time since 1994, the Government Accountability Office removed HUD's single-family housing mortgage insurance and rental housing assistance programs from the list of High-Risk Federal programs in 2007.
- *Maintains sound financial management.* HUD achieved a clean opinion on its 2007 financial statements, continuing a multi-year trend.

### ***Major Savings and Reforms***

- Six programs representing \$1.6 billion have been identified for termination or reduction, including:
  - Community Development Block Grant (CDBG) program, which needs reform because it is not well-targeted to the neediest communities and its results have not been adequately demonstrated. The Budget funds CDBG at \$3 billion, \$0.9 billion less than 2008.

***Since 2001, the Department of Housing and Urban Development has:***

- Made housing affordable for many of those most in need, assisting with housing payments for over four percent of the U.S. population.
- Expanded efforts to end chronic homelessness, providing additional permanent housing units for over 57,000 individuals, ending their cycle of homelessness.
- Improved financial management by eliminating nearly \$2 billion in annual improper payments.
- Increased proposed funding for Housing Counseling by over 170 percent—from \$24 million in 2001 to \$65 million in 2009. The 2009 Budget will help educate approximately 950,000 families to make better housing decisions.

**Department of Housing and Urban Development**  
(Dollar amounts in millions)

	2007 Actual	Estimate	
		2008	2009
<b>Spending</b>			
Discretionary Budget Authority:			
Community Development Fund.....	3,770	3,866	3,000
CDBG cancellation.....	—	—	–206
HOME Investment Partnerships Program.....	1,756	1,704	1,967
<i>American Dream Downpayment Initiative (non-add)</i> .....	25	10	50
Homeless Assistance Grants.....	1,434	1,586	1,636
Housing Opportunities for Persons with AIDS.....	286	300	300
Tenant-based Rental Assistance.....	15,881	15,703	16,039
Project-based Rental Assistance.....	5,975	6,382	7,000
Housing Certificate Fund.....	–616	–1,250	—
Public Housing.....	6,284	6,639	6,324
Native American Housing Block Grant.....	624	630	627
Revitalization of Severely Distressed Public Housing (HOPE VI) .....	96	100	—
Housing for the Elderly.....	735	735	540
Housing for Persons with Disabilities.....	237	237	160
Federal Housing Administration (FHA).....	–1,105	–921	–763
Lead Hazard Reduction.....	150	145	116
All other programs.....	1,530	1,557	1,742
Total, Discretionary budget authority.....	37,037	37,413	38,482
<i>Memorandum: Budget authority from enacted supplementals</i> .....	7	3,000	—
Total, Discretionary outlays.....	48,990	50,715	47,834
Total, Mandatory outlays.....	–3,429	1,556	–2,202
Total, Outlays.....	45,561	52,271	45,632

**Department of Housing and Urban Development—Continued**  
(Dollar amounts in millions)

	2007 Actual	Estimate	
		2008	2009
<b>Credit activity</b>			
Direct Loan Disbursements:			
FHA.....	3	50	50
Government National Mortgage Association.....	3	30	25
Total, Direct loan disbursements .....	6	80	75
Guaranteed Loan Disbursements:			
FHA.....	89,579	97,768	157,718
All other programs .....	384	523	551
Total, Guaranteed loan disbursements .....	89,963	98,291	158,269
	<b>Number of Programs</b>		<b>2009 Savings</b>
<b>Major Savings, Discretionary</b>			
Terminations .....	4		-132
Reductions .....	2		-1,487



## DEPARTMENT OF THE INTERIOR

### The President's 2009 Budget will:

- Advance the National Parks Centennial Initiative to prepare for the 100th anniversary of the National Park System;
- Increase America's energy security by expanding domestic energy opportunities on Federal lands, which generate one-third of the Nation's domestic energy;
- Assist the Nation in enhancing knowledge of its water resources; and
- Protect wildlife through cooperative conservation partnerships, including targeted actions to improve the status of migratory birds.

### *Advancing the President's National Parks Centennial Initiative*

- *National Parks Centennial Initiative.* \$2.1 billion for park operations, 45 percent more than when the Administration began.
  - Enhances visitor services with more seasonal rangers and volunteers.
  - Preserves historic buildings, archeological sites, battlefields, and cultural resources.
  - Restores wildlife habitat, native vegetation, and natural resources.
  - Improves visitor centers, campgrounds, trails, and other park facilities.
  - Invests in park rangers and other employees who protect our national parks for future generations.
- *Centennial Challenge.* Up to \$100 million annually for 10 years to match private donations to national parks.



Source: Michelle Crutchfield

Half Dome at Yosemite National Park, California.

### ***Expanding Domestic Energy Opportunities***

- *Affordable energy resources.* Enhances energy security by encouraging domestic energy exploration and production.
  - \$9 million to study new geographic areas in the next five-year offshore oil and gas leasing plan.
  - \$1 million to support development of alternative energy in the Outer Continental Shelf.
  - Supports the authorization of environmentally responsible exploration and development on the coastal plain of the Arctic National Wildlife Refuge.
- *Strong financial return on Federal energy resource development.*
  - Repeals select provisions in the 2005 Energy Policy Act, including unnecessary deepwater royalty relief incentives and a prohibition on new fees for oil and gas permit processing.
  - Reflects increased royalty rates for offshore oil and gas production in the Gulf of Mexico, including a further increase to 18.75 percent for the next lease sale in March 2008.

### ***Enhancing Knowledge of Our Water Resources with a Water Security Initiative***

- *National Water Census.* \$8 million for a census to evaluate the status of aquifer and reservoir storage, surface and groundwater flows, water quality, and water use.
  - Expands networks of streamgages to assess long-term national trends in streamflows.
  - Creates an integrated system to track and study groundwater.
  - Enhances water modeling capabilities based on improved knowledge of the interaction between surface water and groundwater.
- *Water conservation and basin studies.* \$13 million to partner with State and local agencies to promote the efficient use of water through a competitive grant process.
  - Conserves water by improving water-use efficiency.
  - Increases water availability by assessing the impact of increased water demand and changing demographics on water supply.
  - Prevents the decline of species by proactively addressing adverse environmental impacts on habitats.

### ***Protecting Wildlife through Cooperative Conservation***

- *President's Migratory Bird Initiative.* \$9 million to improve the status of bird populations through cooperation with private landowners, corporations, non-profit organizations, and the government of Mexico.
  - Contributes to improving the status of five migratory bird species to healthy and sustainable levels over the next five years.
  - \$4 million to strengthen existing joint ventures and enhance migratory bird joint ventures along the Rio Grande Corridor, the Appalachian Mountains, and on the Northern Great Plains.
  - Prepares a State of the Birds report that, for the first time, will report on the status of all birds and identify species that need additional protections.
  - Improves more than 200,000 acres of migratory bird habitat within National Wildlife Refuges.

### ***Major Savings and Reforms***

- Reduces or eliminates programs because they duplicate other Federal programs or are not Federal responsibilities, including:
  - \$13 million reduction for Bureau of Indian Affairs roads maintenance, since Tribes could use about \$100 million in Department of Transportation funds for Indian Reservation Roads.
  - \$20 million reduction for Office of Surface Mining discretionary grants for coal mining reclamation, which can be replaced with the recently revised Abandoned Mine Land grant program that will provide \$2 billion over 10 years.
- Institutes management reforms to improve agency efficiency and effectiveness.
  - Standardizes business practices and eliminates redundant legacy systems through the Financial Business and Management System.
  - Targets investments in national park facilities to meet the President's goal of restoring park facilities to acceptable condition overall as measured by the Facility Condition Index.
  - Improves management and oversight of Wildland Fire funds by reassigning the account to the Office of the Secretary.

### ***Since 2001, the Department of the Interior has:***

- Restored or enhanced more than 5 million acres and 5,000 stream and shoreline miles in cooperation with others.
- Assessed and tracked changes in the condition of Interior facilities, including all national parks, for the first time in history.
- Contributed to meeting the Nation's energy needs by more than doubling annual oil and gas permit processing on Federal lands.
- Restored, improved, and protected more than 3 million acres of wetlands habitat for migratory birds, and other fish and wildlife.
- Treated 7.7 million acres through the hazardous fuels reduction program on lands managed by the Department. The Department maintains its commitment to monitoring fuels allocation funding by using the National Fire Plan measures.
- Increased funding to combat drug trafficking and the methamphetamine problem in Indian Country.
- Restored over 10,000 acres of fish habitat and conserved more than 800,000 acre-feet of water in the Klamath Basin while addressing multiple competing demands for water in the Basin. The Administration appreciates the progress of States, Tribes, and private parties toward a basin-wide conservation agreement and will continue to work with those parties on a cooperative conservation program.

**Department of the Interior**  
(Dollar amounts in millions)

	2007 Actual	Estimate	
		2008	2009
<b>Spending</b>			
Discretionary Budget Authority:			
Bureau of Land Management (without Wildland Fire):			
Existing law .....	916	1,006	984
Legislative proposal .....	—	—	34
Wildland Fire .....	777	809	850
Minerals Management Service.....	160	161	160
Office of Surface Mining.....	294	170	149
Bureau of Reclamation/CUPCA:			
Existing law .....	1,065	1,151	968
Legislative proposal .....	—	—	-7
U.S. Geological Survey .....	983	1,006	969
Fish and Wildlife Service .....	1,331	1,367	1,302
National Park Service .....	2,320	2,421	2,404
Bureau of Indian Affairs.....	2,290	2,292	2,191
Office of the Special Trustee .....	223	189	182
All other .....	443	461	437
Legislative proposal (non-add) .....	—	—	-34
Total, Discretionary budget authority .....	10,802	11,033	10,623
Memorandum: Budget authority from enacted supplementals .....	244	249	—
Total, Discretionary outlays .....	11,071	12,124	11,499
Mandatory Outlays:			
Existing law .....	-256	-766	-529
Legislative proposal, Repayment of Coal Bonus Bids .....	—	—	-385
Legislative proposals, All other.....	—	—	-59
Total, Mandatory outlays .....	-256	-766	-973
Total, Outlays .....	10,815	11,358	10,526
<b>Credit activity</b>			
Guaranteed Loan Disbursements:			
Indian guaranteed loan program.....	76	78	77
	<b>Number of Programs</b>		<b>2009 Savings</b>
<b>Major Savings, Discretionary</b>			
Terminations.....	7		-103
Reductions .....	2		-38





## DEPARTMENT OF JUSTICE

### **The President's 2009 Budget will:**

- Counter the threat of terrorism;
- Enable Federal law enforcement to arrest and prosecute Federal criminals;
- Support State and local law enforcement efforts to combat violent crime in America's communities;
- Fight criminal activity along the U.S. Southwest border; and
- Support essential Federal detention and incarceration programs.

### ***Countering the Threat of Terrorism***

- *Bolsters the national security functions of the Federal Bureau of Investigation (FBI).* \$7.1 billion for the FBI, including \$361 million in enhancements that will support FBI's intelligence and counterterrorism programs, improve surveillance capabilities, bolster response to weapons of mass destruction, and protect the security of the Nation's cyber systems.
- *Strengthens the Department's National Security Division (NSD).* \$84 million in total resources for NSD, to support intelligence operations to combat terrorism and other threats to national security.

### ***Arresting and Prosecuting Federal Criminals***

- *Combats identity theft and financial fraud.* \$178 million for the FBI's financial crime investigations, which have aided in strengthening cases leading to arrest and prosecution by the U.S. Attorneys. In 2007, the U.S. Attorneys charged 2,470 defendants under identify theft statutes and charged 8,566 defendants for white collar fraud, including bank fraud and embezzlement, as well as corporate, consumer, bankruptcy, securities, tax, commodities and other fraud.
- *Continues the fight against obscenity and child pornography.* \$40 million for the FBI to investigate sexual predators that will lead to prosecution and conviction. The \$36 million provided in 2007 for FBI investigations of sexual predators enabled the U.S. Attorneys under the Attorney General's Project Safe Childhood Initiative to charge 2,218 defendants that year.
- *Reduces procurement fraud and tax crimes.* \$47 million for investigating and prosecuting promoters of tax, procurement, and other corporate fraud.

### ***Supporting State and Local Law Enforcement***

- *Funds the Violent Crime Reduction Partnership Initiative.* \$200 million targeted to support community-driven responses to increases in violent crime.

- *Reforms the Byrne Public Safety and Protection Program.* \$200 million for State and local criminal justice needs, including Project Safe Neighborhoods, the DNA Initiative, Prisoner Re-entry, and other priorities, to be funded through competitive grants.

### ***Fighting Criminal Activity on the U.S. Southwest Border***

- *Creates the Southwest Border Enforcement Initiative.* \$100 million in new resources to strategically focus Department of Justice law enforcement and prosecutorial efforts on the U.S. Southwest border to combat violent crime, gun smuggling, and illicit drug trafficking.
- *Continues the fight against illegal drugs.* \$2.2 billion for the Drug Enforcement Administration (DEA) and \$532 million for the Organized Crime and Drug Enforcement Task Force (OCDETF) program. Together, DEA and OCDETF fight the spread of illegal drugs and seek to dismantle and disrupt major drug trafficking organizations.

### ***Supporting Essential Federal Detention and Incarceration Programs***

- *Funds Federal detention and incarceration programs.* \$5.5 billion for the Bureau of Prisons and \$1.3 billion for the Office of the Federal Detention Trustee (OFDT), to ensure that Federal criminals and those awaiting trial or sentencing are safely and cost-effectively incarcerated and detained.
- *Expands detention capacity.* \$50 million in new resources to increase the number of contract prison beds and \$38 million to strengthen OFDT's detention resources along the Southwest border.



Source: Carol Rodgers, Training Coordinator

Firearms training at the Federal Law Enforcement Training Center.

### ***Major Savings and Reforms***

- More than 70 State and local law enforcement assistance programs representing over \$2 billion in spending are proposed for consolidation into four flexible and competitive grants. This will eliminate earmarks and formulas and improve the ability of States, localities, and Tribes to respond to increases in violent crime by better targeting funds to key criminal justice priorities, including:
  - \$200 million, Violent Crime Reduction Partnership;
  - \$200 million, Byrne Public Safety and Protection Program;
  - \$280 million, Violence Against Women Program; and
  - \$185 million, Child Safety and Juvenile Justice Program.

### ***Since 2001, the Department of Justice has:***

- Transformed the FBI to improve the Nation's ability to prevent and combat terrorism.
- Made more than \$3 billion in investments in critical crime-fighting initiatives, including Project Safe Neighborhoods and the DNA Initiative, helping communities address violent crime.
- Provided more than \$16 billion to DEA and OCDETF, leading to the disruption or dismantlement of over 5,000 major drug trafficking organizations.

**Department of Justice**  
(In millions of dollars)

	2007 Actual	Estimate	
		2008	2009
<b>Spending</b>			
Discretionary Budget Authority:			
Federal Bureau of Investigation .....	6,040	6,514	7,108
Drug Enforcement Administration .....	1,761	1,856	1,937
Federal Prison System .....	5,427	5,425	5,534
United States Marshals Service .....	819	851	933
Bureau of Alcohol, Tobacco, Firearms, and Explosives .....	984	1,008	1,028
Detention Trustee .....	1,226	1,081	1,295
United States Attorneys .....	1,656	1,748	1,831
General Legal Activities .....	677	736	804
National Security Division.....	67	73	84
Office of Justice Programs, COPS, Office on Violence Against Women.....	2,687	2,314	813
Organized Crime and Drug Enforcement Task Force .....	497	497	532
All other .....	778	587	392
Subtotal, Discretionary budget authority .....	22,619	22,690	22,291
Less Crime Victims' Fund cancellation.....	—	—	-2,024
Total, Discretionary budget authority .....	22,619	22,690	20,267
<i>Memorandum:</i>			
<i>Budget authority from enacted supplementals .....</i>	<i>356</i>	<i>286</i>	<i>—</i>
<i>Additional funding requirements .....</i>	<i>—</i>	<i>146</i>	<i>—</i>
Total, Discretionary outlays .....	22,335	23,019	23,426
Total, Mandatory outlays .....	1,135	2,112	3,199
Total, Outlays .....	23,470	25,131	26,625





## DEPARTMENT OF LABOR

### **The President's 2009 Budget will:**

- Protect workers' wages, benefits, health and safety, and union member rights;
- Improve job training and trade adjustment assistance programs to train more people and help displaced workers find jobs more quickly;
- Help returning servicemembers transition back into the civilian workforce;
- Safeguard workers' pensions; and
- Support efforts to modernize and improve the temporary foreign labor certification process.

### ***Protecting Workers***

- *Enforces labor laws.* Protects workers' wages, benefits, and working conditions.
  - Protects the health and safety of the Nation's 350,000 miners through the Mine Safety and Health Administration.
  - Enforces workplace safety and health standards through the Occupational Safety and Health Administration.
  - Investigates wage and hour violations in low-wage industries that employ the most vulnerable workers.
  - Ensures union financial integrity and transparency.

### ***Improving Job Training and Trade Adjustment Assistance Programs***

- *Trains workers more effectively.* Increases significantly the number of workers trained—while saving taxpayer dollars—by reforming the Department's job training grant programs. The reforms:
  - Consolidate several similar programs and cut Federal red tape and unnecessary overhead.
  - Create Career Advancement Accounts—worker-directed accounts that help workers develop their skills and compete for 21st Century jobs.
  - Propose a State match, which will better integrate Federal and State workforce investment resources.
- *Helps workers transition.* Gives trade-impacted workers the help they need to transition to new jobs with good wages through reforms to the Trade Adjustment Assistance program.

### ***Supporting Returning Servicemembers***

- *Helps Veterans transition.* Provides job-search assistance and related services to separating service members and their spouses through the Veterans' Employment and Training Service and the Employment and Training Administration.

### ***Safeguarding Workers Pensions***

- *Improves retirement security.* Implements the Pension Protection Act of 2006 reforms.
- *Strengthens the Pension Benefit Guaranty Corporation (PBGC).* Restores the solvency of the pension insurance system and avoids a future taxpayer bailout by raising the premiums companies pay to PBGC, which protects the defined-benefit pension plans of 44 million Americans.

### ***Improving the Foreign Labor Certification Process***

- *Modernizes the temporary foreign labor certification process.* Helps employers find the talent they need while protecting the rights of U.S. workers.

### ***Major Savings and Reforms***

- Terminates or reduces 10 programs representing more than \$1.4 billion, including:
  - Employment Service State Grants, which provide services that duplicate those provided under the Workforce Investment Act programs.
  - Migrant and Seasonal Farmworker program, which duplicates other Federal programs and is insufficiently focused on employment and training.
  - Office of Disability Employment Policy's grant program, which duplicates other grant-making programs.
- Proposes legislation that would reduce improper payments of unemployment insurance by \$3.6 billion and recover almost \$200 million in delinquent taxes over 10 years.



### ***Since 2001, the Department of Labor has:***

- Provided leadership in the effort to strengthen the pension system to ensure that Americans have a secure retirement.
- Posted the strongest-ever worker protection enforcement results.
- Revised outdated regulations to better protect workers by strengthening overtime protections for more than 6.7 million workers and improving the transparency of labor union finances.
- Modernized the permanent foreign labor certification program and eliminated the chronic backlog, which stood at 363,000 applicants at the beginning of the Administration.
- Published the first-ever regulations explaining the reemployment rights and protections for our National Guard, Reserve, and active duty servicemembers serving in the Global War on Terror and elsewhere around the world.

