CROSSCUTTING PROGRAMS

3. HOMELAND SECURITY FUNDING ANALYSIS

Since the terrorist attacks of September 11, 2001, the Federal Government, with State, local and private sector partners, has engaged in a concerted national effort to prevent terrorist attacks within the United States, reduce America's vulnerability to terrorism, and minimize the damage and recover from any attacks that do occur. Accordingly, we have identified and pursued terrorists abroad, and implemented an array of measures to secure our citizens and resources at home. We have worked with the Congress to reorganize the Federal Government; acquire countermeasures to chemical, biological, radiological, and nuclear (CBRN) weapons; enhance the security of our borders; protect our critical infrastructure and key resources; and strengthen America's response and recovery capabilities in our cities and local communities. Elements of our National Strategy for Homeland Security involve every level of government as well as the private sector and individual citizens. Since September 11th, homeland security has continued to be a major policy focus for all levels of government, and the U.S. government has no more important mission than securing the Homeland.

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

Data Collection Methodology and Adjustments

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

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

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

Federal Expenditures

Total funding for homeland security has grown significantly since the attacks of September 11, 2001. For 2009, the President's Budget includes $66.3 billion of gross budget authority for homeland security activities, a $4.5 billion (7.3 percent) increase over the 2008 enacted level.[3] Excluding mandatory spending, fees, and the Department of Defense's (DOD) homeland security budget, the 2009 Budget proposes a net, non-Defense, discretionary budget authority level of $40.1 billion, which is an increase of $3.9 billion (10.7 percent) over the 2008 level (see Table 3–1).

A total of 32 agency budgets comprise Federal homeland security funding in 2009. Of those, five agencies—the Departments of Homeland Security, Defense, Health and Human Services (HHS), Justice (DOJ) and Energy (DOE)—account for approximately $60.7 billion (91 percent) of total Government-wide gross discretionary homeland security funding in 2009.

[1] All data in the Federal expenditures section are based on the President's policy for the 2009 Budget. Additional policy and baseline data is presented in the "Additional Tables" section. Due to rounding, data in this section may not add to totals in other Budget volumes.

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

[3] The 2009 gross homeland security funding request level excludes $2.2 billion for BioShield.

Table 3–1. HOMELAND SECURITY FUNDING BY AGENCY

(Budget authority, in millions of dollars)

Budget Authority	2007 Enacted	2007 Supplemental/ Emergency	2008 Enacted	2008 Supplemental/ Emergency [1]	2009 Request
Department of Agriculture	540.5	....	570.0	....	690.9
Department of Commerce [2]	205.0	....	206.9	....	262.3
Department of Defense	16,538.3	....	17,374.4	....	17,645.9
Department of Education	26.2	....	27.1	....	30.3
Department of Energy	1,719.2	....	1,828.7	....	1,942.9
Department of Health and Human Services	4,327.0	....	4,300.6	....	4,456.7
Department of Homeland Security	26,857.9	2,695.6	30,100.6	2,639.7	32,817.1
Department of Housing and Urban Development	1.9	....	1.9	....	4.1
Department of the Interior	47.8	....	49.6	....	43.5
Department of Justice	3,306.4	211.3	3,273.5	249.5	3,794.9
Department of Labor	49.4	....	47.5	....	51.4
Department of State	1,241.6	....	1,961.5	....	2,465.6
Department of Transportation	205.7	....	205.3	....	221.2
Department of the Treasury	126.8	....	116.0	....	126.6
Department of Veterans Affairs	259.8	....	271.7	....	348.1
Corps of Engineers	42.0	....	42.0	....	42.0
Environmental Protection Agency	166.7	....	138.1	....	170.3
Executive Office of the President	20.8	....	21.2	....	20.7
General Services Administration	168.2	....	143.0	225.0	119.4
National Aeronautics and Space Administration	199.2	....	205.2	....	203.0
National Science Foundation	385.4	....	373.9	....	379.0
Office of Personnel Management	2.8	....	2.3	....	2.5
Social Security Administration	194.0	....	212.6	....	221.5
District of Columbia	8.5	....	3.4	....	15.0
Federal Communications Commission	2.3	....	2.3	....	2.3
Intelligence Community Management Account	56.0	....	122.0	....	12.6
National Archives and Records Administration	17.9	....	17.7	....	18.8
Nuclear Regulatory Commission	72.2	....	72.1	....	72.8
Securities and Exchange Commission	14.3	....	16.4	....	15.9
Smithsonian Institution	80.7	....	93.1	....	96.6
United States Holocaust Memorial Museum	7.8	....	8.0	....	9.0
Corporation for National and Community Service	33.6	....	....	....	....
Total, Homeland Security Budget Authority	**56,925.9**	**2,906.9**	**61,808.4**	**3,114.3**	**66,302.5**
Less Department of Defense	–16,538.3	....	–17,374.4	....	–17,645.9
Non-Defense Homeland Security BA, excluding Mandatory PSIC Grants and BioShield	**40,387.5**	**2,906.9**	**44,434.0**	**3,114.3**	**48,656.6**
Less Fee-Funded Homeland Security Programs	–4,534.4	....	–5,347.7	....	–5,355.3
Less Mandatory Homeland Security Programs	–2,435.5	....	–2,871.7	....	–3,223.9
Net Non-Defense Discretionary Homeland Security BA, excluding Mandatory PSIC Grants and BioShield	**33,417.7**	**2,906.9**	**36,214.6**	**3,114.3**	**40,077.3**
Plus Mandatory PSIC Grants	1,000.0	....	....	....	....
Plus BioShield	....	....	....	....	2,175.0
Net Non-Defense Discretionary Homeland Security BA, including Mandatory PSIC Grants and BioShield	**34,417.7**	**2,906.9**	**36,214.6**	**3,114.3**	**42,252.3**
Obligations Limitations					
Department of Transportation Obligations Limitation	121.0	....	121.0	....	121.3

[1] The 2008 supplemental and emergency funding levels for the Departments of Homeland Security (DHS) and Justice (DOJ) include both enacted and requested supplemental and emergency funding. DHS supplemental funding includes the pending $113 million and DOJ supplemental funding includes the pending $106 million.

[2] DOC's 2007 gross full-year CR level per H.J.Res. 20 for homeland security excludes $1 billion in mandatory borrowing authority for the Public Safetly Interoperable Communications (PSIC) Grants program to provide Federal grants to public safety agencies for communications interoperability purposes. Although technically scored in 2007, this funding will be made available from proceeds of the Federal Communications Commission's 2008 auction of returned television spectrum, at which time DOC will begin obligating funds.

The growth in Federal homeland security funding is indicative of the efforts that have been initiated to secure our Nation. However, it should be recognized that fully developing the strategic capacity to protect America is a complex effort with many challenges. There is a wide range of potential threats and risks from terrorism. To optimize limited resources and minimize the potential social costs to our free and open society, we must apply a risk management approach across all homeland security efforts in order to identify and assess potential hazards (including their downstream effects), determine what levels of relative risk are acceptable, and prioritize and allocate resources among all homeland security partners, both public and private, to prevent, protect against, and respond to and recover from incidents.

Homeland security is a shared responsibility built upon a foundation of partnerships—Federal, State, local, and Tribal governments, the private and non-profit sectors, communities, and individual citizens all share common goals, responsibilities, as well as accountability, for securing the Homeland. In addition, partnerships in homeland security also extend beyond our Nation's borders, with international cooperation continuing to be an enduring feature of our approach to threats that transcend jurisdictional and geographic boundaries.

The latest *National Strategy for Homeland Security of 2007* continues to provide a framework for addressing these challenges first set out by the President's 2002 version. It guides the highest priority requirements for securing the Nation. As demonstrated below, the Federal government has used the *National Strategy* to guide its homeland security efforts.

In October 2007, the President issued an updated *National Strategy for Homeland Security,* which is serving to guide, organize, and unify our Nation's homeland security efforts. This updated *National Strategy,* which builds directly from the first *National Strategy for Homeland Security* issued in July 2002, reflects our increased understanding of the terrorist threats confronting the United States and incorporates lessons learned from exercises and real-world catastrophes. It provides a common framework through which our entire Nation should focus its homeland security efforts on the following four goals:

- prevent and disrupt terrorist attacks;
- protect the American people, our critical infrastructure, and key resources;
- respond to and recover from incidents that do occur; and
- continue to strengthen the homeland security foundation we have built to ensure our long-term success.

For this year's analysis, departments and agencies categorized their funding data based on the critical mission areas defined in the *National Strategy for Homeland Security* (July 2002), which are: Intelligence and Warning; Border and Transportation Security; Domestic Counterterrorism; Protecting Critical Infrastructures and Key Assets; Defending Against Catastrophic Threats; and Emergency Preparedness and Response. Next year's categorization will be based on the four goals of the 2007 *National Strategy for Homeland Security*.

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

Funding presented in this report is analyzed in the context of major "mission areas." Activities in many of the mission areas are closely related and certain capabilities highlighted by a single mission area also enhance capabilities captured by other mission areas. For example, information gleaned from activities in the

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

(Budget authority, in millions of dollars)

Agency	2007 Enacted	2007 Supplemental/ Emergency	2008 Enacted	2008 Supplemental/ Emergency	2009 Request
Intelligence and Warning	670.8	15.2	682.7	39.1	765.9
Border and Transportation Security	19,365.3	2,253.6	22,286.8	2,842.7	25,712.5
Domestic Counterterrorism	5,026.6	222.8	4,896.8	154.7	5,392.9
Protecting Critical Infrastructure and Key Assets	18,388.2	228.5	19,926.1	15.8	20,164.5
Defending Against Catastrophic Threats	8,595.9	149.9	8,278.1	2.0	9,054.8
Emergency Preparedness and Response	4,822.2	37.0	5,551.4	60.0	5,013.1
Other	56.9	....	186.5	....	198.8
Total, Homeland Security Budget Authority	**56,925.9**	**2,906.9**	**61,808.4**	**3,114.3**	**66,302.5**
Plus Mandatory Interoperability Communications Grants	1,000.0	....	....	....	....
Plus BioShield	....	....	....	....	2,175.0
Total Homeland Security Budget Authority plus Mandatory PSIC Grants and BioShield	**57,925.9**	**2,906.9**	**61,808.4**	**3,114.3**	**68,477.5**

intelligence and warning category may be utilized to inform law enforcement activities in the domestic counterterrorism category. However, for the purposes of segmenting Federal homeland security funding by mission areas, discussions of cross-cutting activities have also been separated by mission areas.

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

The following table summarizes funding levels by the mission areas set forth in the *2002 National Strategy for Homeland Security* ; more detailed analysis is provided in subsequent mission-specific analysis sections.

Intelligence and Warning

The Intelligence and Warning mission area covers activities to detect terrorist threats and disseminate terrorist-threat information. This category includes intelligence collection, risk analysis, and threat-vulnerability integration activities for preventing terrorist attacks. It also includes information sharing activities among Federal, State, and local governments, relevant private sector entities, and the public at large. It does not include most foreign intelligence collection—although the resulting intelligence may inform homeland security activities—nor does it fully capture classified intelligence activities. In 2009, funding for intelligence and warning is distributed between DHS (53 percent), primarily in the Office of Intelligence and Analysis; DOJ (43 percent), primarily in the Federal Bureau of Investigation (FBI); and other Intelligence Community members (4 percent). The 2009 funding for intelligence and warning activities is 12.2 percent above the 2008 level.

Table 3–3. INTELLIGENCE AND WARNING FUNDING

(Budget authority, in millions of dollars)

Agency	2007 Enacted	2007 Supplemental/ Emergency	2008 Enacted	2008 Supplemental/ Emergency	2009 Request
Department of Agriculture	7.6	......	16.8	......	16.8
Department of Commerce	1.8	......	2.0	......	2.0
Department of Homeland Security	380.1	8.0	370.2	......	403.0
Department of Justice	219.5	7.2	213.8	39.1	329.3
Department of the Treasury	5.7	......	3.6	......	7.3
Intelligence Community Management Account	56.0	......	76.4	......	7.5
Total, Intelligence and Warning	**670.8**	**15.2**	**682.7**	**39.1**	**765.9**

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

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

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

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

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

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

Over the past seven years, the FBI has developed its intelligence capabilities and improved its ability to protect the American people from threats to national security. It has built on its established capacity to collect information and enhanced its ability to analyze, disseminate and utilize intelligence. The percentage of the FBI's finished intelligence reports that were responsive to National Intelligence Priority Framework topics (which is a measure of how responsive the program is to the U.S. Intelligence Community's collection requirements) increased from 79 percent in 2005 to 92 percent in 2007. In 2007, 33 percent of human sources that the FBI obtained information from reported on Tier 1 threat groups, which is composed of entities with high intentions to harm the homeland and moderate or strong links with al-Qa'ida. Furthermore, the FBI's Terrorist Screening Center has significantly increase the number of positive encounters (database hits) with subjects through multiple Federal screening processes from approximately 5,300 hits in 2004 to over 21,000 in 2007.

The President's 2009 Budget supports the FBI's priorities and its continuing transformation by providing the resources needed to enhance its national security capabilities and improve supporting information technology and infrastructure. These initiatives will increase the number of agents and specialists working national security cases; enhance intelligence collection, systems, and training; improve information technology (IT) systems that reduce paperwork and facilitate information sharing; and expand partnerships with Federal, state, local and foreign agencies, as well as the private sector. Among the intelligence-related enhancements in the 2009 budget are $26 million for the confidential human source validation program, $25 million for foreign language translation programs and $10 million for technical collections.

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

I&A also serves as the focal point for disseminating homeland security information to State and local entities. For example, I&A is connected to homeland security directors and intelligence analysts of States, counties, and territories through the Homeland Security Information Network (HSIN) and it is deploying the Homeland Security Data Network (HSDN) to them as well, with over 18 State and Local Fusion Centers already able to access DHS secret-level classified systems through HSDN. All 50 States and major urban areas are connected to HSIN, and it is being rolled out to major counties as well. Furthermore, in recognition of the limitations of virtual interactions through electronic communications networks, beginning in 2006, I&A has begun deploying liaisons and intelligence analysts to State and Local Intelligence Fusion Centers across the Nation to improve the flow and quality of homeland security information to State, local and private sector partners and ensure a more accurate situational awareness for DHS and its Federal partners. In 2007, DHS disseminated a total of 355 intelligence products to its Federal, State, local, tribal, and private sector partners.

Border and Transportation Security

This mission area covers activities to protect border and transportation systems, such as screening airport passengers, detecting dangerous materials at ports overseas and at U.S. ports-of-entry, and patrolling our coasts and the land between ports-of-entry. The majority of funding in this mission area ($23 billion, or 89 percent, in 2009) is in DHS, largely for the U.S. Customs and Border Protection (CBP), the Transportation Security Administration (TSA), and the U.S Coast Guard. Other DHS bureaus and other Federal Departments, such as the Departments of State and Justice, also play a significant role. The President's 2009 request would increase funding for border and transportation security activities by 15.4 percent over the 2008 level.

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

The 2009 Budget provides approximately $9.5 billion for Customs and Border Protection (CBP) including nearly $500 million in funding for 2,200 new Border Patrol agents. The President has committed to more than doubling the size of the Border Patrol to 18,300 agents before he leaves office and obtaining funding for an additional 1,700 by the end of 2009. At the start of the President's administration, there were approximately 9,000 Border Patrol agents.

To further gain control of our borders, the Budget also continues funding for technology and infrastructure along the border. In September of 2006, DHS awarded a contract to implement the technological and infrastructure component of its Secure Border Initiative (SBI) effort, SBInet. SBInet will concentrate on using proven, technology to significantly improve the availability of information and tools to Border Patrol agents so they can better detect, identify, classify and confront illegal border activity by those who pose a threat to the United States. The Budget includes $775 million for this priority. This investment will support smarter and more secure borders.

The Administration has effectively ended the practice of "catch and release" along the northern and southern borders. Non-Mexican illegal aliens apprehended at the border are now detained and then returned to their home countries as quickly as possible and all non-criminal Mexican illegal aliens apprehended are returned to Mexico immediately. The 2009 Budget includes $2.6 billion in detention and removal resources to continue this success and supports a total of 33,000 detention beds across the country to house illegal aliens apprehended by DHS.

To improve coordination and provide assistance to State and local law enforcement officials, the Budget will expand a successful Federal/State and local partnership—the 287(g) program, which provides State/local law enforcement officials with guidance and training in immigration law, subject to the direction of the Secretary of Homeland Security. The 2009 Budget includes an increase of $12 million for the 287(g) program and the Law Enforcement Support Center, including the training of State and local law enforcement officers, detention beds for apprehended illegal aliens, and personnel to assist state and local law enforcement when they encounter aliens.

Key to the Federal Government's screening of international visitors is the US-VISIT program, which is designed to expedite the clearance of legitimate travelers while identifying and denying clearance to those who may intend harm. US-VISIT previously collected two digital fingerprints and a digital photograph of all foreign visitors entering the United States. In 2007,

Table 3–4. BORDER AND TRANSPORTATION SECURITY FUNDING

(Budget authority, in millions of dollars)

Agency	2007 Enacted	2007 Supplemental/ Emergency	2008 Enacted	2008 Supplemental/ Emergency	2009 Request
Department of Agriculture	214.2	....	244.1	....	255.1
Department of Commerce	1.5	....	1.6	....	1.8
Department of Homeland Security	17,823.7	2,253.6	20,004.5	2,511.7	22,970.8
Department of Justice	20.6	....	4.5	106.0	4.6
Department of State	1,190.3	....	1,901.8	....	2,395.5
Department of Transportation	14.6	....	15.3	....	10.7
General Services Administration	100.4	....	115.0	225.0	74.0
Total, Border and Transportation Security	**19,365.3**	**2,253.6**	**22,286.8**	**2,842.7**	**25,712.5**

the number of biometric watch list hits for travelers processed at U.S. ports of entry exceeded 6,000, and the number of hits for visa applicants at consular offices exceeded 4,000. In November 2007, US-VISIT introduced technology to collect 10 fingerprints from arriving foreign visitors with the plan to roll-out 10-print collection to 8 more ports soon. In order to ensure that US-VISIT has full coverage of all potential visitors to the United States, all U.S. ports of entry will transition to collecting 10 fingerprints by the end of 2008. The 2009 Budget includes $390 million to support the increased system infrastructure and continue the progress toward interoperability with the FBI's fingerprint system, the Integrated Automated Fingerprint Identification System (IAFIS).

In order to further improve aviation security, in 2009, the Administration will devote nearly $6.0 billion to the multi-layered, risk-based aviation security system, including: $3 billion for over 48,000 Transportation Security Officers and technologies to screen passengers and their baggage for weapons and explosives. TSA will continue to provide specialized training in the detection of suspicious behaviors, fraudulent documents, and improvised explosive devices, $131 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; and 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.

