

FISCAL YEARS 2001-2009

ACCOMPLISHMENTS AND RESULTS



OFFICE OF MANAGEMENT AND BUDGET

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OVERVIEW

Promoted Economic Growth and Fiscal Responsibility in the Face of Unprecedented Challenges

- Provided significant tax relief despite unprecedented challenges including entering an economic recession which resulted in part from the bursting of the “dot-com” bubble, as well as the September 11 terrorist attacks, and the corporate accounting scandals.
- Sought to strengthen Social Security for future generations by supporting progressive indexing and establishing a bipartisan social security commission.
- Achieved nearly \$40 billion in savings over five years through the Deficit Reduction Act.

Reprioritized Federal Spending and International Assistance in Light of Unforeseen Events

- Led in the Global War on Terror while transforming the U.S. military to fight a different kind of war against an enemy that utilizes asymmetric tactics.
- Restored our nation’s military strength by increasing the budget of the Department of Defense by 73 percent in addition to the resources provided to support defense and intelligence activities in the Global War on Terror, predominantly in Iraq and Afghanistan.
- Cared for the All-Volunteer Force, veterans and their families by providing a high quality of life for servicemembers and their families and doubling annual funding for the Defense Health Program and VA medical care.
- Strengthened recruitment and retention of the All-Volunteer Force; ensured that servicemembers had the best training and equipment available as they went into combat; and, if wounded in action, the finest treatment and rehabilitation.
- Protected the Homeland by creating the Department of Homeland Security; securing borders and increasing immigration enforcement, improving immigration services; strengthening transportation and port security; providing critical funding to state and local governments; combating the threat of chemical/biological/radiological/nuclear weapons; improving FEMA’s operational capabilities; and enhancing cyber security and improved information sharing.
- Established a new era in development assistance by increasing funding to historic levels and creating a number of new programs enforcing the principle that aid is most effective when it reinforces good governance, economic freedom and investments in people, including the President’s Emergency Plan for AIDS Relief (PEPFAR) and the President’s Malaria Initiative (PMI).

Limited the Growth of Non-Security Spending, While Focusing on Key Priorities

- Limited the overall size of the Federal Government by restraining non-security spending, simultaneously focusing on key priorities and limiting non-security spending growth to 3 percent, slightly above the rate of inflation.
- Increased the number of resources devoted to the passage of No Child Left Behind, established the Helping America’s Youth Initiative and reforming Pell Grants.

- Challenged Congress to cut the number and cost of earmarks in half. Although Congress did not meet this goal, it reduced the number and cost of earmarks by 15 percent and 13 percent, respectively, in 2008 compared to 2005.
- Issued an Executive Order that directed Federal agencies to ignore future earmarks that were not voted on by Congress and that were contained only in report language, beginning with the 2009 appropriation bills. As a result, the number of earmarks in 2009 will be 40 percent lower than the 2008 level, barring further congressional action after the President leaves office.
- Highlighted the problem of excessive earmarks and provided information about earmarks to the taxpayer by creating www.earmarks.omb.gov.
- Expanded and improved Health Savings Accounts (HSAs).
- Provided comprehensive pension reform through the Pension Reform Act.

Made Common Sense Reforms to Entitlements

- Proposed sensible reforms to Entitlements by signing into law the Medicare Prescription Drug, Improvement, and Modernization and Improvement Act of 2003 (MMA).
- Improved and achieved savings in programs by reforming Federal Student Loan Programs, and the Farm Bill.

Managed For Results

- Established official Federal policy to spend taxpayers' money effectively, and more effectively every year, improved Federal agencies' ability to spend funds effectively and established mechanisms to hold agencies accountable for how they spend tax dollars.
- Launched the President's Management Agenda (PMA) which focused on the most significant opportunities to improve performance including Human Capital Management, Financial Performance, Competitive Sourcing, Expanding Electronic Government, and Budget and Performance Integration.
- Expanded electronic government by establishing clear investment and management guidelines for all IT spending, identified the opportunities to consolidate or eliminate duplicative Federal IT systems, and defined the standards that must be met to secure all its systems and data.

Improved the Quality of Federal Regulations

- Increased effectiveness and accountability of the federal regulatory system by adopting good rules, modify existing rules to make them more effective and less costly, and rescind outmoded rules whose benefits did not justify their costs.
- Made the regulatory process more transparent, so that regulatory agencies could be held accountable for the rules they issued, and engaged international trading partners to share best practices.

PROMOTED ECONOMIC GROWTH AND FISCAL RESPONSIBILITY IN THE FACE OF UNPRECEDENTED CHALLENGES

“On principle, our tax code should reward hard work and overtime by men and women struggling to enter the middle class. Right now they face some of the highest marginal rates in the tax code. So we lower those rates to encourage their dreams.”

*President George W. Bush
March 17, 2001*

The President took office just as the Nation was entering an economic recession, which resulted in part from the bursting of the “dot-com” bubble. In addition, several unprecedented challenges, which were outside the Administration’s control, arose during the President’s first five years in office. First were the horrific terrorist attacks on American soil on September 11, 2001. Then, there were large and devastating corporate accounting scandals. Finally, there was the disastrous damage along the Gulf Coast caused by Hurricane Katrina. All of these events hurt the Nation’s economy and had negative implications for the Government’s fiscal position. Nevertheless, the President successfully addressed these challenges while simultaneously providing significant tax relief for all Americans.

PROVIDED TAX RELIEF TO RESTORE GROWTH

The President’s tax relief efforts were intended to allow all hard-working Americans to keep a greater portion of their income and to increase returns to entrepreneurship and investment. Every American who paid income taxes got a tax cut, and 6 million Americans were removed from the tax rolls altogether. Under the President’s leadership, tax rates were cut for individual incomes, capital gains, dividends, estates and gifts. Also under the President’s leadership, the child tax credit was doubled, the marriage tax penalty was reduced, retirement and education saving was rewarded, and incentives were created for small business investment.

The President’s tax relief efforts succeeded in getting the economy back on track, which improved the Government’s finances despite the unprecedented challenges caused by the September 11th terrorist attacks, the ensuing Global War on Terror, and the corporate accounting scandals. From the time the President’s tax relief efforts were fully implemented in 2003 and continuing through 2007, the Nation’s economy created more than 8.3 million jobs. With the housing market downturn and the broader economic slowdown of 2008, the Nation’s economy has recently lost jobs. Nevertheless, the President’s pro-growth tax policies strengthened the economy and led to uninterrupted economic growth for more than six years.

Near-Term Economic Challenges Remain

By the time the President took the oath of office in January 2001, the budget surpluses of the 1990s were already disappearing. The recession the President inherited, followed by the economic shocks and terrorist attacks of 2001 and the costs of waging the war on terror to keep Americans safe eliminated those surpluses. When the President arrived, the 2001 budget had been projected to show a surplus of \$184 billion. By 2002 the country faced a deficit of \$158 billion, and by 2004, the deficit reached \$413 billion or 3.6 percent of GDP.

As the President's pro-growth policies helped get the economy moving again, tax revenues rebounded. Even while Americans kept more of their hard earned dollars through the 2001 and 2003 tax cuts, revenues returned to the historic average. Combined with spending discipline, this allowed the Bush Administration to begin reducing the deficit. In 2004, the President set a goal of cutting the deficit in half in five years. Even with the added costs of Hurricane Katrina and the continuing costs of war, he achieved that goal three years early, when in 2006 the deficit fell to \$248 billion or 1.9 percent of GDP.

The following year, the President set an even more ambitious goal: to balance the budget by 2012. And in 2007 the deficit fell to \$162 billion which was equal to 1.2 percent of GDP or less than half of the 40-year deficit average of 2.4 percent and exceeded the pace required to achieve his new goal. Unfortunately, the economic slowdown in early 2008 forced the President to shelve those plans, supporting a \$150 billion bipartisan stimulus package, and as a result, the deficit grew from \$162 billion to \$455 billion in 2008.

At the creation of this document, an updated projection for the 2009 deficit has not yet available. However, the financial crisis that hit in the fall of 2008 is expected to cause the deficit to rise, as tax revenues continue to decline and mandatory spending on unemployment compensation, Medicaid, and food stamps continues to grow. Further, the financial rescue package Congress passed in the fall of 2008 has already added \$191 billion to the deficit in the first two months of the fiscal year, and could eventually increase the deficit by as much as \$700 billion. However, this \$700 billion is an artificial increase, since most economists believe that most of the costs of the rescue plan will one day be recovered as the assets the government purchases are eventually sold – possibly with a profit.