- Implemented innovative programs to enhance America's competitiveness through the High Growth Job Training Initiative, Community-Based Job Training Grants, and Workforce Innovation in Regional and Economic Development initiative.

**Department of Labor**  
(Dollar amounts in millions)

	2007 Actual	Estimate	
		2008	2009
<b>Spending</b>			
Discretionary Budget Authority:			
Training and Employment Services <sup>1</sup>			
Existing law .....	3,552	3,295	3,061
Legislative proposal .....	—	—	50
Unemployment Insurance Administration.....	2,508	2,464	2,636
Employment Service/One-Stop Career Centers <sup>1</sup>			
Existing law .....	820	790	69
Legislative proposal .....	—	—	—50
Office of Job Corps.....	1,607	1,598	1,565
Community Service Employment for Older Americans .....	484	522	350
Bureau of Labor Statistics.....	548	544	593
Occupational Safety and Health Administration.....	487	486	502
Mine Safety and Health Administration .....	302	334	332
Employment Standards Administration .....	421	421	438
Employee Benefits Security Administration.....	149	139	148
Veterans' Employment and Training.....	223	228	238
Departmental Management.....	226	211	148
Bureau of International Labor Affairs .....	73	81	15
Office of Disability Employment Policy .....	28	27	12
All other .....	259	260	405
Total, Discretionary budget authority .....	11,687	11,400	10,512
<i>Memorandum: Budget authority from enacted supplementals .....</i>	<i>—8</i>	<i>—</i>	<i>—</i>
Total, Discretionary outlays .....	11,671	11,610	12,225
Mandatory Outlays:			
Unemployment Insurance Benefits.....	32,576	34,760	37,352
Trade Adjustment Assistance			
Existing law .....	777	834	911
Legislative proposal .....	—	—	6
Pension Benefit Guaranty Corporation <sup>2</sup>			
Existing law .....	457	332	—202
Legislative proposal .....	—	—	—395

**Department of Labor—Continued**  
(Dollar amounts in millions)

	2007 Actual	Estimate	
		2008	2009
Black Lung Benefits Program <sup>3</sup>			
Existing law .....	1,355	1,344	1,324
Legislative proposal .....	—	—	2,288
Federal Employees' Compensation Act			
Existing law .....	111	200	160
Legislative proposal .....	—	—	-10
Energy Employees Occupational Illness Compensation Program			
Act.....	1,137	1,109	1,050
All other .....	-526	-522	-496
Total, Mandatory outlays .....	35,887	38,057	41,988
Total, Outlays .....	47,558	49,667	54,213
		<b>Number of Programs</b>	<b>2009 Savings</b>
<b>Major Savings, Discretionary</b>			
Terminations .....	4		-111
Reductions .....	6		-1,318

<sup>1</sup> 2009 reflects the Administration's proposal to merge four grant programs and create Career Advancement Accounts.

<sup>2</sup> Net mandatory outlays are negative when offsetting collections exceed outlays.

<sup>3</sup> 2009 reflects the Black Lung debt refinancing, which includes a one-time payment to the Treasury. There is no Government-wide budgetary effect until 2014, when the excise tax rates would be extended.





## DEPARTMENT OF STATE AND OTHER INTERNATIONAL PROGRAMS

### The President's 2009 Budget will:

- Enhance global security and combat terrorism;
- Spread hope and freedom by promoting democratic ideals;
- Help reduce global poverty and facilitate free enterprise; and
- Respond to global challenges and humanitarian crises.

### *Enhancing Global Security*

- *Supports freedom in Iraq and helps build a stable Afghanistan.* \$400 million to provide the resources needed by our U.S. civilians who are working to secure military gains by helping Iraq achieve necessary economic, democratic, and political stabilization. \$1.1 billion to advance Afghanistan's overall development by promoting economic growth, strengthening national and local governing institutions, preparing for national elections, improving access to health care and education, and increasing capacity for democratic governance. Includes an emergency allowance to support activities related to the Global War on Terror into 2009. The Administration will request additional funds for civilian efforts in Iraq and Afghanistan and other activities when the needs are better known.
- *Promotes stability in the Middle East.* Approximately \$75 million for the Palestinian people to promote good governance and invest in education and public health. Approximately \$142 million to continue support for the democratic government of Lebanon.
- *Sustains our strategic partnership with Pakistan.* Approximately \$830 million to help Pakistan achieve stability, development, and democracy goals, with a focus on security, economic development, and combating terrorism in Pakistan's western frontier regions.
- *Continues the Merida Initiative.* \$550 million to support the President's new initiative with leaders in Mexico and Central America to address common security concerns, including enhancing government capacity to combat drug trafficking and transnational organized crime and improving the rule of law.
- *Continues U.S. commitment to Africa.* Supports the President's 2005 commitment to double aid to Africa by 2010.
- *Strengthens U.S. capacity for global engagement.* Strengthens operations worldwide to meet new high-priority foreign policy requirements, including a repositioned and strengthened American presence in critical emerging areas. To improve U.S. civilian response capabilities, the Budget provides for a 250-member Active Response Corps, a 2,000-member Standby Corps

across civilian Federal agencies, and a 2,000-person Civilian Reserve Corps made up of experts from outside the Federal Government who can quickly deploy in response to crises.

### ***Spreading Hope and Freedom***

- *Promotes democratic transition.* The President has more than doubled funding for democracy, governance, and human rights programs since taking office, and the Budget continues to increase funding in these areas. The Budget supports countries that have committed to democratic reforms and human rights by helping them strengthen governance and the rule of law through programs that foster independent media, pluralist political parties, voter education, election monitoring, and human rights. Provides \$80 million for the National Endowment for Democracy.
- *Continues international broadcasting.* \$699 million for the Broadcasting Board of Governors to provide accurate and objective news and information about the United States and the world to international audiences via television, radio, and the Internet with a continued focus on broadcasting throughout the Middle East and to people living under tyranny in North Korea, Burma, Iran, and Cuba.
- *Supports international exchange programs.* \$522 million for educational and cultural exchange programs, including the newly launched Partnership for Latin American Youth, which will give thousands of students from Latin America the opportunity to study in the United States.

### ***Helping to Reduce Poverty and Facilitate Free Enterprise***

- *Expands the President's Emergency Plan for AIDS Relief (PEPFAR).* Leading the global fight against the HIV/AIDS pandemic, the United States has provided \$18.8 billion for international HIV/AIDS programs since 2004. Based on the success of PEPFAR, the President announced PEPFAR II in May 2007 and committed to providing an additional \$30 billion over the next five years to treat 2.5 million people, prevent 12 million new infections, and care for 12 million afflicted people. The President's new commitment generated a matching pledge from other G-8 nations. The 2009 Budget provides \$6 billion for PEPFAR II.
- *Supports the President's Malaria Initiative.* \$300 million to reduce malaria-related deaths by 50 percent in 15 target African countries by 2010. By December 2007, 30 million people had been given life-saving preventative care or treatment.
- *Expands education for the world's poorest children.* The President committed to providing an additional four million students with access to quality basic education through 2012. The Budget includes funding for basic education that will lead to well over a four-fold increase in funding since the President took office.
- *Promotes poverty reduction through good governance.* \$2.225 billion for the Millennium Challenge Corporation (MCC). Fifteen partner countries are currently working with MCC to implement compacts to



Source: USAID

Children in Central Asia learn about the joy of reading during a National Reading Day supported by USAID.

improve agricultural productivity, modernize infrastructure, expand private land ownership, improve health systems, and improve access to credit for small business and farmers. MCC compacts encourage governments that have made a commitment to democratic governance, accountability, and investment in their human capital.

- *Promotes economic growth and sustainable development.* Trade and investment are the primary engines of economic growth and lift people out of poverty. The Administration is pursuing and implementing agreements that reduce barriers to trade and investment in developing countries. The Budget provides funding for trade capacity building and other economic assistance to promote entrepreneurship and investment in developing countries. The Budget also fully funds the U.S.'s commitment to the Multilateral Debt Relief Initiative that forgives the debt of highly-indebted developing countries and thus allows them to invest their resources in human capital and development.

### ***Responding to Global Challenges and Humanitarian Needs***

- *Responds to Sudan's humanitarian needs.* The United States is the world's leader in providing food, water, sanitation, and other assistance to the people of Sudan, and the Budget continues these humanitarian assistance efforts.
- *Promotes the President's Climate Change Initiative.* Promotes the adoption of clean energy technology, helps countries adapt to climate change, and encourages sustainable forest management. Includes \$400 million for a new international clean technology fund in 2009 as part of an overall three-year contribution of \$2 billion. This clean technology fund will help developing countries leverage private financing and address the growing challenge of accelerating greenhouse gas emissions.
- *Supports International Energy Cooperation.* Supports the Asia-Pacific Partnership, which has initiated nearly 100 projects and actions focusing on promoting energy security, reducing air pollution, and addressing climate change in ways that foster sustainable economic growth and poverty reduction.
- *Promotes peace.* \$1.5 billion for United Nations peacekeeping missions to end conflicts, restore peace, and strengthen regional stability, including missions in Sudan, Congo, Liberia, Lebanon, and Haiti.
- *Protects refugees.* Approximately \$809 million for basic life-sustaining support and protection of refugees, conflict victims, and internally displaced persons overseas. Where voluntary return for refugees is not a viable option, the United States continues to lead the international community in resettling refugees.

### ***Major Savings and Reforms***

- The Department of State and the United States Agency for International Development (USAID) are eliminating the duplication of overseas services and have already consolidated approximately 15 administrative support functions and related infrastructure at nearly half of USAID missions located in new embassy compounds.
- The Administration is seeking authority to use up to 25 percent of the P.L. 480 Title II food aid appropriation for local and regional procurement of food aid in order to improve the cost effectiveness and response time of this program.

***Since 2001, the Administration has:***

- Established and led international coalitions to combat terrorists who threaten U.S. interests at home and abroad.
- Launched PEPFAR that to date has funded life-saving antiretroviral treatment for approximately 1.36 million people in 15 focus countries heavily afflicted with HIV/AIDS and provided care services and prevention awareness to millions more.
- Provided humanitarian assistance to people affected by the continuing violence in the Darfur region of Sudan, drought and conflict in the Horn of Africa, the 2004 tsunami in Southeast Asia, the recent cyclone in Bangladesh, and other natural and manmade disasters.
- Transformed America's diplomatic presence overseas, constructing 52 new secure overseas diplomatic facilities, repositioning staff overseas to higher priority locations, and developing an active response corps within the Department to deploy quickly and respond to crises.

**Department of State and Other International Programs**

(In millions of dollars)

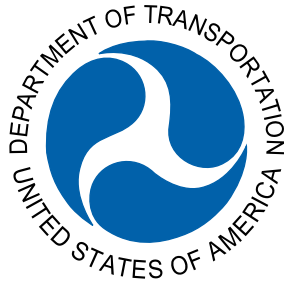
	2007 Actual	Estimate	
		2008	2009
<b>Spending</b>			
Discretionary Budget Authority:			
Diplomatic and Consular Programs .....	4,339	4,545	5,364
Education and Cultural Exchange Programs .....	446	501	522
Embassy Security, Construction, and Maintenance .....	1,491	1,426	1,790
International Peacekeeping .....	1,135	1,223	1,497
International Organizations.....	1,151	1,343	1,529
Economic Support Fund .....	2,268	2,314	3,154
Global HIV/AIDs Initiative <sup>1</sup> .....	3,247	4,662	4,779
International Narcotics and Law Enforcement.....	473	556	1,202
Andean Counterdrug Initiative .....	722	320	407
Migration and Refugee Assistance .....	833	823	764
Non-proliferation, Anti-terrorism, Demining Programs.....	406	483	499
Foreign Military Financing .....	4,561	4,451	4,812
Assistance for Eastern Europe and Baltic States.....	274	294	276
Assistance for Independent States of the Former Soviet Union .....	452	397	346
Child Survival and Health <sup>1</sup> .....	1,740	1,714	1,578
Development Assistance .....	1,509	1,624	1,639
USAID Operating Expenses.....	627	630	767
Broadcasting Board of Governors.....	647	670	699
Millennium Challenge Corporation.....	1,752	1,544	2,225
Export-Import Bank.....	38	1	3
Overseas Private Investment Corporation .....	-192	-165	-170
Peace Corps.....	320	331	344
Multilateral Development Banks.....	1,243	1,277	2,071

**Department of State and Other International Programs—Continued**  
(In millions of dollars)

	2007 Actual	Estimate	
		2008	2009
Other State and International Programs .....	2,177	1,895	2,185
<i>Food Aid, USDA P.L. 480 Title II (non-add)</i> .....	1,215	1,211	1,226
Total, Discretionary budget authority .....	31,658	32,858	38,282
<i>Memorandum:</i>			
<i>Budget authority from enacted supplementals</i> .....	5,673	2,386	—
<i>Additional funding requirements</i> .....	—	5,074	—
Total, Discretionary outlays .....	29,497	35,439	39,213
Total, Mandatory outlays .....	-3,601	-1,035	120
Total, Outlays .....	25,896	34,404	39,333
<b>Credit activity</b>			
Direct Loan Disbursements:			
Export-Import Bank.....	70	32	—
All other programs .....	702	629	556
Total, Direct loan disbursements .....	772	661	556
Guaranteed Loan Disbursements:			
Export-Import Bank.....	12,110	12,650	12,650
All other programs .....	1,637	2,426	2,576
Total, Guaranteed loan disbursements .....	13,747	15,076	15,226

<sup>1</sup> The 2008 Department of State, Foreign Operations, and Related Programs Appropriations Act, as contained in P.L. 110-161, the Consolidated Appropriations Act, combined the Global HIV/AIDS Initiative account and the Child Survival and Health account to create a Global Health and Child Survival Account. The funding as been distributed to the former accounts to facilitate comparison across fiscal years.





## DEPARTMENT OF TRANSPORTATION

### **The President's 2009 Budget will:**

- Propose ways to manage the Nation's airspace more effectively to reduce travel delays;
- Advance strategies to curb transportation congestion;
- Ensure solvency of highway and surface transportation programs;
- Take steps to rationalize the Nation's intercity passenger rail system; and
- Improve transportation safety.

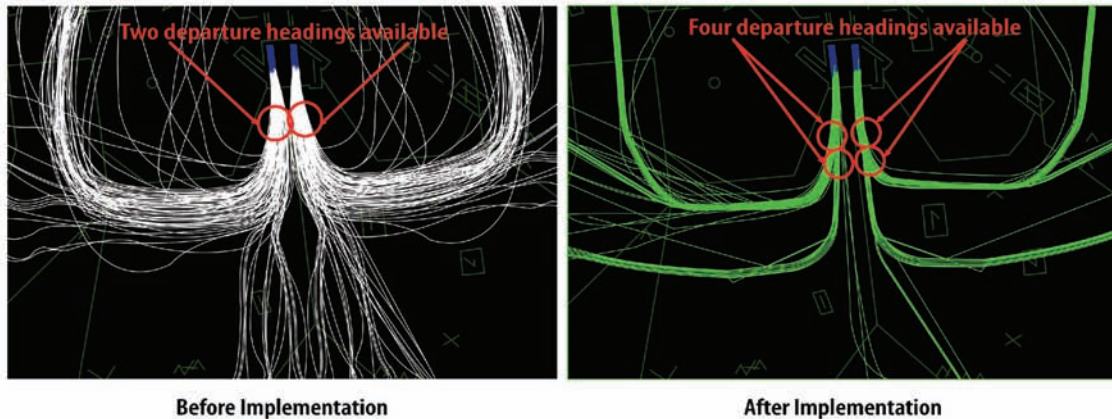
### ***Managing the Nation's Airspace More Effectively***

- *Funds the Next Generation Air Transportation System (NextGen).* \$688 million to modernize the Federal Aviation Administration's (FAA's) air traffic control system, enabling the FAA to safely improve capacity and efficiency to reduce congestion and flight delays to help travelers reach their destination on time.
  - Moves from a ground-based radar surveillance system to a more accurate satellite-based surveillance system.
  - Develops more efficient routes through the airspace and improves arrival and departure management at airports.
  - Improves aviation weather information and decision-making.
- *Proposes reforms to FAA.* Resubmits the proposal to reauthorize and strengthen FAA and change its financing structure.
  - Establishes a cost-based system for financing FAA, employs market mechanisms for alleviating delays, and makes the system more accountable to aviation stakeholders.
  - Eliminates the current ticket taxes, which are based on the price of a ticket and have no direct link to FAA's cost of managing aircraft.
  - Generates revenues based on the costs that different flights impose on the air traffic system, whether they are commercial, business, or general aviation.

### ***Curbing Transportation Congestion***

- *Targets airline delays in the Nation's most congested regions using market-based mechanisms.*
  - Authorizes FAA to charge higher user fees during peak hours and lower fees during non-peak hours.

### FAA is Actively Taking Steps to Reduce Air Traffic Delays



FAA is working to improve the efficiency and capacity of the air transportation system under the NextGen initiative. These images show tracks of aircraft departing from the Dallas-Fort Worth International Airport before and after the implementation of required area navigation procedures. These procedures safely use tightly contained and repeatable departure tracks for aircraft, which increases capacity (adding 11 to 20 departures per hour), saves fuel, reduces aircraft taxi times, and reduces departure delays.

- *Initiates a program to combat highway congestion.* \$175 million to demonstrate alternative strategies for reducing highway congestion through the use of road pricing. Examples could include:
  - Implementing variable charges on toll lanes to maximize traffic flow; or
  - Converting High Occupancy Vehicle lanes into High Occupancy Toll lanes, which charge single-passenger vehicles for access while allowing free access to multi-passenger vehicles.

### ***Ensuring Solvency of Highway and Surface Transportation Programs***

- *Fulfills the President's multi-year commitment to invest in surface transportation without raising taxes or subsidizing transportation spending using other tax dollars.* \$39.4 billion for the Federal Aid Highway program.
  - Includes the final installment of the \$286.4 billion in highway, transit, and safety program spending agreed upon in the last surface transportation reauthorization act.
  - Provides new flexibility to manage funds in the Highway Trust Fund so the existing tax structure can continue to support authorized spending for all surface transportation programs.

### ***Taking Steps to Rationalize the Nation's Intercity Passenger Rail System***

- *Curtails Federal subsidies.* \$800 million for Amtrak, which represents a significant but necessary cut to the railroad's Federal subsidy.
  - Requires that Amtrak control its operating losses and focus on services that offer the most promise.
  - Reserves the bulk of funds for capital investment so improvements may continue along the heavily trafficked Northeast Corridor.



- Reflects that Amtrak has taken few steps to align its business with the traveling public's demand for intercity rail service and that it consequently continues to hemorrhage taxpayer funds.
- *Provides State matching grants.* \$100 million for State matching grants for intercity passenger rail capital projects to empower States, not Amtrak, to address their transportation goals and priorities.

### ***Improving Transportation Safety***

- *Bolsters rail safety.* \$191 million for the Federal Railroad Administration's safety program, which includes the hiring of bridge safety specialists and tank car engineers and the development of technology for detecting track flaws that could lead to derailments.
- *Invests in pipeline safety.* \$93 million for the Pipeline and Hazardous Materials Safety Administration's Pipeline Safety Program, including significant increases for grants to States, pipeline inspection and enforcement staffing, and technical assistance.