The Budget will also recapitalize checked baggage screening devices and accelerate deployment of inline systems that will increase baggage throughput by up to 300 percent. The President's Budget proposes a temporary, four-year surcharge on 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 mandatory 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.

In the area of surface transportation security, TSA assessed approximately 37 percent of national critical surface transportation assets or systems in pipeline, maritime, mass transit, rail, highway, motor carrier, and postal shipping sectors in 2007 and continues to provide assistance to the Federal Emergency Management Agency (FEMA) in its review of infrastructure protection grant applications. In 2009, TSA will devote over $375 million for surface transportation security, including funding for nearly 100 inspectors to conduct risk-based assessments in the largest mass transit and rail systems.

Safeguarding our seaports is critical since terrorists may seek to use them to enter the country or introduce weapons or other dangerous materials. With 95 percent of all U.S. cargo passing through the Nation's 361 ports, a terrorist attack on a major seaport could slow the movement of goods and be economically devastating to the nation. The Maritime Transportation Security Act (MTSA) and its implementing regulations, issued by DHS in October 2003, require ports, vessels, and facilities to conduct security assessments. In 2009, the Coast Guard will continue to ensure compliance with MTSA port and vessel security standards and regulations. The 2009 Budget provides nearly $3 billion for port security across DHS, primarily for Coast Guard port security activities such as Maritime Safety and Security Teams and harbor patrols. In addition, the Coast Guard's budget funds operations to strengthen intelligence collection and surveillance capabilities in the maritime environment, both of which contribute to the broader Coast Guard effort to enhance Maritime Domain Awareness. In 2007, Congress passed P.L. 109–347, the SAFE Port Act, which requires enhanced screening of cargo bound for the Unites States, among other port security measures. In addition, port operators are eligible for grants to fund security enhancements under DHS' Infrastructure Protection Program (IPP) which falls under the Infrastructure Protection mission area.

The Department of State's Bureau of Consular Affairs is the second largest contributor to border and transportation security. The Department's Border Security Program includes visa, passport, American Citizen Services and International Adoption programs. For foreign visitors that require a visa, the Department of State collects the visitor's biometric and biographic data, which is then checked against U.S. government databases, thereby improving the ability to make a visa determination. When the visitor arrives in the United States, US-VISIT procedures allow DHS to determine whether the person applying for entry is the same person who was issued the visa by the Department of State. This and additional database checks improve the ability of DHS to make admissibility decisions.

In addition, the Department of State will continue to respond to demand for secure travel documents that will be required by the Western Hemisphere Travel Initiative. Under this initiative, United States citizens and foreign visitors traveling to and from the Caribbean, Bermuda, Panama, Canada or Mexico will be required to have a passport or standardized travel card that establishes the bearer's identity and nationality to enter or re-enter the United States. The initiative will improve security at our borders by standardizing entry and exit information and increasing the ability of Government agencies to work together.

Furthermore, the President's 2009 request significantly increases funding for the Department of State's border security program to Mexico for the purchase of x-ray systems to inspect trucks and trains, a mobile x-ray van, patrol vehicles, cameras, fences, and training and systems support to Mexican customs and immigration officials.

Domestic Counterterrorism

Funding in the Domestic Counterterrorism mission area covers Federal and Federally-supported efforts to identify, thwart, and prosecute terrorists in the United States. The largest contributors to the domestic counterterrorism mission are law enforcement organizations: the DOJ (largely for the FBI) and DHS (largely for ICE), accounting for 52.7 and 45.5 percent of funding for 2009, respectively.

Table 3–5. DOMESTIC COUNTERRORISM FUNDING

(Budget authority, in millions of dollars)

Agency	2007 Enacted	2007 Supplemental/ Emergency	2008 Enacted	2008 Supplemental/ Emergency	2009 Request
Department of Homeland Security	2,461.1	27.0	2,220.2	68.0	2,454.3
Department of Interior	0.3	....	0.2	....	0.2
Department of Justice	2,469.4	195.8	2,590.9	86.7	2,839.4
Department of Transportation	20.0	....	23.0	....	29.0
Department of the Treasury	74.4	....	62.4	....	69.8
Social Security Administration	1.4	....	0.2	....	0.2
Total, Domestic Counterterrorism	**5,026.6**	**222.8**	**4,896.8**	**154.7**	**5,392.9**

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

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

The President's 2009 Budget supports the FBI's top strategic priority: to protect the United States from terrorist attacks. FBI continues to build its counterterrorism capabilities post-9/11. Over the past seven years, FBI has shifted resources to counterterrorism from lower priority programs, hired and trained additional field investigators, enhanced science and technology capabilities, and strengthened headquarters oversight of the counterterrorism program. In 2007, the FBI reported over 3,600 State and local law enforcement participants in its Joint Terrorism Task Forces that are found all across the nation. Overall, FBI resources in the domestic counterterrorism category have increased from $0.9 billion in 2002 to $2 billion in 2009. Among the largest 2009 initiatives for enhancing counterterrorism capabilities are $28 million for national security field investigations, $28 million for surveillance operations, and $16 million for the Weapons of Mass Destruction Directorate.

ICE works to deter and dismantle terrorist groups, individuals, and companies involved in the illegal procurement and movement of weapons of mass destruction and their materials and components. ICE National Security Investigations personnel work closely with the Federal Bureau of Investigation's Joint Terrorism Task Forces to utilize the collective resources of the participating agencies for the prevention, deterrence, and investigation of terrorism and related activities occurring in or affecting the United States.

Protecting Critical Infrastructure and Key Assets

Funding in the Protecting Critical Infrastructure and Key Assets mission area captures the efforts of the U.S. Government to secure the Nation's infrastructure, including information infrastructure, from terrorist attacks. Protecting the Nation's critical infrastructure and key assets is a complex challenge for two reasons: (1) the diversity of infrastructure and (2) the high level of private ownership (85 percent) of the Nation's critical infrastructure and key assets. DOD continues to report the largest share of funding in this category for 2009 ($12 billion, or 59.8 percent), which includes programs focusing on physical security and improving the military's ability to prevent or mitigate the consequences of attacks against departmental personnel and facilities. DHS has overall responsibility for prioritizing and executing infrastructure protection activities at the national level and accounts for $3.8 billion (18.7 percent) of 2009 funding. In addition, a total of 25 other agencies report funding to protect their own assets and work with States, localities, and the private sector to reduce vulnerabilities in their areas of expertise. The President's 2009 request increases funding for activities to protect critical infrastructure and key assets by $238 million (1.2 percent) over the 2008 level.

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

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

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

(Budget authority, in millions of dollars)

Agency	2007 Enacted	2007 Supplemental/ Emergency	2008 Enacted	2008 Supplemental/ Emergency	2009 Request
Department of Agriculture	34.2	....	39.2	....	59.3
Department of Defense	11,254.0	....	12,126.8	....	12,058.3
Department of Energy	1,537.6	....	1,604.4	....	1,626.0
Department of Health and Human Services	185.4	....	192.4	....	199.6
Department of Homeland Security	3,107.3	222.0	3,840.4	....	3,768.4
Department of Justice	545.0	6.5	409.4	15.8	571.4
Department of Transportation	155.5	....	149.3	....	162.7
Department of Veterans Affairs	217.7	....	216.3	....	277.4
National Aeronautics and Space Administration	199.2	....	205.2	....	203.0
National Science Foundation	357.4	....	348.9	....	364.0
Social Security Administration	191.9	....	211.5	....	220.3
Other Agencies	603.0	....	582.3	....	654.1
Total, Protecting Critical Infrastructure and Key Assets	**18,388.2**	**228.5**	**19,926.1**	**15.8**	**20,164.5**

- Enabling effective partnerships to protect critical infrastructure; and
- Reducing threats and vulnerabilities in cyberspace.

Homeland Security Presidential Directive 7 (HSPD-7), signed in December 2003, established a national policy to protect critical infrastructure and key resources from attack, to ensure the delivery of essential goods and services, and to maintain public safety and security. Under HSPD-7, DHS is responsible for coordinating Federal critical infrastructure programs and working closely with State and local governments and the private sector to aligning protection efforts. To provide the overall framework to integrate various critical infrastructure protection activities, DHS developed the National Infrastructure Protection Plan (NIPP). The plan's risk-management approach provides the framework for government and industry to work together on common protective goals, while focusing resources where they are needed the most.

Recognizing that each infrastructure sector possesses it own unique characteristics, HSPD-7 also designated sector-specific agencies to coordinate infrastructure protection efforts within each sector. As a result, each of the 17 sectors developed a Sector Specific Plan (SSP) as part of the NIPP process. These plans build on the base NIPP plan and establish partnership models through which public and private sector security partners will work together to collect infrastructure information, prioritize assets and protective programs, and develop metrics to inform future initiatives.

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

The Office of Infrastructure Protection (IP) within NPPD oversees NIPP implementation and is responsible for managing and prioritizing infrastructure protection at the national level. IP conducts site visits and assessments each year on critical infrastructure and provides sector-specific threat and vulnerability information to the private sector in partnership with DHS Intelligence and Analysis. In 2007, IP also took on the responsibility for implementing DHS' chemical facility security regulations, which ensure our nation's chemical facilities meet risk-based performance standards for security. The 2009 Budget provides $273 million for these activities. In conjunction with funding for the Office of Infrastructure Protection, the Infrastructure Protection Program (IPP) within FEMA consists of five grant programs funding security enhancement projects in and around transportation assets and other critical infrastructure sites. Awarded through the Office of Grants and Training, IPP grants supplement State and local infrastructure security efforts, especially detection and prevention investments.

Cyberspace security is a key element of infrastructure protection. The consequences of a cyber attack could cascade across the economy, imperiling public safety and national security. To address this threat, DHS established the National Cyber Security Division (NCSD) in 2003—in response to the President's *National Strategy to Secure Cyberspace*—in order to identify, analyze and reduce cyber threats and vulnerabilities, coordinate incident response, and provide technical assistance. NCSD works collaboratively with public, private, and international entities to secure cyberspace and America's cyber assets. NCSD also manages the U.S. Computer Emergency Response Team (US-CERT), which coordinates defense against and responds to cyber attacks across the nation. US-CERT deploys "Einstein" intrusion detection sensors on Federal networks and operates a cyber watch, warning, and analysis center to provide real-time alerts to Federal departments and agencies, State and local governments, and the private sector. The 2009 budget expands US-CERT analytic capabilities and defensive measures to ensure information on our Federal networks is secure. To support these critical preparedness activities, the Budget includes $294 million for the NCSD in 2009. Moreover, the Budget includes an additional $39 million for the FBI's cyber security activities in 2009.

Defending Against Catastrophic Threats

The Defending Against Catastrophic Threats mission area covers activities including research, development, and deployment of technologies, systems, and medical measures to detect and counter the threat of chemical, biological, radiological, and nuclear weapons. The agencies with the most significant resources to help develop and field technologies to counter CBRN threats are: (1) DOD ($5 billion, or 55.5 percent, of the 2009 total); (2) HHS, largely for research at the National Institutes of Health (NIH) and for advanced development of medical countermeasures ($2.2 billion, or 24.5 percent, of the 2009 total); and (3) DHS ($1.2 billion, or 13.7 percent, of the 2009 total). The President's 2009 request would increase funding for activities to defend against catastrophic threats by $777 million (8.6 percent) over the 2008 level.

Table 3–7. DEFENDING AGAINST CATASTROPHIC THREATS FUNDING

(Budget authority, in millions of dollars)

Agency	2007 Enacted	2007 Supplemental/ Emergency	2008 Enacted	2008 Supplemental/ Emergency	2009 Request
Department of Agriculture	233.0	......	215.6	......	296.2
Department of Commerce	88.7	......	85.0	......	96.0
Department of Defense	4,889.8	......	4,754.4	......	5,026.9
Department of Energy	62.1	......	63.5	......	89.9
Department of Health and Human Services	2,022.2	......	2,008.3	......	2,219.1
Department of Homeland Security	1,204.4	148.0	1,056.2	......	1,236.2
Department of Justice	42.1	1.9	45.2	2.0	40.3
Department of the Treasury	0.9	......	1.8	......	2.4
National Science Foundation	28.0	......	25.0	......	15.0
Nuclear Regulatory Commission	24.7	......	23.2	......	32.8
Total, Defending Against Catastrophic Threats	**8,595.9**	**149.9**	**8,278.1**	**2.0**	**9,054.8**
Plus BioShield	......	......	......	......	2,175.0
Total, Defending Against Catastrophic Threats including BioShield	**8,595.9**	**149.9**	**8,278.1**	**2.0**	**11,229.8**

The major requirements addressed in this mission area include:

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

To protect against a nuclear or radiological weapon entering the country, the Domestic Nuclear Detection Office (DNDO) was created in 2005 within DHS to coordinate the Nation's nuclear detection efforts. DNDO, together with the Departments of State, Energy, Defense, and Justice, is responsible for developing and deploying a comprehensive system to detect and report any attempt to import a nuclear explosive device or radiological material into the United States. With an additional 154 radiation portal monitors for screening cargo deployed to the Nation's largest seaports, DNDO, in 2007, screened over 94% of incoming cargo containers (by volume) to the United States for dangerous radioactive materials. DNDO is also responsible for establishing response protocols to ensure that the detection of a nuclear explosive device or radiological material leads to timely and effective action by military, law enforcement, emergency response, and other appropriate Government assets. The 2009 Budget includes $564 million for DNDO, a 16 percent increase from the 2008 level.

In 2009, DNDO will invest $113 million in transformational research and development aimed at enhancing our ability to detect, identify, and attribute nuclear and radiological materials. This research looks beyond current capabilities and seeks to find new scientific tools and methodologies that may prove useful in broad efforts to focus the Nation's resources toward countering the threat of nuclear and radiological devices. DNDO's budget also includes $170 million for the deployment of both fixed and mobile radiation portal monitors at strategic points of entry throughout the country. An additional $20 million will be used to improve the detection of radiological and nuclear materials in and around the Nation's major urban areas.

Together with overseas non-proliferation efforts led by the Department of State, and overseas detection capabilities managed by the Department of Energy, these programs seek to create a seamless approach toward preventing terrorists anywhere in the world from acquiring, transporting, or introducing these materials into the United States.

To counter the threat of CBRN weapons, the Budget continues to invest in efforts to decrease the time between an attack and implementation of Federal, State and local response protocols. Unlike an attack with conventional weapons, a CBRN attack may not be immediately apparent. Working to ensure earlier detection and characterization of an attack helps protect and save lives. DHS will therefore continue to support efforts such as the BioWatch environmental monitoring program, which samples and analyzes air in over 30 metropolitan areas to continually check for dangerous biological agents. The program is designed to provide early warning of a large-scale biological weapon attack, thereby allowing the distribution of life-saving treatment and preventative measures before the development of serious and widespread illnesses.

A key element in defending against catastrophic threats is developing and maintaining adequate countermeasures for a CBRN attack. This not only means stockpiling countermeasures that are currently available, but developing new countermeasures for agents that currently have none, and next-generation countermeasures that are safer and more effective than those that presently exist. The Budget continues HHS' investment in developing medical countermeasures to CBRN threats with $2.1 billion in funding, which is more than $2.0 billion over the level prior to 9/11 (this includes funding for programs focused on chemical and radiological and nuclear countermeasures referenced below). For 2009, the Budget includes $275 million for the advanced development of medical countermeasures against threats of bioterrorism and next generation ventilators. Large investments in basic research of medical countermeasures at HHS have helped create multiple promising products to protect the public against the threat of a terrorist attack. These investments will accelerate the development of these products to help Project BioShield acquire them more quickly for inclusion in the Strategic National Stockpile.

HHS will also continue to improve human health surveillance with $100 million dedicated to biosurveilance activities, including the BioSense program (allowing local, State, and national public health authorities to monitor "real-time" trends in data from hospitals, emergency departments, and laboratories to identify and characterize potential human health threats), and augmenting the number and quality of border health and quarantine stations. HHS will enhance its internal biodefense and emergency preparedness activities with $131 million, to include an expansion of the laboratory response network capability and capacity to test for radiological and nuclear material exposure. The Food and Drug Administration and the Department of Agriculture will also conduct surveillance to ensure the security of the food supply. Information collected from these programs will be disseminated to the National Biosurveillaince Integration Center at DHS.

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

Emergency Preparedness and Response

The Emergency Preparedness and Response mission area covers agency efforts to bolster capabilities nationwide to prevent and protect against terrorist attacks, and also minimize the damage from attacks through effective response and recovery. The mission area encompasses a broad range of agency incident manage-

Table 3–8. EMERGENCY PREPAREDNESS AND RESPONSE FUNDING

(Budget authority, in millions of dollars)

Agency	2007 Enacted	2007 Supplemental/ Emergency	2008 Enacted	2008 Supplemental/ Emergency	2009 Request
Department of Defense	394.5	.....	493.3	.....	560.7
Department of Energy	119.5	.....	160.8	.....	227.0
Department of Health and Human Services	2,119.5	.....	2,099.9	.....	2,038.0
Department of Homeland Security	1,826.6	37.0	2,425.4	60.0	1,788.5
Other Agencies	362.2	.....	372.0	.....	398.8
Total, Emergency Preparedness and Response	**4,822.2**	**37.0**	**5,551.4**	**60.0**	**5,013.1**
Plus Mandatory PSIC Grants	1,000.0	.....	.....	.....	.....
Total, Emergency Preparedness and Response, including Mandatory Communications Interoperability Grants	**5,822.2**	**37.0**	**5,551.4**	**60.0**	**5,013.1**

ment activities, as well as grants and other assistance to States and localities for first responder preparedness capabilities. Response to natural disasters and other major incidents, including catastrophic natural events such as Hurricane Katrina and chemical or oil spills, do not directly fall within the definition of a homeland security activity for funding purposes, as defined by Section 889 of the Homeland Security Act of 2002. However, in preparing for terrorism-related threats, many of the activities within this mission area also support preparedness for catastrophic natural and man-made disasters. Additionally, lessons learned from the response to Hurricane Katrina have been used to revise and strengthen catastrophic response planning in line with the National Response Framework.

HHS, the largest participant in this mission area ($2 billion, or 40.7 percent, in 2009), assists States, localities and hospitals to upgrade public health capacity, maintains a national stockpile of medicines and vaccines for use following an event, and supports the National Disaster Medical System. DHS maintains the second largest share of funding in this category ($1.8 billion, or 35.7 percent, for 2009), mainly for preparedness grant assistance to State and local first responders. A total of 23 other agencies include emergency preparedness and response funding. A number of agencies maintain specialized response assets that may be called upon in select circumstances, and others report only funding for their agency's internal preparedness capability. The major requirements addressed in this mission area include:

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

Many of the key elements of the national emergency response system are already in place. During 2004, separate Federal response plans were integrated into a single all-hazards National Response Plan. The National Incident Management System was simultaneously developed to integrate a standardized Incident Command System throughout Federal, State and local response agencies and organizations. Recently, the National Response Plan was substantially revised as the National Response Framework to provide clear national response doctrine and incorporate lessons learned from Hurricane Katrina. Additionally, the publication of the National Preparedness Guidelines provides a consistent framework for guiding Federal, State, and local investments. In order to ensure that these investments translate into improvements in preparedness, we must continue to identify capability gaps and improve prevention, protection, response and recovery capabilities at all levels of government. A related challenge is ensuring that investments in State and local preparedness are focused on building and enhancing national capabilities, and not simply supplanting day-to-day operating budgets. DHS is leading an interagency effort to better match Federal resources with achieving national target capabilities.