Even so, the size of the 2009 deficit will grow significantly. Yet those costs are nothing compared to the deficits that would have resulted if our government had not taken bold action to rescue the economy. As the economy recovers, revenues will begin growing again, mandatory spending will return to normal levels, and the costs of the financial rescue plan will begin to be recouped.

Long-Term Economic Challenges Remain

The President also took on the challenge of the unsustainable growth in the costs of entitlement programs.

The President's budgets included sensible reforms for Social Security, Medicare, and Medicaid to ensure these programs would be there for future generations. For example, in his 2006 budget the President proposed \$12.8 billion in savings from Medicaid and SCHIP over five years to curb abuses and overpayments, and ensure that those intended to receive these resources continue to benefit. In 2007, he proposed \$37.4 billion in savings from Medicare, Medicaid and SCHIP. In 2008, he proposed \$72.8 billion in savings from Medicare, Medicaid and SCHIP. And in 2009, he proposed \$178 billion in Medicare savings. Each of these proposals, together with other reforms the Administration put forward, would have slowed the average annual rate of growth in these programs and would have helped to make them more sustainable for future

generations. However, Congress failed to enact most of the needed reforms the Administration proposed.

Despite these setbacks, the President did achieve a significant legislative success with the passage of Deficit Reduction Act of 2005 – the first reconciliation bill to reduce mandatory spending in a decade. This law reduced the annual growth of mandatory spending and will save approximately \$22.7 billion over five years.

In his 2008 State of the Union Address, the President sounded a final warning about the cost of runaway entitlement spending: “Every Member in this chamber knows that spending on entitlement programs like Social Security, Medicare, and Medicaid is growing faster than we can afford. And we all know the painful choices ahead if America stays on this path: massive tax increases; sudden and drastic cuts in benefits; or crippling deficits.” Unfortunately, because of Congress’ inaction, America remains on this unsustainable path – and the choices left to future congresses and future presidents will grow more painful with each passing year.

SOUGHT TO STRENGTHEN SOCIAL SECURITY FOR FUTURE GENERATIONS

Supported Progressive Indexing

The President supported a bipartisan approach to reform and embraced the idea of progressive indexing as part of a solution to restore the system to sustainable solvency. Progressive indexing would allow future retirees to receive higher benefits than today's retirees receive, while allowing benefits for low earners, who rely most heavily on Social Security, to grow at a faster rate.

Under progressive indexing, the highest earners would have benefits indexed to inflation, while lower income workers would have benefits indexed to wage growth and middle earners indexed at a ratio of the two. Indexing some benefits to prices rather than wages constrains cost growth; this reform alone would address approximately two-thirds of the funding problems facing Social Security.

Established a Bipartisan Social Security Commission

In 2001, President Bush announced establishment of a bipartisan, 16-member Commission "to study and report specific recommendations to preserve Social Security for seniors while building wealth for younger Americans." The commission’s final report contained three models for reform that advanced the debate over how to modernize and restore fiscal soundness to Social Security. The model reform plans were developed using six guiding principles:

- Modernization must not change Social Security benefits for retirees or near-retirees.
- The entire Social Security surplus must be dedicated only to Social Security.
- Social Security payroll taxes must not be increased.
- The government must not invest Social Security funds in the stock market.

- Modernization must preserve Social Security’s disability and survivors’ insurance programs.
- Modernization must include individually controlled, voluntary personal retirement accounts, which will augment Social Security.

President Bush led the debate on how to solve the projected Social Security shortfall and embraced reforms that would have vastly reduced the burdens facing our children and grandchildren, but Congress failed to act.

ACHIEVED SIGNIFICANT SAVINGS THROUGH THE DEFICIT REDUCTION ACT

The DRA helped restrain Medicaid spending by reducing Federal overpayment for prescription drugs so that taxpayers do not pay inflated markups. The bill also gave governors more flexibility to design Medicaid benefits that efficiently and affordably meet their states' needs, and tightens the loopholes that allowed people to game the system by transferring assets to their children so they can qualify for Medicaid benefits. Overall, DRA provisions resulted in Medicaid savings of nearly \$5 billion over five years.

The Deficit Reduction Act of 2005 yielded the most significant savings in entitlement programs since 1997. Signed by the President on February 8, 2006, the Act produced savings of nearly \$40 billion over five years. The savings resulted primarily from reducing the growth in Medicaid and student loans. By slowing the rate of growth in the Government’s one of the two largest health care programs, the Act took a step toward reining in long-term entitlement costs.

REPRIORITIZED FEDERAL SPENDING IN LIGHT OF UNFORESEEN EVENTS

“[W]ar came to our shores on September the 11th, 2001. It was a war we did not ask for, it’s a war we did not want, but it is a war that I intend to deal with so long as I’m your President.”
President George W. Bush
April 6, 2008

In response to the September 11, 2001 terrorist attacks, the United States struck back at the terrorists and those that harbored them. This response was different from how the military trained for 50 years – the Services transformed for the fight and responded effectively to evolving and adaptive enemies. The Department of Defense (DoD) enhanced irregular and joint warfighting capabilities, while the Intelligence Community (IC) improved its intelligence-gathering capabilities and partnered with the Department of Homeland Security to combat cybersecurity threats. DoD and the Department of Veterans Affairs (VA) worked closely together to improve and coordinate programs for servicemembers, their families, and veterans.

WAGED THE GLOBAL WAR ON TERROR AND TRANSFORMED THE MILITARY

As a nation at war, one of this Administration’s top priorities was to ensure our servicemembers had the resources necessary to fight and succeed. Since 2001, the President supported a 73 percent increase in the DoD budget, as well as about \$800 billion to support

defense and intelligence activities in the Global War on Terror, predominantly in Iraq and Afghanistan.

In Iraq, the U.S.-led coalition removed a dictator, freeing more than 25 million Iraqis, and established a democratically governed state in the heart of the Middle East. The Iraqi people have the most progressive constitution in the Arab world and Iraq has become an ally in the war on terror. When violent extremists increased their efforts to resist progress, the President ordered a new strategy supported by a surge in U.S. forces, who partnered with Iraqi tribal leaders and dramatically reduced violence and allowed political and economic progress to take place. To ensure long-term success, the U.S. and coalition partners trained and equipped about 566,000 Iraqi military personnel and police to assume responsibility for security.

In Afghanistan, the U. S. and our allies removed the regime that harbored the terrorists who plotted the September 11th attacks. As a result, 33 million Afghans are free; the terrorist training camps have been shut down; and Afghanistan has become an ally in the war on terror. Fighting for survival, the Taliban and al Qaeda have stepped up attacks. In response to this heightened activity, the United States is increasing its military and civil efforts to support this young democracy and have, to date, trained and equipped over 150,000 Afghans to serve in their military and police.

Developed Capabilities to Meet Future Threats

When President Bush took office, the military was largely organized as it was during the Cold War. This Administration transformed the U.S. military to fight a different kind of war, with an enemy that utilized asymmetric tactics, and provided them with the tools they need to keep our Nation safe.

Since 2001, President Bush:

- Transformed the U.S. military command structure by developing a new national defense strategy and establishing or reorganizing military commands to secure the globe and conduct operations more effectively, transform the military, protect the homeland, defend against long-range attack, and engage in Africa.
- Expanded and reorganized the ground forces by increasing America's ground forces by nearly 100,000 troops and developed the National Guard as an operational reserve. 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.
- Built global partnership capacity by enhancing efforts to train and equip allies, and provide security and stabilization in collaboration with the Department of State, thereby reducing the demand for U.S. forces.
- Aligned infrastructure and requirements by implementing an independent Base Realignment and Closure review to identify excess infrastructure and redirect resources to address today's threats to national security, and undertook the most comprehensive

restructuring of U.S. military forces overseas since the end of the Korean War by relocating 60,000-70,000 troops to the U.S.