### ***Major Savings and Reforms***

- Identifies four Department of Transportation programs representing \$2.3 billion for termination or reduction, including:
  - Streamlines Essential Air Service to maintain the program's original goal: providing incentives to airlines to ensure they continue to fly to small communities that were served prior to airline deregulation.

### ***Since 2001, the Department of Transportation has:***

- Helped stabilize the airline industry following the September 11, 2001, terrorist attacks.
- Helped improve the physical condition of the Nation's highways and bridges.
  - Vehicle miles traveled on pavements with "good" ride quality rose from 39.4 percent in 1997 to 44.2 percent in 2004.
  - Bridges considered to be structurally deficient dropped from 16.0 percent in 1998 to 13.1 percent in 2004.
- Worked with the Congress to reauthorize and implement highway, public transportation, and highway safety programs that give States more flexibility and target priority matters, such as safety and mobility.
- Reached key highway safety goals, including improving the national safety belt usage rate to a record high and reducing the highway fatality rate.
- Completed the largest competitive sourcing effort undertaken by a Federal agency, which will save taxpayers more than \$2 billion by consolidating FAA facilities and modernizing its technologies.
- Launched the NextGen initiative to transform the Nation's vital air transportation system, improve airline safety, and decrease passenger delays.

**Department of Transportation**  
(Dollar amounts in millions)

	2007 Actual	Estimate	
		2008	2009
<b>Spending</b>			
Discretionary Budgetary Resources:			
Federal Aviation Administration <sup>1</sup> .....	14,537	14,916	14,644
<i>FAA Operations, Capital, and Research Programs (non-add)</i> .....	11,022	11,401	11,893
Federal Highway Administration.....	38,013	41,241	35,514
<i>Federal Aid obligation limitation (non-add)</i> .....	37,990	41,216	39,399
<i>Federal Aid cancellation of unavailable contract authority     (non-add)</i> .....	-3,472	-3,150	-3,150
<i>Federal Aid cancellation of available contract authority     (non-add)</i> .....	—	-1,026	—
<i>Federal Aid cancellation of contract authority for idle projects     (non-add)</i> .....	—	—	-735
Federal Motor Carrier Safety Administration .....	517	530	541
National Highway Traffic Safety Administration:			
Existing law .....	821	838	730
Legislative proposal .....			122
Federal Railroad Administration.....	1,478	1,561	1,091
<i>Intercity Passenger Rail (non-add)</i> .....	1,294	1,355	900
Federal Transit Administration .....	9,952	9,491	10,136
Federal Maritime Administration .....	215	306	314
St. Lawrence Seaway Development Corporation .....	16	17	32
Pipeline and Hazardous Materials Safety Administration.....	120	126	139
Research and Innovative Technology Administration.....	8	12	12
All other .....	250	208	147
Total, Discretionary budgetary resources <sup>2</sup> .....	65,927	69,246	63,422
<i>Memorandum:</i>			
<i>Total discretionary budgetary resources without 2009 mandatory     savings provisions</i> .....	65,927	69,246	67,307
<i>Budget authority from enacted supplementals</i> .....	906	195	—
Total, Discretionary outlays .....	60,826	67,671	69,921
Mandatory Outlays:			
Federal Aviation Administration.....	-256	-157	-14
Federal Highway Administration.....	979	1,103	1,044
Federal Railroad Administration.....	-1	15	-4
Federal Maritime Administration .....	221	155	175
Pipeline and Hazardous Materials Administration.....	13	25	29
All other .....	-83	-150	-47
Total, Mandatory outlays .....	873	991	1,183
Total, Outlays .....	61,699	68,662	71,104

**Department of Transportation—Continued**  
(Dollar amounts in millions)

	2007 Actual	Estimate	
		2008	2009
<b>Credit activity</b>			
Direct Loan Disbursements:			
Transportation Infrastructure Finance and Innovation Program .....	267	1,389	1,186
Railroad Rehabilitation and Improvement Program .....	100	600	600
Total, Direct loan disbursements .....	367	1,989	1,786
Guaranteed Loan Disbursements:			
Transportation Infrastructure Finance and Innovation Program .....	—	40	80
Railroad Rehabilitation and Improvement Program .....	—	100	100
Maritime Guaranteed Loans (Title XI) .....	30	75	75
Minority Resource Business Center .....	3	18	18
Total, Guaranteed loan disbursements .....	33	233	273
	<b>Number of Programs</b>		<b>2009 Savings</b>
<b>Major Savings, Discretionary</b>			
Reductions .....	4		-2,332

<sup>1</sup> In 2008, the Airports Grant program has an obligation limitation of \$3,515 million, but only \$17 million in new contract authority. The program cannot award new grants until sufficient contract authority is provided for 2008.

<sup>2</sup> Includes discretionary budget authority, obligation limitations, and cancellations.





## DEPARTMENT OF THE TREASURY

### **The President's 2009 Budget will:**

- Help maintain healthy and competitive U.S. capital markets;
- Increase revenues through more effective tax collection;
- Promote global economic security; and
- Use technology to improve the Government's financial management.

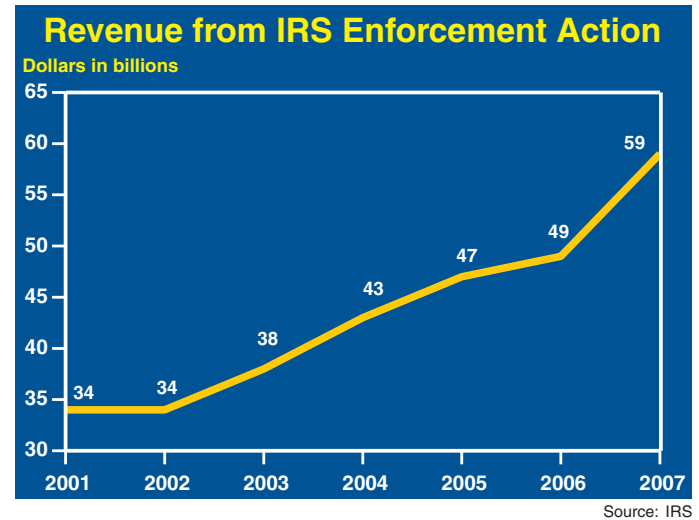
### ***Helping Maintain Healthy and Competitive U.S. Capital Markets***

- *Provides economic leadership.* Supports the analysis of, and coordinates appropriate responses to, economic challenges and opportunities.
- *Responds to troubled mortgage markets.* Partners with the private sector to assemble a group of lenders, loan servicers, mortgage counselors, and investors (the HOPE NOW Alliance) to identify troubled borrowers and help them refinance or modify their mortgages, so more families can stay in their homes.
- *Strengthens U.S. capital market competitiveness.* Continues the study of U.S. financial regulations and the Nation's regulatory structure to ensure that the United States continues to have the world's pre-eminent financial markets.
  - Treasury will work to strengthen financial reporting and auditing and will consider a modernized regulatory structure that improves oversight, reduces overlap, and adapts to market innovation.
- *Promotes financial literacy.* Supports the newly-formed President's Advisory Council on Financial Literacy and launches new activities, such as an exam and award program for high school students, to improve financial literacy in the United States.
- *Enhances financial market surveillance.* Enhances the Department's capability to provide a robust response to economic and financial crises through improvements to Treasury's crisis management infrastructure.

### ***Increasing Revenues through More Effective Tax Collection***

- *Reduces the tax gap.* Proposes 16 changes to existing tax law to help decrease the tax gap, which is the gap between taxes voluntarily paid on time and total taxes owed. These measures are estimated to generate \$36 billion in new revenues over 10 years.
  - A new tax gap reduction initiative will require the reporting of automated payments to support business income claims. Taxpayer errors are reduced and compliance rates improve when the Internal Revenue Service (IRS) can compare information provided in returns with information provided by third parties.

- *Collects revenues through law enforcement initiatives.* \$7.5 billion is provided for enforcement in 2009, an increase of 7 percent over 2008, including new initiatives with an expected return on investment of \$6.5 to \$1 once fully implemented.
  - New enforcement initiatives will improve revenue reporting of small businesses and the self-employed—estimated to be the largest component of the tax gap, increase reporting compliance of domestic taxpayers with offshore financial transactions, and increase audits of large corporations.



- In 2007, the IRS collected \$2.7 trillion in Federal tax revenue, with a record \$59 billion collected through enforcement activities, an increase of 20 percent over 2006. This represents a return on investment for enforcement-related activities of \$8.6 to \$1.

### ***Furthering Global Economic Security***

- *Strengthens global anti-money laundering efforts.* Improves anti-money laundering and law enforcement initiatives through increased sharing of financial intelligence throughout the U.S. intelligence community and with the Nation's international partners.
- *Modernizes money laundering information collection and analysis.* Retools Treasury's money laundering information technology system to increase the number of banks filing electronic Currency Transaction Reports and thereby reduce the cost of compliance with reporting requirements. This change will improve the quality and timeliness of data submitted, resulting in more accurate analyses.
- *Facilitates industry compliance with anti-money laundering initiatives.* Streamlines reporting requirements for the industry, tailors reporting requirements to industry segments that are newly covered by Federal regulations, and expands outreach to other regulators and the industry to ensure that requirements are applied consistently.
- *Supports international dialogue and partnerships.* Promotes continued outreach and cooperation with major trading partners and emerging economies, such as Europe, India, and Latin America, and supports the Strategic Economic Dialogue with China.

### ***Using Technology to Improve the Government's Financial Management***

- *Processes electronic tax returns more efficiently.* \$25 million to improve the ability of the IRS to receive and process electronically-filed tax Form 1040s.
- *Improves debt management.* Funds new investments in risk and portfolio management systems to better manage Treasury's \$9 trillion debt portfolio, ensuring that the U.S. Treasury market remains the pre-eminent sovereign debt market in the world.
- *Saves money through electronic Federal payments and collections.* \$47 million for new technology to increase electronic Federal payments and collections.
  - Each Federal payment converted from paper to electronic format saves the taxpayer 80 cents, and 19 cents is saved for each additional \$1,000 collected by the Government electronically.

***Since 2001, the Department of the Treasury has:***

- Implemented a series of major economic policy changes that have helped the economy generate approximately 8.3 million new jobs since 2003 and 2.8 percent average annual growth in gross domestic product.
- Responded to turbulence in the credit markets and the mortgage market, in particular, by aggressively working with other Federal agencies and the private sector to help homeowners avoid foreclosure.
- Increased electronic Federal payments to individuals and businesses from 72 percent to 78 percent in 2007, an increase of 90 million payments worth \$221 billion.
- Increased electronic filings of tax returns of individuals from 31 to 57 percent and businesses from 9 to 19 percent.
- Improved taxpayer service by increasing the percentage of calls answered by a live assistor from 56 percent to 82 percent in 2007 and by providing a new web-based service, which 31 million people used in 2007 to easily check the status of their refunds.
- Protected the financial markets and their critical infrastructure following the attacks on September 11th.
- Led the international community in efforts to safeguard the financial system from illicit abuse by North Korea and Iran.
- Promoted knowledge about the history and geography of the United States and the U.S. Presidents, and the rich diversity of the national heritage, through the 50 State Quarters Program and the Presidential Dollar Coins program.



Source: Bureau of Engraving and Printing

In 2008, Treasury will begin printing the re-designed \$5 bill, incorporating several new anti-money laundering security features.

**Increased Oversight of Elections, Improved Voter Systems**

The Help America Vote Act of 2002 (HAVA) instituted new voting system and election oversight requirements and election administration standards. Over \$3 billion in Federal grants to States was authorized by HAVA and distributed to States and local governments since 2003, to improve the administration of elections and to replace antiquated voting equipment with systems that have robust security and accessibility features. In 2009, \$17 million is provided for the Election Assistance Commission (EAC) to develop, review, and publish a new set of voluntary voting system guidelines, which States use to determine their own voting system requirements. New guidelines will likely address wireless components of voting machines, software independence, and voter-verified paper audit trails, among other issues. EAC will also enhance its existing voting system certification program by incorporating the first Federal inspection program of voting machine manufacturers.

The financing of Federal election campaigns has also changed significantly during this Administration with increasing amounts of funds being raised and spent by Federal candidates in an expanding campaign activity period. To help meet the challenges posed by this growth, \$64 million is provided for the Federal Election Commission (FEC) in 2009 to enforce Federal campaign finance laws and to help bring transparency to the Federal campaign process. In 2009, FEC will make enhancements to its campaign finance disclosure database and website, and continue to increase the efficiency of its campaign finance enforcement and audit programs.

**Department of the Treasury**  
(In millions of dollars)

	2007 Actual	Estimate	
		2008	2009
<b>Spending</b>			
Discretionary Budget Authority:			
Internal Revenue Service .....	10,597	10,892	11,362
Financial Management Service.....	235	234	239
Departmental Offices .....	247	267	301
Bureau of Public Debt.....	176	173	177
Inspectors General.....	150	159	165
Alcohol and Tobacco Tax and Trade Bureau.....	91	94	97
Financial Crimes Enforcement Network.....	73	86	91
Community Development Financial Institutions Fund.....	55	94	29
All other .....	-145	-4	—
<b>Total, Discretionary budget authority .....</b>	<b>11,479</b>	<b>11,995</b>	<b>12,461</b>
<b>Total, Discretionary outlays .....</b>	<b>11,335</b>	<b>11,868</b>	<b>12,485</b>
Mandatory Outlays:			
Payment where Earned Income Exceeds Liability for Tax.....	38,274	39,463	41,022
Legislative proposal .....	—	—	-40



**Department of the Treasury—Continued**  
(In millions of dollars)

	2007 Actual	Estimate	
		2008	2009
Payment where Child Credit Exceeds Liability for Tax.....	16,159	16,321	16,780
Legislative proposal .....	—	—	3
Payment where Alternative Minimum Tax Credit Exceeds Liability for Tax.....	—	357	306
Interest Payments on Advances to the Black Lung Disability Fund Trust Fund.....	-717	-737	-758
Legislative proposal .....	—	—	-2,288
Internal Revenue Collections for Puerto Rico.....	462	404	389
Legislative proposal .....	—	75	102
Terrorism Insurance Program .....	2	152	426
Presidential Election Campaign Fund.....	32	208	2
All other .....	-990	-1,367	-1,143
Total, Mandatory outlays .....	53,222	54,876	54,801
Total, Outlays .....	64,557	66,744	67,286
<b>Credit activity</b>			
Direct Loan Disbursements:			
Community Development Revolving Loan Fund.....	1	5	5





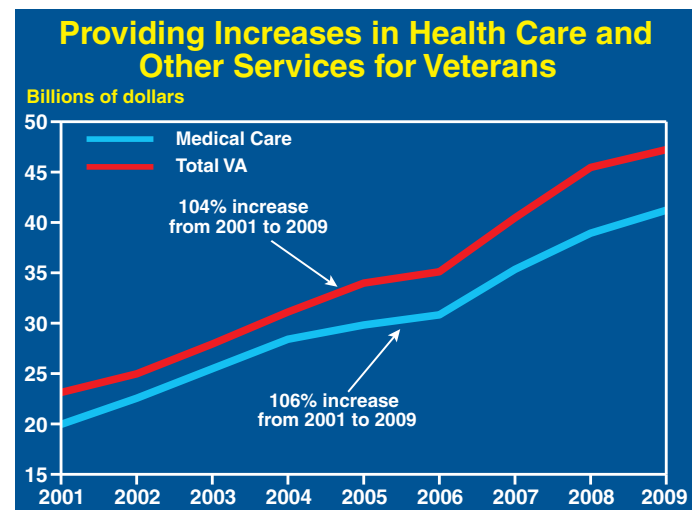
## DEPARTMENT OF VETERANS AFFAIRS

### The President's 2009 Budget will:

- Provide veterans with the high-quality health care they deserve;
- Speed veterans' receipt of benefits; and
- Ease the transition for veterans as they leave active military service.

### *Providing Veterans with the High-Quality Health Care They Deserve*

- *Continues to provide record levels of funding for medical care.* \$41.2 billion (including collections) for medical care—more than double the amount when President Bush took office. The Department of Veterans Affairs (VA) provides nationally recognized care to over five million veterans at more than 800 locations nationwide.
- *Provides the best possible care for our wounded warriors.* Address the unique needs of returning combat service-members with multiple injuries at four state-of-the-art polytrauma centers, 17 regionally-based facilities, and numerous specialists throughout the system. VA will also begin design and construction of a new polytrauma center this year.
- *Expands mental health and substance abuse services.* \$3.9 billion for full continuum of care for veterans with substance abuse disorders and mental health issues, including post-traumatic stress disorder.
- *Focuses resources on core-mission veterans.* Refocus resources on treating veterans with disabilities resulting from military service, lower incomes, and special needs or who are returning combat veterans, by proposing income-based enrollment fees and higher pharmaceutical copayments for all other veterans.
- *Increases access to long-term care.* Expand non-institutional long-term care that enables veterans to live and be cared for near, or in the comfort and familiar settings of, their homes surrounded by their families.



### ***Speeding Veterans' Receipt of Benefits***

- *Cuts the disability claims backlog.* Bring the average length of time to process a veteran's disability claim from a peak of 230 days in 2001 to 145 days in 2009.
- *Supports priority processing for returning combat veterans.* Accelerate processing of disability compensation claims for servicemembers returning from active duty service in Operation Iraqi Freedom and Operation Enduring Freedom.

### ***Easing the Transition for Veterans as They Leave Active Military Service***

- *Continues implementing the recommendations of the President's Commission on Care for America's Returning Wounded Warriors.*
  - VA and the Department of Defense are implementing recommendations that do not require legislation, such as employing Federal Recovery Coordinators to assist seriously injured servicemembers, improving recruitment and retention of mental health experts, and moving toward a single medical examination to establish eligibility for disability compensation from both Departments.
  - The Administration continues to seek enactment of the remaining Commission recommendations, including modernizing the disability compensation systems, broadening treatment for post-traumatic stress disorder and traumatic brain injury, and strengthening support for families.
- *Supports benefits delivery upon discharge from military service.* Provide America's newest veterans with the benefits and services they have earned and bring about a seamless transition from military to civilian status, including allowing separating servicemembers to apply for benefits 180 days prior to their discharge to further speed benefits delivery.
- *Improves collaboration with the Department of Defense.* Implement ways to transfer records between the two agencies; share critical medical information electronically; process disability and other claims understandably and quickly; and in every way possible, support the transition from active duty to civilian life.
- *Expands treatment for Traumatic Brain Injury (TBI).* Perform screenings for all recent combat veterans, increase training for all VA health care professionals, and conduct an outside review of VA's TBI services.

### ***Since 2001, the Department of Veterans Affairs has:***

- Increased the resources available for veterans' medical care by 106 percent.
- Provided medical care to more than 300,000 returning Operation Iraqi Freedom and Operation Enduring Freedom servicemembers.
- Improved medical care and benefits delivery for our Nation's wounded warriors.
- Funded over \$5.5 billion to continue restructuring the medical care infrastructure to improve veterans' access to quality primary and specialty health care services.
- Ensured more veterans have a burial option in a national or State veterans cemetery within 75 miles of their homes.
- Expanded the range of benefits available to veterans and improved the timeliness of benefits delivery.
- Smoothed the transition from active duty to civilian status.