From 2001 through 2008, the Federal Government has allocated over $30 billion in State and local terrorism preparedness funding from the Departments of Homeland Security, Health and Human Services, and Justice, and the Environmental Protection Agency, increasing spending from an annual level of approximately $350 million in 2001 to over $3.1 billion in the 2009 request. The funding growth has been directed to Federal programs and grant assistance which support State and local preparedness and response activities, including equipping, training and exercising first responders, and preparing the public health infrastructure, for a range of terrorist threats. In addition, to supplement available State and local assistance for public safety communications interoperability, the Department of Commerce, in consultation with DHS, awarded up to $1 billion to qualified applicants for this purpose in 2007 from anticipated spectrum auction receipts. The Federal Government has taken steps to rationalize and simplify the distribution of State and local assistance; better target funds based on risk and effectiveness; and develop and implement the seven national priorities and 37 target capabilities identified in the National Preparedness Guidelines. As a result, the percent of participating State and local homeland security agencies and major urban area grant recipients reporting measurable progress made towards identified goals and objectives to prevent and respond to terrorist attacks increased to approximately 67 percent and 64 percent, respectively, in 2007.

The 2009 Budget provides over $150 million for DHS programs which train and exercise first responders in preparation for catastrophic events including the National Exercise Program, the National Domestic Preparedness Consortium, the Center for Domestic Preparedness, the U.S. Fire Administration, and the Emergency Management Institute. In 2007, the Federal Emergency Management Agency (FEMA) within DHS reported that 72 percent of assisted jurisdictions demonstrated acceptable performance on applicable critical tasks in exercises using approved scenarios. To continue this positive trend, the 2009 Budget also provides grants which support coordinated terrorism preparedness training, exercises, and equipment for State and local responders across the various responder disciplines. The 2009 request includes nearly $1.5 billion for terrorism preparedness grants to be administered by FEMA and proposes to continue current progress on the grant allocation process to better address threats and needs. The Budget also supports a range of Federal response capabilities, including providing $110 million for the Department of Energy's Nuclear Emergency Support Team, $20 million for FEMA's Urban Search and Rescue teams, $53 million for the National Disaster Medical System, and other emergency response, management, and operations assets. The capabilities of these teams range from providing radiological assistance in support of State and local agencies to responding to major incidents worldwide.

In order to ensure that the nation is prepared for dealing with a biological attack, the Administration continues to make significant investments in medical countermeasures through Project BioShield.[4] While the stockpiling of medical countermeasures is the primary goal, BioShield is also designed to stimulate the development of the next generation of countermeasures by allowing the Federal Government to buy critically needed vaccines and medications for biodefense as soon as experts agree that they are safe and effective enough to be added to the Strategic National Stockpile. As a result, this program also provides an incentive for the development and manufacturing of advanced countermeasures, ensuring that new and improved countermeasures will be available in the future. The Budget includes $571 million to maintain and augment this supply of vaccines and other countermeasures that can be made available within 12 hours in the event of a terrorist attack or other public health emergency. This includes funding for storage and maintenance of products purchased through BioShield.

Finally, HHS has the lead role in preparing public health providers for catastrophic terrorism. In addition to providing additional funding to expand HHS's public health and medical response capabilities, including disaster medical assistance, the 2009 Budget also provides nearly $362 million to continue improvements for hospital infrastructure and $571 million for upgrades to State and local public health capacity. In 2009, HHS intends to align the grant cycles with the States' fiscal year. Taking this one-time change into account, the 2009 funding is a $25 million increase over 2008. This investment will bring the total assistance provided by HHS to States, local governments and health care providers since 2001 to over $9 billion.

Non-Federal Expenditures[5]

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

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

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

Additional Tables

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

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

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

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

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

Estimates by Agency:

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

(Budget authority, in millions of dollars)

Agency	2007 Enacted	2007 Supplemental/ Emergency	2008 Enacted	2008 Supplemental/ Emergency	2009 Request
Department of Energy	14.3	......	15.7	......	14.4
Department of Homeland Security	2,910.0	......	2,819.0	......	2,985.0
Department of State	1,166.7	......	1,878.9	......	1,959.0
General Services Administration	161.5	......	360.0	......	111.4
Social Security Administration8	193.3	......	212.4	......	221.3
Federal Communications Commission	2.3	......	2.3	......	2.3
Nuclear Regulatory Commission	72.0	......	43.0	......	46.0
Securities and Exchange Commission	14.3	......	16.4	......	15.9
Total, Discretionary Homeland Security Fee-Funded Activities	**4,534.4**	......	**5,347.7**	......	**5,355.3**

Table 3–10. MANDATORY HOMELAND SECURITY FUNDING BY AGENCY

(Budget authority, in millions of dollars)

Agency	2007 Enacted	2007 Supplemental/ Emergency	2008 Enacted	2008 Supplemental/ Emergency	2009 Request
Department of Agriculture	186.0	......	216.0	......	226.7
Department of Commerce	16.6	......	19.4	......	19.6
Department of Energy	12.0	......	13.0	......	12.0
Department of Health and Human Services	16.8	......	14.3	......	14.4
Department of Homeland Security	2,200.1	......	2,601.0	......	2,942.6
Department of Labor	3.9	......	8.0	......	8.6
Total, Homeland Security Mandatory Programs	**2,435.5**	......	**2,871.7**	......	**3,223.9**
Plus Mandatory PSIC Grants	1,000.0	......	......	......	......
Total, Homeland Security Mandatory Programs including Mandatory PSIC Grants	**3,435.5**	......	**2,871.7**	......	**3,223.9**

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

(Budget authority, in millions of dollars)

Agency	2008 Enacted	Baseline				
		2009	2010	2011	2012	2013
Department of Agriculture	571	593	575	589	603	619
Department of Commerce	207	213	466	228	226	234
Department of Defense	17,375	17,773	18,173	18,577	18,991	19,417
Department of Education	27	28	28	29	29	30
Department of Energy	1,830	1,867	1,907	1,946	1,987	2,030
Department of Health and Human Services	4,300	4,399	4,493	4,595	4,697	4,798
Department of Homeland Security	32,661	33,756	34,727	35,803	36,901	38,039
Department of Housing and Urban Development	2	2	2	2	2	2
Department of the Interior	48	49	52	54	55	58
Department of Justice	3,417	3,545	3,661	3,781	3,900	4,034
Department of Labor	48	49	50	51	51	53
Department of State	1,962	2,001	2,041	2,082	2,124	2,166
Department of Transportation	206	215	223	231	240	249
Department of the Treasury	117	120	125	127	133	137
Department of Veterans Affairs	271	279	285	293	300	308
Corps of Engineers	42	43	44	45	45	46
Environmental Protection Agency	138	142	146	149	152	159
Executive Office of the President	20	20	22	22	22	23
General Services Administration	368	375	382	389	398	405
National Aeronautics and Space Administration	205	209	213	218	222	227
National Science Foundation	374	381	388	397	404	413
Office of Personnel Management	2	2	2	2	2	2
Social Security Administration	212	221	225	230	235	239
District of Columbia	3	3	3	3	3	3
Federal Communications Commission	2	2	2	2	2	2
Intelligence Community Management Account	122	124	127	129	132	135
National Archives and Records Administration	18	18	19	19	19	20
Nuclear Regulatory Commission	72	75	77	80	81	85
Securities and Exchange Commission	16	16	17	17	17	18
Smithsonian Institution	93	97	102	106	111	115
United States Holocaust Memorial Museum	8	8	8	8	9	9
Corporation for National and Community Service	....	....	....	....	....	....
Total, Homeland Security Budget Authority	**64,737**	**66,625**	**68,585**	**70,204**	**72,093**	**74,075**
Less Department of Defense	–17,375	–17,773	–18,173	–18,577	–18,991	–19,417
Non-Defense, Discretionary Homeland Security BA, excluding Bioshield [1]	**47,362**	**48,852**	**50,412**	**51,627**	**53,102**	**54,658**
Less Fee-Funded Homeland Security Programs	–5,338	–5,557	–5,669	–5,781	–5,899	–6,014
Less Mandatory Homeland Security Programs	–2,871	–2,799	–3,056	–2,910	–3,002	–3,102
Net Non-Defense, Discretionary Homeland Security BA, excluding Bioshield [1]	**39,153**	**40,496**	**41,687**	**42,936**	**44,201**	**45,542**
Plus BioShield	....	2,175	....	....	....	....
Net Non-Defense, Discretionary Homeland Security BA, including BioShield [1]	**39,153**	**42,671**	**41,687**	**42,936**	**44,201**	**45,542**
Obligations Limitations						
Department of Transportation Obligations Limitation	139	142	144	147	152	155

[1] The Deficit Reduction Act of 2005 appropriated $1 billion from anticipated spectrum auction receipts for the Department of Commerce, in consultation with the Department of Homeland Security, to make grants to public safety agencies for communications interoperability purposes. DHS received $1.57 billion in emergency funding for border security in 2007.

Estimates by Budget Function:

Table 3–12. HOMELAND SECURITY FUNDING BY BUDGET FUNCTION

(budget authority, in millions of dollars)

Budget Authority	2007 Enacted [1]	2008 Enacted	2009 Request
National Defense	20,710	21,893	22,154
International Affairs	1,241	1,962	2,465
General Science Space and Technology	1,489	1,332	1,398
Energy	131	125	135
Natural Resources and the Environment	307	278	328
Agriculture	521	539	659
Commerce and Housing Credit [1]	158	164	198
Transportation	9,425	10,038	10,811
Community and Regional Development	2,505	3,313	2,216
Education, Training, Employment and Social Services	191	165	176
Health	4,340	4,320	4,473
Medicare	15	14	19
Income Security	8	11	14
Social Security	193	212	221
Veterans Benefits and Services	260	271	348
Administration of Justice	17,421	18,870	19,729
General Government	907	1,196	967
Total, Homeland Security Budget Authority	**59,822**	**64,703**	**66,311**
Less National Defense, DoD	–16,538	–17,375	–17,647
Non-Defense Homeland Security BA, excluding Mandatory PSIC Grants and BioShield	**43,284**	**47,328**	**48,664**
Less Fee-Funded Homeland Security Programs	–4,433	–5,279	–5,282
Less Mandatory Homeland Security Programs	–2,435	–2,871	–3,225
Net Non-Defense, Discretionary Homeland Security BA, excluding Mandatory PSIC Grants and BioShield	**36,416**	**39,178**	**40,157**
Plus BioShield	....	....	2,175
Plus Mandatory PSIC Grants	1,000	....	....
Net Non-Defense, Discretionary Homeland Security BA, including Mandatory PSIC Grants and BioShield	**37,416**	**39,178**	**42,332**

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

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

(Budget authority, in millions of dollars)

Budget Authority	2008 Enacted	Baseline				
		2009	2010	2011	2012	2013
National Defense	21,893	22,413	22,933	23,459	23,997	24,557
International Affairs	1,962	2,001	2,041	2,082	2,124	2,166
General Science Space and Technology	1,332	1,358	1,385	1,414	1,441	1,471
Energy	125	128	130	134	136	141
Natural Resources and the Environment	278	285	294	301	306	318
Agriculture	539	560	541	554	568	583
Commerce and Housing Credit	164	169	421	182	179	185
Transportation	10,038	10,329	10,601	10,944	11,295	11,655
Community and Regional Development	3,313	3,381	3,448	3,520	3,589	3,662
Education, Training, Employment and Social Services	165	170	176	182	188	195
Health	4,320	4,419	4,514	4,616	4,717	4,819
Medicare	14	15	15	16	17	17
Income Security	11	12	12	12	12	12
Social Security	212	221	225	230	235	239
Veterans Benefits and Services	271	279	285	293	300	308
Administration of Justice	18,904	19,679	20,334	21,015	21,714	22,450
General Government	1,196	1,206	1,230	1,250	1,275	1,297
Total, Homeland Security Budget Authority	**64,737**	**66,625**	**68,585**	**70,204**	**72,093**	**74,075**
Less National Defense, DoD	–17,375	–17,773	–18,173	–18,577	–18,991	–19,417
Non-Defense, Discretionary Homeland Security BA, excluding Bioshield	**47,362**	**48,852**	**50,412**	**51,627**	**53,102**	**54,658**
Less Fee-Funded Homeland Security Programs	–5,338	–5,557	–5,669	–5,781	–5,899	–6,014
Less Mandatory Homeland Security Programs	–2,871	–2,799	–3,056	–2,910	–3,002	–3,102
Net Non-Defense, Discretionary Homeland Security BA, excluding Bioshield	**39,153**	**40,496**	**41,687**	**42,936**	**44,201**	**45,542**
Plus BioShield	....	2,175	....	....	....	....
Net Non-Defense, Discretionary Homeland Security BA, including BioShield	**39,153**	**42,671**	**41,687**	**42,936**	**44,201**	**45,542**
Obligations Limitations						
Department of Transportation Obligations Limitation	139	142	144	147	152	155

Detailed Estimates by Budget Account:

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

4. STRENGTHENING FEDERAL STATISTICS

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

The Federal statistical community remains on alert for opportunities to improve these measures of our Nation's performance. For example, during 2007, Federal statistical agencies (i) published prototype estimates of Gross Domestic Product by metropolitan area for 2001–2005, which can be used to determine the overall size and growth of metropolitan economies, to assess the impacts of natural or man-made disasters on cities, and to analyze comparative industrial growth across metropolitan America (Bureau of Economic Analysis); (ii) developed a website that presents recent trends in mortality in State prisons, local jails, and State juvenile correctional facilities (Bureau of Justice Statistics); (iii) expanded coverage of the Producer Price Index to over 70 percent of services output, by publishing new service sector indexes for management consulting, blood banks, computer training schools, and machinery and equipment repair (Bureau of Labor Statistics); (iv) developed an innovative software tool, called GeoMiler, to compute likely transportation routes more efficiently for the nearly 6 million freight shipments reported in the Commodity Flow Survey (Bureau of Transportation Statistics); (v) completed street features in the Decennial Census geographic database for 737 additional counties, bringing the total completed to about 90 percent of all 3,232 counties in the United States and Puerto Rico (Census Bureau); (vi) launched two new Internet gateways for State Energy Profiles and Country Energy Profiles (Energy Information Administration); (vii) enhanced representation of the Nation's socially disadvantaged and minority farm operators in the Census of Agriculture (National Agricultural Statistics Service); and (viii) offered significantly more timely access to National Health Interview Survey data on the Internet (National Center for Health Statistics).

For Federal statistical programs to benefit effectively their wide range of users, the underlying data systems must be viewed as credible. In order to foster this credibility, Federal statistical programs seek to adhere to high quality standards and to maintain integrity and efficiency in the production of data. As the collectors and providers of these basic statistics, the responsible agencies act as data stewards—balancing public and private decision makers' needs for information with legal and ethical obligations to minimize reporting burden, respect respondents' privacy, and protect the confidentiality of the data provided to the Government. This chapter discusses the development of standards that principal statistical programs use to assess their performance and presents highlights of their 2009 budget proposals.

Performance Standards

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

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

Program performance standards form the basis for evaluating effectiveness. They address questions such as: Are taxpayer dollars being spent most effectively? Are products being made available to those who need them? Are agencies meeting their mission requirements or making it possible for other agencies to meet their missions? The indicators available to measure program performance for statistical activities were historically less well developed than those for product quality, but nearly all principal statistical agencies have now devel-

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

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

✓ Indicator Available P Indicator Planned

Description of Dimensions

Product Quality

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

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

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

Program Performance

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

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

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

Key to Statistical Agencies

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

oped and implemented a complete set of program performance standards.

Product quality and program performance standards are designed to serve as indicators when answering specific questions in the Administration's PART process. Chart 4–1 presents each principal Federal statistical agency's assessment of the status of its current and planned use of indicators on the six dimensions. With the exception of cost indicators, where one agency (NCHS) is still planning its measure, each ICSP agency has now developed performance measures for all six dimensions. Use of the indicators may be for internal management, strategic planning, or annual performance reporting. The dimensions shown in the chart reflect an overall set of indicators for statistical activities, but the specific measures vary among the individual programs depending on their unique characteristics and requirements. Annual performance reports and PARTs provide these specific measures, as well as additional information about performance goals and targets and whether a program is meeting, or making measurable progress toward meeting, its performance goals. The examples below illustrate different ways agencies track their performance on each dimension.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Highlights of 2009 Program Budget Proposals

The programs that provide essential statistical information for use by governments, businesses, researchers, and the public are carried out by more than 70 agencies spread across every department and several independent agencies. Excluding cyclical funding for the Decennial Census, nearly 40 percent of the total budget for these programs provides resources for 13 agencies or units that have statistical activities as their principal mission. (Please see Table 4–1.) The remaining funding supports work in more than 60 agencies or units that carry out statistical activities in conjunction with other missions such as providing services or enforcing regulations. More comprehensive budget and program information about the Federal statistical system will be available in OMB's annual report, *Statistical Programs of the United States Government, Fiscal Year 2009*, when it is published later this year. The following highlights elaborate on the Administration's proposals to support the programs of the principal Federal statistical agencies.

Bureau of Economic Analysis (BEA): Funding is requested to continue BEA's core programs, and to: (1) extend the prototype R&D satellite account, funded by the National Science Foundation in 2006 and 2007, with annual updates and extensions to BEA's GDP and other estimates and eventual full incorporation into the economic accounts; (2) develop a more accurate measure of the health care sector in GDP and create a supplemental, satellite account that provides detailed and specific information on the expenditures of the health care industry and the costs of treating specific diseases; and (3) ensure the continued improvement of the accuracy and relevance of BEA's economic accounts data.

Bureau of Justice Statistics (BJS): Funding is requested for the maintenance of BJS' core statistical programs, including: (1) criminal victimization statistics; (2) cybercrime data on the incidence, magnitude, and consequences of electronic and computer crime to households and businesses; (3) law enforcement data from over 3,000 agencies on the organization and administration of police and sheriffs' departments; (4) nationally-representative prosecution data on resources, policies, and practices of local prosecutors; (5) court and sentencing statistics, including Federal and State case processing data; and (6) data on correctional populations and facilities from Federal, State, and local governments.