- Improved technology to support U.S. troops by developing tools to transform the way U.S. forces fight, such as more survivable tactical vehicles; multiple unmanned aerial vehicles; and methods to detect and combat improvised explosive devices.
- Improved intelligence gathering by establishing a more unified, collaborative Intelligence Community (IC), led by the Director of National Intelligence, to improve coordination with law enforcement.
- Protected the homeland as DoD and the IC developed capabilities to protect U.S. territory, citizens, and key infrastructure from the air, land, sea, space and cyberspace, as they:
 - Combated weapons of mass destruction (WMD) by establishing the Proliferation Security Initiative and coalitions to stop WMD proliferation and strengthen our ability to locate and secure nuclear and radiological materials worldwide.
 - Improved missile defense by activating and sustaining an initial Missile Defense system and made agreements with the Czech Republic and Poland to host missile defense sites that will help protect America and our allies.
 - Enhanced cybersecurity by forging a new, comprehensive cybersecurity policy to improve the security of the Federal Executive Branch and military computer systems, and made protecting these systems a national priority.

Cared for the All-Volunteer Force, Veterans and Their Families

President Bush was committed to providing a high quality of life for servicemembers and their families given the sacrifices they have been asked to make. The Administration strengthened recruitment and retention of the all-volunteer force; ensured that servicemembers had the best training and equipment available as they went into combat; and, if wounded in action, the finest treatment and rehabilitation.

Since 2001, President Bush:

- Prioritized health care for servicemembers and veterans by doubling annual funding for the Defense Health Program and VA medical care. Worked with VA to dedicate more than a billion dollars to support research and treatment for traumatic brain injury and post-traumatic stress disorder. Oversaw reforms including those recommended by the President's Commission on Care for America's Returning Wounded Warriors.
- Improved compensation by raising military pay by nearly 38 percent and more than doubled special pays and bonuses for servicemembers deployed in support of Operations Iraqi Freedom and Enduring Freedom.

- Improved DoD-VA coordination by ensuring more efficient delivery of services and benefits to active and separated servicemembers and their families.
- Improved housing by replacing, via privatization or military construction, 97 percent of all inadequate domestic military family housing units.
- Expanded education benefits by signing into law a GI Bill for the 21st Century that significantly enhanced benefits and made it easier for those who defend our Nation to transfer unused education benefits to their spouses or children.
- Combated homelessness by expanding grants to help homeless veterans in all 50 states, decreasing the number of homeless veterans by nearly 40 percent.

PROTECTED THE HOMELAND

In response to the terrorist attacks of September 11th, 2001, the Administration initiated a number of critical actions to strengthen the security of our homeland. Significant accomplishments include major steps to finally secure our land, air and sea borders, expanding interior immigration enforcement and removing millions of illegal immigrants, strengthening Federal, state and local disaster preparedness and response capabilities to address a wide-range of disasters, and developing processes and providing funding to help safeguard the Nation's critical infrastructure. A few noteworthy achievements are highlighted below:

Created a Department of Homeland Security

The Administration merged 22 disparate Federal agencies, offices, and programs with over 180,000 employees, into a new single cabinet agency dedicated to homeland security and nearly tripled government-wide funding in support of homeland security. The creation of the Department of Homeland Security (DHS) represented the largest government reorganization in 50 years. In the nearly six years since DHS was established extraordinary progress has been made to secure our nation. Under President Bush's leadership DHS has been transformed from a fledgling group of agencies struggling to breakdown stovepipes to an integrated Department that is able to coordinate across multiple missions and leverage valuable resources to minimize terrorist risks to our country.

Secured Borders and Increased Immigration Enforcement

President Bush increased funding for border security and immigration enforcement by more than 160 percent since 2001. By the end of his Administration, the number of Border Patrol agents will have doubled to more than 18,000. Over 400 miles of both vehicle and pedestrian fence now protect our borders and the Secure Border Initiative is leveraging technology to further enhance the security of the nearly 5,000 miles along the northern and southern borders of the U.S. Additionally, the troubling practice of "catch and release" of illegal immigrants was ended at our borders and funding has been provided for 33,000 detention beds to maintain the new policy of "catch and return". There have been nearly 2 million removals and an increase in worksite enforcement activities have resulted in over 19,500 arrests since 2001.

Improved Immigration Services

When Congress failed to pass comprehensive immigration reform, the President took action to improve a variety of immigration services and delivery of immigration benefits. Use of E-Verify, the Immigration Enforcement Mechanism has increased from 1,000 users in 2001 to nearly 100,000 U.S. employers registered as program users with over 6 million queries run in FY 2008. Improvements in information sharing and data quality have resulted in over 96 percent of all E-Verify queries being verified within seconds making it easier than ever before for U.S. employers to maintain a legal workforce. Additionally, reforms were made to streamline existing temporary worker programs, making it easier for U.S. employers to hire the labor they need when no Americans are available, while also providing for appropriate labor protections for workers.

Strengthened Transportation and Port Security

Following the events of 9/11, the Transportation Security Administration was created to protect the nation's transportation systems to ensure freedom of movement for people and commerce. For the first time, 100 percent of airline passengers and checked baggage is screened in a standard and secure manner. Additionally, our nation's marine transportation system was strengthened with grants being provided to enhance the physical security of our seaports. The multiple watchlists that were in place prior to 9/11 were replaced with a single, consolidated watchlist, and biometrics were incorporated in screening and identifying individuals entering our country. Under this Administration, US-VISIT was created to screen foreign travelers and prevent terrorists from entering America.

Provided Critical Funding to State and Local Governments

More than \$27 billion in homeland security grants have been provided to cities and States to bolster response capabilities, improve information sharing, and protect critical infrastructure, such as chemical and nuclear facilities. This funding also supported the development of interagency response plans to ensure clear lines of communication and responsibility in the event of a future attack or disaster.

Combated Threat of Chemical/Biological/Radiological/Nuclear Weapons

The Domestic Nuclear Detection Office was established to enhance the nuclear detection efforts and to ensure a coordinated response to such threats. Additionally, a new air monitoring system was created to combat the threat of a biological or chemical release and is currently operating in 30 American cities. Nearly 100 percent of cargo containers that arrive at America's ports are screened for radiological and nuclear threats and the people who load and unload those containers are credentialed through a special program. The Administration also increased America's stockpile of vaccines and antibiotics to prepare our Nation for a biological attack or other health emergency and provided funding to HHS to develop additional novel medical countermeasures against biological, chemical, nuclear or radiological threats.

Improved FEMA's Operational Capabilities

Updates were made to IT and logistics system vital to FEMA's ability to effectively perform their role in disaster preparedness and response. Organizationally, FEMA has also strengthened its regional capabilities and hired full-time professionals to management disaster operations and response. Additionally, since Hurricane Katrina, regional strike teams have been established to improve coordination and delivery of key services.

Enhanced Cyber Security and Improved Information Sharing

Responding to the growing threat to the Nation's information systems, DHS stood up the US Computer Emergency Readiness Team (USCERT) that is coordinating defense against and response to cyber attacks on Federal Government networks. Additionally, the implementation of information sharing and warning mechanisms, such as the Homeland Security Advisory System, are helping Federal, State, local, and private authorities to take action to prevent attacks and protect potential targets. Information sharing improvements have significantly increased the number of positive encounters (database hits) the FBI's Terrorist Screening Center has found through multiple Federal screening processes from approximately 5,300 hits in 2004 to over 21,000 in 2007.

Under the President's leadership, our nation is better prepared to defend our country against a wide variety of threats, both natural and man-made. His Administration has worked diligently to ensure that the necessary resources to safeguard our nation are provided and prioritized in order to successfully prevent, protect against, and respond to and recover from incidents.

REPRIORITIZED INTERNATIONAL ASSISTANCE IN LIGHT OF UNFORESEEN EVENTS

"We fight against poverty because hope is an answer to terror. We fight against poverty because opportunity is a fundamental right to human dignity. We fight against poverty because faith requires it and conscience demands it. And we fight against poverty with a growing conviction that major progress is within our reach."

*President George W. Bush
March 22, 2002*

President Bush recognized that a successful foreign policy not only required a reallocation and more efficient use of military and homeland security resources, but also required changes to how the United States delivered international assistance. In an increasingly connected world, President Bush believed that global prosperity could be enhanced when the United States provides effective aid.

ESTABLISHED A NEW APPROACH TO INTERNATIONAL DEVELOPMENT

The Bush Administration ushered in a new era in development assistance by doubling funding and transforming the way it is delivered. For the first time, governments that accept

U.S. assistance are held accountable for making democratic and economic reforms to increase transparency, strengthen their economies, improve the lives of their citizens, and ultimately decrease their dependence on aid.