**Department of Veterans Affairs**  
(In millions of dollars)

	2007 Actual	Estimate	
		2008	2009
<b>Spending</b>			
Discretionary Budget Authority:			
Medical Care .....	32,201	33,979	38,737
<i>Medical Collections (non-add)</i> .....	2,227	2,341	2,467
<i>Total Medical Care including collections (non-add)</i> .....	34,428	36,320	41,203
Medical and Prosthetics Research .....	414	408	442
Information Technology .....	1,213	1,986	2,442
Construction .....	715	1,144	1,028
Veterans Benefits Administration .....	1,166	1,175	1,372
General Administration .....	337	315	328
Housing and Other Credit .....	153	156	158
National Cemetery Administration .....	160	166	181
Office of Inspector General .....	71	73	77
All other .....	-70	25	—
Total, Discretionary budget authority .....	36,360	39,427	44,764
Total, Discretionary budget authority (including medical collections) ...	38,587	41,768	47,231
<i>Memorandum:</i>			
<i>Budget authority from enacted supplementals</i> .....	1,788	—	—
<i>Budget authority from emergency funds</i> .....	—	3,692	—
Total, Discretionary outlays .....	35,152	41,744	44,242
Mandatory Outlays:			
Legislative proposal, Medical Care receipts .....	—	—	-379
Benefits Programs:			
Disability Compensation and Pensions .....	34,600	41,360	43,940
Education Benefits .....	2,430	2,640	2,747
Vocational Rehabilitation and Employment .....	570	613	657
Housing (credit) .....	29	801	-13
Insurance .....	50	41	42
Other receipts and transactions .....	-6	-555	581
Total, Mandatory outlays .....	37,673	44,901	47,575
Total, Outlays .....	72,825	86,645	91,817

**Department of Veterans Affairs—Continued**  
(In millions of dollars)

	2007 Actual	Estimate	
		2008	2009
<b>Credit activity</b>			
Direct Loan Disbursements:			
Vendee and Acquired Loans .....	120	337	332
All other programs .....	12	21	20
Total, Direct loan disbursements .....	132	358	342
Guaranteed Loan Disbursements:			
Veterans Home Loans .....	24,186	34,761	35,817



## CORPS OF ENGINEERS—CIVIL WORKS

### **The President's 2009 Budget will:**

- Enhance the performance of the Corps civil works program consistent with sound science, public safety, and the needs of the American economy;
- Emphasize investing in maintenance at key Corps facilities;
- Focus on ongoing projects with the highest returns to the Nation and project completions;
- Provide resources to restore nationally and regionally significant aquatic ecosystems;
- Enhance the Corps' ability to plan for and respond to natural disasters; and
- Meet the President's commitment to improve hurricane and storm protection for New Orleans.

### ***Improving Performance in the Corps Civil Works Program***

- *Supports the program's three primary missions.* 1) Facilitate commercial navigation; 2) reduce the risk of damage from floods and storms; and 3) restore aquatic ecosystems. The Corps conducts its work in partnership with non-Federal entities.
- *Assesses project performance.* Develops these programs using economic, environmental, and other performance criteria to produce a greater overall return to the Nation from the civil works program.

### ***Maintaining the Nation's Infrastructure***

- *Focuses on the performance of existing projects.* Gives priority to operating and maintaining key water resources infrastructure across the Nation, including multi-purpose dams, navigation projects, and levees.

### ***Constructing the Highest-Performing Projects First***

- *Continues to propose a performance-based, earmark-free construction program.* Supports construction of the projects in the main Corps missions that provide the greatest net returns for each dollar invested.
- *Reduces the construction backlog.* Focuses funds on completing projects that demonstrate a high return within the main Corps mission areas that are already under construction.
  - Requires \$19 billion just to complete those ongoing projects that are consistent with the program's performance criteria and \$38 billion to complete all projects including congressional add-ons.

- Focuses on the highest-performing projects, rather than new starts, and thereby completes them sooner. This accelerates the completion of such projects as the Oakland Harbor navigation channels in California, which will be completed in 2009.
- Supports studies of those proposed projects that are most likely to produce a high net return for each dollar invested.
- *Proposes user fee for inland waterways.* Proposes to phase out the current excise tax on diesel fuel for the inland waterways and replace it with a lockage-based user fee.
  - Additional revenue from the proposed fee is needed to pay for ongoing and future construction, replacement, expansion, and rehabilitation work on the inland waterways, consistent with the required 50 percent cost-share for such investments from the Inland Waterways Trust Fund.

### ***Restoring Aquatic Ecosystems***

- *Restores the Everglades.* \$185 million for the Corps to help restore the ecosystem of South Florida, including the Everglades, an increase of \$54 million over the 2008 enacted level.
  - Focuses on a small number of restoration projects with direct ecological benefits, as recommended by the National Research Council, with projects selected to evaluate the validity of scientific assumptions regarding the effectiveness of current approaches to restoration of the Central Everglades, thereby reducing uncertainty over time.
  - Works in stages to restore, for example, natural hydrological conditions in Everglades National Park. The first stage, which the Corps is conducting under the 1989 Modified Water Deliveries to Everglades National Park project authority, is the centerpiece of the current phase of the overall South Florida ecosystem restoration effort. The Corps will evaluate the success of this project, and incorporate the lessons learned, before proceeding under the 2000 Comprehensive Everglades Restoration Plan authority with further steps to improve water deliveries to the park.
- *Fosters Louisiana coastal restoration.* \$20 million to protect and restore Louisiana's coastal wetlands ecosystem, an increase of \$17 million over the 2008 enacted level.
- *Supports Missouri River restoration.* Modifies the Intake Dam on the Yellowstone River to open up the upstream habitat to the endangered pallid sturgeon.



Source: Environmental Science Division, Conservancy of Southwest Florida

The Budget would help restore 90 square miles of endangered Florida panther habitat at Picayune Strand, west of the Everglades.

### ***Rebuilding New Orleans and Supporting Overall Response Capability***

- *Reduces vulnerability of New Orleans to storm damage.* \$5.8 billion in additional emergency funding in 2009 to provide 100-year storm protection to the greater New Orleans area. The Corps has already provided a higher level of storm protection for New Orleans than the area has ever had. The additional funds, combined with the State's cost-share, will help keep the project on schedule for completion.



- *Supports effective response to emergencies.* \$46 million for activities, such as preparation, logistics, and training, to ensure that the Corps is able to respond effectively to natural disasters.

***Since 2001, the Corps of Engineers has:***

- Focused resources on the highest performing projects. The Administration has established principles and performance criteria to guide and rank the allocation of funds among construction projects.
- Completed 70 construction projects. Allows the Nation to realize the benefits of completed navigation, aquatic ecosystem restoration, and storm damage reduction projects. Significant project completions through 2008 include inland waterways projects, such as Montgomery Point Lock and Dam in Arkansas and an innovative flood damage reduction project, Grand Forks and East Grand Forks in North Dakota and Minnesota, which combined structural and non-structural approaches to flood damage reduction. The 2009 Budget will complete funding for construction of the navigation and ecosystem features of the Columbia River Channel Improvements project.
- Placed greater emphasis on existing infrastructure. The Budget emphasizes maintenance of key Corps facilities. For instance, the Budget has emphasized maintenance and rehabilitation of facilities to improve reliability on three inland waterways with the most commercial traffic: the Ohio River; the Mississippi River; and the Illinois Waterway.
- Protected the environment. Through its permitting process, the Corps Regulatory Program has helped protect 30,000 acres of wetlands.

**Corps of Engineers—Civil Works**  
(In millions of dollars)

	2007 Actual	Estimate	
		2008	2009
<b>Spending</b>			
Discretionary Budget Authority:			
Construction <sup>1</sup> .....	2,382	2,289	1,402
Operation and Maintenance <sup>1</sup> .....	1,975	2,244	2,475
Flood Control, Mississippi River and Tributaries .....	397	387	240
Flood Control and Coastal Emergencies .....	—	—	40
Investigations .....	163	167	91
Regulatory Program .....	159	180	180
Formerly Utilized Sites Remedial Action Program .....	140	140	130
Expenses .....	167	175	177
Office of Assistant Secretary (Civil Works) .....	4	4	6
Total, Discretionary budget authority .....	5,387	5,586	4,741
<i>Memorandum:</i>			
<i>Budget authority from enacted supplementals .....</i>	<i>1,609</i>	<i>—</i>	<i>—</i>
<i>Budget authority from emergency request, Construction .....</i>	<i>—</i>	<i>—</i>	<i>5,761</i>
Total, Discretionary outlays .....	3,780	7,205	8,774
Mandatory Outlays:			
Existing law .....	156	27	28
Legislative proposal, Recreation Program User Fee .....	—	—	-9
Total, Mandatory outlays .....	156	27	19
Total, Outlays .....	3,936	7,232	8,793

<sup>1</sup> The 2009 Budget reflects a transfer of certain activities from the construction program to the operation and maintenance program.



## ENVIRONMENTAL PROTECTION AGENCY

### **The President's 2009 Budget will:**

- Clean up the Nation's most contaminated hazardous waste sites;
- Revitalize communities and encourage business investment at abandoned industrial sites;
- Support decontamination research, improve preparedness, and protect water infrastructure;
- Help States and communities finance wastewater and drinking water infrastructure needs;
- Collaborate with international and domestic partners to address energy and climate issues; and
- Protect human health and the environment through application of the best available science.

### ***Cleaning Up Contaminated Sites***

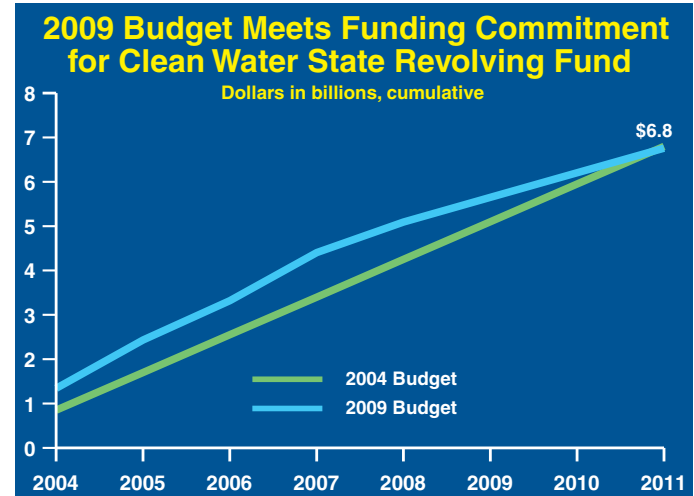
- *Minimizes human exposure and groundwater migration at hazardous waste sites.*
  - \$1.3 billion for the Superfund program to clean up the Nation's most contaminated sites; and
  - \$39 million for the Resource Conservation and Recovery Act cleanup program.
- *Promotes economic development.* \$166 million to assess more than 1,000 Brownfields properties, clean up over 60 properties, and make 225 acres ready for reuse.
- *Removes toxic sediments from the Great Lakes.* \$35 million to clean up contaminated sediment in the region in concert with non-Federal partners, reducing its negative impact on humans, wildlife, and aquatic organisms.

### ***Protecting the Homeland***

- *Continues efforts to protect against terrorism.* Supports critical decontamination, preparedness, response, and capacity activities, including:
  - \$102 million for decontamination research and to close emergency preparedness gaps;
  - \$10 million to increase lab capacity; and
  - \$35 million to support the Environmental Protection Agency's (EPA's) Water Security activities.
- *Coordinates protection of critical water infrastructure.*
  - Evaluates pilot systems participating in EPA's Water Security initiative.
  - Adds 50 partners to the Water Lab Alliance network while continuing to provide training and technical assistance to improve the capabilities and capacity of the water sector.
  - Continues outreach to increase water protection efforts and local investment in contaminant warning systems.

### ***Providing Clean and Safe Water***

- *Helps State and local governments finance wastewater and drinking water infrastructure.*
  - \$555 million to meet the Administration's commitment to provide a total of \$6.8 billion between 2004-2011 for the Clean Water State Revolving Fund (SRF). Over the long term this will result in the Clean Water SRF providing an annual average of \$3.4 billion in loans for wastewater infrastructure.
  - \$842 million for the Drinking Water SRF to continue the President's commitment to capitalize the program until 2018. Over the long term this will result in the Drinking Water SRF providing an annual average of \$1.2 billion in loans for drinking water infrastructure.
  - Removes the State volume cap on private activity bonds (PABs) issued for public purpose drinking water and wastewater facilities if the entity using the PABs implements full-cost pricing within five years.



### ***Partnering to Promote Energy Efficiency and Reduce Emissions Intensity***

- *Addresses greenhouse gas emissions.* Continues working with the Department of Transportation to implement the Energy Independence and Security Act of 2007 to reduce U.S. gasoline consumption and greenhouse gas emissions from motor vehicles.
- *Continues the Asia Pacific Partnership.* \$5 million to continue partnership of seven nations developing strategies for improving energy security, reducing pollution, and addressing the climate.
- *Provides energy-efficient options to consumers and companies.* \$44 million to help the public make informed energy-efficient choices through Energy Star product labeling efforts and other tools.
- *Supports international methane recovery efforts.* \$5 million to lead this international partnership that works with the private sector, multilateral development banks, and other governmental and non-governmental organizations to advance the recovery and use of methane as a clean energy source.

### ***Relying on Science***

- *Applies the best available science.* Works closely with partners to protect human health and the environment through policies that focus on results, maintain the Nation's economic competitiveness, and embrace collaboration.

### ***Major Savings and Reforms***

- The Budget includes five terminations and reductions representing \$303 million in savings, including:
  - \$133 million earmarked by the Congress for specific unrequested water infrastructure projects that circumvent normal allocation and priority setting processes.
  - \$10 million for Mexico border water infrastructure assistance due to the program's slow rate of project development over the last 10 years.

### ***Since 2001, the Environmental Protection Agency has:***

- Initiated implementation of the Administration's Clean Air Interstate Rule, which is projected to reduce SO<sub>2</sub> emissions from power plants in affected States by over 70 percent and NO<sub>x</sub> emissions by over 60 percent from 2003 levels.
- Helped more than 8,500 drinking water utilities complete risk assessments, update emergency response plans, and improve emergency preparedness for manmade and naturally occurring events affecting water supplies.
- Supported business investment and community revitalization by tripling the number of Brownfields properties assessed during the prior Administration, making over 2,300 properties ready for reuse, and leveraging over \$6.7 billion in private investment and over 31,000 redevelopment and cleanup jobs.
- Instituted a series of performance requirements that resulted in the agency earning the President's Quality Award in 2007, the highest management award given to Executive Branch agencies for exceptional management across the entire organization.

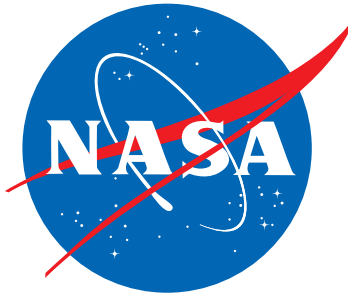


A nonprofit organization in Houston, Texas used a Brownfields grant to assess, clean up, and redevelop a former hospital. This resulted in affordable loft-style apartments that opened in October 2005 and were fully leased by November 2005.

**Environmental Protection Agency**  
(Dollar amounts in millions)

	2007 Actual	Estimate	
		2008	2009
<b>Spending</b>			
Discretionary Budget Authority:			
Operating Program <sup>1</sup> .....	4,298	4,270	4,251
Clean Water State Revolving Fund.....	1,084	689	555
Drinking Water State Revolving Fund.....	837	829	842
Brownfields Assessment and Cleanup .....	89	94	94
Clean Diesel Grants .....	7	49	49
California Diesel Emission Reduction Grants .....	—	10	—
Targeted Water Infrastructure .....	84	177	26
<i>Requested (non-add)</i> .....	84	44	26
<i>Unrequested (non-add)</i> .....	—	133	—
Superfund.....	1,255	1,254	1,264
Leaking Underground Storage Tanks .....	72	106	72
Cancellation of unobligated balances .....	—	-5	-10
Total, Discretionary budget authority .....	7,726	7,472	7,142
Total, Discretionary outlays .....	8,509	7,636	8,143
Total, Mandatory outlays .....	-250	-95	-144
Total, Outlays .....	8,259	7,541	7,999
		<b>Number of Programs</b>	<b>2009 Savings</b>
<b>Major Savings, Discretionary</b>			
Terminations.....	2		-143
Reductions.....	3		-160

<sup>1</sup> Includes \$11 million in pass-through grants in 2008 provided in Sections 435 and 436 of the Department of the Interior, Environment, and Related Agencies Appropriations Act, 2008 as contained in P.L. 110-161.



## NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

### **The President's 2009 Budget will:**

- Build rockets and spacecraft that will enable us to explore the solar system;
- Continue the assembly of the International Space Station, and encourage the development of commercial services that will provide transportation to the Station; and
- Expand the frontiers of knowledge in Earth and space science and aeronautics.

### ***Exploring the Solar System with Human and Robotic Spacecraft***

- *Designs new human spaceflight vehicles.* New vehicles will extend human presence to the Moon and beyond.
  - \$1 billion for the Orion Crew Exploration Vehicle, a new piloted spacecraft that will allow astronauts to land anywhere on the Moon, support a lunar outpost, and eventually support human expeditions to Mars.
  - \$1 billion for the Ares I Crew Launch Vehicle, a new rocket that will launch Orion.
- *Launches robotic spacecraft.* Robotic spacecraft will further explore the solar system.
  - \$105 million to conduct a program of small lunar robotic missions and research.
  - \$1.3 billion to explore Mars and other destinations in the solar system.

### ***Operating, Assembling, and Servicing the International Space Station***

- *Operates the International Space Station.* \$2.1 billion for this multi-national, Earth-orbiting research facility that enables future exploration activities and meets the Nation's commitments to our international partners.
- *Continues to assemble the International Space Station.* \$3 billion to fly the Space Shuttle to complete the International Space Station, while keeping the Shuttle on the path to retirement by 2010.
- *Develops new commercial services.* \$173 million for successful demonstrations of private-sector services to transport cargo to the International Space Station, and \$2.6 billion over five years to purchase transportation services to the Station.

### ***Expanding Frontiers of Knowledge in Aeronautics and Earth and Space Science***

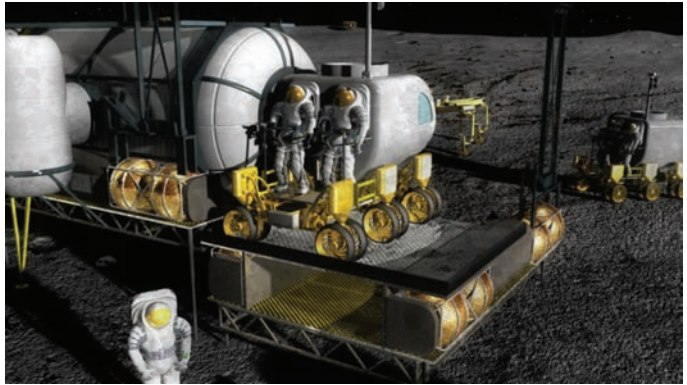
- *Promotes our understanding of the Earth.* \$1.4 billion—\$6.3 billion over five years—to embark on a series of high-priority, space-based Earth observation research missions that will advance understanding of the causes and consequences of changes to Earth’s climate, oceans, and land surfaces.
- *Pursues further research in space.* \$1.7 billion to conduct spaceflight missions and research to enhance understanding of the Sun and the universe.
- *Enables breakthrough aeronautics technologies.* \$447 million to enable cheaper, safer, cleaner, and more convenient air travel.