Bureau of Labor Statistics (BLS): Funding is requested to maintain BLS' core programs, and to: 1) address the rising costs of the Current Population Survey (CPS) and avoid a reduction in the accuracy of CPS estimates both by requesting an additional appropriation and by reallocating funds within BLS through the elimination of lower-priority programs, such as the American Time Use Survey, that do not directly support Principal Federal Economic Indicators; (2) initiate continuous updating of the housing and geographic area samples in the Consumer Price Index (CPI), which will improve the accuracy and timeliness of the CPI; and (3) modernize the computing systems for monthly processing of the Producer Price Index and U.S. Import and Export Price Indexes.

Bureau of Transportation Statistics (BTS): Funding is requested to develop measures of congestion and for the maintenance of BTS' core statistical programs, including: (1) production of data products from the 2007 Commodity Flow Survey, a major national benchmark survey of shippers; (2) release of monthly statistics on the commodities and mode of transportation used in trading with the United States' largest partners; (3) production of a core set of economic data and indicators, including the Transportation Services Index, multi-factor productivity measures, the State Transit Expenditure Survey, and the Air Travel Price Index; (4) release of the National Transportation Atlas Data Base, a compendium of national geospatial transportation data; and (5) dissemination of the Transportation Statistics Annual Report and other key publications on the national transportation system.

Census Bureau: Funding is requested for the Census Bureau's ongoing economic and demographic programs and for a re-engineered 2010 Census. For the 2010 Census Program, funding is requested to: (1) conduct planning, testing, and development activities, including completion of dress rehearsal operations and assessments, and carry out several major operations for the 2010 Census, including Address Canvassing, while making final preparations for the remaining operations; (2) update the road network to a more recent vintage that includes new streets and roads constructed in counties that were aligned very early in the program; and (3) continue to conduct the American Community Survey to provide socioeconomic data on an ongoing basis rather than waiting for once-a-decade censuses, releasing data for all places with a population of 20,000 or larger. For the Census Bureau's other economic and demographic programs, funding is requested to: (1) process returns for the 2007 Economic Census and conduct more than 100 annual, quarterly, and monthly surveys that provide key national economic statistics; (2) create Internet and printed reports containing government counts, employment levels, and finance data for the 2007 Census of Governments; (3) operate the Survey of Income and Program Participation at the traditional sample size and incorporate improvements; and (4) maintain the accuracy and relevance of Current Population Survey data.

Economic Research Service (ERS): Funding is requested to continue ERS' core programs, and to: (1) strengthen and enhance the ERS market analysis and outlook program to provide timely analyses of global agricultural product markets; and (2) analyze the regional impacts of bioenergy production and evaluate issues related to transportation networks, feedstock storage, marketing channels, and shifts in commodity production.

Energy Information Administration (EIA): Funding is requested to continue ongoing EIA operations to maintain critical energy data coverage, analysis, and forecasting, and to: (1) enhance petroleum and natural gas data reliability and statistical accuracy; (2) complete development and begin initiating monthly ethanol and biofuels data collections on a national and regional basis as mandated in Section 1508 of the Energy Policy Act of 2005; (3) combine the environmental data previously collected by the Steam-Electric Plant Operation and Design Report into two existing electric power surveys; (4) resume development and testing of the next generation National Energy Model to replace the existing National Energy Modeling System; and (5) enhance EIA's global oil, gas, and coal analysis and forecasting capabilities.

National Agricultural Statistics Service (NASS): Funding is requested to continue NASS core programs and to: (1) enhance the quality, precision, and detail of NASS State, regional, and national estimates to help ensure that they meet customer needs; (2) provide a data series on bioenergy production and utilization, (3) measure energy production and use on farms through the Census of Agriculture; (4) reduce the cyclical fluctuations of annual funding needs for the Census of Agriculture; (5) summarize and publish the 2007 Census of Agriculture, to be released in February 2009, and (6) begin preparation of numerous census follow-on studies, including a revamped Farm and Ranch Irrigation Survey to evaluate current access to reuse water, quantities of water used, and costs associated with various water delivery systems.

National Center for Education Statistics (NCES): Funding is requested to continue NCES' core programs and to: (1) conduct the National Assessment of Educational Progress, including voluntary 12th grade reading and mathematics assessments, in 2009; (2) conduct a new high school longitudinal study that will begin with a cohort of 9th graders in 2009 and follow them through postsecondary education and into the workforce; (3) conduct surveys and analyze data from international studies such as the 2007 Trends in International Mathematics and Science Study and the 2009 Programme for International Student Assessment and plan for new international assessments; (4) analyze data from the 2007–08 Schools and Staffing Survey and collect data for the Teacher Followup Study; and (5) conduct the Beginning Postsecondary Student Longitudinal Survey, which provides information on the progress of postsecondary students.

National Center for Health Statistics (NCHS): Funding is requested to continue data collection, analysis, and dissemination activities for key national health data systems, including the National Vital Statistics System, National Health Interview Survey, National Health and Nutrition Examination Survey (NHANES), and National Health Care Survey; and to: (1) further gains in timeliness by implementing systems improvements in data collection and processing; (2) work on the creation and use of new data access tools and tutorials to ensure data are available in easily accessible forms; (3) use birth and death data from the States for tracking priority health initiatives in prevention, cancer control, out of wedlock births, and teenage pregnancy; (4) transition from International Classification of Diseases (ICD) 9-CM to ICD-10-CM code sets to improve comparability between mortality and morbidity data in the U.S. and internationally; (5) ensure availability of NHANES data on diet and nutrition, blood pressure, and other health indicators; and (6) allow the National Health Interview Survey to return to its designed sample of 100,000, permitting estimates for smaller populations to be published.

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

Science Resources Statistics Division (SRS), NSF: Funding is requested to implement ongoing programs on the science and engineering enterprise, and to: (1) continue redesign and improvement activities for a broad range of surveys, particularly the suite of research and development surveys; (2) support the Science of Science and Innovation Policy initiative to develop the data, tools, and knowledge needed for a new science of science policy by enhancing the comparability, scope, and availability of international data; (3) implement a full-scale pilot of a redesigned Survey of Industrial Research and Development; (4) develop a pilot data collection on postdoctoral students; and (5) enhance SRS data linking, data extraction, and data matching activities.

Statistics of Income Division (SOI), IRS: Funding is requested to continue SOI's core programs, and to: (1) continue to modernize tax data collection systems, particularly to more efficiently assimilate into SOI systems data captured from the electronic filing of tax and information returns; (2) examine means to better mask individual records to minimize the risk of re-identification in the Individual Public Use cross-section file; (3) undertake a feasibility study to develop an Individual Public Use panel data file; (4) develop statistical techniques to identify outliers and edit data in IRS administrative population files; and (5) modernize and expedite dissemination of data products and reports on the www.irs.gov/TaxStats website.

Table 4–1. 2007–2009 BUDGET AUTHORITY FOR PRINCIPAL STATISTICAL AGENCIES[1]

(In millions of dollars)

	2007 Actual	Estimate	
		2008	2009
Bureau of Economic Analysis	80	80	91
Bureau of Justice Statistics [2]	47	49	53
Bureau of Labor Statistics	548	544	593
Bureau of Transportation Statistics	28	27	27
Census Bureau [3]	913	1260	2635
Salaries and Expenses [3]	217	233	269
Periodic Censuses and Programs	696	1027	2366
Economic Research Service [4]	75	77	82
Energy Information Administration	91	95	111
National Agricultural Statistics Service [5]	147	162	153
National Center for Education Statistics	183	192	244
Statistics	90	88	105
Assessment	88	98	130
National Assessment Governing Board	5	6	9
National Center for Health Statistics [6]	107	114	125
Office of Research, Evaluation, and Statistics, SSA	15	20	16
Science Resources Statistics Division, NSF	36	36	40
Statistics of Income Division, IRS	38	41	41

[1] Reflects any recissions.

[2] Includes funds for management and administrative costs of $12, $14, and $15 million in 2007, 2008, 2009, respectively that were previously displayed separately.

[3] Includes Mandatory Appropriations of $20 million in 2007 and $30 million in 2008 and 2009 for the Survey of Program Dynamics and collection of data related to the allocation to States of State Children's Health Insurance Program funds.

[4] 2007 funding assumes the reallocation of $350,000 provided in 2006 for a comprehensive report on the economic development and current status of the sheep industry in the United States. Funding for that purpose will not be needed in 2008.

[5] Includes funds for the periodic Census of Agriculture of $36, $52, and $39 million in 2007, 2008, and 2009, respectively. The FY 2009 Budget reflects a decrease of $8.7 million, due to the cyclical nature of the census preparations.

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

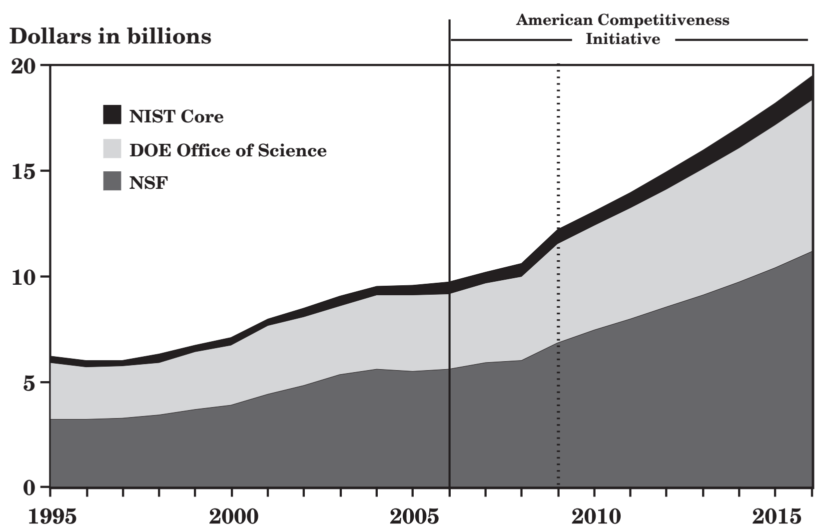
5. RESEARCH AND DEVELOPMENT

At a record $147 billion in the President's 2009 Budget, Federal research and development (R&D) comprises one out of every seven dollars funded in the discretionary budget and 5 percent of total government spending. This substantial investment in the quest for new knowledge and future discovery will enhance U.S. economic strength, national security, and world leadership by building innovation capacity through a world-class science and technology research enterprise and a high-quality scientific and technical education infrastructure.

The relationship between support for science and economic growth is well documented. Investments in basic research lead to knowledge breakthroughs that fuel innovation, drive productivity, grow the economy, and improve our understanding of the world. Economists estimate that as much as half of post-World War II economic growth is directly due to technological progress fueled by R&D. Economic payoffs from research come in the form of process and product innovations that reduce the costs of production, lower product prices, and result in new and better products and services. Consumers ultimately benefit from less expensive, higher quality and more useful products and services. Today's transforming technologies and most popular consumer items have deep roots in basic and applied research.

Under this Administration, Federal R&D is being increased 61 percent, from $91 billion in 2001 to the $147 billion in this year's request. To sustain the nation's economic competitiveness, the President, in his 2006 State of the Union address, presented a long-term vision to strengthen Federal support for the Nation's innovation enterprise in an integrated package of investments and policies called the American Competitiveness Initiative (ACI). President Bush remains firmly committed to the fulfillment of that vision and seeks to continue that implementation of the ACI in the 2009 Budget.

Chart 5-1. American Competitiveness Initiative Research

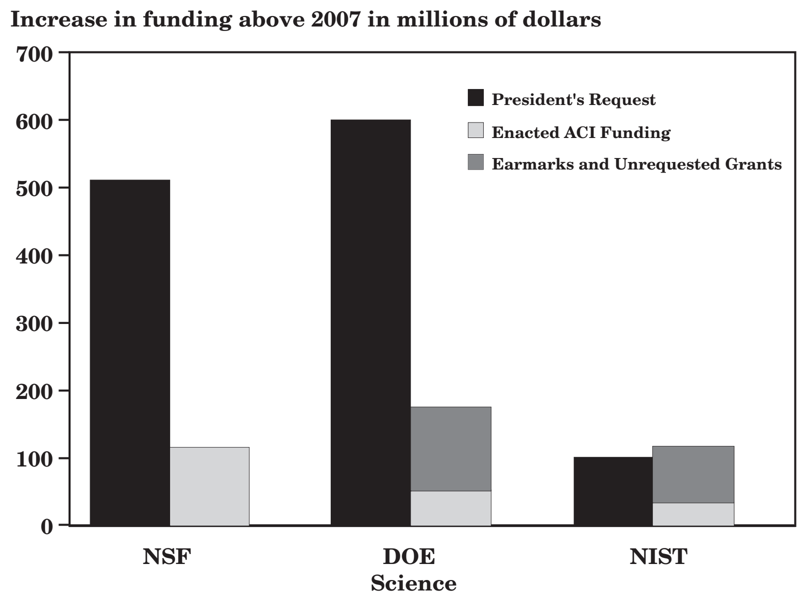


I. THE AMERICAN COMPETITIVENESS INITIATIVE

The President's 2009 Budget maintains a strong commitment to invest in basic research areas that advance knowledge and technologies used by scientists in nearly every field. Through the ACI, the President plans to double, over 10 years, investment in innovation-enabling research at three Federal agencies—the National Science Foundation (NSF), the Department of Energy's (DOE's) Office of Science, and the Department of Commerce's National Institute of Science and Technology (NIST) laboratories.

In 2009, the third year of the ACI, President Bush proposes $12.2 billion total for NSF, DOE's Office of Science, and NIST laboratories, an overall funding increase of $1.6 billion, or 15 percent, above the 2008 enacted total of $10.6 billion. Unfortunately, the 2008 omnibus appropriations bill drastically cut proposed ACI research increases, funding only one-third of the President's requested increase. In addition, Congress directed over half of the enacted increase ($207 million of a total $408 million increase) to earmarks and an unrequested new grants program.

Chart 5-2. 2008 ACI Research Funding



This outcome greatly impairs the Administration's efforts to strengthen long-term economic competitiveness through support for innovation-enabling basic research in the physical sciences and engineering. President Bush's call for doubling of these research levels had been roundly supported by business and academic leaders and embraced by Congress when it enacted the bipartisan America COMPETES Act (Public Law 110–69). The President's Budget continues funding for ACI research on its doubling path to ensure this consensus national priority objective is realized.

Research Agencies in the American Competitiveness Initiative

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

The Department of Energy's Office of Science supports grants and infrastructure for a wide range of basic research related to economically significant innovations including nanotechnology, biotechnology, high-end computing and advanced networking, and energy technologies. The 2009 Budget increases funding for both research and cutting-edge facilities, meets the United States' contribution to the international fusion energy project known as ITER, upgrades the nuclear physics accelerator at the Thomas Jefferson lab in Virginia, accelerates strategic basic research for electrical energy storage and an advanced nuclear fuel cycle, and reorganizes and reforms the radioisotope production and application programs within the Department.

The Department of Commerce's National Institute of Standards and Technology (NIST) invests in technological innovation through research and standards development. These investments will improve NIST's research capabilities by providing high performance laboratory space for diverse research fields and world-class researchers; aid the responsible development of nanotechnology manufacturing; expand NIST's neutron facility to aid in characterizing novel materials in high-growth research fields; and improve our understanding of complex biological systems to accelerate innovations and enable investment in biosciences, including disease diagnosis and treatment.

II. IMPROVING THE PERFORMANCE OF R&D PROGRAMS

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

R&D Investment Criteria

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

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

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

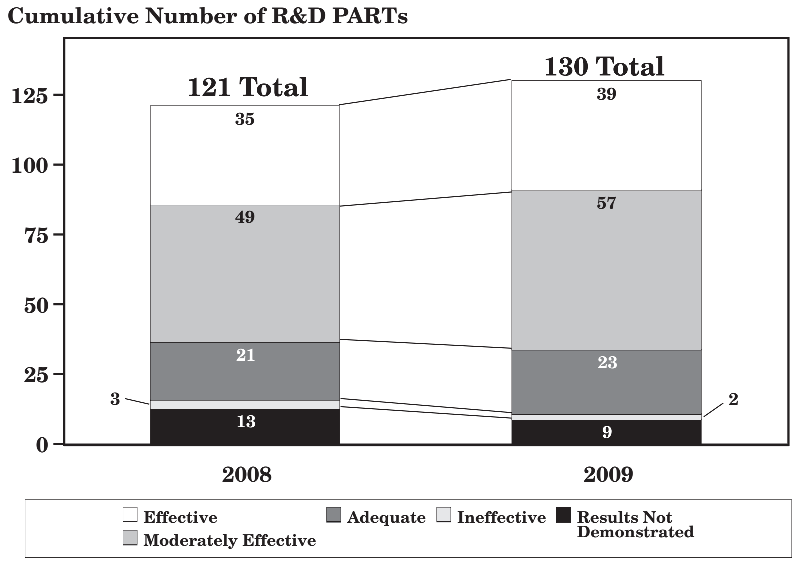
- *Relevance*—Programs must be able to articulate *why* they are important, relevant, and appropriate for Federal investment;
- *Quality*—Programs must justify *how* funds will be allocated to ensure quality; and
- *Performance*—Programs must be able to monitor and document *how well* the investments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

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

As part of the President's Management Agenda's Performance Improvement initiative, the Administration uses the Program Assessment Rating Tool (PART) to consistently assess the effectiveness of programs. A section of the PART specifically addresses the assessment of R&D program management and performance and is aligned with the R&D Investment criteria. In the last six years, agencies completed 1,016 PART assessments, of which 130 were for R&D programs. The results of these PART assessments may be found on the web at *www.expectmore.gov*.

Performance assessments help policy makers identify those programs that are the most effective and worthy of funding; however, the Administration does not allocate funding levels and initiate management reforms strictly by formula or based solely on PART results. For instance, funding may be reduced for programs rated Effective by the PART that have achieved what they set out to do, and programs rated Ineffective by the PART might receive more money if it is clear it would help them become more effective. The PART provides information that leads to more informed decisions.

Chart 5-3. Scores of R&D PART Assessments



Research Earmarks

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

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

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

Earmarks for activities that are outside of an agency's mission can detract from an efficient and effective Federal effort on behalf of taxpayers. For instance, in 2008, the Congress has directed DOD to fund research on a wide range of diseases including diabetes, autism, and muscular dystrophy. Funding for unrequested medical research projects in DOD's budget totals about $800 million in 2008 alone. While research on these diseases is very important, these diseases are not unique to the U.S. military and the research could be better selected, carried out and coordinated within civil medical research agencies without disruption to the military mission. At the same time, intrusion of earmarks into the peer-review processes of civilian medical research agencies would have a significant detrimental impact on ensuring that the most important and promising research is chosen by medical research professionals with access to information on the most promising research opportunities.