Since taking office, President Bush has established a number of new programs enforcing the principle that aid is most effective when it reinforces good governance, economic freedom and investments in people, including:

- The President's Emergency Plan for AIDS Relief (PEPFAR) is the largest commitment by any nation to combat a single disease in human history. As of September 30, 2008, PEPFAR supported life-saving treatment for more than 2.1 million people and care for about 10 million people worldwide. The program was reauthorized in 2008 and over the next five years will support treatment for at least three million people and the prevention of 12 million new infections.
- The President's Malaria Initiative (PMI) is on track to reduce malaria deaths by half in 15 targeted countries across Sub-Saharan Africa. In 2007 alone, the PMI reached more than 25 million people with lifesaving treatment and prevention services, and this good work continues.
- America is the largest contributor to the Global Fund To Fight HIV/AIDS, Tuberculosis, And Malaria. America also expanded an initiative to treat more than 300 million people in Africa, Asia, and Latin America suffering from neglected tropical diseases.
- The results-based Millennium Challenge Corporation (MCC) represents a new way of effectively delivering aid to those countries that govern justly, support economic freedoms, and invest in their people. MCC uses third party country performance indicators to annually select a list of countries eligible to submit proposals for five-year MCC grants, known as compacts. Since FY 2004, MCC has signed 19 compacts totaling \$6.3 billion and 20 threshold agreements totaling approximately \$440 million to help countries improve performance specific indicators.
- The African Growth and Opportunity Act (AGOA) was extended. AGOA assists African countries in building their exports while creating markets for U.S. exports. The African Financial Sector Initiative encouraged the financial community to create several new private equity funds, which helped mobilize approximately \$1.3 billion in private investment for Africa.

INCREASED INTERNATIONAL AID FUNDING TO HISTORIC LEVELS

President Bush also significantly increased funding for critical economic and humanitarian assistance programs, particularly in Africa. This contributed not only to reduced levels of abject poverty, but also strengthened international coalitions fighting poverty.

Under President Bush, the United States provided more Official Development Assistance (ODA) than any country in history, including nearly \$22 billion in 2007. President Bush also has more than doubled ODA and reversed a forty year decline in U.S. ODA as a percentage of GDP.

President Bush doubled U.S. Aid to Africa by 2004 and put the United States on a path to double it again by 2010. President Bush also increased the number of Peace Corps volunteers to its highest level in 37 years.

During this Administration America led the world in providing food aid and natural disaster relief. In addition to feeding the hungry, the United States helped lead relief efforts after the Southeast Asian tsunami, the cyclone in Burma, and the recent tropical storms that devastated Caribbean and Central American countries.

The United States is the largest provider of 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 lead the international community in resettling refugees.

The Bush Administration dramatically increased funding to send children in the developing world to school through programs such as the African Education Initiative. This initiative increased education opportunities for more than 34 million children.

President Bush transformed America's Diplomatic Presence Overseas, constructing 64 new secure overseas diplomatic facilities, repositioning staff overseas to higher priority locations, and developed an active response corps within the State Department to deploy quickly and respond to crises.

HELPED SPREAD DEMOCRACY AND IMPROVE GLOBAL SECURITY

President Bush also invested in programs to help promote freedom around the world.

The President has nearly doubled funding for democracy, governance, and human rights programs since taking office. This funding has fostered the growth of independent media, pluralist political parties, voter education, election monitoring, and women's rights.

More than 50 million people have been freed in Iraq and Afghanistan from brutal dictators. The United States has also invested over \$35 billion in foreign economic assistance to these countries to build governing capacity, grow the economy, and strengthen democratic institutions.

President Bush launched the Global Peacekeeping Operations Initiative to help countries deploy trained and capable peacekeepers around the world. The program is on path to reach its goal of 75,000 trained peacekeepers by 2010. Over 70 percent of the individuals trained under GPOI in Africa deploy on United Nations or other peacekeeping operations.

The Administration has increased funding for the Broadcasting Board of Governors (BBG) by more than 50 percent to promote freedom and democracy through multi-media communication of accurate and objective news and information about the United States and the world to audiences overseas and by serving as an example of a free and professional press. The

combined audience for all BBG broadcasts has increased from 100 million to more than 175 million weekly since September 11, 2001.

President Bush launched the Merida Initiative in 2007 to help leaders in Mexico and Central America address common security concerns, including enhancing government capacity to combat drug trafficking and transnational organized crime and improving the rule of law. This Multi-year initiative will strengthen cooperation between the United States, Mexico, and Central American States in fighting crime.

LIMITED THE GROWTH OF NON-SECURITY SPENDING, WHILE FOCUSING ON KEY PRIORITIES

“Just as we trust Americans with their own money, we need to earn their trust by spending their tax dollars wisely. Next week, I'll send you a budget that terminates or substantially reduces 151 wasteful or bloated programs, totaling more than \$18 billion. The budget... will keep America on track for a surplus in 2012. American families have to balance their budgets; so should their government.”

*President George W. Bush
January 28, 2008*

The President has sought to limit the overall size of the Federal Government by restraining non-security spending, yet simultaneously focusing on key priorities. Non-security spending growth has been limited to 3 percent, slightly above the rate of inflation. The President's commitment to education resulted in an increase in resources devoted to improving..... Through the passage of No Child Left Behind and the establishment of the Helping America's Youth Initiative and reforming Pell Grants.

REFORMED EDUCATION WITH NO CHILD LEFT BEHIND AND OTHER INITIATIVES

President Bush transformed the Federal government's approach to education through the No Child Left Behind Act, which brought greater accountability to schools, options to parents of children in underperforming schools, and results to students. Since No Child Left Behind took effect, test scores have risen, accountability has increased, and we have begun to close the achievement gap between white and minority students. President Bush also increased funding for the Pell Grant program to help make college affordable for more American students.

Since 2001, President Bush has held public schools accountable for producing results for all students, insisted on the implementation of research-based instructional practices, and required highly-qualified teachers in every classroom. He ensured that States set standards to make certain that students could read and do math at grade level, and held schools accountable if they did not meet these standards. President Bush also increased the percentage of highly-qualified teachers in classrooms from 87 percent in the 2003-2004 school year to 94 percent in the 2006-2007 school year. He created the \$100 million Teacher Incentive Fund, which rewards teachers who improve student achievement in high-need school districts.

The President's policies have raised reading and math scores and narrowed the achievement gap between white and minority students. His policies helped fourth-grade students achieve their highest reading and math scores on record and eighth-grade students achieve their highest math scores on record. The percentage of first-grade students reading at grade level increased in 44 of 50 States. African-American and Hispanic students posted all-time highs in several categories on national assessments.

President Bush strengthened the commitment to ensure that low-income individuals have access to postsecondary education. He nearly doubled funding to the effective Pell Grant program from \$8.8 billion to \$16.4 billion and raised the maximum award to the highest level ever (\$4,800), and helped 5.6 million Americans realize the benefit of a postsecondary education this year.

The Helping America's Youth (HAY) initiative, led by First Lady Laura Bush, raises awareness about the needs of at-risk youth. The initiative focuses on connecting youth with caring adults in their communities and improving communities, schools, and families for these children. In October 2005, Mrs. Bush hosted The White House Conference on Helping America's youth, which brought together over 500 parents, community leaders, researchers, and educators to discuss challenges facing youth and best practices to overcoming those challenges.

ENCOURAGED CLEAN ENERGY PRODUCTION

The President encouraged the development of a new generation of clean energy technologies. Under his Advanced Energy Initiative and other programs, the Administration committed nearly \$18 billion to promote new ways of powering our automobiles and generating electricity, such as biofuels, hydrogen fuel cells, nuclear power, and wind and solar energy. The President provided more than \$3.5 billion to research, develop, and demonstrate clean coal technologies and fulfilled the President's 10-year, \$2 billion commitment to the Coal Research Initiative three years early. The President dedicated \$1.2 billion for his Hydrogen Fuel Initiative to advance hydrogen fuel and vehicle research and development, and over \$600 million for the Nuclear Power 2010 Program, a partnership with industry to encourage the construction of new nuclear plants in the United States. The President also helped assure the future of nuclear energy by successfully filing an application with the Nuclear Regulatory Commission to license a nuclear waste repository at Yucca Mountain, Nevada, a site approved by the Congress in 2002.