### ***Major Savings and Reforms***

- Reduces the New Millennium technology demonstration program by \$54 million due to its limited results, freeing funds for more effective efforts to develop satellite technology and scientific instruments.

### ***Since 2001, NASA has:***

- Advanced a bold, new vision for human and robotic exploration of the Moon, Mars, and beyond.
- Begun development of a new human spaceflight vehicle, called Orion, and a new rocket, the Ares I, to extend human exploration of the solar system.
- Continued assembly of the International Space Station, honoring the Nation’s commitments to our international partners.
- Prepared for the retirement of the Space Shuttle in 2010 after three decades of service and partnered with the private sector to develop commercial transportation to the International Space Station.
- Successfully initiated 33 robotic spacecraft missions to explore the solar system and universe and to improve understanding of our own planet.



Source: NASA

Illustration of a lunar outpost and lunar rover.



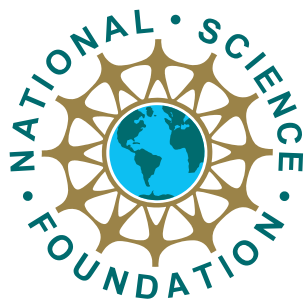
## National Aeronautics and Space Administration

(Dollar amounts in millions)

	2007 Actual	Estimate	
		2008	2009
<b>Spending</b>			
Discretionary Budget Authority:			
Science.....	5,371	5,547	4,441
Exploration .....	3,457	3,821	3,500
Aeronautics.....	717	622	447
Education.....	140	177	116
Cross Agency Support programs .....	401	376	3,300
Space Operations.....	6,146	6,734	5,775
Inspector General.....	32	33	36
Cancellation of unobligated balances .....	—	—192	—
Total, Discretionary budget authority <sup>1</sup> .....	16,264	17,118	17,614
<i>Memorandum: Budget authority from enacted supplementals .....</i>	<i>20</i>	<i>—</i>	<i>—</i>
Total, Discretionary outlays .....	15,871	17,332	18,151
Total, Mandatory outlays .....	—10	—14	—14
Total, Outlays .....	15,861	17,318	18,137
	<b>Number of Programs</b>		<b>2009 Savings</b>
<b>Major Savings, Discretionary</b>			
Reductions .....	2		—136

<sup>1</sup> 2009 estimates reflect the transfer of funds for agency-wide support activities to Cross Agency Support from each of the other programs.





## NATIONAL SCIENCE FOUNDATION

### **The President's 2009 Budget will:**

- Support aggressive funding for key research agencies to advance basic science through the President's American Competitiveness Initiative;
- Invest in the foundations for innovative technologies that drive future economic growth;
- Provide research facilities needed to keep America at the forefront of science and engineering; and
- Enhance fellowship and early-career opportunities for beginning researchers.

### ***Doubling Basic Research through the American Competitiveness Initiative***

- *Increases funding for the National Science Foundation (NSF).*
  - Maintains the President's commitment to aggressive funding of critical basic research investments in the physical sciences, engineering, and related fields.
  - Increases 14 percent over the 2008 enacted level, including a 16-percent increase for NSF's primary research activities.

### ***Investing in the Future Economic Competitiveness of the United States***

- *Promotes investment in new technologies.*
  - \$397 million for nanotechnology research and facilities to continue advancing fundamental understanding of those devices and materials with revolutionary properties.
  - \$1.1 billion for fundamental information technology research and cutting-edge supercomputing and networking resources, including: \$100 million, an 110-percent increase, for an NSF-wide effort to develop radically new computational concepts and tools; and \$30 million for a new targeted cyber-security research effort in privacy, fundamental theory, and usability.
- *Supports a state-of-the-art computing infrastructure.* \$186 million, a 17-percent increase, for a widely accessible suite of supercomputers, data warehouses, advanced networks, and experimental facilities.
- *Constructs key new scientific facilities.* \$148 million for the design or construction of four major new cutting-edge research facilities in astronomy and physics, and \$115 million for a diverse portfolio of smaller-sized instruments and other tools.
- *Maintains and extends the life of current facilities.* Nearly \$1 billion for the ongoing operation and maintenance of a wide range of major research facilities, including a research vessel

fleet, astronomical telescopes, geological and environmental monitoring networks, and the NSF-owned and operated South Pole Station.

### ***Enhancing Opportunities for Beginning Researchers***

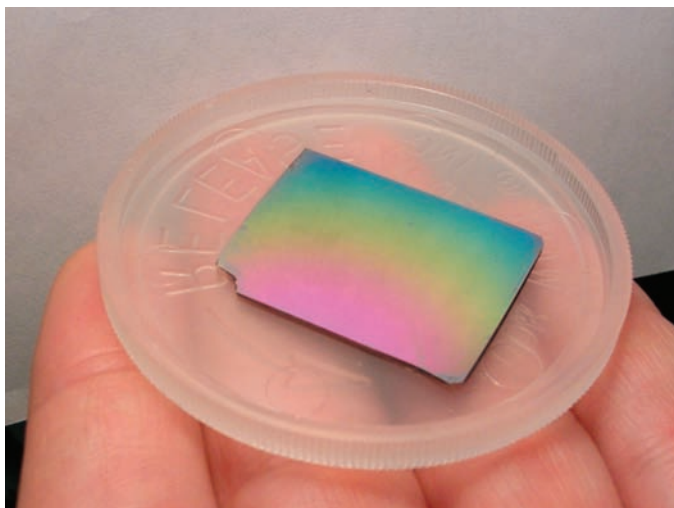
- *Recognizes young researchers.* \$182 million, an 8-percent increase, for NSF's most prestigious award program in support of the early career-development activities of those faculty members likely to become the academic leaders of the future.
- *Promotes student pursuit of advanced degrees.* \$125 million, a 30-percent increase, for the NSF-wide graduate research fellowship program, which recognizes and supports outstanding graduate students who are expected to significantly contribute to research, teaching, and future innovations in science and engineering.
- *Provides opportunities for new students.* \$62 million, a 6-percent increase, to support active and meaningful research participation by undergraduate students in NSF-funded research.

### ***Major Savings and Reforms***

- Improves project management and oversight by strengthening NSF's project office and instituting new processes that provide clear go/no-go decision points for policy makers. The Budget slows funding of some facility projects that do not have fully developed project plans, and continues projects that have passed appropriate project reviews.

### ***Since 2001, the National Science Foundation has:***

- Advanced all fields of science, engineering, and mathematics research by funding 70,000 grants at academic institutions via a competitive, merit-based process.
- Strengthened the foundations of the science and engineering workforce by directly supporting academic works of 77,600 graduate students and 31,500 undergraduate students.
- Enabled breakthroughs with potentially significant future economic impacts through its key role in supporting and encouraging American science, math, and engineering.
- Advanced understanding of the Earth's poles, including detailed studies of environmental change in the Arctic, through its participation in the International Polar Year.



Source: Stephen Swallen, University of Wisconsin-Madison

A new type of glass—developed by NSF-supported scientists—may ultimately aid drug delivery in the body.

**National Science Foundation**  
(In millions of dollars)

	2007 Actual	Estimate	
		2008	2009
<b>Spending</b>			
Discretionary Budget Authority:			
Research and Related Activities.....	4,672	4,805	5,594
Education and Human Resources .....	797	726	790
Major Research Equipment and Facilities Construction .....	191	205	148
Agency Operations and Award Management .....	248	282	305
Inspector General.....	11	11	13
National Science Board.....	4	4	4
Total, Discretionary budget authority .....	5,923	6,033	6,854
 Total, Discretionary outlays .....	 5,469	 6,061	 6,263
Mandatory Outlays:			
H-1B Fee Programs.....	52	148	128
All other .....	8	47	23
Total, Mandatory outlays .....	60	195	151
 Total, Outlays .....	 5,529	 6,256	 6,414





## SMALL BUSINESS ADMINISTRATION

### **The President's 2009 Budget will:**

- Provide \$28 billion in loan guarantees for small businesses;
- Target \$85 billion in Federal contracting dollars for small businesses;
- Focus and strengthen product delivery to less-served markets;
- Support disaster recovery through an improved disaster loan program; and
- Make critical investments in the Agency's human capital improvements and technology systems.

### ***Promoting Small Business Development and Entrepreneurship***

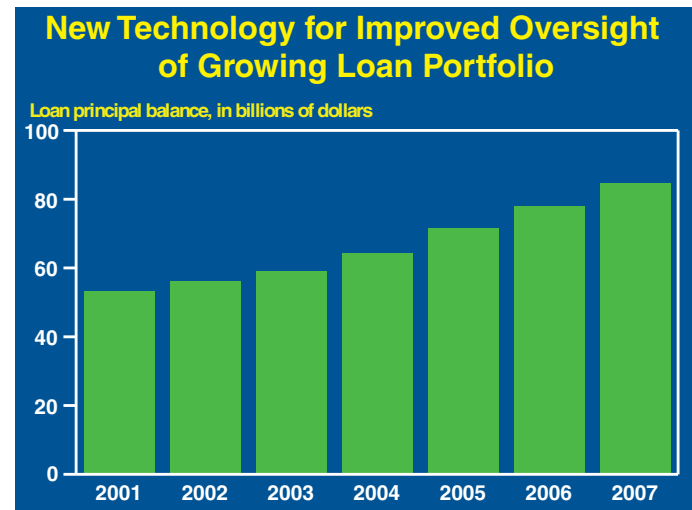
- *Enhances the Section 7(a) Guaranteed Loan Program.* \$17.5 billion in guaranteed loans for small businesses' working capital and other business expenses, a 29-percent increase over 2007 lending. The Small Business Administration (SBA) will continue to focus its attention on providing assistance to underserved markets.
- *Expands the Section 504 Guaranteed Loan Program.* \$7.5 billion in guaranteed debentures that allow Certified Development Companies to support infrastructure investments, a 19-percent increase over 2007 lending.
- *Supports contracting assistance.* Improves small business access to Federal prime and sub-contracting opportunities, including automating SBA's processes and systematically reviewing small business size standards.

### ***Improving Disaster Assistance***

- *Supports the Disaster Loan Program.* \$1.1 billion in 2009 direct loans, the normalized 10-year average loan volume, as well as program improvements initiated in the aftermath of the 2005 Gulf Coast hurricanes, including:
  - An electronic application capability for disaster victims, which will be operational in Summer 2008;
  - A re-engineered loan processing and approval system that has shortened the interval between loan application and disbursement; and
  - A recently completed Disaster Response Plan to ensure SBA is better prepared to respond to catastrophic events in the future.

### ***Investing in SBA's Workforce and Technology Systems***

- *Promotes core Agency investments.* Supports important investments in information technology systems and human capital initiatives, including:
  - Continued procurement of a modern loan management and accounting system to replace an aged mainframe system, to ensure good stewardship of a loan portfolio that has grown by 59 percent since 2001, to \$85 billion.
  - A training initiative focused on improving the core competencies of SBA staff.



Source: Small Business Administration

### ***Major Savings and Reforms***

- Operates SBA's Microloan program on a zero-subsidy cost basis, and eliminates non-credit technical assistance that is widely available through other SBA programs. As currently structured, the program is too expensive, costing the taxpayer 88 cents for every dollar loaned.

### ***Since 2001, the Small Business Administration has:***

- Provided \$114 billion in guaranteed loans to small businesses through two key programs that promote entrepreneurship.
- Provided \$15 billion in direct loans to homeowners, renters, and businesses that were victims of disasters.
- Facilitated greater access for small businesses to compete for Federal contracts, reaching nearly \$397 billion of Federal contracts through 2006.
- Assisted America's small businesses in a manner consistent with strengthening competition in free markets.



**Small Business Administration**  
(Dollar amounts in millions)

	2007 Actual	Estimate	
		2008	2009
<b>Spending</b>			
Discretionary Budget Authority:			
Salaries and Expenses.....	322	345	328
Business Loans Administration.....	121	137	138
Disaster Loans.....	113	—	174
Office of the Inspector General.....	14	15	16
Surety Bond Guarantees Revolving Fund.....	3	3	2
Unrequested projects.....	—	69	—
504 Negative Subsidy receipts.....	—	—	-1
Total, Discretionary budget authority.....	573	569	657
Total, Discretionary outlays.....	1,272	878	835
Total, Mandatory outlays.....	-97	-348	-10
Total, Outlays.....	1,175	530	825
<b>Credit activity</b>			
Direct Loan Disbursements:			
Direct Disaster Loans.....	3,288	887	738
Direct Business Loans.....	16	19	22
Total, Direct loan disbursements.....	3,304	906	760
Guaranteed Loan Disbursements:			
Guaranteed Business Loans.....	18,572	20,915	22,803
	<b>Number of Programs</b>		<b>2009 Savings</b>
<b>Major Savings, Discretionary</b>			
Reductions.....	1		-17





## SOCIAL SECURITY ADMINISTRATION

### **The President's 2009 Budget will:**

- Support the President's framework for Social Security reform that strengthens the safety net for future generations, protects those most dependent on Social Security, and offers workers the opportunity of ownership through voluntary personal retirement accounts;
- Reduce wait times and cut backlogs in the disability hearings process;
- Increase program integrity efforts to ensure benefits are provided to the right beneficiaries—preventing improper payments; and
- Increase productivity by two percent while enhancing service to the public.

### ***Strengthening Social Security***

- *Encourages a bipartisan approach to strengthening Social Security.*
  - Highlights the coming financial challenge facing the Social Security program and outlines the President's approach to reform.
  - Proposes voluntary personal accounts funded by a portion of the worker's Social Security payroll taxes. Account contributions will be capped at four percent of Social Security taxable earnings up to a \$1,400 limit in 2013, increasing by \$100 more than the average-wage growth each year through 2018.
  - The President has also embraced the idea of progressive indexing as part of a solution to restore the system to sustainable solvency. Progressive indexing would tie the future benefits of the highest wage workers to inflation while providing a higher rate of benefit growth for lower-wage workers.
  - Promotes consideration of long-term reforms to entitlement programs that are essential to strengthen them for younger generations and maintain fiscal responsibility.

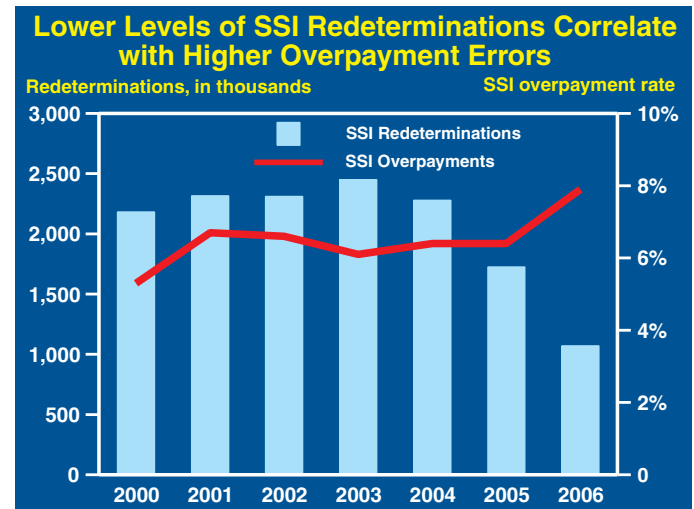
### ***Enhancing Customer Service***

- *Reduces wait times.* Improves processing times and works to reduce the number of applicants waiting for a decision in the Disability Insurance (DI) and Supplemental Security Income (SSI) programs.
  - Continues ambitious initiatives to reduce the number of disability appeals that are awaiting a decision from an Administrative Law Judge.
  - Provides funding for projects that identify those cases most likely to be allowed so that severely ill applicants can begin receiving benefits on an expedited basis.

- Increases the capacity to process disability appeals by hiring additional Administrative Law Judges and support staff.
- Boosts the overall productivity of hearings and targets overtime to critical areas.
- *Improves service to the public.* Assists more than 40 million visitors to nearly 1,300 Agency field offices in communities across America.
  - Prepares for the coming retirement wave by modernizing applications and service delivery, processing approximately 67 million 800–number transactions.

### **Major Savings and Reforms**

- Provides \$504 million for important program integrity activities that ensure benefits are paid to eligible people in the correct amounts.
  - Funds two cost-effective program integrity activities that have a clear impact on improper payments: continuing disability reviews and SSI redeterminations.
  - Expands efforts to improve the disability process and SSI asset verification to reduce improper payments.



- Highlights the fiscal problems facing DI with a “funding warning” to draw attention to the growing fiscal pressure that the program will exert on the Federal budget.
- Proposes legislation to synchronize the treatment of retroactive DI payments with Old-Age and Survivors Insurance payments, and to make additional modifications to the distribution of other retroactive payments.
- Proposes legislation to encourage children to stay in school by lowering to 16 the age at which full-time school attendance is a condition of entitlement for Social Security child’s benefits.
- Eliminates the current self-reporting burden on individuals and improves payment accuracy by proposing a mandatory system for collecting data on pension income from non-covered State and local employment.
- Proposes to replace the existing complicated offset with a uniform offset for DI beneficiaries also receiving workers’ compensation. The proposal would limit the length of the offset to not more than five years.

### **Since 2001, the Social Security Administration has:**

- Improved productivity by 15 percent, enabling the Agency to provide more effective and timely services with fewer resources than would otherwise be required.
- Increased work opportunities for individuals with disabilities.
- Continued to work with other agencies to expand processes that help employers verify work authorization of employees.

**SOCIAL SECURITY ADMINISTRATION**

(In millions of dollars)

	2007 Actual	Estimate	
		2008	2009
<b>Spending</b>			
Discretionary Budgetary Resources:			
Limitation on Administrative Expenses (LAE) Base <sup>1</sup> .....	9,298	9,745	10,327
Office of the Inspector General .....	92	92	98
Research and Development .....	20	20	28
Total, Discretionary budgetary resources .....	9,410	9,857	10,453
Total, Discretionary outlays .....	9,220	9,783	10,386
Mandatory Outlays:			
Old-age, Survivors, and Disability Insurance <sup>2</sup> .....	581,518	610,426	645,136
Supplemental Security Income <sup>3</sup> .....	36,021	41,338	43,302
Special Benefits for Certain World War II Veterans .....	8	10	10
Offsetting collections .....	-2,957	-3,149	-3,116
Legislative proposals.....	—	—	-914
Total, Mandatory outlays .....	614,590	648,625	684,418
Total, Outlays .....	623,810	658,408	694,804

<sup>1</sup> The LAE account includes funding from the Hospital Insurance and Supplementary Medical Insurance trust funds for services that support the Medicare program, including implementation of Medicare Reform.

<sup>2</sup> In 2007, Treasury refunded the OASI and DI Trust funds \$1,297 million due to the overpayment of voluntary income tax withholding. This did not impact beneficiary payments. The mandatory total does not include the refund.

<sup>3</sup> Does not include the effect of State supplementation offsetting collections.