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

III. PRIORITIES FOR FEDERAL RESEARCH AND DEVELOPMENT

The 2009 Budget requests $147 billion for Federal R&D funding, which targets key research investments within agencies, in particular, the three ACI agencies: NSF, the DOE's Office of Science, and the NIST laboratories. In addition, DOD requests $1.7 billion for basic research, $270 million more than was requested in the 2008 Budget. This increase is partially hidden by the earmarked funding included in the 2008 enacted level. (Table 5–1 provides details by agency.)

Multi-Agency R&D Priorities

The 2009 Budget continues to target important research investments that must be coordinated across multiple agencies. A number of these challenges are being addressed through multi-agency research efforts coordinated through the National Science and Technology Council (NSTC) and other interagency forums. The Administration will continue to analyze other areas of critical need that could benefit in the future from improved focus and coordination among agencies.

Homeland Security R&D: A robust R&D effort continues to be a key asset in advancing technologies in support of the President's national strategy for homeland security. The United States derives much of its ability to thwart and recover from these threats via its advantage in the realm of science and technology (S&T), and we must continue to use this advantage and encourage innovative R&D to assist in protecting and defending against the range of natural and manmade threats confronting the country. Though there have been numerous achievements over the past five years to improve the Nation's counterterrorism capability, many challenges remain.

The Administration's annual R&D budget priorities memorandum summarizes priorities from the Administration's homeland security strategies that should be addressed via multi-agency coordination. For example, in response to the 2007 memo, agencies:

- advanced biometric capabilities as outlined in *The National Biometrics Challenge*, and established policy for agency adoption of biometric standards that will enable real-time, verifiable, interoperable, and privacy-protecting root identification;
- improved radiation portal monitors and developed standards for technologies that detect nuclear and radioactive material before it enters the U.S.;
- developed more sensitive environmental sensors to quickly detect the presence of biological or toxic agents; and
- integrated modeling efforts for high consequence foreign animal diseases, including avian influenza and foot and mouth disease, to facilitate coordinated response planning and guide countermeasure R&D investments.

The 2009 Budget provides continued support for these and many other interagency R&D programs, including: pursuing stand-off detection and imaging capabilities to locate and identify nuclear threat materials at a distance; improving the capability to detect and mitigate the use of improvised explosive devices in the U.S.; continuing the implementation of the 2008–2012 R&D plan for high-consequence foreign animal diseases; and accelerating the advanced development of critical medical countermeasures that do not have a pre-existing market to stimulate their development.

Networking and Information Technology R&D: The Budget provides $3.6 billion for the multi-agency Networking and Information Technology Research and Development (NITRD) Program, which plans and coordinates agency research efforts in advanced networking, cyber security, high-end computing systems, software development, high-confidence systems, information management, and other information technologies. Advances in information technology contribute both to accelerating progress in scientific research and to U.S. economic competitiveness. Federal agencies coordinate their R&D investments in the NITRD Program to avoid unnecessary duplication and to help ensure that the investments have maximum impact.

The NITRD agencies focused on implementing the recommendations contained in both the Federal Plan for High-End Computing and the Federal Plan for Cyber Security and Information Assurance R&D in 2007, and will complete the Federal Plan for Advanced Networking R&D in early 2008. Also in 2007, the President's Council of Advisors on Science and Technology (PCAST) issued a report reviewing the NITRD program and providing recommendations for the future. The Federal agencies are evaluating these recommendations and will begin implementation in 2008.

The 2009 Budget sustains a substantial level of investment in high-end computing research for large-scale scientific and national security applications, particularly in scalable systems software and applications that can capitalize on emerging architectures based on processing units with many computational cores. The 2009 Budget also increases support for investments in innovative research in both cyber security and advanced networking R&D that have the potential to transform the Internet into a more secure and reliable interconnected network to support both commerce and high-speed data transfers for scientific applications. Reports and general information about NITRD are available at *www.nitrd.gov/*.

Nanotechnology R&D: The Budget provides $1.5 billion for the multi-agency National Nanotechnology Initiative (NNI). The NNI focuses on R&D that creates materials, devices, and systems that exploit the fundamentally distinct properties of matter as it is manipulated at the atomic and molecular levels. The results of NNI-supported R&D are already leading to breakthroughs in disease detection and treatment, manufacturing at or near the nanoscale level, environmental monitoring and protection, energy production and storage, and creating electronic devices that have even greater capabilities than those available today. Research opportunities cover a similarly broad spectrum. Advances that will be foundational for all aspects of nanotechnology R&D in particular include: instrumentation for characterizing nanoscale materials in the laboratory, in the body, and in the environment; and computational research to model and predict properties at the nanoscale, for designing novel materials, and for determining their behavior under various conditions and environments.

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

These activities will be appropriately coordinated with stakeholders outside of the Federal government, including industry, academia, and other governments. Agency investments in nanotechnology R&D are informed by the NSTC's Nanoscale Science, Engineering, and Technology Subcommittee and by outside reviews of the PCAST and the National Research Council. Reports of these Federal and non-Federal bodies help to identify and prioritize research, including in the area of environmental, health, and safety aspects of nanotechnology. Reports and general information about the NNI are available at *www.nano.gov/*.

Climate Change R&D: The 2009 Budget for the Climate Change Science Program (CCSP) continues to support the implementation of the CCSP Strategic Plan, which was released in July 2003. The 13 departments and agencies that participate in the CCSP coordinate preparation of the budget and program implementation. During 2009, the CCSP will continue research into important physical science aspects of climate change, including scientific uncertainties and preparation of a series of *Synthesis and Assessment* reports. In addition, added emphasis will be placed on the impacts of climate change and the science of adaptation. Working within the overarching priorities defined in the Strategic Plan, the CCSP's interagency coordination and integration efforts will give particular emphasis in FY 2009 to the following climate change research issues: development of an integrated earth system analysis capability; a focus toward creating a high-quality record of the state of the atmosphere and ocean since 1979; development of an end-to-end hydrologic projection and application capability; enhanced carbon cycle research on high latitude systems; quantification of climate forcing and feedbacks by aerosols, non-carbon dioxide greenhouse gases, water vapor, and clouds; assessment of abrupt change in a warming climate; examination of the feasibility of development an abrupt change early warning system; and ecological forecasting.

The program expects to receive input from the National Research Council under the terms of a continuing advisory agreement. This advice will include review of several CCSP Synthesis and Assessment Products. The CCSP will continue to track deliverables and milestones for each of its programs in order to assess overall performance. Additional detail on individual agency activities will be provided in the Administration's 2009 edition of *Our Changing Planet*. Reports and general information about the CCSP are available on the program's website: *www.climatescience.gov/*.

The Climate Change Technology Program (CCTP) continues to provide strategic direction, planning, and analysis to help coordinate and prioritize activities within the portfolio of federally funded climate change technology R&D consistent with the President's National Climate Change Technology Initiative (NCCTI). The CCTP has published a Vision and Framework for Strategy and Planning and a Strategic Plan that outlines the program's goals and priorities. The CCTP has also identified within its portfolio a subset of NCCTI priority activities, defined as discrete R&D activities that address technological challenges, which, if solved, could advance technologies with the potential to dramatically reduce, avoid, or sequester greenhouse gas emissions. In 2009, CCTP will continue to focus on implementing the elements of its Vision and Framework document and Strategic Plan. Reports and general information about the CCTP are available on the program's website: *www.climatetechnology.gov/*.

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

Ocean Research: The 2009 Budget supports ocean and coastal research as outlined in *Charting the Course for Ocean Science in the United States for the Next Decade: An Ocean Research Priorities Plan and Implementation Strategy*. Developed by the NSTC's Joint Subcommittee on Ocean Science and Technology, the plan provides a framework for an ocean observing system that will accurately describe marine conditions in real-time, enhance our capability to forecast ocean processes, and provide scientific support for ecosystem-based management. These three overarching goals will maintain U.S. leadership in ocean technology and enhance U.S. competitiveness. These goals are supported by 20 national ocean research priorities, established with extensive community input and oriented around the most compelling societal issues. The Joint Subcommittee on Ocean Science and Technology will coordinate multi-agency research into key aspects of the oceans, coasts and Great Lakes and work closely with the other coordinating bodies of the President's Ocean Action Plan.

Biomass R&D: The Biomass R&D Act of 2000 established the Biomass R&D Board to guide interagency coordination and bring coherence to Federal strategic planning on biomass-related issues. The Board is completing an interagency coordination and planning document that will be reviewed by the National Academy of Sciences. In addition to assessing the goals and plans for interagency biomass research, the Academy will be tasked with considering economic and other impacts of increased biomass utilization under various energy price and policy scenarios. Additional information on the Biomass R&D Board is available online at *www.biomass.govtools.us*.

Stimulating Private Investment

Along with direct spending on R&D, the Federal Government has sought to stimulate private R&D investment through incentives in the Internal Revenue Code. A long-standing credit, which had provided a 20-percent tax credit for private research and experimentation expenditures above a certain base amount, expired at the end of December 2007. The Administration again proposes making the enhanced Research and Experimentation tax credit permanent starting in 2008. The proposed extension will cost $55 billion over the period from 2008 to 2013. In addition, a permanent tax provision lets companies deduct, up front, the costs of certain kinds of research and experimentation, rather than capitalize these costs. Also, equipment used for research benefits from relatively rapid tax depreciation allowance.

IV. FEDERAL R&D DATA

Federal R&D Funding

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

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

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

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

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

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

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

The "Federal Science and Technology" (FS&T) budget (shown in Table 5–2) highlights the creation of new knowledge and technologies more consistently and accurately than the overall R&D data. The FS&T budget emphasizes research; does not count funding for defense development, testing, and evaluation; and totals less than half of Federal R&D spending. The 2009 Budget requests $62 billion for FS&T.

Table 5–1. FEDERAL RESEARCH AND DEVELOPMENT

(Budget authority, dollar amounts in millions)

	2007 Actual	2008 Estimate	2009 Proposed	Dollar Change: 2008 to 2009	Percent Change: 2008 to 2009
By Agency					
Defense	78,329	80,192	80,494	302	0%
Health and Human Services	29,201	29,475	29,480	5	0%
NASA	9,952	10,436	10,737	301	3%
Energy	8,522	9,739	10,558	819	8%
National Science Foundation	4,479	4,500	5,201	701	16%
Homeland Security	1,246	1,143	3,287	2,144	188%
Agriculture	2,275	2,309	1,952	–357	–15%
Commerce	1,080	1,113	1,157	44	4%
Transportation	768	823	901	78	9%
Veterans Affairs	892	960	884	–76	–8%
Interior	604	676	617	–59	–9%
Environmental Protection Agency	606	557	550	–7	–1%
Other	1,118	1,140	1,145	5	0%
TOTAL	**139,072**	**143,063**	**146,963**	**3,900**	**3%**
Basic Research					
Defense	1,525	1,634	1,699	65	4%
Health and Human Services	15,646	15,897	15,884	–13	0%
NASA	1,786	2,104	1,912	–192	–9%
Energy	3,123	3,232	3,556	324	10%
National Science Foundation	3,635	3,689	4,336	647	18%
Homeland Security	247	248	276	28	11%
Agriculture	893	856	798	–58	–7%
Commerce	142	96	176	80	83%
Transportation	2	3	3	....	....
Veterans Affairs	358	385	354	–31	–8%
Interior	34	43	40	–3	–7%
Environmental Protection Agency	101	97	95	–2	–2%
Other	196	188	190	2	1%
SUBTOTAL	**27,688**	**28,472**	**29,319**	**847**	**3%**
Applied Research					
Defense	5,103	5,058	4,245	–813	–16%
Health and Human Services	13,405	13,414	13,424	10	0%
NASA	947	974	919	–55	–6%
Energy	2,630	3,513	3,474	–39	–1%
National Science Foundation	357	340	422	82	24%
Homeland Security	434	382	381	–1	0%
Agriculture	1,072	1,103	922	–181	–16%
Commerce	637	731	737	6	1%
Transportation	562	576	614	38	7%
Veterans Affairs	482	519	478	–41	–8%
Interior	510	549	513	–36	–7%
Environmental Protection Agency	415	379	370	–9	–2%
Other	576	574	588	14	2%
SUBTOTAL	**27,130**	**28,112**	**27,087**	**–1,025**	**–4%**
Development					
Defense	71,641	73,358	74,393	1,035	1%
Health and Human Services	22	22	22	....	....
NASA	5,576	5,436	5,731	295	5%
Energy	1,973	2,232	2,472	240	11%
National Science Foundation	....	....	....	....	....
Homeland Security	434	365	380	15	4%
Agriculture	195	195	186	–9	–5%
Commerce	83	76	68	–8	–11%
Transportation	185	225	264	39	17%
Veterans Affairs	52	56	52	–4	–7%
Interior	55	62	62	....	....
Environmental Protection Agency	90	81	85	4	5%
Other	300	324	298	–26	–8%
SUBTOTAL	**80,606**	**82,432**	**84,013**	**1,581**	**2%**
Facilities and Equipment					
Defense	60	142	157	15	11%
Health and Human Services	128	142	150	8	6%

Table 5–1. FEDERAL RESEARCH AND DEVELOPMENT—Continued

(Budget authority, dollar amounts in millions)

	2007 Actual	2008 Estimate	2009 Proposed	Dollar Change: 2008 to 2009	Percent Change: 2008 to 2009
NASA	1,643	1,922	2,175	253	13%
Energy	796	762	1,056	294	39%
National Science Foundation	487	471	443	–28	–6%
Homeland Security	131	148	2,250	2,102	1420%
Agriculture	115	155	46	–109	–70%
Commerce	218	210	176	–34	–16%
Transportation	19	19	20	1	5%
Veterans Affairs	....	....	....	....	....
Interior	5	22	2	–20	–91%
Environmental Protection Agency	....	....	....	....	....
Other	46	54	69	15	28%
SUBTOTAL	**3,648**	**4,047**	**6,544**	**2,497**	**62%**

Table 5–2. FEDERAL SCIENCE AND TECHNOLOGY BUDGET

(Budget authority, dollar amounts in millions)

	2007 Actual	2008 Estimate	2009 Proposed	Dollar Change: 2008 to 2009	Percent Change: 2008 to 2009
By Agency					
National Institutes of Health	**28,880**	**29,307**	**29,307**	......	......
Energy [1]	**6,200**	**7,226**	**7,627**	**401**	**6%**
Science Programs	3,797	3,973	4,722	749	19%
Electricity Transmission & Distribution	97	110	100	–10	–9%
Nuclear Energy	540	962	854	–108	–11%
Energy Efficiency and Renewable Energy Resources [2]	1,176	1,440	1,197	–243	–17%
Fossil Energy R&D [3]	590	741	754	13	2%
National Science Foundation	**5,917**	**6,032**	**6,854**	**822**	**14%**
Defense	**6,628**	**6,692**	**5,944**	**–748**	**–11%**
Basic Research	1,525	1,634	1,699	65	4%
Applied Research	5,103	5,058	4,245	–813	–16%
NASA	**6,148**	**5,911**	**5,517**	**–394**	**–7%**
Science	4,610	4,627	4,442	–185	–4%
Aeronautics	594	505	447	–58	–11%
Exploration Systems [4]	755	654	452	–202	–31%
Innovative Partnerships	189	125	176	51	41%
Agriculture	**2,158**	**2,156**	**1,921**	**–235**	**–11%**
CSREES Research and Education [5]	674	672	539	–133	–20%
Economic Research Service	75	77	82	5	6%
Agricultural Research Service [6]	1,129	1,121	1,037	–84	–7%
Forest Service: Forest and Rangeland Research	280	286	263	–23	–8%
Commerce	**891**	**1,008**	**1,012**	**4**	**0%**
NOAA: Oceanic & Atmospheric Research	398	398	378	–20	–5%
NIST Intramural Research and Facilities	493	610	634	24	4%
Interior (USGS)	**988**	**1,006**	**969**	**–37**	**–4%**
Veterans Affairs [7]	**892**	**891**	**884**	**–7**	**–1%**
Environmental Protection Agency [8]	**764**	**786**	**790**	**4**	**1%**
Transportation	**560**	**577**	**601**	**24**	**4%**
Highway research: Federal Highway Administration [9]	430	430	430	......	......
Federal Aviation Administration: Research, Engineering, and Development	130	147	171	24	16%
Education	**342**	**337**	**344**	**7**	**2%**
Special Education Research and Innovation	72	71	71	......	......
National Institute on Disability and Rehabilitation Research	107	106	106	......	......
Research, Development, and Dissemination [10]	163	160	167	7	4%
Total	**60,368**	**61,929**	**61,770**	**–159**	**–0.3%**

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

[2] Excludes Weatherization, State grants, and intergovernmental activities.

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

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

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

[6] Excludes building and facilities. Also excludes $3 million transfer to the account in 2007.

[7] Includes the medical care and prosthetic research appropriation and research support from the VA medical care appropriations. In 2008, $69 million in emergency funding provided to the Medical and Prosthetics Research account by the Consolidated Appropriations Act of 2008.

[8] Science and Technology, plus superfund transfer.

[9] According to the process established in section 1102(f) of SAFETEA-LU, FHWA annually adjusts the research funding level from the appropriated obligation limitation.

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

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

(Budget authority, dollar amounts in millions)

	2007 Actual	2008 Estimate	2009 Proposed	Dollar Change: 2008 to 2009	Percent Change: 2008 to 2009
Networking and Information Technology R&D:					
Defense	1,194	1,267	1,242	–25	–2%
National Science Foundation	909	931	1,090	159	17%
Health and Human Services [1]	566	556	555	–1	0%
Energy	349	436	494	58	13%
Commerce	76	85	90	5	6%
National Aeronautics and Space Administration	91	86	84	–2	–2%
Environmental Protection Agency	6	6	6	......	......
National Archives and Records Administration	4	5	5	......	......
TOTAL	**3,195**	**3,372**	**3,566**	**194**	**6%**
National Nanotechnology Initiative:					
Defense	450	487	431	–56	–11%
National Science Foundation	389	389	397	8	2%
Energy	236	251	311	60	24%
Health and Human Services [2]	222	232	232	......	......
Commerce (NIST)	88	89	110	21	24%
National Aeronautics and Space Administration	24	24	24	......	......
Environmental Protection Agency	8	10	15	5	50%
Agriculture	7	11	8	–3	–27%
Justice	2	2	2	......	......
Transportation	1	1	1	......	......
Homeland Security	2	1	1	......	......
TOTAL	**1,429**	**1,497**	**1,532**	**35**	**2%**
Climate Change Science Program:					
National Aeronautics and Space Administration	1,084	1,078	1,204	126	12%
Commerce (NOAA)	184	240	260	20	8%
National Science Foundation	207	205	221	16	8%
Energy	126	128	146	18	14%
Agriculture	61	65	62	–3	–5%
National Institutes of Health	47	47	47	......	......
Interior (USGS)	27	34	31	–3	–9%
U.S. Agency for International Development	14	14	20	6	43%
Environmental Protection Agency	16	20	16	–4	–20%
Smithsonian	6	6	6	......	......
Transportation	1	1	2	1	100%
TOTAL	**1,773**	**1,838**	**2,015**	**177**	**10%**

[1] Includes funds from offsetting collections for the Agency for Healthcare Research and Quality.