The President signed legislation giving the Department of Energy the authority to provide up to \$67.5 billion in loans and loan guarantees to help support innovative energy projects for reducing greenhouse gas or air pollutant emissions and for retooling auto plants to produce more efficient vehicles. The President also supported tax incentives that helped industry to increase wind energy production by more than 400 percent since 2001, double the United States' solar energy capacity between 2000 and 2007, and grow solar installations by more than 32 percent in 2007 alone.

To protect the Nation from major oil supply disruptions, the President added over 125 million barrels of oil to the Strategic Petroleum Reserve, and dedicated funds to continue to fill

the Reserve to its current 727 million barrel capacity and to begin to expand the Reserve to 1 billion barrels, as required by the Energy Policy Act of 2005.

The President took a number of steps to facilitate an increase in domestic oil and gas production. In 2008, he lifted the Executive prohibition on oil and gas development in certain offshore areas, and then working with Congressional Republicans successfully pressured Congress to remove its ban on offshore exploration. These Outer Continental Shelf areas previously under moratoria now have the potential to produce billions of barrels of oil. The year before, he signed legislation opening up new areas in the Gulf of Mexico as well. The President has also advocated for other sources of domestic production, such as oil shale, which now has the potential for commercial development under new regulations completed in 2008.

PROMOTED ECONOMIC COMPETITIVENESS THROUGH BASIC RESEARCH

Through his American Competitiveness Initiative, the President committed to the Nation's long-term economic competitiveness by doubling investment over ten years (2007-2016) in innovation-enabling research in the key Federal agencies that support basic research in physical sciences and engineering -- the Department of Energy, the National Science Foundation, and the laboratories of the National Institute of Standards and Technology. These goals are supported by the America COMPETES Act, which the President signed in 2007.

REINED IN WASTEFUL SPENDING THROUGH EARMARK REFORM

In an attempt to rein in wasteful Government spending, the President took on the problem of Congressional earmarks. The President succeeded in reducing both the number and cost of earmarks. 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 the past two decades. In 1991, appropriations bills passed by Congress contained approximately 550 earmarks that cost taxpayers approximately \$3 billion. Ten years later, in 2001 when President Bush took office, the number of earmarks had grown to more than 6,000 and the taxpayer cost had increased to more than \$18 billion. By 2005, the cost of these earmarks had increased slightly to nearly \$19 billion, while the number of earmarks grew to 13,000.

Reduced Earmarks and Sought Live-Item Veto

In 2007, the President challenged Congress to cut the number and cost of earmarks in half. Although Congress did not meet this goal, it reduced the number and cost of earmarks by 15 percent and 13 percent, respectively, in 2008 compared to 2005. Also in 2008, the President issued an Executive Order that directed Federal agencies to ignore future earmarks that were not voted on by Congress and that were contained only in report language, beginning with the 2009 appropriation bills. As a result, the number of earmarks in 2009 will be 40 percent lower than the 2008 level, barring further congressional action after the President leaves office.

In addition to reducing the number and cost of earmarks, the President succeeded in highlighting the problem of excessive earmarks and providing information about earmarks to the taxpayer. The Administration created a new website, www.earmarks.omb.gov. This user-friendly website provides detailed information about every earmark enacted by Congress.

Ever since he submitted his first budget to Congress, in February 2001, the President consistently urged Congress to give him line-item veto authority, an authority possessed by 43 of the Nation's governors. The President's proposal would have allowed the Congress to reconsider wasteful spending provisions and targeted tax benefits contained in enacted legislation. The President would have identified individual provisions for cancellation that would have been returned to Congress for an up or down vote without amendment under expedited legislative procedures. Any savings associated with approved cancellations would have been used for deficit reduction, not additional spending. In March 2006, the Administration sent draft legislation to Congress and succeeded in securing passage of the legislation in the House of Representatives and committee approval in the Senate. Unfortunately, the full Senate failed to act on this legislation. The President believes that taxpayer dollars should be spent wisely and for this reason hopes that his efforts to obtain line-item veto authority will continue to be pursued by his successor.

EXPANDED AND IMPROVED HEALTH SAVINGS ACCOUNTS

Addressed Escalating Health Care Costs

In 2003, the President signed into law MMA, which created health savings accounts (HSAs) that allow Americans to buy less expensive high-deductible health plans and to save pre-tax dollars for out-of-pocket medical expenses. Money in HSAs can roll over from year to year and earn interest tax free. HSAs are a tool for employers and individuals to access potentially more affordable insurance coverage while saving for future medical expenses.

The cost of health care and health insurance has been growing rapidly for years. Employer-sponsored health insurance premiums for family coverage have more than doubled since 1999. Over 20 years, nominal health care spending increased by 7.7 percent per year on average compared with average nominal growth in the U.S. gross domestic product of 5.6 percent. The U.S. spends much more in per capita terms (\$7,026) and as a percentage of the economy (16 percent) on health care than any other developed country. Because traditional insurance shelters individuals from the true cost of health care, Americans cannot help rein in these growing costs.

Role of HSAs

High-deductible health plans that are used with HSAs can improve and encourage more active consumer involvement in health care decisions. With greater responsibility for how health care dollars are spent, consumers have an incentive to manage their health care costs. This new management role may lead individuals to demand cost and quality information from providers to help them make effective decisions.

High-deductible health plans that are used in conjunction with HSAs provide security against substantial medical expenses while allowing individuals to spend tax-free dollars for routine medical expenses. These products also improve the portability of insurance. Though employers can contribute to their employees' HSAs, the accounts belong to individuals who can bring them to their next job. HSAs and qualified plans return to Americans greater control and choice over their health care decisions.

Encouraged Enrollment in HSAs

According to America's Health Insurance Plans (AHIP), an organization representing the health insurance industry, over 6 million people were covered by HSA-qualified high-deductible health plans that are compatible with HSAs in January 2008. That is a 36-percent increase from January 2007 and almost twice as many as those covered in January 2006. HSA-qualified high-deductible health plans are offered primarily in the large group market (approximately 45 percent of individuals with an HSA-qualified plan are covered in the large-group market), though coverage in the small group market is growing rapidly. AHIP reports that coverage in this market – where small employers purchase coverage – grew more quickly between 2007 and 2008. Almost 30 percent of covered individuals are in the small group market – an increase of 72 percent since January 2007.

As the market for high-deductible health plans with HSAs matures, interest in and take up of these innovative products is expected to grow, which may apply downward pressure on health care costs. In each Budget since HSAs were enacted, the President has proposed initiatives to expand and improve these accounts.

Other Proposals

The President has advocated other proposals to improve choice, competition, and efficiency in health care market in order to lower costs, increase the affordability of coverage, and improve access to care for Americans. For example, the Administration has proposed allowing small businesses to band together in Association Health Plans to leverage bargaining power similar to large businesses when purchasing health insurance for their workers.. The President also has proposed to allow individuals to purchase insurance from any state rather than limiting their choices to products available in the state in which they reside. This increased competition would provide access to more affordable products for many Americans while encouraging insurers to gauge their products and prices relative to those available in a wider market.

PROVIDED COMPREHENSIVE PENSION REFORM

In his 2007 Budget, the President proposed comprehensive pension reform to strengthen protections for the pensions upon which American workers rely. The Congress responded by passing the Pension Protection Act of 2006, the most sweeping reform of pension laws in thirty years. This legislation strengthened the pension insurance system and ensures that workers will receive better information about their pension plans. The legislation made permanent the

deductible limits for contributions to Individual Retirement Accounts and 401(k) plans, encouraged employers to automatically enroll workers in 401(k) plans, and expanded workers' access to investment advice. These reforms will make the retirement incomes of millions of Americans more secure.

MADE COMMON SENSE REFORMS TO ENTITLEMENTS

“...Spending on entitlement programs like Social Security, Medicare, and Medicaid is growing faster than we can afford. We all know the painful choices ahead if America stays on this path: massive tax increases, sudden and drastic cuts in benefits, or crippling deficits. I've laid out proposals to reform these programs. Now I ask members of Congress to offer [your] proposals and come up with a bipartisan solution to save these vital programs for our children and our grandchildren.”