# **SUMMARY TABLES**





**Table S-1. Budget Totals**  
(Dollar amounts in billions)

	2007	2008	2009	2010	2011	2012	2013
<b>Budget Totals:</b>							
Receipts.....	2,568	2,521	2,700	2,931	3,076	3,270	3,428
Outlays.....	2,730	2,931	3,107	3,091	3,171	3,222	3,399
Deficit(-)/Surplus(+)	-162	-410	-407	-160	-95	+48	+29
Gross Domestic Product (GDP).....	13,668	14,312	15,027	15,792	16,580	17,395	18,243
<b>Budget Totals as a Percent of GDP:</b>							
Receipts.....	18.8%	17.6%	18.0%	18.6%	18.6%	18.8%	18.8%
Outlays.....	20.0%	20.5%	20.7%	19.6%	19.1%	18.5%	18.6%
Deficit(-)/Surplus(+)	-1.2%	-2.9%	-2.7%	-1.0%	-0.6%	+0.3%	+0.2%

**Table S-2. Discretionary Funding by Category**  
(Net budget authority; dollar amounts in billions)

	2007		2008		2009		Change from 2008	
	Actual	Enacted	Enacted	Request	Request	Amount	Percent	
<b>Base Discretionary:</b>								
Security Funding <sup>1</sup> .....	498.0	549.6	549.6	594.5	594.5	+44.9	+8.2%	
Non-Security Funding .....	382.0	391.7	391.7	393.0	393.0	+1.3	+0.3%	
<b>Total, Discretionary</b> .....	<b>880.0</b>	<b>941.4</b>	<b>941.4</b>	<b>987.6</b>	<b>987.6</b>	<b>+46.2</b>	<b>+4.9%</b>	
<b>Enacted Supplemental and Emergency Funding:</b>								
Global War on Terror .....	173.6	89.4	89.4					
Gulf Coast/Hurricane Recovery .....	7.7	5.9	5.9					
Veterans Affairs .....	1.8	3.7	3.7					
Border Security and Other .....	9.3	5.4	5.4					
<b>Total, Enacted</b> .....	<b>192.3</b>	<b>104.4</b>	<b>104.4</b>					
<b>Proposed Supplemental and Emergency Funding:</b>								
Global War on Terror .....		108.1	108.1	70.0	70.0			
Gulf Coast/Hurricane Recovery .....		—	—	5.8	5.8			
<b>Total, Proposed</b> .....		<b>108.1</b>	<b>108.1</b>	<b>75.8</b>	<b>75.8</b>			
<b>Discretionary Outyears</b>								
	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>				
<b>Base Discretionary:</b>								
Security Funding <sup>2</sup> .....	605.2	613.2	624.5	636.5				
Non-Security Funding <sup>3</sup> .....	393.0	393.0	393.0	393.0				
<b>Total, Discretionary</b> .....	<b>998.2</b>	<b>1,006.2</b>	<b>1,017.5</b>	<b>1,029.5</b>				

<sup>1</sup> This category is comprised of funding for: the Department of Defense; Homeland Security activities Government-wide (see Table S-4); and International Affairs (Function 150).

<sup>2</sup> Department of Defense levels are consistent with the Future Years Defense Plan and Homeland Security levels are consistent with the Future Years Homeland Security Plan.

<sup>3</sup> These amounts exclude the budgetary effects of the Administration's reauthorization proposal of the Federal Aviation Administration (FAA). The proposal would transform the current tax-financing system for FAA to a cost-based user-fee system. For more information, see the Transportation chapter in this volume and related sections in the *Appendix and Analytical Perspectives*. If this proposal were enacted, the Administration would adjust its discretionary cap proposal downward in these years to reflect the offsetting collections that would result from this user-based fee system.

**Table S-3. Discretionary Funding by Major Agency**  
(Net budget authority; dollar amounts in billions)

Agency	2001 Actual	2008 Enacted	2009 Request	Change:		
				2008-2009	2001-2009	Average
				Dollar	Percent	Cumulative
Agriculture.....	19.2	21.8	20.8	-1.1	-4.8%	+1.0%
Commerce.....	5.1	6.9	8.2	+1.3	+18.4%	+6.1%
Defense.....	302.5	479.5	515.4	+36.0	+7.5%	+70.4%
Education.....	40.1	57.2	59.2	+2.0	+3.5%	+47.6%
Energy.....	20.0	23.9	25.0	+1.1	+4.7%	+24.9%
Health and Human Services.....	54.0	71.9	70.4	-1.5	-2.1%	+30.2%
Homeland Security.....	14.0	34.9	37.6	+2.7	+7.7%	+168.8%
Housing and Urban Development.....	28.4	37.4	38.5	+1.1	+2.9%	+35.7%
Interior.....	10.3	11.0	10.6	-0.4	-3.7%	+3.5%
Justice.....	18.4	22.7	20.3	-2.4	-10.7%	+10.4%
Labor.....	11.9	11.4	10.5	-0.9	-7.8%	-11.9%
State and Other International Programs.....	21.7	32.9	38.3	+5.4	+16.5%	+76.2%
Transportation.....	14.6	15.5	11.5	-4.0	-25.7%	-20.9%
Treasury.....	10.3	12.0	12.5	+0.5	+3.9%	+20.6%
Veterans Affairs.....	22.4	39.4	44.8	+5.3	+13.5%	+100.1%
Corps of Engineers.....	4.7	5.6	4.7	-0.8	-15.1%	+1.2%
Environmental Protection Agency.....	7.8	7.5	7.1	-0.3	-4.4%	-8.8%
Executive Office of the President.....	0.3	0.3	0.4	*	+5.6%	+35.9%
Judicial Branch.....	4.0	5.8	6.3	+0.5	+8.1%	+58.6%
Legislative Branch.....	2.8	4.0	4.7	+0.7	+17.7%	+71.6%
National Aeronautics and Space Administration.....	14.3	17.1	17.6	+0.5	+2.9%	+23.6%
National Science Foundation.....	4.4	6.0	6.9	+0.8	+13.6%	+54.7%
Small Business Administration.....	0.9	0.6	0.7	+0.1	+15.5%	-27.0%
Social Security Administration.....	6.0	8.0	8.4	+0.4	+4.9%	+40.0%
Other Agencies.....	5.8	8.0	7.2	-0.7	-9.0%	+25.0%
<b>Total, Discretionary Funding.....</b>	<b>643.8</b>	<b>941.4</b>	<b>987.6</b>	<b>+46.2</b>	<b>+4.9%</b>	<b>+53.4%</b>

\* \$50 million or less.

Note: Supplemental and emergency funding, both enacted and requested, is excluded.

**Table S-4. Homeland Security Funding by Agency**  
(Budget authority in millions of dollars)

Agency <sup>1</sup>	2007		2008		2009
	Actual	Supplemental/ Emergency	Enacted	Supplemental/ Emergency <sup>2</sup>	Request
Agriculture.....	541	—	571	—	691
Commerce.....	1,204	—	207	—	264
Defense (DOD).....	16,538	—	17,375	—	17,647
Energy.....	1,719	—	1,830	—	1,944
Health and Human Services.....	4,328	—	4,300	—	4,458
Homeland Security.....	26,856	2,695	30,093	2,641	34,992
Justice.....	3,309	210	3,273	250	3,794
State.....	1,241	—	1,962	—	2,465
Transportation.....	206	—	206	—	221
Treasury.....	128	—	117	—	126
Veterans Affairs.....	260	—	271	—	348
Environmental Protection Agency.....	167	—	138	—	171
General Services Administration.....	168	—	143	225	119
National Aeronautics and Space Administration.....	199	—	205	—	204
National Science Foundation.....	386	—	374	—	379
Social Security Administration.....	194	—	212	—	221
Intelligence Community Management.....	56	—	122	—	13
Nuclear Regulatory Commission.....	72	—	72	—	73
Smithsonian Institution.....	81	—	93	—	97
Other Agencies.....	266	—	236	—	253
<b>Total, Homeland Security Funding.....</b>	<b>57,919</b>	<b>2,905</b>	<b>61,800</b>	<b>3,116</b>	<b>68,480</b>
Less, DOD.....	-16,538	—	-17,375	—	-17,647
Less, Mandatory Homeland Security Funding <sup>3</sup> .....	-3,436	—	-2,871	—	-3,225
Less, Funding for Project BioShield.....	—	—	—	—	-2,175
Less, Discretionary Fee-Funded Activities.....	-4,519	—	-5,338	—	-5,344
<b>Net Non-DOD Discretionary Homeland Security.....</b>	<b>33,426</b>	<b>2,905</b>	<b>36,216</b>	<b>3,116</b>	<b>40,089</b>

<sup>1</sup> For more detail on Homeland Security funding, see the Homeland Security Funding Analysis chapter in the *Analytical Perspectives* volume. Dollar amounts in this table are rounded to the nearest million at the account level, which accounts for any discrepancies with the *Analytical Perspectives* chapter.

<sup>2</sup> 2007 includes \$0.2 billion that is part of the Administration's pending emergency supplemental request for the Global War on Terror.

<sup>3</sup> 2007 mandatory Homeland Security programs include \$1 billion from anticipated spectrum auction receipts appropriated in the Deficit Reduction Act of 2005 for the Department of Commerce to make grants to public safety agencies for communications interoperability purposes.

**Table S-5. Discretionary Program Terminations and Reductions**  
 (Budget authority and obligation limitations in millions of dollars)

	2008	2009	2009
	Enacted	Request	Less 2008
<b>Program Terminations:</b>			
Department of Agriculture:			
Community Connect (Broadband) Grants.....	13	—	-13
Community Facility Grants.....	27	—	-27
Economic Impact Grants.....	14	—	-14
Farm Labor Housing Program.....	22	—	-22
Food and Nutrition Service—Commodity Supplemental Food Program.....	139	—	-139
Forest Service Economic Action.....	4	—	-4
Forest Service Valles Caldera National Preserve.....	4	—	-4
High Cost Energy Grants.....	20	—	-20
Rural Economic Development Loan and Grant Program.....	—	-39	-39
Multifamily Housing Direct Loans.....	30	—	-30
Public Broadcast Grants.....	5	—	-5
Research and Extension Grant Earmarks/Low Priority Programs.....	144	—	-144
Resource Conservation and Development Program.....	51	—	-51
Rural Business Grants.....	45	—	-45
Section 9006, Renewable Energy Program.....	36	—	-36
Self-Help Housing Grants.....	39	—	-39
Single Family Housing Direct Loans.....	105	—	-105
Value Added Producer Grants.....	19	—	-19
Watershed Programs.....	30	—	-30
Total, Department of Agriculture.....	747	-39	-786
Department of Commerce:			
Emergency Steel Guarantee Loan Program.....	—	-49	-49
Manufacturing Extension Partnership.....	90	4	-86
Public Telecommunications Facilities, Planning and Construction Grants.....	19	—	-19
Technology Innovation Program.....	46	—	-46
Total, Department of Commerce.....	155	-45	-200
Department of Education:			
Academies for American History and Civics.....	2	—	-2
Advanced Credentialing.....	10	—	-10

**Table S-5. Discretionary Program Terminations and Reductions—Continued**  
(Budget authority and obligation limitations in millions of dollars)

	2008 Enacted	2009 Request	2009 Less 2008
Alaska Native Education Equity.....	33	—	—33
Alcohol Abuse Reduction.....	32	—	—32
Arts in Education.....	38	—	—38
B.J. Stupak Olympic Scholarships.....	1	—	—1
Byrd Honors Scholarships.....	40	—	—40
Career and Technical Education National Programs.....	8	—	—8
Career and Technical Education State Grants.....	1,161	—	—1,161
Civic Education.....	32	—	—32
Close-Up Fellowships.....	2	—	—2
Comprehensive School Reform.....	2	—	—2
Education for Native Hawaiians.....	33	—	—33
Educational Technology State Grants.....	267	—	—267
Elementary and Secondary School Counseling.....	49	—	—49
Even Start.....	66	—	—66
Excellence in Economic Education.....	1	—	—1
Foundations for Learning.....	1	—	—1
Higher Education Demonstrations for Students with Disabilities.....	7	—	—7
Historic Whaling and Trading Partners.....	9	—	—9
Javits Gifted and Talented Education.....	7	—	—7
Leveraging Educational Assistance Programs.....	64	—	—64
Mental Health Integration in Schools.....	5	—	—5
Mentoring Program.....	49	—	—49
National Writing Project.....	24	—	—24
Parental Assistance Information Centers.....	39	—	—39
Perkins Loan Cancellations.....	64	—	—64
Physical Education.....	76	—	—76
Projects with Industry.....	19	—	—19
Reading is Fundamental.....	25	—	—25
Ready to Teach.....	11	—	—11
School Leadership.....	14	—	—14
Smaller Learning Communities.....	80	—	—80
Special Olympics Education Programs.....	12	—	—12

**Table S-5. Discretionary Program Terminations and Reductions—Continued**  
 (Budget authority and obligation limitations in millions of dollars)

	2008 Enacted	2009 Request	2009 Less
State Grants for Incarcerated Youth .....	22	—	-22
Strengthening Alaska Native/Native Hawaiian Institutions .....	12	—	-12
Supplemental Educational Opportunity Grants .....	757	—	-757
Supported Employment State Grants .....	29	—	-29
Teacher Quality Enhancement .....	34	—	-34
Teachers for a Competitive Tomorrow .....	2	—	-2
Tech-Prep Education State Grants .....	103	—	-103
Thurgood Marshall Legal Opportunity .....	3	—	-3
Tribally Controlled Postsecondary Vocational Education .....	8	—	-8
Underground Railroad Program .....	2	—	-2
Vocation Rehabilitation—Migrant and Seasonal Farmworkers .....	2	—	-2
Vocation Rehabilitation—Recreational Programs .....	2	—	-2
Women's Educational Equity .....	2	—	-2
Total, Department of Education .....	3,261	—	-3,261
Department of Energy:			
Oil and Gas Research and Development .....	25	—	-25
University Nuclear Energy Program .....	15	—	-15
Weatherization Assistance Program .....	243	—	-243
Total, Department of Energy .....	283	—	-283
Department of Health and Human Services:			
Administration for Children and Families—Community Services Block Grant .....	654	—	-654
Administration for Children and Families—Other Community Service Programs .....	45	—	-45
Administration for Aging—Alzheimer's Demonstration Project .....	11	—	-11
Administration for Aging—Preventive Health Services .....	21	—	-21
Centers for Disease Control—Preventive Health and Health Services Block Grant .....	97	—	-97
Earmarks .....	451	—	-451
Health Resources and Services Administration—Childrens Hospital Graduate Medical Education Payments .....	302	—	-302
Health Resources and Services Administration—Maternal and Child Health Small Categorical Grants .....	40	—	-40
Indian Health Service—Urban Indian Health Program .....	35	—	-35
Total, Department of Health and Human Services .....	1,656	—	-1,656

**Table S-5. Discretionary Program Terminations and Reductions—Continued**  
(Budget authority and obligation limitations in millions of dollars)

	2008 Enacted	2009 Request	2009 Less 2008
<b>Department of Housing and Urban Development:</b>			
Brownfields .....	10	—	-10
Revitalization of Severely Depressed Public Housing (HOPE VI) .....	100	—	-100
Rural Housing and Economic Development .....	17	—	-17
Section 108 Loan Program .....	5	—	-5
Total, Department of Housing and Urban Development .....	132	—	-132
<b>Department of Justice:</b>			
State Criminal Alien Assistance Program .....	410	—	-410
Total, Department of Justice .....	410	—	-410
<b>Department of the Interior:</b>			
Bureau of Indian Affairs—Housing Improvement Program .....	14	—	-14
Bureau of Indian Affairs—Johnson-O'Malley Assistance Grants .....	21	—	-21
Indian Land Consolidation Program .....	10	—	-10
Land and Water Conservation Fund State Recreation Grants .....	25	—	-25
National Park Service Statutory Aid .....	7	—	-7
Office of Surface Mining Reclamation Grants .....	20	—	-20
Rural Fire Assistance Program .....	6	—	-6
Total, Department of the Interior .....	103	—	-103
<b>Department of Labor:</b>			
Denali Commission Job Training Earmark .....	7	—	-7
Migrant and Seasonal Farmworkers Training Program .....	80	—	-80
Susan Harwood Training Grants .....	10	—	-10
Work Incentive Grants .....	14	—	-14
Total, Department of Labor .....	111	—	-111
<b>Environmental Protection Agency:</b>			
Targeted Watershed Grants .....	10	—	-10
Unrequested Water Infrastructure Projects .....	133	—	-133
Total, Environment Protection Agency .....	143	—	-143
<b>Other Agencies:</b>			
Commission of Fine Arts, National Capital Arts and Cultural Affairs .....	8	—	-8



**Table S-5. Discretionary Program Terminations and Reductions—Continued**  
 (Budget authority and obligation limitations in millions of dollars)

	2008 Enacted	2009 Request	2009 Less 2008
National Veterans Business Development Corporation .....	1	—	-1
Postal Service Forgone Revenue Appropriation .....	29	—	-29
Total, Other Agencies .....	38	—	-38
<b>Total, Program Terminations .....</b>	<b>7,039</b>	<b>-84</b>	<b>-7,123</b>
<b>Program Reductions:</b>			
Department of Agriculture:			
Capital Improvement and Maintenance .....	484	406	-78
Distance Learning and Telemedicine Grants .....	30	20	-10
Forest Service Research and Grants .....	549	378	-171
Housing Repair Loans .....	10	5	-5
In-House Research Construction .....	47	-54	-101
In-House Research Programs .....	1,121	1,037	-84
Land Acquisition .....	43	6	-37
Multifamily Housing Revitalization Vouchers .....	28	-20	-48
National Forest System .....	1,470	1,350	-120
Water and Wastewater Grants .....	469	220	-249
Mandatory Reductions Providing Discretionary Offsets:			
Agricultural Management Assistance .....	—	-10	-10
Conservation Security Program .....	—	-80	-80
Environmental Quality Incentives Program .....	—	-220	-220
Funds for Strengthening Markets, Income, and Supply .....	—	-293	-293
Total, Department of Agriculture .....	4,251	2,745	-1,506
Department of Commerce:			
Economic Development Administration Grants .....	243	100	-143
Pacific Coastal Salmon Recovery .....	67	35	-32
Total, Department of Commerce .....	310	135	-175
Department of Education:			
21st Century Learning Opportunities .....	1,081	800	-281
Safe and Drug-Free Schools State Grants .....	295	100	-195
Teaching American History .....	118	50	-68
Total, Department of Education .....	1,494	950	-544

**Table S-5. Discretionary Program Terminations and Reductions—Continued**

(Budget authority and obligation limitations in millions of dollars)

	2008 Enacted	2009 Request	2009 Less 2008
<b>Department of Health and Human Services:</b>			
Health Resources and Services Administration—Health Professions Grants.....	350	110	-240
Health Resources and Services Administration—Rural Health .....	175	25	-150
Substance Abuse and Mental Health Services Administration—Programs of Regional and National Significance.....	889	639	-250
<b>Mandatory Reduction Providing Discretionary Offsets:</b>			
Social Services Block Grant.....	—	-500	-500
Total, Department of Health and Human Services .....	1,414	274	-1,140
<b>Department of Homeland Security:</b>			
State and Local Support Programs.....	4,105	2,200	-1,905
Total, Department of Homeland Security .....	4,105	2,200	-1,905
<b>Department of Housing and Urban Development:</b>			
Community Development Block Grant (including cancellation) .....	3,866	2,794	-1,072
Public Housing Capital Fund .....	2,439	2,024	-415
Total, Department of Housing and Urban Development.....	6,305	4,818	-1,487
<b>Department of the Interior:</b>			
Bureau of Indian Affairs—Roads .....	26	13	-13
U.S. Geological Survey—Mineral Resources Program .....	51	26	-25
Total, Department of the Interior.....	77	39	-38
<b>Department of Labor:</b>			
Indian and Native American Training Program .....	53	45	-8
International Labor Affairs Bureau .....	81	15	-66
Job Training Grants Consolidation .....	3,850	2,826	-1,024
Office of Disability Employment Policy .....	27	12	-15
Pilots, Demonstrations and Research .....	49	16	-33
Senior Community Service Employment .....	522	350	-172
Total, Department of Labor.....	4,582	3,264	-1,318
<b>Department of Transportation:</b>			
Amtrak (Intercity Passenger Rail) .....	1,355	900	-455
Essential Air Service .....	60	—	-60