[2] Includes funds from both the National Institutes of Health and National Institute of Occupational Safety and Health.

6. FEDERAL INVESTMENT

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

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

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

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

PART I: DESCRIPTION OF FEDERAL INVESTMENT

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

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

Presentations for particular purposes could adopt different definitions of investment:

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

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

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

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

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

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

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

Composition of Federal Investment Outlays

Major Federal Investment

The composition of major Federal investment outlays is summarized in Table 6–1. They include major public physical investment, the conduct of research and development, and the conduct of education and training. Defense and nondefense investment outlays were $429.8 billion in 2007. They are estimated to increase to $482.1 billion in 2008 and $494.2 billion in 2009. Major Federal investment outlays will comprise an estimated 16 percent of total Federal outlays in 2009 and 3.3 percent of the Nation's gross domestic product. Greater detail on Federal investment is available in Table 6–2 at the end of this section. That table includes both budget authority and outlays.

Physical investment. Outlays for major public physical capital investment (hereafter referred to as physical investment outlays) are estimated to be $266.1 billion in 2009. Physical investment outlays are for construction and rehabilitation, the purchase of major equipment, and the purchase or sale of land and structures. Approximately two-thirds of these outlays are for direct physical investment by the Federal Government, with the remainder being grants to State and local governments for physical investment.

Direct physical investment outlays by the Federal Government are primarily for national defense. Defense outlays for physical investment are estimated to be $155.0 billion in 2009. Almost all of these outlays, or an estimated $143.2 billion, are for the procurement of weapons and other defense equipment, and the remainder is primarily for construction on military bases, family housing for military personnel, and Department of Energy defense facilities.

Outlays for direct physical investment for nondefense purposes are estimated to be $35.6 billion in 2009. These outlays include $20.7 billion for construction and rehabilitation. This amount includes funds for water, power, and natural resources projects of the Corps of Engineers, the Bureau of Reclamation within the Department of the Interior, and the Tennessee Valley Authority; construction and rehabilitation of veterans hospitals and Indian Health Service hospitals and clinics; facilities for space and science programs; Postal Service facilities; construction for the administration of justice programs (largely in the Department of Homeland Security); construction of office buildings by the General Services Administration; and construction for embassy security. Outlays for the acquisition of major equipment are estimated to be $14.4 billion in 2009. The largest amounts are for the air traffic control system; weather and climate monitoring in the National Oceanic and Atmospheric Administration; law enforcement activities, largely in the Department of Homeland Security and the Federal Bureau of Investigation; and information systems in the Department of Veterans Affairs.

Grants to State and local governments for physical investment are estimated to be $75.5 billion in 2009. Nearly three-quarters of these outlays, or $55.0 billion, are to assist States and localities with transportation infrastructure, primarily highways. Other major grants for physical investment fund sewage treatment plants, community and regional development, and public housing.

Conduct of research and development. Outlays for the conduct of research and development are estimated to be $139.9 billion in 2009. These outlays are devoted to increasing basic scientific knowledge and promoting research and development. They increase the Nation's security, improve the productivity of capital and labor for both public and private purposes, and enhance the quality of life. More than half of these outlays, an estimated $82.7 billion, are for national defense. Physical investment for research and development facilities and equipment is included in the physical investment category.

Nondefense outlays for the conduct of research and development are estimated to be $57.3 billion in 2009. These are largely for the National Aeronautics and Space Administration, the National Science Foundation, the National Institutes of Health, and research for nuclear and non-nuclear energy programs.

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

Conduct of education and training. Outlays for the conduct of education and training are estimated to be $88.2 billion in 2009. These outlays add to the stock of human capital by developing a more skilled and productive labor force. Grants to State and local governments for this category are estimated to be $53.8 billion in 2009, approximately three-fifths of the total. They include education programs for the disadvantaged and individuals with disabilities, training programs in the Department of Labor, Head Start, and other education programs. Direct Federal education and training outlays are estimated to be $34.4 billion in 2009. Programs in this category primarily consist of aid for higher education through student financial assistance, loan sub-

Table 6–1. COMPOSITION OF FEDERAL INVESTMENT OUTLAYS

(In billions of dollars)

Federal Investment	2007 Actual	Estimate	
		2008	2009
Major public physical capital investment:			
Direct Federal:			
National defense	107.8	141.0	155.0
Nondefense	30.8	37.4	35.6
Subtotal, direct major public physical capital investment	138.7	178.4	190.6
Grants to State and local governments	70.8	76.1	75.5
Subtotal, major public physical capital investment	209.4	254.5	266.1
Conduct of research and development:			
National defense	77.1	78.7	82.7
Nondefense	52.6	55.9	57.3
Subtotal, conduct of research and development	129.7	134.6	139.9
Conduct of education and training:			
Grants to State and local governments	53.7	55.5	53.8
Direct Federal	37.0	37.5	34.4
Subtotal, conduct of education and training	90.7	93.0	88.2
Total, major Federal investment outlays	**429.8**	**482.1**	**494.2**
MEMORANDUM			
Major Federal investment outlays:			
National defense	184.9	219.7	237.7
Nondefense	244.9	262.5	256.5
Total, major Federal investment outlays	429.8	482.1	494.2
Miscellaneous physical investment:			
Commodity inventories	–0.3	–*	–*
Other physical investment (direct)	3.0	3.3	2.9
Total, miscellaneous physical investment	2.7	3.3	2.9
Total, Federal investment outlays, including miscellaneous physical investment	432.5	485.4	497.1

* less than $50 million.

sidies, the veterans GI bill, and health training programs.

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

Miscellaneous Physical Investment

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

Outlays for commodity inventories are for the purchase or sale of agricultural products pursuant to farm price support programs and other commodities. Sales are estimated to exceed purchases by $29 million in 2009.

Outlays for other miscellaneous physical investment are estimated to be $2.9 billion in 2009. This category consists entirely of direct Federal outlays and includes primarily conservation programs.

Detailed Table on Investment Spending

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

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

(In millions of dollars)

Description	Budget Authority			Outlays		
	2007 Actual	Estimate		2007 Actual	Estimate	
		2008	2009		2008	2009
GRANTS TO STATE AND LOCAL GOVERNMENTS						
Major public physical investments:						
Construction and rehabilitation:						
Transportation:						
Highways	37,176	38,606	28,432	34,373	38,184	40,023
Mass transportation	9,842	9,308	9,982	8,982	10,618	10,850
Rail transportation	....	50	100	....	12	20
Air transportation	3,671	–169	2,750	3,874	2,970	4,090
Subtotal, transportation	50,689	47,795	41,264	47,229	51,784	54,983
Other construction and rehabilitation:						
Pollution control and abatement	2,068	1,677	1,662	1,837	1,441	1,600
Community and regional development	4,978	8,024	3,331	12,110	13,036	9,549
Housing assistance	6,179	6,147	5,599	7,632	7,657	7,513
Other construction	340	444	322	492	438	370
Subtotal, other construction and rehabilitation	13,565	16,292	10,914	22,071	22,572	19,032
Subtotal, construction and rehabilitation	64,254	64,087	52,178	69,300	74,356	74,015
Other physical assets	1,475	1,531	1,262	1,462	1,771	1,470
Subtotal, major public physical capital	65,729	65,618	53,440	70,762	76,127	75,485
Conduct of research and development:						
Agriculture	424	293	202	332	318	324
Other	250	309	253	261	283	246
Subtotal, conduct of research and development	674	602	455	593	601	570
Conduct of education and training:						
Elementary, secondary, and vocational education	36,710	35,772	36,983	36,910	38,098	37,311
Higher education	500	475	337	504	558	494
Research and general education aids	764	794	595	760	802	524
Training and employment	3,320	3,479	3,086	3,223	3,194	3,222
Social services	10,350	10,416	9,653	10,160	10,390	9,707
Agriculture	455	458	436	430	475	511
Other	1,706	1,985	1,994	1,703	1,982	1,997
Subtotal, conduct of education and training	53,805	53,379	53,084	53,690	55,499	53,766
Subtotal, grants for investment	120,208	119,599	106,979	125,045	132,227	129,821
DIRECT FEDERAL PROGRAMS						
Major public physical investment:						
Construction and rehabilitation:						
National defense:						
Military construction and family housing	9,629	12,977	12,825	7,253	9,860	11,412
Atomic energy defense activities and other	555	381	394	630	379	384
Subtotal, national defense	10,184	13,358	13,219	7,883	10,239	11,796
Nondefense:						
International affairs	963	937	1,186	425	1,267	1,781
General science, space, and technology	2,139	2,401	1,385	3,125	3,491	2,897
Water resources projects	3,841	3,760	8,267	3,338	4,447	3,867
Other natural resources and environment	993	927	897	983	975	994
Energy	1,413	2,126	2,440	1,311	2,168	2,491
Postal Service	1,167	1,332	1,028	838	300	250
Transportation	123	93	102	145	147	116
Veterans hospitals and other health facilities	2,528	3,730	4,801	2,172	3,370	3,232
Administration of justice	2,043	2,088	1,261	636	1,479	2,117
GSA real property activities	1,330	1,254	1,322	1,432	1,353	1,604

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

(In millions of dollars)

Description	Budget Authority 2007 Actual	Budget Authority Estimate 2008	Budget Authority Estimate 2009	Outlays 2007 Actual	Outlays Estimate 2008	Outlays Estimate 2009
Other construction	1,625	1,552	1,008	1,834	1,712	1,355
Subtotal, nondefense	18,165	20,200	23,697	16,239	20,709	20,704
Subtotal, construction and rehabilitation	28,349	33,558	36,916	24,122	30,948	32,500
Acquisition of major equipment:						
National defense:						
Department of Defense	133,907	170,711	104,350	99,693	130,532	142,933
Atomic energy defense activities	408	329	318	281	299	288
Subtotal, national defense	134,315	171,040	104,668	99,974	130,831	143,221
Nondefense:						
General science and basic research	694	655	958	661	660	999
Space flight, research, and supporting activities	105	131	141	110	110	110
Postal Service	2,382	1,454	1,496	1,741	354	525
Air transportation	3,421	3,310	1,438	2,923	3,397	2,630
Water transportation (Coast Guard)	1,294	927	1,135	1,084	1,180	969
Other transportation (railroads)	1,293	1,325	800	1,274	1,417	800
Hospital and medical care for veterans	1,549	2,563	1,432	1,132	2,419	1,176
Law enforcement activities	1,815	1,886	2,079	1,330	1,750	1,959
Department of the Treasury (fiscal operations)	260	315	274	296	279	283
Department of Commerce (NOAA)	939	851	1,092	899	948	1,027
GSA general services funds	822	845	876	780	845	876
Other	1,904	2,785	3,259	1,987	2,715	3,083
Subtotal, nondefense	16,478	17,047	14,980	14,217	16,074	14,437
Subtotal, acquisition of major equipment	150,793	188,087	119,648	114,191	146,905	157,658
Purchase or sale of land and structures:						
National defense	–17	–33	–16	–31	–80	2
Natural resources and environment	176	195	126	214	224	193
General government	164	156	150	159	156	150
Other	13	310	19	6	243	76
Subtotal, purchase or sale of land and structures	336	628	279	348	543	421
Subtotal, major public physical investment	179,478	222,273	156,843	138,661	178,396	190,579
Conduct of research and development:						
National defense:						
Defense military	78,269	80,050	80,337	73,716	75,240	79,084
Atomic energy and other	3,328	3,415	3,565	3,362	3,439	3,590
Subtotal, national defense	81,597	83,465	83,902	77,078	78,679	82,674
Nondefense:						
International affairs	246	255	255	248	269	273
General science, space, and technology:						
NASA	9,129	9,472	8,116	8,508	9,408	9,597
National Science Foundation	3,992	4,029	4,758	3,569	4,005	4,156
Department of Energy	3,108	3,206	3,533	3,114	3,202	3,533
Other general science, space, and technology	843	693	737	1,014	693	735
Subtotal, general science, space, and technology	17,318	17,655	17,399	16,453	17,577	18,294
Energy	1,405	2,452	2,503	1,249	2,449	2,588
Transportation:						
Department of Transportation	678	747	815	682	734	729
NASA	705	604	446	614	608	560
Other	17	25	16	20	18	17
Subtotal, transportation	2,805	3,828	3,780	2,565	3,809	3,894

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

(In millions of dollars)

Description	Budget Authority			Outlays		
	2007 Actual	Estimate		2007 Actual	Estimate	
		2008	2009		2008	2009
Health:						
National Institutes of Health	28,165	28,570	28,555	27,058	27,688	28,371
All other health	686	561	562	846	469	548
Subtotal, health	28,851	29,131	29,117	27,904	28,157	28,919
Agriculture	1,418	1,544	1,411	1,433	1,476	1,424
Natural resources and environment	1,916	1,908	1,965	1,632	1,645	1,714
National Institute of Standards and Technology	400	385	418	394	456	453
Hospital and medical care for veterans	892	960	884	808	924	888
All other research and development	1,078	1,100	1,088	829	1,234	1,114
Subtotal, nondefense	54,678	56,511	56,062	52,018	55,278	56,700
Subtotal, conduct of research and development	136,275	139,976	139,964	129,096	133,957	139,374
Conduct of education and training:						
Elementary, secondary, and vocational education	1,359	1,412	1,375	1,460	1,605	1,325
Higher education	26,455	26,029	23,135	24,538	24,572	21,500
Research and general education aids	1,898	2,015	2,252	1,971	1,833	2,008
Training and employment	2,207	1,735	1,936	2,102	1,960	2,200
Health	1,410	1,463	959	1,404	1,410	1,256
Veterans education, training, and rehabilitation	3,266	3,773	3,582	3,456	3,719	3,897
General science and basic research	917	927	1,001	900	1,026	1,008
International affairs	513	520	551	477	494	535
Other	641	671	638	703	925	701
Subtotal, conduct of education and training	38,666	38,545	35,429	37,011	37,544	34,430
Subtotal, direct Federal investment	354,419	400,794	332,236	304,768	349,897	364,383
Total, Federal investment	474,627	520,393	439,215	429,813	482,124	494,204

PART II: PERFORMANCE OF FEDERAL INVESTMENT

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

This Administration set out to ensure that agencies worked to improve their performance, not just report on it. Beginning in the 2004 Budget, the Administration began to assess every Federal program by a method known as the Program Assessment Rating Tool, or PART. The Administration set a target of assessing all Federal programs over five years. With this budget, the sixth year of using the PART, the Administration has assessed more than 1,000 programs, approximately 98 percent of the Federal budget.

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

This section summarizes the results of the PART for direct investment programs, defined to include capital assets, research and development, and education and training. Because an entire program is assessed, not just the investment portion of the program, the assessments for some programs may cover more than just the investment spending. The funding amounts in this section are estimates from the 2007 spring update of PART programs. PART assessments of programs that are grants to State and local governments are not summarized in this chapter but are summarized in Chapter

8, "Aid to State and Local Governments," in this volume.

This section summarizes 241 programs:

- Programs for capital assets are essentially those identified in the PART system as "capital assets and service acquisition" (93 programs);
- Programs for research and development are essentially those identified in the PART system as "research and development" (117 programs); and
- Programs for education and training (31 programs) are primarily programs in the Department of Education (e.g., Federal Pell Grants) that are not grants to State and local governments. This category also includes programs in other agencies, such as the Montgomery GI Bill in the Department of Veterans Affairs, the Health Professions program in the Department of Health and Human Services, and the Job Corps program in the Department of Labor.

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

Summary of ratings. Table 6–3 shows that, for the 241 investment programs that have been rated by PART, the average rating was "Moderately Effective". Of these programs:

- 53 were rated Effective;
- 82 were rated Moderately Effective;
- 62 were rated Adequate;
- 7 were rated Ineffective; and
- 37 were rated Results Not Demonstrated.

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

(Excludes grants to State and local governments for investment)

Criteria	Type of Investment			
	Physical capital	Research and development	Education and training	All investment programs
	Average scores			
Purpose	84%	92%	78%	87%
Planning	81%	83%	72%	80%
Management	84%	87%	73%	84%
Results/Accountability	56%	59%	36%	55%
Weighted Average [1]	69%	74%	55%	70%
Average Rating	Adequate	Moderately Effective	Adequate	Moderately Effective
	Number of Programs			
Ratings [2]				
Effective	19	32	2	53
Moderately effective	32	47	3	82
Adequate	23	23	16	62
Ineffective	2	2	3	7
Results not demonstrated	17	13	7	37
Total number of investment programs rated	93	117	31	241

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

[2] The rating of effective indicates a score of 85 percent or more; moderately effective, 70–84 percent; adequate, 50–69 percent; and ineffective, 49 percent or less.

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

Capital Assets

Department of Defense (DoD). Air Combat Program ($13.6 billion in 2007). Rating: *Moderately Effective*. The purpose of this program is to enable DoD to successfully wage war in the air by developing and producing a variety of tactical fighter and strike aircraft.

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

Department of Defense. Navy Shipbuilding ($13.2 billion in 2007). Rating: *Adequate*. This program buys new ships and overhauls existing ships. New ships are built at six privately-owned shipyards. Overhauls of existing ships are performed at both privately-owned and publicly-owned shipyards. The Navy currently has 280 ships in the fleet.

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

Department of Defense. Future Combat Systems/ Modularity Land Warfare ($10.0 billion in 2007). Rating: *Moderately Effective.* The Army's complementary transformation initiatives, Modularity and the Future Combat Systems, are designed to provide regional combatant commanders and soldiers with a lighter, faster, more survivable and rapidly deployable force with which to fight and win the United States' current and future land conflicts.

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

Department of Defense. Missile Defense ($9.4 billion in 2007). Rating: *Adequate*. The mission of the Missile Defense Agency (MDA) is to defend the United States, deployed forces, and allies from ballistic missile attack. MDA is researching, developing and fielding a global, integrated and multi-layered Ballistic Missile Defense System (BMDS), comprising multiple sensors, interceptors and battle management capabilities.

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

Department of Defense. Marine Corps Expeditionary Warfare. ($9.3 billion in 2007). Rating: *Moderately Effective*. Expeditionary warfare is the temporary use of Marine Corps force in foreign countries. The expeditionary warfare program consists of specific investment programs for aviation assets, amphibious ships, weapons systems, equipment, vehicles, ammunition, and research and development.