*President George W. Bush
January 28, 2008*

In his continuous efforts to rein in Government spending, the President consistently proposed, throughout his two terms, sensible reforms to the Government's entitlement programs. A number of these proposals were adopted by Congress; some of these proposals and other innovative proposals made by the President are discussed below.

REFORMED MEDICARE

The President signed into law the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA). This law, which was based in large part on the President's proposals, created a voluntary prescription drug benefit (Part D), established higher premiums for higher-income beneficiaries under Medicare's supplemental medical insurance program (Part B), changed Medicare private plan payments to encourage enrollment, and created a funding warning mechanism to highlight Medicare's excessive reliance on general fund revenue.

The Medicare prescription drug benefit, created under the MMA, is consistent with principles the President outlined in 2001 for strengthening and improving Medicare. Since 2006, all Medicare beneficiaries have had access to affordable prescription drug coverage, which protects against high drug expenses. Low-income beneficiaries receive additional assistance in paying for their drugs. Beneficiaries have a choice of plans that offer benefits by using some or all of the tools widely available in private drug plans to lower drug costs and improve quality of care. Beneficiaries also are able to continue receiving Medicare benefits in the system of their choice and still receive prescription drug coverage. Finally, the benefit supports the continuation of prescription drug coverage that many beneficiaries already receive through employer-sponsored plans and private health insurance plans through the Retiree Drug Subsidy.

The Part D program has been a great success for Medicare beneficiaries. In 2008, nearly 40 million beneficiaries (or about 90 percent of eligible beneficiaries) – including nearly 10

million low-income beneficiaries – have creditable drug coverage. Over 25 million receive drug coverage through a stand-alone Medicare drug plan or through a Medicare Advantage drug plan. In addition, 6.6 million beneficiaries have Medicare-subsidized retiree coverage through their employer or union plan, while 7.5 million have some other form of creditable coverage. Nearly 90 percent of beneficiaries are satisfied with the program.

Projected costs of Part D are lower than originally estimated. Projected net Part D spending between 2004 and 2013 is approximately \$240 billion, or about 38 percent lower, than originally projected. This decrease is due in part to competition among private plans encouraged by the Administration. Average Part D premiums in 2008 are 40 percent lower than original estimates.

Medicare Advantage

The MMA improved the payment system for Medicare Advantage (MA) to allow more Medicare recipients to choose the option of a private plan for their healthcare coverage. These payment system changes enabled private insurers to offer MA plans in many rural areas that previously had no Medicare private plan options. Virtually every county in America now has a Medicare private plan option. As a result of the MMA, MA enrollment has more than doubled since 2003, with nearly 10 million beneficiaries currently enrolled in MA plans. Many of these beneficiaries receive extra benefits compared to Medicare fee-for-service, benefits such as reduced premiums, reduced cost-sharing or dental benefits.

Income-Related Part B Premiums

The MMA established income-related Part B premiums for certain higher-income beneficiaries. Since 2007, the Federal subsidy for Medicare Part B premiums has been smaller for certain higher-income beneficiaries who need less assistance, better targeting subsidies to those beneficiaries who most need them. This change has empowered those higher-income beneficiaries who are most able to afford increased costs to take greater ownership and responsibility for their health care needs.

Medicare Trigger

The MMA provided for a new method of tracking the solvency of Medicare. Specifically, it created a “Combined Medicare Trust Fund Analysis” that requires the Trustees to analyze Medicare general revenue funding as a percentage of total Medicare outlays as if the Trust Funds were combined. If the Trustees determine that general revenue funding exceeds a fixed threshold of 45 percent at any time within the current or next six years, they must issue a finding of “excess general revenue Medicare funding.”

In their 2006 report, the Trustees found that general revenue funding would first reach the 45 percent level in 2012, within the seven-year window. In their 2007 report, the Trustees found that general revenue funding would first reach the 45 percent level in 2013, within the seven-year window. Because this finding has been present in two consecutive Trustees’ reports, a “Medicare

funding warning” was triggered. With this trigger, the MMA calls for the President to submit legislation to respond to the funding warning.

The President’s 2009 Budget proposed to strengthen the MMA’s solvency provision. If Congress failed to act after the Trustee warnings, the Administration proposed to require a four-tenths of one percent automatic across-the-board cut in Medicare beginning in the year the 45 percent threshold is exceeded. The reduction would grow by increments of four-tenths of one percent in each consecutive year the threshold is exceeded. These reductions would have served as a fail-safe measure, only to be implemented if legislation to address the Trustee warnings was not enacted.

IMPROVED AND ACHIEVED SAVINGS IN OTHER ENTITLEMENT PROGRAMS

Reformed Federal Student Loan Programs

As part of his 2008 Budget, the President proposed reforms to the Federal student loan programs and redirected these funds towards those students who needed them the most. These proposals were ultimately enacted by the Congress and the savings were then used to raise the maximum Pell Grant award level to \$4,800, the highest level in the history of the program. In addition to this achievement, President Bush has also led historic growth in program, increasing the annual number of program recipients from approximately 4.5 million in 2001 to over 5.6 million in 2008.

Achieved Farm Bill Reforms

In January 2007, President Bush proposed legislation to implement a fiscally responsible farm bill that would improve the safety net for farmers while reforming the commodity programs. The President's farm bill goals for reform were: to make programs more market oriented and base some payments on revenue, not prices; to focus payments to producers who really need them; to be able to withstand WTO challenge; and to increase spending for conservation, renewable energy, and rural development.

The President initially vetoed the 2008 Farm Bill because it used budget gimmicks to increase agricultural spending and contained excessive earmarks. However, the final enacted Farm Bill included a number of the specific provisions proposed by the Administration. For example, the Farm Bill lowered the income limit that farmers can make and still collect commodity payments from \$2.5 million to \$750,000 (\$1.5 million for a married couples) and lowered the income limit for non-farmers collecting direct payments to \$500,000 (\$1 million for couples). Although these levels are significantly higher than the \$200,000 proposed, the reductions are a move in the correct direction. In addition, Congress enacted the Administration’s proposal to tie commodity payment benefits to individuals rather than to farm “entities,” reducing the ability of certain farmers to “farm” the government for payments.

The Administration proposed a number of crop insurance reforms designed to fix elements of the program that were no longer appropriate because of the growth of the program. Congress enacted the Administration’s proposal to reduce the reimbursement to the crop

insurance companies to better reflect the actual cost the companies incurred and reduced the farmers' subsidies for popular products.

Even though Congress did not fully fund the President's request for conservation programs, they significantly increased funding by providing an additional \$4 billion over 10 years. In addition, Congress enacted the new program the President proposed, called the Agricultural Water Enhancement Program, that will encourage producers to collectively address water conservation issues in order to increase the impact of the farmers' conservation activities. Finally, as requested by the Administration, the Farm Bill increased funding for high priority nutrition, renewable energy and rural development programs.

MANAGED 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

Signed by President George W. Bush

November 13, 2007

The President has established official Federal policy to spend taxpayers' money effectively, and more effectively every year, has improved Federal agencies' ability to spend funds effectively and established mechanisms to hold agencies accountable for how they spend tax dollars.

The President's vision for reform called for the Government to be results-oriented, citizen-centered, and market-based, actively promoting competition and innovation.

Government likes to begin new things, to declare grand new programs and causes, but not to ensure the taxpayers get what they think they are paying for. President Bush sought to change this, to focus on what we finish, not what we begin.

In 2001, President Bush launched the President's Management Agenda (PMA). He also directed each Cabinet Secretary and Agency head to designate a "chief operating officer," most often at the deputy secretary level, to support and implement the PMA.

The PMA focused on the most significant opportunities to improve performance: Human Capital Management, Financial Performance, Competitive Sourcing (currently "Commercial Services Management"), Expanding Electronic Government, and Budget and Performance Integration (currently "Performance Improvement").

Additionally, the PMA focused on nine more targeted opportunities for improvement, including: faith-based and community initiatives, management and performance at the Department of Housing and Urban Development, and privatization of military housing. In

subsequent years the PMA's focus expanded to include Improper Payments (2004), Real Property (2004), Credit Management (2007), and Health Information Technology (2007)

OMB worked with agencies to establish clear, objective definitions of success and near-success, and OMB and each agency then agreed on what the agency would do each quarter to move toward the desired management capabilities. OMB developed a scorecard to rate each agency's status, the level of success they had accomplished, and their progress each quarter. By setting clear goals, and making each agency's performance transparent, the Administration increased the accountability for, and hence the effectiveness of, how the agencies spent the taxpayers' money.