**Table S-5. Discretionary Program Terminations and Reductions—Continued**  
 (Budget authority and obligation limitations in millions of dollars)

	2008 Enacted	2009 Request	2009 Less 2008
Federal Aid Highways (obligation limitation) .....	41,216	39,399	-1,817
Railroad Rehabilitation and Improvement Financing Loan Program .....	—	—	—
Total, Department of Transportation .....	42,631	40,299	-2,332
Environmental Protection Agency:			
Clean Water State Revolving Fund .....	689	555	-134
Mexico Border Water Infrastructure Assistance .....	20	10	-10
Nonpoint Source Grants .....	201	185	-16
Total, Environmental Protection Agency .....	910	750	-160
National Aeronautics and Space Administration:			
Aeronautics Research .....	627	545	-82
New Millennium Program .....	58	4	-54
Total, National Aeronautics and Space Administration .....	685	549	-136
Small Business Administration:			
Microloan Program .....	17	—	-17
Total, Small Business Administration .....	17	—	-17
Other Agencies:			
Corporation for Public Broadcasting .....	448	200	-248
Delta Regional Authority .....	12	6	-6
Denali Commission Direct Grant-Making .....	26	6	-20
National Archives and Records Administration—National Historical Publications and Records Commission .....	10	—	-10
Total, Other Agencies .....	496	212	-284
<b>Total, Program Reductions .....</b>	<b>67,277</b>	<b>56,235</b>	<b>-11,042</b>
<b>Total, Program Terminations and Reductions .....</b>	<b>74,316</b>	<b>56,151</b>	<b>-18,165</b>

**Table S-6. Mandatory Proposals**  
(In millions of dollars)

	2008	2009	2010	2011	2012	2013	Total	
							2009-2013	2009-2018
<b>Mandatory Proposals, including Savings and Augmentations:</b>								
<b>Agriculture:</b>								
Reauthorize Farm Bill .....	107	109	620	790	895	115	2,529	2,406
Charge Food Safety and Inspection Service user fees <sup>1</sup> .....	—	-96	-98	-100	-102	-104	-500	-1,053
Charge Grain Inspection, Packers and Stockyards Administration user fees <sup>1</sup> .....	—	-27	-30	-30	-31	-32	-150	-318
Charge crop insurance user fees <sup>1</sup> .....	—	—	-15	-15	-15	-15	-60	-135
Charge Animal Welfare Act user fees <sup>1</sup> .....	—	-20	-27	-27	-28	-29	-131	-290
Implement country of origin labeling audit program:								
Receipts .....	—	-10	-10	-10	-10	-10	-50	-100
Spending .....	—	10	10	10	10	10	50	100
Net effect .....	—	—	—	—	—	—	—	—
Extend Forest County Safety Net Payments .....	—	—	100	60	40	—	200	200
Total, Agriculture .....	107	-34	550	678	759	-65	1,888	810
<b>Education:</b>								
Reform the Federal student aid programs:								
Restrict loans eligible for public sector loan forgiveness .....	—	-1,387	-29	-21	-16	-11	-1,464	-1,485
Eliminate the interest subsidy on loans eligible for income-based repayment .....	—	-260	-47	-45	-48	-56	-457	-788
Recall Perkins Loan balances .....	—	-1,116	-698	-735	-821	-792	-4,162	-7,220
Total, Education .....	—	-2,763	-775	-801	-885	-859	-6,083	-9,493
<b>Energy:</b>								
Repeal oil and gas research and development program .....	—	-20	-40	-50	-50	-50	-210	-300
<b>Health and Human Services:</b>								
Reform Medicare .....	—	-12,437	-26,875	-39,798	-45,741	-53,384	-178,235	-556,373
Reform Medicaid .....	140	-1,767	-2,924	-3,758	-4,305	-4,671	-17,425	-46,748
Reauthorize State Children's Health Insurance Program (CHIP) <sup>2</sup> .....	—	2,260	3,005	4,010	4,680	5,315	19,270	50,000
Fund high-risk health insurance pools .....	—	50	75	25	—	—	150	150

**Table S-6. Mandatory Proposals—Continued**  
(In millions of dollars)

	2008	2009	2010	2011	2012	2013	Total	
							2009-2013	2009-2018
Eliminate Social Services Block Grant (SSBG).....	—	—	-1,445	-1,683	-1,700	-1,700	-6,528	-15,028
Provide Temporary Assistance for Needy Families (TANF) supplemental grants and contingency fund for child welfare option .....	—	236	299	317	323	326	1,501	3,102
Improve child support enforcement collection tools.....	—	6	9	6	1	-1	21	4
Extend Abstinence Education program.....	5	25	43	48	49	50	215	465
Introduce Foster Care child welfare program option.....	—	8	6	21	-8	-25	2	-1
Modify Foster Care District of Columbia Federal Medical Assistance Percentage (FMAP) Rate....	—	6	6	7	6	7	32	69
Charge Food and Drug Administration re-inspection and export certification fees <sup>1</sup> .....	—	-27	-28	-28	-29	-30	-142	-302
Total, Health and Human Services.....	145	-11,640	-27,829	-40,833	-46,725	-54,113	-181,139	-564,662
<b>Homeland Security:</b>								
Propose a surcharge on the passenger security fee to fund baggage screening systems.....	—	-106	-21	-8	1	107	-29	*
<b>Housing and Urban Development:</b>								
Charge Government-Sponsored Enterprises oversight fee.....	—	-6	-6	-6	-6	-6	-30	-60
<b>Interior:</b>								
Match National Park Centennial Challenge Fund gift receipts.....	—	20	55	80	100	100	355	855
Authorize Arctic National Wildlife Refuge leasing: State of Alaska's share:								
Receipts.....	—	—	-3,502	-2	-503	-3	-4,010	-4,025
Expenditures.....	—	—	3,502	2	503	3	4,010	4,025
Federal share:								
Receipts.....	—	—	-3,502	-2	-503	-3	-4,010	-4,025
Require up-front payment of coal bonus bids.....	—	-385	-676	48	506	225	-281	-8
Return to net receipts sharing for energy minerals.....	—	-54	-64	-53	-46	-52	-269	-559

**Table S-6. Mandatory Proposals—Continued**  
(In millions of dollars)

	2008	2009	2010	2011	2012	2013	Total	
							2009-2013	2009-2018
Repeal Energy Policy Act fee prohibition and mandatory permit funds.....	—	-35	-36	-30	-30	-30	-161	-239
Amend Bureau of Land Management (BLM) Federal land sale authority.....	—	-2	-20	-61	-41	-37	-161	-322
Terminate BLM Range Improvement Fund.....	—	-6	-9	-10	-10	-10	-45	-95
Increase fees for Migratory Bird Hunting and Conservation Stamps <sup>3</sup> .....	—	10	14	14	14	14	66	136
Recover Pick-Sloan project cost.....	—	-23	-23	-23	-23	-23	-115	-230
Implement a settlement to restore the San Joaquin River.....	—	14	-177	19	19	29	-96	17
Total, Interior.....	—	-461	-4,438	-18	-14	213	-4,718	-4,470
Labor:								
Reform Pension Benefit Guaranty Corporation premiums.....	—	-380	-2,217	-2,093	-2,127	-2,056	-8,873	-18,514
Recover Unemployment Insurance over-payments.....	—	—	-470	-504	-356	-362	-1,692	-3,632
Implement foreign labor certification user fees: Receipts.....	—	-95	-95	-95	-95	-95	-475	-950
Spending.....	—	95	95	95	95	95	475	950
Net effect.....	—	—	—	—	—	—	—	—
Reform Federal Employees Compensation Act.....	—	-10	-14	-21	-15	-12	-72	-288
Refinance the Black Lung Disability Trust Fund: Black Lung Disability Trust Fund.....	—	2,288	-411	-398	-392	-388	699	-1,201
Interest payments on repayable advances.....	—	-2,288	411	398	392	388	-699	1,201
Net effect.....	—	—	—	—	—	—	—	—
Reform Trade Adjustment Assistance.....	—	6	3	8	1	-3	15	-81
Total, Labor.....	—	-384	-2,698	-2,610	-2,497	-2,433	-10,622	-22,515
Transportation:								
Modify financing of the Airport and Airway Trust Fund.....	—	—	—	—	—	—	—	-608
Treasury:								
Improve payment transaction integrity.....	—	-53	-56	-60	-64	-68	-301	-717
Modernize cash investment practices.....	—	-10	-10	-10	-10	-10	-50	-100

**Table S-6. Mandatory Proposals—Continued**  
(In millions of dollars)

	2008	2009	2010	2011	2012	2013	Total	
							2009-2013	2009-2018
Eliminate the 10-year statute of limitations on non-tax debt.....	—	-15	-8	-8	-8	-8	-47	-87
Extend the rum carryover for Puerto Rico .....	75	102	25	—	—	—	127	127
Total, Treasury.....	75	24	-49	-78	-82	-86	-271	-777
Veterans Affairs:								
Adopt third-party insurance co-payment offset <sup>1</sup> .....	—	-44	-44	-44	-43	-43	-218	-420
Charge medical care enrollment fees for non-disabled higher-income veterans and increase pharmacy co-payments to align with other health care plans <sup>1</sup> .....	—	-335	-421	-414	-464	-483	-2,117	-4,796
Total, Veterans Affairs.....	—	-379	-465	-458	-507	-526	-2,335	-5,216
Corps of Engineers:								
Collect additional recreation user fees, lease receipts, and contributions:								
Receipts .....	—	-9	-17	-17	-17	-17	-77	-162
Spending.....	—	—	8	17	17	17	59	144
Net effect.....	—	-9	-9	—	—	—	-18	-18
Commodity Futures Trading Commission:								
Charge user fees <sup>1</sup> .....	—	-96	-100	-103	-107	-111	-517	-1,130
Environmental Protection Agency:								
Increase or reinstate pesticide user fees and lift cap on pre-manufacture notice fee <sup>1</sup> .....	—	-52	-56	-55	-55	-45	-263	-502
Federal Communications Commission (FCC):								
Provide spectrum license fee authority .....	-50	-150	-300	-300	-400	-450	-1,600	-4,081
Charge Ancillary Terrestrial Component spectrum fee .....	-30	-60	-100	-125	-125	-125	-535	-1,160
Extend spectrum auction authority .....	—	—	—	—	-200	-200	-400	-1,400
Auction domestic satellite spectrum .....	-250	-100	-100	-75	-20	-15	-310	-343
Eliminate Telecommunications Development Fund.....	-5	-6	-7	-7	-7	-7	-34	-69
Total, FCC.....	-335	-316	-507	-507	-752	-797	-2,879	-7,053

**Table S-6. Mandatory Proposals—Continued**  
(In millions of dollars)

	2008	2009	2010	2011	2012	2013	Total	
							2009-2013	2009-2018
<b>Office of Personnel Management (OPM):</b>								
Amend Federal Employee Health Benefits Program statute .....	—	-40	-147	-248	-327	-403	-1,165	-3,675
Improve equity and administration of the Federal retirement system .....	—	2	3	4	6	7	22	74
Replace non-foreign cost of living adjustment with locality pay <sup>3</sup> .....	—	—	—	—	—	—	—	—
Total, OPM .....	—	-38	-144	-244	-321	-396	-1,143	-3,601
<b>Social Security Administration (SSA):</b>								
Extend temporarily length of time-limited Supplemental Security Income eligibility for refugees and asylees .....	—	53	47	49	—	—	149	149
<b>Total, Mandatory Proposals including Savings and Augmentations .....</b>	<b>-8</b>	<b>-16,226</b>	<b>-36,540</b>	<b>-45,045</b>	<b>-51,241</b>	<b>-59,167</b>	<b>-208,220</b>	<b>-619,446</b>
<b>Establish Social Security Personal Accounts (Off-Budget) .....</b>								
<b>Outlay Effects of Tax Proposals:<sup>3</sup></b>								
Earned Income Tax Credit (EITC):								
Clarify uniform definition of a child .....	—	6	-182	-168	-168	-183	-695	-1,838
Simplify EITC eligibility requirement regarding filing status, presence of children, and work and immigration status .....	—	-232	31	17	15	13	-156	-144
Provide a new standard deduction for health insurance (\$15,000 for family coverage and \$7,500 for individual coverage) .....	—	186	3,688	3,173	2,586	1,889	11,522	8,518
Child Tax Credit:								
Clarify uniform definition of a child .....	—	3	-78	-72	-72	-78	-297	-787
Reduce computational complexity of refundable child tax credit .....	—	—	-377	-380	-388	-392	-1,537	-3,560
Total, Outlay Effects of Tax Proposals .....	—	-37	3,082	2,570	1,973	1,249	8,837	2,189



**Table S-6. Mandatory Proposals—Continued**  
(In millions of dollars)

	2008	2009	2010	2011	2012	2013	Total	
							2009-2013	2009-2018
<b>Other Proposals and Indirect Effects:</b>								
Provide six months of retroactivity for disability applications (off-budget) .....	—	-71	-530	-828	-936	-1,046	-3,411	-9,732
Combine retroactive Old-Age, Survivors, and Disability Insurance benefits with monthly benefit payment (off-budget) .....	—	-850	-29	-51	-62	-69	-1,061	-1,357
Require full-time school attendance for child's Social Security benefits at age 16 (off-budget) .....	—	-10	-88	-161	-167	-172	-598	-1,566
Simplify the benefit offset for combined beneficiaries of Disability Insurance and Workers Compensation (off-budget) .....	—	-4	-35	-84	-152	-240	-515	-1,100
Improve enforcement of Windfall Elimination Provision/Government Pension Offset (off-budget)	—	—	—	—	-144	-316	-460	-2,533
Eliminate Commodity Supplemental Food Program: Food Stamp impact (third scorecard) .....	—	52	63	55	50	46	266	455
Reduce SSBG in 2009: TANF impact (third scorecard) .....	—	28	5	-28	-5	—	—	—
Eliminate SSBG as of 2010: TANF, Child Care, and Foster Care impact (third scorecard) .....	—	—	-49	120	147	181	399	804
Increase program integrity efforts: Supplemental Security Income impact (third scorecard) .....	—	-119	-892	-1,627	-1,525	-750	-4,913	-6,480
Disability Insurance impact (third scorecard) .....	—	-4	-58	-242	-457	-517	-1,278	-3,527
Recover Unemployment Insurance overpayments ...	—	—	-67	-140	-146	-151	-504	-1,363
Match National Park Centennial Challenge Fund gift receipts (third scorecard) .....	—	20	55	80	100	100	355	855
Transfer royalty oil to the Strategic Petroleum Reserve .....	—	—	—	—	795	—	795	17,958
Amend Federal Employee Health Benefits Program Reserve status (third scorecard) .....	—	81	173	239	289	333	1,115	3,214
Replace non-foreign cost of living adjustment with locality pay (third scorecard) .....	—	-2	-8	-15	-23	-31	-79	-361

**Table S-6. Mandatory Proposals—Continued**  
(In millions of dollars)

	2008	2009	2010	2011	2012	2013	Total	
							2009-2013	2009-2018
Implement Rural Utilities Service Electric and Telecommunication Direct Loan legislative proposal: Federal Financing Bank Impact (third scorecard) .....	—	15	69	165	294	456	999	6,420
Morris K. Udall Scholarship Fund (third scorecard) ...	—	4	4	4	4	4	20	45
Total, Other Proposals and Indirect Effects.....	—	-860	-1,387	-2,513	-1,938	-2,172	-8,870	1,732
<b>Grand Total .....</b>	<b>-8</b>	<b>-17,127</b>	<b>-34,846</b>	<b>-44,982</b>	<b>-51,202</b>	<b>-29,813</b>	<b>-177,970</b>	<b>31,665</b>
Memorandum:								
Outlay Effects of Tax Extensions Assumed in Baseline: <sup>3</sup>								
Child Tax Credit extension .....	—	—	—	48	13,554	13,584	27,186	95,920
Earned Income Tax Credit: marriage penalty relief .....	—	—	—	-382	1,852	1,849	3,319	12,604
Total .....	—	—	—	-334	15,406	15,433	30,505	108,524

\* \$500 thousand or less.

<sup>1</sup> If enacted, the Administration would work to classify the receipts as discretionary offsets beginning in 2010.

<sup>2</sup> Represents total cost of SCHIP reauthorization, including SCHIP and Medicaid costs, as well as spending resulting from outreach grants.

<sup>3</sup> Affects both receipts and outlays. Only the outlay effect is shown here. For receipt effects, see Table S-7.