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

Department of Defense. Rotary Wing Program ($8.8 billion in 2007). Rating: *Adequate.* The purpose of the Department of Defense's (DoD's) rotary wing aircraft fleet is to develop and procure an inventory of rotary wing aircaft that provides the capabilities needed to satisfy the mission requirements of US forces. Each type of rotary wing aircraft satisfies specific mission requirements to enable US forces to respond effectively to the full spectrum of military operations. Targets and timeframes for fielding new rotary wing aircraft have been developed for all programs, and are considered ambitious in light of the engineering challenges associated with developing and building rotary wing aircraft. The heavy use of rotary wing aircraft in the Global War on Terror has increased the need to field new and upgraded aircraft as quickly as possible to support forces in theaters of operations.

Tennessee Valley Authority. Tennessee Valley Authority Power ($8.8 billion in 2007). Rating: *Moderately Effective.* The Tennessee Valley Authority (TVA) is the Nation's largest public power company. Through 158 locally owned distributors, TVA provides power to nearly 8.5 million residents of the Tennessee Valley. Some of TVA's former performance measures such as cents/ KWH are no longer tracked. It is unclear how some of the new efficiency measures tracked by TVA relate to program performance.

Department of Defense (DoD). Military Construction Programs ($7.5 billion in 2007). Rating: *Moderately Effective*. This program funds buildings, structures, utilities, and land to meet defense requirements on military installations to improve quality of life and enhance military capabilities. The military construction program spans 2,965 domestic sites and 766 overseas sites. At any given time over 1,500 projects are underway. Projects proposed for funding in the President's Budget are selected as a result of a rigorous competitive and selective process. Each project undergoes requirement, solutions and costs analysis prior to formal programming into the Budget.

The military construction program is executed by DoD construction agents—United States Army Corps of Engineers, Naval Facilities Engineering Command, and Air Force Center for Environmental Excellence. The program accounts for the full cost of projects, which include planning and designing a project, project costs, and supervision, inspection, and overhead of the project.

Department of Defense (DoD). Airlift Program ($6.9 billion in 2007). Rating: *Moderately Effective*. The purpose of this program is to enable DoD to move large amounts of personnel and materiel to, and within, remote locations in short periods of time by developing and producing a variety of airlift aircraft. The program has a long-term goal of providing a strategic airlift capacity of 54.5 million ton miles per day. DoD is attempting to achieve that goal through the construction of airlift aircraft—primarily the Air Force's C-17.

The airlift investment program is nearing completion of the first phase of the C-17 program which has increased airlift capabilities. However, the program has still not met its target capacity. Attainment of the inter-theater airlift capability is dependent on fielding new C-17s, retiring the aging C-141 fleet, and eventual fielding of C-5 Reliability Enhancement & Reengining Program (RERP) aircraft. Deliveries of the C-130J will increase intra-theater capabilities.

Education

Department of Education. Federal Pell Grants ($13.7 billion in 2007). Rating: *Adequate*. This program helps ensure access to postsecondary education for undergraduate students by providing need-based grants that, in combination with other sources of student aid, help meet education costs. The program also promotes lifelong learning by encouraging low-income adults to return to school.

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

PART III: FEDERALLY FINANCED CAPITAL STOCKS

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

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

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

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

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

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

The Stock of Physical Capital

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

Trends. Table 6–4 shows the value of the net federally financed physical capital stock since 1960, in constant fiscal year 2000 dollars. The total stock grew at a 2.2 percent average annual rate from 1960 to 2007, with periods of faster growth during the late 1960s and the 1980s. The stock amounted to $2,385 billion in 2007 and is estimated to increase to $2,483 billion by 2009. In 2007, the national defense capital stock accounted for $727 billion, or 30 percent of the total, and nondefense stocks for $1,658 billion, or 70 percent of the total.

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

(In billions of 2000 dollars)

Fiscal Year	Total	National Defense	Total Non-defense	Direct Federal Capital: Total	Direct Federal Capital: Water and Power	Direct Federal Capital: Other	Capital Financed by Federal Grants: Total	Capital Financed by Federal Grants: Transportation	Capital Financed by Federal Grants: Community and Regional	Capital Financed by Federal Grants: Natural Resources	Capital Financed by Federal Grants: Other
Five year intervals:											
1960	849	608	242	95	59	36	146	89	27	21	10
1965	937	589	348	123	74	49	225	158	32	22	13
1970	1,101	630	470	146	88	58	324	230	47	26	21
1975	1,137	545	592	166	102	64	426	282	76	42	25
1980	1,258	494	763	195	123	72	568	342	121	79	27
1985	1,462	572	890	222	136	86	668	397	146	100	26
1990	1,740	722	1,018	256	147	109	762	462	158	113	28
1995	1,882	714	1,168	297	157	141	871	534	168	123	46
Annual data:											
2000	1,979	635	1,345	337	160	178	1,007	618	183	131	75
2001	2,023	631	1,391	351	163	188	1,040	640	186	132	81
2002	2,078	636	1,442	366	165	201	1,076	666	189	134	87
2003	2,138	646	1,492	380	166	213	1,112	690	193	135	94
2004	2,198	662	1,536	390	168	223	1,146	714	196	136	100
2005	2,256	680	1,575	400	168	232	1,176	736	198	137	105
2006	2,316	701	1,614	410	169	240	1,205	758	199	138	109
2007	2,385	727	1,658	422	171	252	1,236	779	205	139	113
2008 est	2,413	753	1,660	422	173	250	1,238	780	206	138	113
2009 est	2,483	785	1,698	432	173	259	1,266	802	209	139	117

Real stocks of defense and nondefense capital show very different trends. Nondefense stocks have grown consistently since 1970, increasing from $470 billion in 1970 to $1,658 billion in 2007. With the investments proposed in the budget, nondefense stocks are estimated to grow to $1,698 billion in 2009. During the 1970s, the nondefense capital stock grew at an average annual rate of 5.0 percent. In the 1980s, however, the growth rate slowed to 2.9 percent annually, with growth continuing at about that rate since then.

Real national defense stocks began in 1970 at a relatively high level, and declined steadily throughout the decade as depreciation from investment in the Vietnam era exceeded new investment in military construction and weapons procurement. Starting in the early 1980s, a large defense buildup began to increase the stock of defense capital. By 1987, the defense stock exceeded its earlier Vietnam-era peak. In the early 1990s, however, depreciation on the increased stocks and a slower pace of defense physical capital investment began to reduce the stock from its previous levels. The increased defense investment in the last few years has reversed this decline, increasing the stock from a low of $631 billion in 2001 to $785 billion in 2009.

Another trend in the Federal physical capital stocks is the shift from direct Federal assets to grant-financed assets. In 1960, 39 percent of federally financed nondefense capital was owned by the Federal Government, and 61 percent was owned by State and local governments but financed by Federal grants. Expansion in Federal grants for highways and other State and local capital, coupled with slower growth in direct Federal investment for water resources, for example, shifted the composition of the stock substantially. In 2007, 25 percent of the nondefense stock was owned by the Federal Government and 75 percent by State and local governments.

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

The Stock of Research and Development Capital

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

Trends. As shown in Table 6–5, the R&D capital stock financed by Federal outlays is estimated to be $1,166 billion in 2007 in constant 2000 dollars. Roughly half is the stock of basic research knowledge; the remainder is the stock of applied research and development.

The nondefense stock accounted for about three-fifths of the total federally financed R&D stock in 2007. Although investment in defense R&D has exceeded that of nondefense R&D in nearly every year since 1981, the nondefense R&D stock is actually the larger of the two, because of the different emphasis on basic research and applied research and development. Defense R&D

spending is heavily concentrated in applied research and development, which depreciates much more quickly than basic research. The stock of applied research and development is assumed to depreciate at a ten percent geometric rate, while basic research is assumed not to depreciate at all.

The defense R&D stock rose slowly during the 1970s, as gross outlays for R&D trended down in constant dollars and the stock created in the 1960s depreciated. Increased defense R&D spending from 1980 through 1990 led to a more rapid growth of the R&D stock. Subsequently, real defense R&D outlays tapered off, depreciation grew, and, as a result, the real net defense R&D stock stabilized at around $420 billion. Renewed spending for defense R&D in recent years has begun to increase the stock, and it is projected to increase to $483 billion in 2009.

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

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

(In billions of 2000 dollars)

Fiscal Year	National Defense			Nondefense			Total Federal		
	Total	Basic Research	Applied Research and Development	Total	Basic Research	Applied Research and Development	Total	Basic Research	Applied Research and Development
Five year intervals:									
1970	261	16	245	215	67	148	475	82	393
1975	276	21	255	262	97	165	538	118	421
1980	279	25	255	311	131	179	590	156	434
1985	321	30	291	339	174	165	659	204	455
1990	403	36	366	383	228	154	785	264	521
1995	423	43	380	461	293	168	883	336	548
Annual data:									
2000	423	48	375	542	367	175	965	416	550
2001	421	50	370	563	386	177	984	436	548
2002	420	52	368	587	406	181	1,006	458	549
2003	423	53	370	613	427	186	1,036	480	555
2004	428	54	374	639	449	190	1,067	503	564
2005	442	56	386	660	469	191	1,102	525	577
2006	454	57	397	681	489	192	1,136	546	590
2007	464	58	406	702	509	193	1,166	567	599
2008 est	473	59	414	723	530	193	1,196	589	607
2009 est	483	61	422	745	551	194	1,228	612	616

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

The Stock of Education Capital

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

As shown in Table 6–6, the federally financed education stock is estimated at $1,473 billion in 2007 in constant 2000 dollars. The vast majority of the Nation's education stock is financed by State and local governments, and by students and their families themselves. This federally financed portion of the stock represents about 3 percent of the Nation's total education stock.[1] Nearly three-quarters is for elementary and secondary education, while the remainder is for higher education.

The federally financed education stock has grown steadily in the last few decades, with an average annual growth rate of 5.1 percent from 1970 to 2007. The expansion of the education stock is projected to continue under this budget, with the stock rising to $1,662 billion in 2009.

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

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

(In billions of 2000 dollars)

Fiscal Year	Total Education Stock	Elementary and Secondary Education	Higher Education
Five year intervals:			
1960	71	51	20
1965	102	74	28
1970	234	184	50
1975	349	282	67
1980	482	379	103
1985	577	434	143
1990	733	546	188
1995	878	641	237
Annual data:			
2000	1,135	827	308
2001	1,189	864	325
2002	1,236	899	337
2003	1,279	932	347
2004	1,327	959	368
2005	1,364	993	371
2006	1,414	1,016	399
2007	1,473	1,063	410
2008 est	1,565	1,140	425
2009 est	1,662	1,226	436

7. CREDIT AND INSURANCE

The Federal Government offers direct loans and loan guarantees to support a wide range of activities including housing, education, business and community development, and exports. At the end of 2007, there were $260 billion in Federal direct loans outstanding and $1,202 billion in loan guarantees. Through its insurance programs, the Federal Government insures bank, thrift, and credit union deposits, guarantees private defined-benefit pensions, and insures against some other risks such as natural disasters.

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

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

- The first section emphasizes the roles of Federal credit and insurance programs in addressing market imperfections that may prevent the private market from efficiently providing credit and insurance. Although the continued evolution and deepening of financial markets may have in part corrected many of the imperfections, Federal programs can still play a significant role in the areas where market imperfections remain serious and at the times when some adverse events disrupt the smooth functioning of the market.
- The second section interprets the results of the Program Assessment Rating Tool (PART) for credit and insurance programs in relation to their distinguishing features.
- The third section presents a special topic—the structure of financial regulation which can influence financial institutions' competitiveness and ability to innovate.
- The fourth section discusses individual credit programs and GSEs intended to support four sectors: housing, education, business and community development, and exports. The discussion focuses on program objectives, recent developments, performance, and future plans for each program.
- In a similar format, the final section reviews Federal deposit insurance, pension guarantees, disaster insurance, and insurance against terrorism and other security-related risks.

I. FEDERAL PROGRAMS IN CHANGING FINANCIAL MARKETS

The Federal Role

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

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

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

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

Insufficient Competition. Competition can be insufficient in some markets because of barriers to entry or economies of scale. Insufficient competition may result in unduly high prices of credit and insurance in those markets.

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

Financial Market Developments

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

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

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

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

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

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

Overall, the financial market has become more efficient and stable. Financial evolution and other economic developments, however, are often accompanied by new risks, as evidenced by the current difficulties resulting from the rapid expansion of subprime mortgages. Subprime mortgages are a product of several innovations, such as consumer credit scoring, securitization, and credit ratings on securities. Properly used, subprime mortgages are a beneficial tool helping disadvantaged families to become homeowners. Misjudgments and some imperfections in financing techniques appear to have led to overextension of subprime mortgages. For example, while securitization facilitates the funding of mortgages, it also reduces mortgage originators' incentives to screen borrowers carefully because securitized loans are off their balance sheets. Investors having relied on credit ratings appear to have been misguided by high ratings on some complex mortgage-backed securities that with the benefit of hindsight were too optimistic. Few financial models are perfect. In addition, rating agencies' incentives to protect investors may have been attenuated by the fees they collect from security issuers. These developments suggest that Federal agencies need to be vigilant to identify and manage new risks to the economy and to the Budget, arising from financial evolution.

Recent financial market instability presents both opportunities and challenges to Federal programs. Market disruptions have reduced private liquidity and credit availability temporarily. In this situation, Federal programs can produce larger net benefits. GSEs may inject more liquidity into the financial market, and credit programs may accommodate more deserving borrowers who are having difficulties in obtaining credit in the private market. Challenges include identifying the areas where the true needs are (e.g., identifying deserving borrowers), selecting the most effective tools, avoiding distortion of private sector credit markets, and avoiding excessive burden on taxpayers. To ensure significant net benefits, these issues need to be addressed effectively.

II. PERFORMANCE OF CREDIT AND INSURANCE PROGRAMS

The Program Assessment Rating Tool (PART) has rated 38 credit programs and nine insurance programs. The PART evaluates programs in four areas (program purpose and design, strategic planning, program management, and program results) and assigns a numerical score (0 to 100) to each category. The overall rating (effective, moderately effective, adequate, ineffective, or results not demonstrated) is determined based on the numerical scores and the availability of reliable data.

The ratings for credit and insurance programs are clustered around the middle; 77 percent of credit and insurance programs (compared with 59 percent for other programs) are rated "adequate" or "moderately effective," while only 11 percent (18 percent for other programs) are rated "effective." These results suggest that most credit and insurance programs meet basic standards, but need to improve.

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

Program Purpose and Design. To be effective, credit and insurance programs should serve those who deserve to be served but are left out by the private market due to market imperfections. Extending credit to those who are not creditworthy, for example, would result in economic inefficiencies and large budget costs. Lending to those who can obtain credit at a reasonable rate in the private market would be unnecessary and

SUMMARY OF PART SCORES

	Purpose and Design	Strategic Planning	Program Management	Program Results
Credit and Insurance Programs				
Average	80.0	76.9	85.8	55.7
Standard Deviation	19.4	23.4	18.1	19.0
All Others Excluding Credit and Insurance Programs				
Average	87.6	75.8	83.0	48.9
Standard Deviation	18.2	24.3	17.7	26.4

might interfere with the market mechanism. To achieve intended outcomes without causing unintended consequences, therefore, credit and insurance programs need to be carefully designed; they should target the intended beneficiaries, and all parties in the transaction should face the correct incentives.

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

Strategic Planning. Financial markets have been evolving to serve target populations of Federal programs better and increasingly apply advanced technologies to risk assessments. Credit and insurance programs need to adapt to these new developments quickly. Falling behind, Federal programs can be left with many beneficiaries that do not really need Government help and with those that may pose greater risk.

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

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

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

Program Results. It is generally more difficult to measure the outcomes of Federal programs pursuing various social goals than those of private entities seeking profits. Unlike profits, social outcomes are difficult to quantify and often interrelated. Credit and insurance programs face an additional difficulty of estimating the program cost accurately. Since the outcome must be weighed against the cost, an underestimation or an overestimation of the cost would make the program appear unduly effective or ineffective. Thus, results for credit and insurance programs need to be interpreted in conjunction with the accuracy of cost estimation.

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

III. STRUCTURE OF FINANCIAL REGULATION

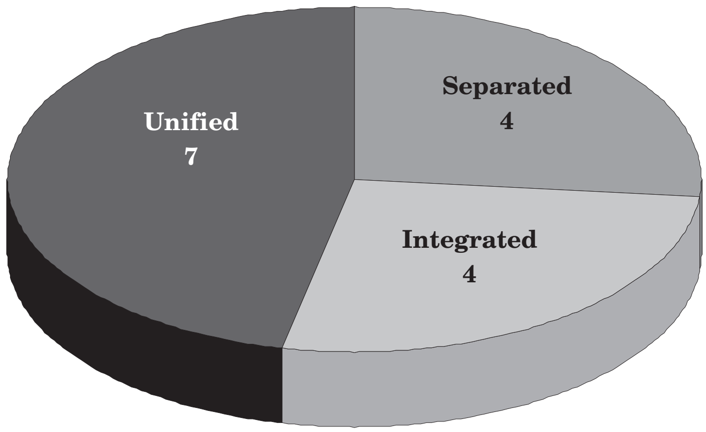
Several groups including government, industry, and academic institutions have expressed concerns about the competitiveness of U.S. capital markets in the global financial system, and that financial regulations and the regulatory structure in the United States have become overly burdensome and complex. Recommendations have been made to streamline the U.S. regulatory structure, while acknowledging that a strong regulatory regime is critical to maintaining market confidence and the U.S. financial markets' preeminence. The analysis below reviews the regulatory systems used in foreign countries, in comparison to the system currently in place in the United States.

U.S. Financial Services Oversight

Financial regulators are responsible for supervising financial institutions and financial transactions. Their domain encompasses banks and other depository institutions, insurance companies, securities firms, pension funds, finance companies, and other entities. Historically, regulators specialized in one of three financial service categories: banking, insurance, or securities.

The United States maintains a functionally separated regulatory system, with oversight responsibility divided among: five Federal banking regulators; two Federal securities/futures regulators; State-level insurance and other regulators; and self-regulatory organizations (non-governmental). The table below illustrates the multiple regulators of each type of financial services provider. The table shows that some providers can have up to five different levels of supervision in the United States.

Chart 7-1. Financial Services Regulatory Systems
Top 15 Non-U.S. Financial Centers



New Trends in Regulation

Outside the United States, countries have made recent changes to move toward a single, consolidated financial regulator having regulatory authority across all areas of financial services. These countries include the United Kingdom, Japan, Germany, and South Korea. Other countries have consolidated supervision of two or more financial sectors such as banking and insurance under one regulator, including Australia, Canada, and the Netherlands. Finally, countries that separate regulation of banking, insurance, and securities markets, including Hong Kong, France, and Italy, typically have only one regulator for each of those sectors. The United States has a separated system of regulation, with multiple regulators for each financial sector.

In an effort to provide more efficient and effective oversight of evolving markets, countries that have historically used a three- or multiple-pronged regulatory system are moving to consolidate regulation into one or two entities having the statutory power to supervise at least two of the three main types of financial intermediaries. This regulator is known as an "integrated" regulator; the regulatory system may be referred to as an integrated system.