In 2001, 85% of the government's management practices were deemed unacceptable, and the National Science Foundation was the only one of the 26 major agencies that had a satisfactory management practice in place, specifically, in Financial Performance. Today, 45% of the government's management practices are as desired and only 15% are deemed unacceptable. [Will this be updated for the December scorecards? Figures will likely change if so.] Agencies are clearly committed to becoming more effective: 80% of the time, agencies made the improvements they said they would make, when they said they would make them.

Today all Federal executives have specific management and program performance goals and they are now held formally accountable for their performance.

Human Capital Management

The Federal government is only as effective as its people. President Bush sought to ensure Federal agencies had employees who were well trained and managed, when they needed them.

In 2002, President Bush signed the Chief Human Capital Officers (CHCO) Act, which required each agency to designate an individual who could help ensure its agency selected, developed, trained, and effectively managed a high-quality, productive workforce. These CHCOs also work with the Office of Personnel Management to implement government-wide standards for excellence, and have established the CHCO Council to share best practices and development.

President Bush also instituted a program to rate employees against mission-aligned, results-oriented goals. In 2001, Federal employees were appraised on competency rather than actual performance.

The Bush Administration also implemented pay-for-performance systems to increase government performance, incentivize and reward high-performers, recruit talented employees, and encourage accountability to the public. Nearly 350,000 Federal employees (about 19 percent of the total Federal workforce) work under pay-for-performance systems today. Since 2004, the Administration has converted approximately 180,000 civilian employees of the Department of Defense to a new pay-for-performance system called the National Security Personnel System. Additionally, since 2004, the Administration has implemented pay-for-performance among

members of the Federal government's Senior Executive Service (SES), its highest level managers.

Federal Financial Management

When President Bush took office, Federal agencies were not accounting for their expenditures in a timely manner throughout the year. As a result, agencies took up to five months after the end of the fiscal year to publish their annual financial reports. As a part of the PMA, the Administration required all agencies to file their financial reports within 45 days of year-end, which made agencies become more disciplined in their accounting and reporting. All agencies have met this reporting standard since FY2005.

Under President Bush, agency financial information is also more reliable, as demonstrated by improved results on financial statement audits. Of the 24 major Federal agencies, 21 received a clean opinion on their financial statement audit in 2008. Fourteen of these agencies, up from seven in 2001, achieved both a clean audit and had no material weaknesses in financial reporting identified by their auditor. Across government, auditor-identified material weaknesses are on the decline with a drop of nearly 50 percent since 2001.

Federal agencies are actively managing their improper payments. In 2001, Federal managers, Congress, and the taxpayers did not know the extent of improper payments and the cause of those errors. Today, 67 percent of all Federal outlays are actively measured and/or reviewed for improper payments. Once agencies identify program errors, they begin implementing corrective actions to eliminate similar errors in the future. For instance, the government has eliminated \$7.1 billion in errors from the programs originally measured in Fiscal Year 2004. The government has also sought to recover erroneous payments, and over the past five years, agencies have recovered \$967.5 million in improper contract payments.

In addition, Federal agencies are actively managing their real property. In 2001, the Federal government did not have an accurate inventory of its real property or know how these assets were being managed. Today the government is managing its \$1.5 trillion in real property, knows exactly what it owns and what it needs, and is being held accountable for disposing of the difference. Agencies have disposed of more than \$8 billion in unneeded assets since 2004.

Commercial Services Management (Originally "Competitive Sourcing")

Nearly one quarter of all Federal employees perform tasks that are not inherently governmental and can clearly be performed by commercial entities – tasks like information technology support, administrative services, and building maintenance. Historically, the government realizes cost savings between 20 and 50 percent when Federal and private sector providers compete to perform these commercial functions, regardless of who “wins” the competition. The Administration called for each agency to develop the capability to professionally review these competitive opportunities, as only the Department of Defense had been previously challenged to do.

Through the PMA, agencies have conducted approximately 1,400 public-private competitions of their commercial activities involving more than 51,000 full time employees that are projected to save taxpayers more than \$7 billion over 5 to 10 years, or a little more than \$1

billion per year Before proceeding with these competitions, agencies performed a series of analyses to evaluate:

- Efficiency of current operations
- Private sector capability and availability to perform the function
- Potential risk to the agency's ability to accomplish its mission if the function were performed by the private sector

In many cases, agency management has pursued internal business process reengineering (BPR) as an alternative to public-private competition to close identified performance gaps in their commercial support services.

In 2008, the "Competitive Sourcing" initiative was renamed "Commercial Services Management" to recognize the broader range of activities that agencies use to improve the operation of their commercial functions. The broader initiative will use both BPR efforts and public-private competitions to most effectively perform work that is commercial in nature.

EXPANDED ELECTRONIC GOVERNMENT

The Federal government spends more on information technology (IT), \$71 billion in FY 2008, than any other organization in the world. Through the PMA, the Administration has established clear investment and management guidelines for all IT spending, identified the opportunities to consolidate or eliminate duplicative Federal IT systems, and defined the standards that must be met to secure all its systems and data.

With its large IT expenditures, the Federal government also directly serves the citizenry, sending and receiving vast amount of information and money. This "citizen interface" used to be organized by Federal agency, not by citizen need. Through the PMA, the Administration established a focus on citizens. Today, Americans can access a wide range of services online, through consolidated government sites including:

- GovBenefits.gov, where citizens can locate and determine potential eligibility for government benefits and services.
- Business.gov, where businesses have easy access to regulatory compliance information, forms, contacts, and related information.
- Regulations.gov, where citizens can easily access and participate in the rulemaking process.
- Grants.gov, where all competitive, discretionary Federal grant opportunities are accessible by Federal grant seekers through a single website.
- Recreation.gov, where citizens can plan a vacation or make reservations for campsites and cabins, and tours at Federal recreation sites.
- USAJobs.gov, where Federal job-seekers can find and apply for job opportunities across the federal government.
- USA.gov, where citizens can find official government information available through a single Internet gateway. The Administration also created GobiernoUSA.gov, which is the first website to offer comprehensive government information in Spanish.

- fbo.gov, where commercial vendors and government buyers can post, search, monitor, and retrieve opportunities solicited by the entire Federal contracting community.
- IRS Free-File, where taxpayers have access to free on-line preparation and electronic tax filing services.

IMPROVED PERFORMANCE (Originally "Budget and Performance Integration")

New Federal programs are frequently created with minimal review or assessment of existing programs that address the same perceived problem, and there is little attention to how programs, new or old really perform. In 2001, half of all Federal programs could not demonstrate they were achieving results, only half had clear, outcome-oriented goals, and program performance was assessed on an as-needed and inconsistent basis.

President Bush's management agenda has resulted in hundreds of Federal programs developing clear outcome goals and showing a formal commitment to continuous improvement, quantifiable measures of success, and plans for accomplishing goals. The Program Assessment Rating Tool (PART) was developed to allow Federal programs to be assessed and rated using a consistent approach. Using this tool, the goals, performance, program ratings, and plans to improve for Federal programs are made transparent and available to the public on ExpectMore.gov. By 2007, 89 percent of programs that had been assessed using the PART questionnaire had established or clarified their long-term and annual performance goals, and 82 percent of these programs were actually achieving their goals.

In November 2007, President Bush signed an Executive Order entitled "Improving Government Program Performance." For the first time in American history, this document made it the official policy of the Federal government that each program would spend taxpayer dollars effectively and more effectively every year. The Executive Order established a Performance Improvement Officer at every department to help the head of the department manage and ensure performance, and a Performance Improvement Council to facilitate the sharing of best performance management practices and the creation of the performance management community.

Future Challenges Remain

During the Bush Administration, Federal employees have made significant progress in making their agencies more effective and efficient, but challenges remain. The Federal government needs to define and establish successful procurement practices and disciplines. We need to improve our ability effectively manage employees and contracts. In addition, we need to establish truly results-oriented cultures, practices, and other key elements to continuous performance improvement. If Federal employees remain committed to effective management, the Federal government will continue to perform more effectively every year.

IMPROVED THE QUALITY OF FEDERAL REGULATIONS

"The President has emphasized that the American people deserve a regulatory system that protects and improves their health, safety and environment, secures their rights, and ensures a fair and competitive economic system, while respecting their prerogative to make their own decisions and not imposing unnecessary costs."