**Table S-7. Effect of Proposals on Receipts**  
(In millions of dollars)

	2008	2009	2010	2011	2012	2013	Total	
							2009-2013	2009-2018
<b>Economic growth package</b> .....	-125,000	-20,000	10,000	8,000	6,000	4,000	8,000	8,000
<b>Make Permanent Certain Tax Relief Enacted in 2001 and 2003 (assumed in the baseline):</b>								
Dividends tax rate structure .....	—	425	-5,554	-24,361	-4,616	-13,873	-47,979	-196,413
Capital gains tax rate structure .....	—	—	-4,094	-17,416	-3,683	-8,461	-33,654	-104,804
Expensing for small businesses .....	—	—	—	-4,160	-5,810	-4,288	-14,258	-26,537
Marginal individual income tax rate reductions .....	—	—	—	-75,160	-119,341	-123,794	-318,295	-1,007,667
Child tax credit <sup>1</sup> .....	—	—	—	-5,062	-20,357	-20,777	-46,196	-155,731
Marriage penalty relief <sup>1</sup> .....	—	—	—	-5,117	-7,715	-7,001	-19,833	-46,939
Education incentives .....	—	—	—	-738	-1,339	-1,413	-3,490	-11,540
Repeal of estate and generation-skipping transfer taxes, and modification of gift taxes .....	-422	-2,502	-3,453	-26,409	-57,639	-59,670	-149,673	-521,982
Other incentives for families and children .....	—	—	6	-364	-678	-678	-1,714	-5,157
Total, make permanent certain tax relief enacted in 2001 and 2003 .....	-422	-2,077	-13,095	-158,787	-221,178	-239,955	-635,092	-2,076,770
<b>Tax Incentives:</b>								
<b>Simplify and encourage saving:</b>								
Expand tax-free savings opportunities .....	—	1,527	3,545	3,023	1,075	-1,314	7,856	-592
Consolidate employer-based savings accounts .....	—	-80	-120	-132	-141	-150	-623	-1,484
Total, simplify and encourage saving .....	—	1,447	3,425	2,891	934	-1,464	7,233	-2,076
<b>Encourage entrepreneurship and investment:</b>								
Increase expensing for small businesses .....	—	-1,086	-1,495	-1,083	-851	-688	-5,203	-7,578
<b>Invest in health care:</b>								
Provide a new standard deduction for health insurance (\$15,000 for family coverage and \$7,500 for individual coverage) <sup>1</sup> .....	—	-23,002	-28,412	-22,680	-15,360	-4,692	-94,146	41,051
Expand and make health savings accounts (HSAs) more flexible .....	—	-420	-779	-931	-1,031	-1,123	-4,284	-11,511
Allow the orphan drug tax credit for certain pre-designation expenses <sup>2</sup> .....	—	—	—	—	—	—	—	—
Total, invest in health care .....	—	-23,422	-29,191	-23,611	-16,391	-5,815	-98,430	29,540

**Table S-7. Effect of Proposals on Receipts—Continued**  
(In millions of dollars)

	2008	2009	2010	2011	2012	2013	Total	
							2009-2013	2009-2018
<b>Provide incentives for charitable giving:</b>								
Permanently extend tax-free withdrawals from IRAs for charitable contributions.....	—	-300	-551	-434	-284	-211	-1,780	-3,321
Permanently extend the enhanced charitable deduction for contributions of food inventory .....	-44	-96	-106	-116	-127	-140	-585	-1,524
Permanently extend the deduction for corporate donations of computer equipment for educational purposes .....	-50	-118	-147	-154	-162	-170	-751	-1,838
Permanently extend increased limits on contributions of partial interests in real property for conservation purposes .....	-48	-35	-22	-18	-21	-22	-118	-245
Permanently extend basis adjustment to stock of S corporations contributing appreciated property ...	-3	-15	-21	-25	-28	-32	-121	-354
Reform excise tax based on investment income of private foundations .....	-105	-152	-152	-153	-154	-155	-766	-1,578
Total, provide incentives for charitable giving .....	-250	-716	-999	-900	-776	-730	-4,121	-8,860
<b>Strengthen education:</b>								
Permanently extend the above-the-line deduction for qualified out-of-pocket classroom expenses...	-18	-180	-183	-185	-188	-191	-927	-1,927
Allow the saver's credit for contributions to qualified tuition programs .....	—	-88	-183	-198	-213	-227	-909	-2,259
Total, strengthen education .....	-18	-268	-366	-383	-401	-418	-1,836	-4,186
<b>Strengthen housing:</b>								
Expand tax-exempt qualified mortgage bond program to assist subprime borrowers.....	-27	-116	-230	-305	-329	-331	-1,311	-2,687
<b>Protect the environment:</b>								
Permanently extend expensing of Brownfields remediation costs.....	-180	-501	-356	-343	-327	-284	-1,811	-2,870
Eliminate the volume cap for private activity bonds for water infrastructure .....	—	—	-3	-6	-10	-15	-34	-214
Total, protect the environment.....	-180	-501	-359	-349	-337	-299	-1,845	-3,084

**Table S-7. Effect of Proposals on Receipts—Continued**  
(In millions of dollars)

	2008	2009	2010	2011	2012	2013	Total	
							2009-2013	2009-2018
<b>Restructure assistance to New York City for continued recovery from the attacks of September 11th:</b>								
Provide tax incentives for transportation infrastructure .....	—	-200	-200	-200	-200	-200	-1,000	-2,000
Total, tax incentives.....	-475	-24,862	-29,415	-23,940	-18,351	-9,945	-106,513	-931
<b>Simplify the Tax Laws for Families:</b>								
Clarify uniform definition of a child <sup>1</sup> .....	—	6	30	38	17	23	114	275
Simplify EITC eligibility requirement regarding filing status, presence of children, and work and immigrant status <sup>1</sup> .....	—	35	-28	-26	-24	-23	-66	-181
Reduce computational complexity of refundable child tax credit <sup>1</sup> .....	—	—	—	—	—	—	—	—
Total, simplify the tax laws for families .....	—	41	2	12	-7	—	48	94
<b>Improve Tax Compliance:<sup>2</sup></b>								
Expand information reporting .....	—	302	1,333	2,227	2,960	3,653	10,475	35,756
Improve compliance by businesses .....	—	3	5	5	5	6	24	57
Strengthen tax administration .....	—	—	—	3	6	8	17	72
Expand penalties .....	—	—	—	—	—	1	1	6
Total, improve tax compliance .....	—	305	1,338	2,235	2,971	3,668	10,517	35,891
<b>Improve Tax Administration and Other Miscellaneous Proposals:</b>								
Implement IRS administrative reforms and extend IRS authority to fund undercover operations <sup>2</sup> .....	—	—	—	—	—	—	—	—
Increase transparency of the cost of employer-provided health insurance <sup>2</sup> .....	—	—	—	—	—	—	—	—
Equalize penalty standards between preparers and taxpayers .....	—	—	-1	-2	-2	-2	-7	-17
Eliminate the special exclusion from unrelated business taxable income for gain or loss on the sale or exchange of certain Brownfields .....	—	2	13	16	13	11	55	66
Limit related party interest deductions .....	—	64	109	115	120	126	534	1,267

**Table S-7. Effect of Proposals on Receipts—Continued**  
(In millions of dollars)

	2008	2009	2010	2011	2012	2013	Total	
							2009-2013	2009-2018
Repeal excise tax on local telephone service <sup>3</sup> .....	—	-248	-170	-118	-83	-79	-698	-1,076
Modify financing of the Airport and Airway Trust Fund <sup>3</sup> .....	—	—	-6,768	-7,106	-7,526	-7,909	-29,309	-75,594
Improve financing of the Inland Waterways Trust Fund <sup>3</sup> .....	—	109	119	127	159	126	640	1,015
Anticipated receipt of donations to the National Park Service through the National Park Centennial Challenge Fund.....	—	100	100	100	100	100	500	1,000
Increase fees for Migratory Bird Hunting and Conservation Stamps.....	—	14	14	14	14	14	70	140
Transition from the non-foreign cost-of-living adjustment to locality pay for employees in non-foreign areas .....	—	1	2	3	4	5	15	50
Total, improve tax administration and other miscellaneous proposals <sup>3</sup> .....	—	42	-6,582	-6,851	-7,201	-7,608	-28,200	-73,149
<b>Improve Unemployment Insurance:</b>								
Strengthen the financial integrity of the unemployment insurance system by reducing improper benefit payments and tax avoidance <sup>3</sup> .....	—	—	35	34	-107	-314	-352	-1,581
Extend unemployment insurance surtax <sup>3</sup> .....	—	1,079	465	—	—	—	1,544	590
Total, improve unemployment insurance <sup>3</sup> .....	—	1,079	500	34	-107	-314	1,192	-991
<b>Modify Energy Provisions:</b>								
Repeal reduced recovery period for natural gas distribution lines .....	—	20	73	114	110	89	406	580
Modify amortization for certain geological and geophysical expenditures .....	16	61	91	76	43	19	290	353
Total, modify energy provisions.....	16	81	164	190	153	108	696	933
<b>Promote Trade:</b>								
Implement free trade agreements and modify other trade-related provisions <sup>3</sup> .....	-86	-1,653	-2,319	-2,674	-2,408	-2,426	-11,480	-20,380
<b>Extend Expiring Provisions:</b>								
Minimum tax relief for individuals.....	-11,673	-60,908	14,216	—	—	—	-46,692	-46,692

**Table S-7. Effect of Proposals on Receipts—Continued**  
(In millions of dollars)

	2008	2009	2010	2011	2012	2013	Total	
							2009-2013	2009-2018
Research and experimentation tax credit .....	-3,221	-7,071	-9,145	-10,601	-11,809	-12,833	-51,459	-133,060
First-time homebuyer credit for the District of Columbia.....	-1	-20	-19	—	—	—	-39	-39
Deferral of gains from sales of electric transmission property .....	-31	-66	-61	-10	31	40	-66	30
New Markets tax credit .....	—	-132	-194	-191	-217	-231	-965	-1,287
Subpart F “active financing” exception.....	—	-1,598	-1,065	—	—	—	-2,663	-2,663
Subpart F “look-through” exception.....	—	-347	-231	—	—	—	-578	-578
Exception for retirement plan distributions provided individuals called to active duty for at least 179 days <sup>2</sup> .....	—	—	—	—	—	—	—	—
Disclosure of tax return information related to terrorist activity <sup>2</sup> .....	—	—	—	—	—	—	—	—
Disclosure of tax return information to the Department of Veterans Affairs <sup>2</sup> .....	—	—	—	—	—	—	—	—
Excise tax on coal <sup>3</sup> .....	—	—	—	—	—	—	—	1,387
Total, extend expiring provisions <sup>3</sup> .....	-14,926	-70,142	3,501	-10,802	-11,995	-13,024	-102,462	-182,902
<b>Total budget proposals, including proposals assumed in the baseline<sup>3</sup> .....</b>	-140,893	-117,186	-35,906	-192,583	-252,123	-265,496	-863,294	-2,310,205
<b>Total budget proposals, excluding proposals assumed in the baseline<sup>3</sup> .....</b>	-140,471	-115,109	-22,811	-33,796	-30,945	-25,541	-228,202	-233,435

<sup>1</sup> Affects both receipts and outlays. Only the receipt effect is shown here. For the outlay effect, see Table S-6.

<sup>2</sup> “Tax gap”-related proposals.

<sup>3</sup> Net of income offsets.

**Table S-8. Budget Summary by Category**  
(In billions of dollars)

	Estimate						
	2007 Actual	2008	2009	2010	2011	2012	2013
<b>Outlays:</b>							
<b>Discretionary:</b>							
Security .....	594	656	730	646	619	623	633
Non-security .....	448	481	482	455	440	432	429
Total, discretionary .....	1,042	1,137	1,212	1,100	1,059	1,056	1,062
<b>Mandatory:</b>							
<b>Social Security:</b>							
Current program .....	581	610	644	681	720	763	812
Personal accounts .....	—	—	—	—	—	—	30
Medicare .....	371	391	408	422	455	449	500
Medicaid and SCHIP .....	197	211	224	239	256	276	297
Other .....	302	338	360	368	387	378	395
Total, mandatory .....	1,451	1,551	1,636	1,711	1,818	1,866	2,034
Net interest .....	237	244	260	280	294	300	302
Total, outlays .....	2,730	2,931	3,107	3,091	3,171	3,222	3,399
Receipts .....	2,568	2,521	2,700	2,931	3,076	3,270	3,428
Deficit(-)/surplus(+) .....	-162	-410	-407	-160	-95	48	29
On-budget deficit .....	-343	-602	-611	-384	-335	-203	-201
Off-budget surplus .....	181	192	204	224	241	251	230



**Table S-9. Receipts by Source**  
(In billions of dollars)

	2007 Estimate						
	Actual	2008	2009	2010	2011	2012	2013
Individual income taxes .....	1,163.5	1,219.7	1,259.0	1,417.3	1,499.0	1,599.9	1,709.1
Corporation income taxes .....	370.2	345.3	339.2	338.9	356.8	391.3	379.8
Social insurance and retirement receipts .....	869.6	910.1	949.4	1,004.0	1,059.7	1,111.4	1,168.5
(On-budget) .....	(234.5)	(247.9)	(253.8)	(263.9)	(278.3)	(292.9)	(309.4)
(Off-budget) .....	(635.1)	(662.2)	(695.6)	(740.2)	(781.4)	(818.6)	(859.1)
Excise taxes .....	65.1	68.8	68.9	60.7	65.9	68.5	69.7
Estate and gift taxes .....	26.0	26.8	26.3	19.5	1.5	0.4	0.5
Customs duties .....	26.0	29.2	29.1	30.8	32.5	35.0	37.0
Miscellaneous receipts .....	47.8	46.3	47.9	50.0	53.2	57.4	59.5
Economic growth package .....	—	-125.0	-20.0	10.0	8.0	6.0	4.0
<b>Total receipts</b> .....	<b>2,568.2</b>	<b>2,521.2</b>	<b>2,699.9</b>	<b>2,931.3</b>	<b>3,076.4</b>	<b>3,269.9</b>	<b>3,428.2</b>
(On-budget) .....	(1,933.2)	(1,859.0)	(2,004.4)	(2,191.2)	(2,295.1)	(2,451.3)	(2,569.1)
(Off-budget) .....	(635.1)	(662.2)	(695.6)	(740.2)	(781.4)	(818.6)	(859.1)

**Table S-10. Comparison of Economic Assumptions**  
(Calendar years)

	Projections					Average 2008-2013
	2008	2009	2010	2011	2012	
<b>GDP (billions of current dollars):</b>						
2009 Budget .....	14,480	15,215	15,987	16,782	17,603	18,462
CBO January .....	14,330	14,997	15,812	16,651	17,453	18,243
Blue Chip Consensus January .....	14,449	15,150	15,906	16,705	17,551	18,428
<b>Real GDP (chain-weighted):</b> <sup>1</sup>						
2009 Budget .....	2.7	3.0	3.0	2.9	2.8	2.9
CBO January .....	1.7	2.8	3.5	3.4	2.9	2.8
Blue Chip Consensus January .....	2.2	2.7	2.8	2.9	2.9	2.7
<b>Chain-weighted GDP Price Index:</b> <sup>1</sup>						
2009 Budget .....	1.9	2.0	2.0	2.0	2.0	2.0
CBO January .....	1.9	1.8	1.8	1.8	1.9	1.9
Blue Chip Consensus January .....	2.1	2.1	2.1	2.1	2.1	2.1
<b>Consumer Price Index (all-urban):</b> <sup>1</sup>						
2009 Budget .....	2.7	2.1	2.3	2.3	2.3	2.3
CBO January .....	2.9	2.3	2.2	2.2	2.2	2.3
Blue Chip Consensus January .....	2.9	2.3	2.3	2.3	2.3	2.4
<b>Unemployment rate:</b> <sup>2</sup>						
2009 Budget .....	4.9	4.9	4.8	4.8	4.8	4.8
CBO January .....	5.1	5.4	5.1	4.8	4.8	5.0
Blue Chip Consensus January .....	5.0	5.0	4.8	4.8	4.8	4.9
<b>Interest rates:</b> <sup>2</sup>						
<b>91-day Treasury bills:</b>						
2009 Budget .....	3.7	3.8	4.0	4.1	4.1	4.0
CBO January .....	3.2	4.2	4.6	4.7	4.7	4.3
Blue Chip Consensus January .....	3.4	3.9	4.5	4.5	4.5	4.2
<b>10-year Treasury notes:</b>						
2009 Budget .....	4.6	4.9	5.1	5.2	5.3	5.1
CBO January .....	4.2	4.9	5.2	5.2	5.2	5.0
Blue Chip Consensus January .....	4.3	4.8	5.2	5.2	5.2	5.0

Sources: Congressional Budget Office (CBO); Blue Chip Economic Indicators, Aspen Publishers, Inc. January 2008 Blue Chip Consensus forecast for 2008 and 2009; Blue Chip October 2007 long-run extension for 2010-2013.

<sup>1</sup> Year-over-year percent change.

<sup>2</sup> Annual average, percent.

**Table S-11. Federal Government Financing and Debt**  
(Dollar amounts in billions)

	Estimate						
	2007 Actual	2008	2009	2010	2011	2012	2013
<b>Financing:</b>							
Unified budget deficit(-)/surplus(+)	-162	-410	-407	-160	-95	48	29
Financing other than borrowing from the public:							
Changes in:							
Treasury operating cash balance(-)	-23	30	-	-	-	-	-
Checks outstanding, etc. <sup>2</sup>	-2	-	-	-	-	-	-
Seigniorage on coins	1	1	1	1	1	1	1
Credit net financing disbursements(-):							
Direct loan financing accounts	-8	-10	-16	-15	-16	-17	-17
Guaranteed loan financing accounts	-9	-3	-5	-1	1	-2	-2
Net purchases of non-Federal securities by the							
National Railroad Retirement Investment Trust(-)	-3	-2	-*	*	*	*	1
Total, financing other than borrowing from the public	-44	17	-20	-15	-14	-18	-17
Total, requirement to borrow from the public	-206	-393	-428	-175	-109	30	12
Change in debt held by the public	206	393	428	175	109	-30	-12
<b>Changes in Debt Subject to Statutory Limitation:</b>							
Change in debt held by the public	206	393	428	175	109	-30	-12
Change in debt held by Government accounts	293	310	331	366	394	442	420
Change in other factors	2	*	2	1	2	2	2
Total, change in debt subject to statutory limitation	501	704	761	542	504	413	410
<b>Debt Subject to Statutory Limitation, End of Year:</b>							
Debt issued by Treasury	8,926	9,629	10,388	10,929	11,431	11,843	12,251
Adjustment for discount, premium, and coverage <sup>3</sup>	-4	-4	-2	-*	1	3	4
Total, debt subject to statutory limitation <sup>4</sup>	8,921	9,625	10,386	10,928	11,432	11,845	12,256

**Table S-11. Federal Government Financing and Debt—Continued**  
(Dollar amounts in billions)

	Estimate						
	2007 Actual	2008	2009	2010	2011	2012	2013
<b>Debt Outstanding, End of Year:</b>							
Gross Federal debt: <sup>5</sup>							
Debt issued by Treasury .....	8,926	9,629	10,388	10,929	11,431	11,843	12,251
Debt issued by other agencies .....	25	25	25	26	26	25	25
Total, gross Federal debt .....	8,951	9,654	10,413	10,954	11,456	11,868	12,276
Held by:							
Debt held by Government accounts .....	3,916	4,226	4,557	4,923	5,317	5,759	6,179
Debt held by the public <sup>6</sup> .....	5,035	5,429	5,856	6,031	6,140	6,110	6,097
As a percent of GDP .....	36.8%	37.9%	39.0%	38.2%	37.0%	35.1%	33.4%

\* \$500 million or less.

<sup>1</sup> A decrease in the Treasury operating cash balance (which is an asset) is a means of financing a deficit and therefore has a positive sign. An increase in checks outstanding (which is a liability) is also a means of financing a deficit and therefore also has a positive sign.

<sup>2</sup> Besides checks outstanding, includes accrued interest payable on Treasury debt, uninvested deposit fund balances, allocations of special drawing rights, and other liability accounts; and, as an offset, cash and monetary assets (other than the Treasury operating cash balance), other asset accounts, and profit on sale of gold.

<sup>3</sup> Consists mainly of Federal Financing Bank debt (which is not subject to limit), the unamortized discount (less premium) on public issues of Treasury notes and bonds (other than zero-coupon bonds), and the unrealized discount on Government account series securities.

<sup>4</sup> The statutory debt limit is \$9,815 billion, enacted on September 29, 2007.

<sup>5</sup> Treasury securities held by the public and zero-coupon bonds held by Government accounts are almost all measured at sales price plus amortized discount or less amortized premium. Agency debt securities are almost all measured at face value. Treasury securities in the Government account series are otherwise measured at face value less unrealized discount (if any).

<sup>6</sup> At the end of 2007, the Federal Reserve Banks held \$779.6 billion of Federal securities and the rest of the public held \$4,255.5 billion. Debt held by the Federal Reserve Banks is not estimated for future years.

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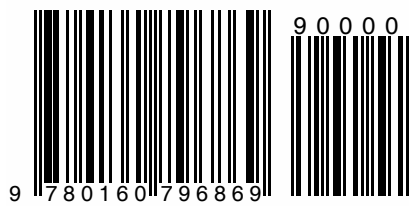
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