*Chief of Staff Josh Bolten
May 9, 2007*

Under the Presidency of George W. Bush, the federal regulatory system has become more effective and accountable to American citizens. The Bush Administration has sought to adopt good rules, modify existing rules to make them more effective and less costly, and rescind outmoded rules whose benefits did not justify their costs. The Bush Administration also took steps to make the regulatory process more transparent, so that regulatory agencies could be held accountable for the rules they issued, and engaged international trading partners to share best practices.

As a result of this approach to regulation, the Bush Administration was able to achieve a number of important objectives:

- new regulations issued during the President's eight years are less burdensome and more beneficial than in the previous 20 years;
- existing regulations that are outdated or impose unnecessary burdens have been targeted for reform;
- regulations are based on higher quality information, and the regulatory development process is more accessible and transparent to average Americans than ever before; and
- the U.S. has played a leadership role internationally, assisting other countries and regions in accomplishing beneficial regulatory reform, opening markets between countries, and minimizing barriers to international investment and trade.

PRODUCED MORE COST-BENEFICIAL REGULATION

The best measure of the overall value of regulation is net benefits; that is, benefits to society minus costs to society. The average yearly cost of the major regulations issued during the Bush Administration was about three-fourths the annual average cost over the previous eight years. At the same time, the average yearly benefit of the major regulations issued during the Administration was more than double the previous nine-year average based on the available benefits data. The benefits of major regulations issued from 2001 to 2007 exceed the costs by more than eight fold.

These greater net benefits are attributable to a more rigorous analysis of the need for new regulations, and of the expected benefits and costs of alternative approaches to address those needs. The Administration emphasized the importance of analysis when, in September 2003, OMB issued Circular A-4, which revised guidance to agencies on regulatory analysis. Key features of the revised guidance include more emphasis on cost-effectiveness and more careful evaluation of qualitative and intangible values. In addition, formal probability analysis—which quantifies the relevant uncertainties about costs and benefits—is now required for rules with likely costs or benefits of \$1 billion or more in any one year.

A final estimate of the benefits and costs of all regulations issued during the Administration will not be available until 2009, when the impacts of rules issued during the transition period will be known. Nonetheless, it is clear that high analytic standards helped increase the net benefits of new regulations.

TARGETED REFORM OF EXISTING REGULATIONS

Reforming regulations that are already on the books can be more challenging than ensuring that new regulations are cost-beneficial. This Administration tackled this challenge by targeting reforms at areas that the public has identified as in most need of improvement. In 2001, 2002, and 2004, OMB solicited public comments on specific rules or regulatory programs in need of reforms that would increase their net benefits to society. As part of this initiative, OMB specifically invited comments on regulatory and paperwork burdens imposed on small businesses and on the manufacturing sector.

For the 2004 regulatory reform initiative, OMB asked the public to suggest specific reforms to regulations, guidance documents or paperwork requirements that would improve manufacturing regulation. In response to the solicitation, OMB received 189 nominations. OMB and the agencies evaluated the nominations, and in March 2005, OMB issued the Regulatory Reform of the U.S. Manufacturing Sector Report. As a result of the 2004 initiative seeking public nominations for reform, the President's regulatory agencies have completed 66 priority regulatory reforms identified by the public that together help regulatory programs better meet their intended objectives.

HIGHER QUALITY INFORMATION, GREATER TRANSPARENCY, ACCESSIBILITY

Good government policy depends on quality information. President Bush's initiatives have not only improved the quality of information relied on in developing government policy, but have made that information more accessible and transparent to American citizens. Through guidelines to agencies on information quality, peer review, statistical analysis, regulatory analysis and scientific risk assessment, the President has ensured a well-coordinated, consistent and robust approach to developing policies that affect all Americans.

Furthermore, new procedures expanding public access to government information have enabled a much greater role for American citizens in the policy development process. The Administration, for example, committed to greater regulatory transparency by updating the disclosure procedures under Executive Order 12866, providing on the Internet information about

OMB's regulatory review activities. The public can now consult OMB's website for daily updates on which rules are under formal review at OMB and which have concluded review. OMB's website also discloses which outside groups have met with OIRA to discuss rules under review.

This Administration's e-Rulemaking and Business Gateway initiatives have harnessed the power of the Internet to engage citizens in developing and understanding government policies that affect their lives. *Regulations.gov* has transformed the way the public can search, view, and comment on all federal regulatory actions. The government-wide portal increases transparency of the entire federal regulatory process by making complete dockets of information easily accessible and available for comment. By leveraging technology, *Regulations.gov* enables a rule watcher, especially a "first time" commenter, to find relevant rules without having first to know which agency is issuing the rule or a specific tracking number. The portal has also adopted innovative features that previously were not considered an important part of the rulemaking process, such as RSS feed, email notifications, book marking, and electronic records management.

Prior to *Regulations.gov*, most federal entities conducted paper-based operations and may or may not have operated a central docket location. If members of the public were interested in accessing materials supporting an agency's regulatory proposal or action, they often had to contact an individual and make arrangements to view a copy or pay photocopying costs. Agencies can now make these materials available on the Internet for the public to view or download at no cost.

REDUCED REGULATORY BARRIERS TO INTERNATIONAL TRADE & INVESTMENT

As tariffs and other explicit barriers to international trade and investment have fallen, differences in regulatory requirements have emerged as more significant barriers to trade than they were in the past. President Bush's leadership role internationally has begun to chip away at these regulatory barriers to international trade and investment.

The President joined with German Chancellor Merkel in 2007 to create the Transatlantic Economic Council (TEC) between the U.S. and the European Union (E.U.), and it is already opening doors to U.S. products in Europe and streamlining regulatory requirements on both sides of the Atlantic. The TEC is committed to removing barriers to transatlantic commerce; to rationalizing, reforming, and, where appropriate, reducing regulations to empower the private sector; to achieving more effective, systematic and transparent regulatory cooperation to reduce costs associated with regulation to consumers and producers; to removing unnecessary differences between our regulations to foster economic integration; and to reinforcing existing transatlantic regulatory cooperation dialogues.

OMB's Office of Information and Regulatory Affairs worked with the European Commission (EC) to establish an EU-U.S. High-Level Regulatory Cooperation Forum, which reports directly to the TEC. The Forum, which met several times in Brussels and in Washington, focused on a number of cross-cutting issues, including (1) strengthening cooperation and information exchange between the EU and U.S.; (2) joint work on the methodology of risk assessment; and (3) a review of how regulatory impacts on international trade and investment are

addressed in EU and U.S. regulatory impact assessment guidelines. The Forum meetings also included public sessions with business and consumer groups.

This Administration has engaged in a number of other efforts to improve international regulatory cooperation. For example, on March 23, 2005, President Bush and his counterparts from Canada and Mexico announced the Security and Prosperity Partnership of North America (SPP). The “Prosperity Agenda” of the SPP seeks to enhance the competitive position of North American industries in the global marketplace and to provide greater economic opportunity for all three countries, while maintaining high standards of health and safety. Through these and other efforts, the Administration has helped promote U.S. regulatory policies that advance Western values, and support U.S. economic and trade goals.

CONCLUSION

The President is committed to having a model transition effort, a transition that will allow a seamless transfer of power during wartime and uncertain economic times. His Administration has laid the groundwork for a strong and secure America, a return to economic growth, and a renewed effort to address fiscal challenges. Regardless of the policy choices made by the next Administration and future Congresses, the President leaves behind a Federal Government that is more efficient, effective, and results oriented than ever.

Promoting both near-term and long-term economic growth will require extending the President’s tax cuts. The need for Americans to be able to keep a greater portion of their hard-earned money is more evident now than at any time during the President’s two terms. Similarly, the need for America’s businesses to be able to invest in their companies is more evident now than any previous time during the President’s tenure. Americans’ hard work and entrepreneurial spirit are the source of the economy’s strength and must be rewarded.

Maintaining military readiness and strengthening the U.S. international position are necessary to protect Americans at home and abroad, and will require prioritizing non-security discretionary spending. In addition, preserving Social Security, Medicare and Medicaid for future generations will require comprehensive, bipartisan reform efforts. Although the threat of terrorism remains and the economy has slowed recently, the President remains confident that security and economic prosperity will continue to be available to all Americans.