The main drivers of this consolidation include:

- The need to better supervise the growing complexity and importance of financial conglomerates and the blurring distinctions among banking, securities, and insurance products, as well as the associated systematic risk;
- The desire to maximize economies of scale and scope in regulatory efforts; and
- The need to address poor communication between and lack of cooperation among existing regulatory agencies.

Examples of integrated systems are found in Australia, Canada, the Netherlands, and Switzerland. The systems in Australia and the Netherlands provide examples of the "Twin Peaks" model, which separates prudential from market-conduct regulation. In this model, the prudential regulator oversees systemic risk and the solvency of major financial institutions.[1] For example, a prudential regulator would ensure that deposit-taking institutions are able to meet their financial obligations by regulating and overseeing bank reserve ratios and inter-bank lending rates. The market-conduct regulator oversees institutional conduct with respect to markets and shareholders. A market-conduct regulator would ensure the accuracy of financial filings and investigate market manipulation, insider trading, and customer fraud.

[1] In the case of the Netherlands, the central bank has this responsibility.

REGULATORS OF FINANCIAL INSTITUTIONS

	Charter and License	Safety/Soundness Examination	Consumer Protection	Market Oversight
National Banks	OCC	OCC	FRB and OCC	SEC and CFTC
State Member Banks	States	FRB and States	FRB and States	SEC and CFTC
Insured Federal Savings Associations	OTS	OTS	FRB and OTS	SEC and CFTC
Insured State Savings Associations	States	OTS and States	FRB, OTS and States	SEC and CFTC
FDIC-insured State Nonmember Banks	States	FDIC and States	FRB, FDIC and States	SEC and CFTC
Federal Credit Unions	NCUA	NCUA	FRB and NCUA	SEC and CFTC
State Credit Unions	States	NCUA and States	FRB, FTC and States	N/A
Bank Holding Companies	FRB	FRB	FRB and FTC	SEC, CFTC and FRB
Thrift Holding Companies	OTS	OTS	OTS and FTC	SEC, CFTC and OTS
Consolidated Investment Banks	SEC	SEC	SEC	SEC, CFTC, SROs
Broker-Dealers	SEC	SEC	SEC, FTC and States	SEC and SROs
Futures Commission Merchants	CFTC and SROs	CFTC	CFTC and DOJ	CFTC and SROs
Hedge Funds	None	None	DOJ and States	SEC, CFTC and FRB
Credit Rating Agencies	SEC	SEC	N/A	N/A
Treasury Securities Primary Dealers	FRB and Treasury	FRB	N/A	FRB and Treasury
Insurance Companies	States	States	States	SEC, CFTC and States
Mortgage Companies	States	States	FRB and States	SEC and CFTC
Mortgage Brokers	States	States	FRB and States	N/A

OCC—Office of the Comptroller of the Currency OTS—Office of Thrift Supervision
FRB—Federal Reserve Board and Regional Banks FDIC—Federal Deposit Insurance Corporation
NCUA—National Credit Union Administration States—State Financial Regulatory Commissions
FTC—Federal Trade Commission SEC—Securities and Exchange Commission
CFTC—Commodity Futures Trading Commission DOJ—U.S. Department of Justice
SROs—Self-Regulatory Organizations (e.g. Financial Industry Regulatory Authority, National Futures Association)

The most extreme form of an integrated system, the "unified" regulatory system, is also gaining in popularity. Of the top 15 international financial centers (non-U.S.), almost half are overseen by a single regulator of all banking, insurance, and securities firms, nation-wide.[2] These include centers in Denmark, Germany, Japan, Singapore, South Korea, Sweden, and the United Kingdom. In addition, Switzerland approved legislation on June 22, 2007 to create a unified financial services regulator from its current integrated system, taking effect in 2009.

Conclusion

The U.S. approach to financial regulation is an outlier in the global financial system. The few countries that do have a similar, functionally divided system have significantly fewer regulators. Three-quarters of countries with the largest financial centers have consolidated their regulatory systems, with almost half maintaining a unified regulator for all sectors of the financial services industry. The Administration is conducting an in-depth review of the Nation's regulatory system and looks forward to advancing the dialogue this year.

[2] In some cases, such as Germany, a single, unified regulator has the predominant regulatory and supervisory authority over all sectors, and shares some supervisory authority with state-level regulators and the central bank. The role of the central bank varies among countries surveyed; in Singapore, for example, regulatory and supervisory responsibilities pertaining to all sectors have been merged into the central bank.

IV. CREDIT IN FOUR SECTORS

Housing Credit Programs and GSEs

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

Federal Housing Administration

In June 2002, the President issued America's Homeownership Challenge to increase the number of first-time minority homeowners by 5.5 million through 2010. During the five years since the goal was announced, nearly 3.2 million minority families have become first-time homeowners. Through 2007, the Department of Housing and Urban Development's (HUD's) Federal Housing Administration (FHA) helped more than 664,000 of these first-time minority homebuyers through its loan insurance programs. FHA mortgage insurance guarantees mortgage loans that provide access to homeownership for people who lack the traditional financial resources or credit history to qualify for a home mortgage in the conventional marketplace. In 2007, FHA insured purchase and refinance mortgages for more than 532,000 households. Among purchase mortgages, over 79 percent were for first-time homebuyers and 30 percent were for minority buyers. FHA also insured over 107,000 home equity conversion mortgages for elderly homeowners.

While FHA has been a primary facilitator of mortgage credit for first-time and minority buyers since the 1930s, its loan volume fell precipitously from 2002 through 2006. This is due in part to lower interest rates that made uninsured mortgages affordable for more families. Moreover, private lenders—aided by automated underwriting tools that allow them to measure risks more accurately—expanded lending to people who previously would have had no option but FHA, those with too few resources to pay for large downpayments, and/or who had credit histories that the private sector considered too risky. The development of new products and underwriting approaches has allowed private lenders to offer loans to more homebuyers. While this is a positive development when the private sector properly assesses risks and offers fair terms, some borrowers have ended up paying too much, receiving unfair terms, or taking on excessive debts.

As private lenders expanded their underwriting to cover more borrowers, FHA's business changed. First, the percentage of FHA-insured mortgages with initial loan-to-value (LTV) ratios of 95 percent or higher increased substantially, from 62.7 percent in 1995 to 79 percent in 2007. Second, the percentage of FHA loans with downpayment assistance from seller-financed nonprofit organizations grew rapidly, from 0.3 percent in 1998 to nearly 23 percent in 2007. Recent studies show that these loans are considerably more risky than those made to borrowers who receive downpayment assistance from other sources.

The FHA single-family mortgage program was assessed in 2005 using the PART. The assessment found that the program was meeting its statutory objective to serve underserved borrowers while maintaining an adequate capital reserve. However, the program lacked quantifiable annual and long-term performance goals that would measure FHA's ability to achieve its statutory mission. In addition, both the PART and subsequent reports by the Government Accountability Office and the Inspector General noted that the program's credit model does not accurately predict losses to the FHA insurance funds and that, despite FHA efforts to deter fraud in the program, HUD has not demonstrated that those steps have reduced such fraud. Due to weak housing market conditions today, FHA will record an upward re-estimate in the cost of its Mutual Mortgage Insurance Fund programs of $4.6 billion in 2008. Cumulatively, FHA has recorded net upward re-estimates of $19.7 billion since 1992.

In response to PART findings, FHA measured its 2007 performance against new goals, such as the percentage of FHA Single Family loans for first-time and minority homeowners, and exceeded its goals. FHA also improved the accuracy of its annual actuarial review claim and prepayment estimates. In 2008, it will continue to develop performance goals for fraud detection and prevention.

Response to Mortgage Market Challenges

FHA plays a valuable role in providing home financing options that augment those available in the conventional market. As discussed in the section on deposit insurance, conventional credit standards have tightened in recent months. Private mortgage insurers have raised underwriting standards, reducing the availability of financing options. In addition, there are a large number of borrowers who hold adjustable rate mortgages and face the risk of foreclosure due to large increases in mortgage payments after an interest-rate reset. An estimated 1.8 million subprime mortgages for owner-occupied homes are scheduled to reset in 2008 and 2009.

FHA is addressing both of these challenges. The FHA guarantee encourages lending to borrowers who may face increased difficulty in obtaining conventional financing. For borrowers who face difficulty making their mortgages payments, re-financing under an FHA-insured loan can offer a path that keeps them in their homes and avoids costly foreclosures. To broaden the use of this re-financing, the Administration announced the FHASecure program in August 2007. This program broadens the population eligible to use FHA. Beyond borrowers who are current, it also allows credit-worthy borrowers who have fallen behind on their mortgages due to interest rate resets to refinance into FHA. Since the announcement of FHASecure and as of January 2008, approximately 44,000 borrowers have successfully refinanced their conventional mortgages into FHA. While these actions help the mortgage market in the short-term, FHA needs permanent changes to allow guarantees on a wider variety of financing options and the flexibility to respond to future changes in the mortgage and housing markets.

Proposals for Program Reform

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

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

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

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

The Administration also proposes to increase the FHA single-family loan limit in high-cost areas to the conforming mortgage limit (from $362,790 to $417,000). This will enable FHA to offer its insurance in some areas that experienced rapid house price appreciation between 2001 and 2006, and where FHA is no longer a viable option because of overly-restrictive loan limits. There are areas of the country, including many major cities in California, where FHA used to provide significant support to first-time and minority homebuyers, but where it can do very little to help them now. This proposed loan-limit increase will also allow FHA to offer insurance to a more geographically diverse portfolio.

A reformed FHA will adhere to sound management practices that include a new framework of standards and incentives tied to principles of good credit program management. Further, the proposed reforms will better enable FHA to better meet its objective of serving first-time and low-income home buyers—about 280,000 first-time homebuyers in 2009 including about 80,000 minority families—by managing its risks more effectively.

VA Housing Program

The Department of Veterans Affairs (VA) assists veterans, members of the Selected Reserve, and active duty personnel to purchase homes as recognition of their service to the Nation. The program substitutes the Federal guarantee for the borrower's down payment. In 2007, VA provided $24.2 billion in guarantees to assist 129,261 borrowers.

Since the main purpose of this program is to help veterans, lending terms are more favorable than loans without a VA guarantee. In particular, VA guarantees zero downpayment loans. VA provided 84,858 zero downpayment loans in 2007.

To help veterans retain their homes and avoid the expense and damage to their credit resulting from foreclosure, VA intervenes aggressively to reduce the likelihood of foreclosures when loans are referred to VA after missing three payments. VA's successful actions resulted in 57 percent of such delinquent loans avoiding foreclosure in 2007.

Rural Housing Service

The U.S. Department of Agriculture's Rural Housing Service (RHS) offers direct and guaranteed loans and grants to help very low- to moderate-income rural residents buy and maintain adequate, affordable housing. The single-family guaranteed loan program guarantees up to 90 percent of a private loan for low to moderate-income (115 percent of median income or less) rural residents. In 2007, nearly $4.8 billion in assistance was provided by RHS for homeownership loans and loan guarantees; $3.6 billion in guarantees went to more than 35,000 households, of which 32 percent went to very low and low-income families (with income 80 percent or less than median area income).

Historically, RHS has offered both direct and guaranteed homeownership loans. However, the direction of Rural Development's single-family housing mortgage assistance over the last two decades has been towards guaranteed loans. The single family housing guaranteed loan program was newly authorized in 1990 at $100 million and has grown into a $3 billion plus guaranteed loan program annually, equaling that of the Veterans Affairs (VA) guaranteed housing loan program. Meanwhile the single-family direct loan program has been stagnant at approximately a $1-billion loan level. Consequently, the Administration is proposing that Rural Development focus solely on guaranteed loans for single-family housing.

This policy was initially proposed in 2008 because it was consistent with the other Federal homeownership programs. In fact, there are no Federal single family direct loan home ownership programs for urban areas. While some rural areas remain isolated from broad credit availability, these areas are shrinking as broadband internet access and correspondent lending grow. Therefore, relying on the private banking industry to provide this service, with a guarantee from the Federal government, is a more efficient way to deliver that assistance.

The 2009 Budget also re-proposes an increase in the single family housing guarantee fee on new purchase loans to 3 percent from 2 percent. This change allows the loans to be less costly for the Government without a significant additional burden to the borrowers, given that they can finance the fee as part of the loan. The guarantee fee for refinance loans remains 0.5 percent. The fee proposal on purchase loans will allow funding in 2009 to be $4.8 billion, an increase of over $600 million above 2008.

The budget also supports $300 million in RHS guaranteed loans for multifamily housing construction loans for 2009. This level of support can be achieved at a more efficient cost through the removal of the subsidized interest authorization and the fee component of the program as part of the 2009 request. No funds are requested for the direct rural rental housing program or the farm labor housing program because fixing the current portfolio is the first priority.

Government-Sponsored Enterprises in the Mortgage Market

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

A key element of this response was the creation of the Federal Housing Administration in 1934. Another element was the establishment of several entities designed to develop secondary mortgage markets and to facilitate the movement of capital into housing finance. These entities were chartered by the Congress with public missions and endowed with certain benefits that give them competitive advantages when compared with fully private companies.

The Federal Home Loan Bank System, created in 1932, is comprised of twelve individual banks with shared liabilities. Together they lend money to financial institutions—mainly banks and thrifts—that are involved in mortgage financing to varying degrees, and they also finance some mortgages on their own balance sheets. The Federal National Mortgage Association, or Fannie Mae, created in 1938, and the Federal Home Loan Mortgage Corporation, or Freddie Mac, created in 1970, were established to support the stability and liquidity of a secondary market for residential mortgage loans. Fannie Mae's and Freddie Mac's public missions were later broadened to promote affordable housing. Together these three GSEs currently are involved, in one form or another, with nearly one half of the $11-plus trillion residential mortgages outstanding in the U.S. today. Their share of outstanding residential mortgage debt peaked at 54 percent in 2003, after which management and internal control problems started to surface at Fannie Mae and Freddie Mac and originations of subprime and non-traditional mortgages led to a surge of private-label MBS.

As with other financial institutions, the Congress has also established regulatory regimes to ensure the safety and soundness of the housing GSEs. The Office of Federal Housing Enterprise Oversight (OFHEO), established in 1992 as an independent agency within the Department of Housing and Urban Development, oversees the safety and soundness of Fannie Mae and Freddie Mac while HUD is responsible for mission oversight. The Federal Housing Finance Board (FHFB), established in 1989, oversees the Federal Home Loan Bank System. Numerous government and other reports have pointed to various shortcomings with the current regulatory structure and authorities for the housing GSEs. The Administration is proposing to strengthen this structure and regulatory authorities and combine OFHEO, HUD's regulatory responsibilities for mission oversight, and FHFB to create a new regulator to oversee all these GSEs.

Mission

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

1. Credit Guarantee Business—Fannie Mae and Freddie Mac guarantee the timely payment of principal and interest on mortgage-backed securities (MBS). They create MBS by either buying and pooling whole mortgages or by entering into swap arrangements with mortgage originators. Over time these MBS held by the public have averaged about one-quarter of the U.S. mortgage market, and they totaled $3.5 trillion as of November 30, 2007.

2. Mortgage Investment Business—Fannie Mae and Freddie Mac manage retained mortgage portfolios composed of their own MBS, MBS issued by others, and individual, whole mortgages. As of November 30, 2007, these retained mortgages totaled $1.4 trillion. Given Fannie Mae's and Freddie Mac's serious accounting, internal control, risk management, and systems problems, the growth of these portfolios has been temporarily constrained through agreements with OFHEO.

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

Risks That GSEs Face and Cause

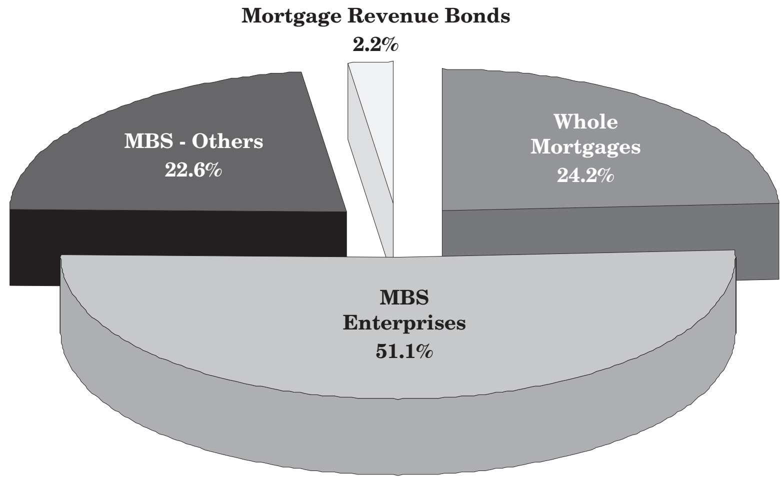
Like other financial institutions, the GSEs face a full range of risks, including market risk, credit risk, and operational risk. In recent years several of the Federal Home Loan Banks and Fannie Mae have faced serious market risks due to inadequate hedging. Fannie Mae and Freddie Mac have faced serious operational risk. As a result of earnings manipulation, poor accounting systems, lack of proper controls, lack of proper risk management, and misapplication of accounting principles, earnings at Fannie Mae were misstated by $6.3 billion through June of 2004, and at Freddie Mac by $5.0 billion through December of 2002. The housing market downturn in the last year has increased significantly the credit risk faced by Fannie Mae and Freddie Mac.

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

The GSEs are among the largest borrowers in the world. As of September 2007 their combined debt and guaranteed MBS totaled $6.0 trillion, higher than the total publicly held debt of the United States. The investors in GSE debt include thousands of banks, institutional investors such as insurance companies, pension funds, and foreign governments, and millions of individuals through mutual funds and 401k investments. Based on the prices paid by these investors, they act as if the Federal Government guarantees GSE debt. In fact, there is no such guarantee or Federal backing of GSE debt.

Because investors act as if there is an "implicit guarantee" by the Federal Government to back GSE debt, investors on average lend their money to the GSEs at interest rates roughly 30 to 40 basis points less ($300–$400 less per year for every $100,000 borrowed) than to other highly rated privately held companies. In addition, investors do not demand the same financial disclosures as for other privately owned companies. Fannie Mae filed quarterly financial reports for each of the first three quarters of the year in November 2007, the first quarterly financial statements in more than three years, and has not filed a timely annual report (10-K) with the Securities and Exchange Commission (SEC) for nearly four years. Freddie Mac still has never registered with the SEC as it agreed to in 2002. It has issued quarterly reports during 2007, but they were all tardy. Yet there has been no significant impact on the pricing of GSE debt securities. In past years, the lack of market discipline facilitated the growth of the GSE asset portfolios, thereby increasing systemic risk.

Chart 7-2. Fannie Mae and Freddie Mac Combined Retained Mortgage Portfolios Year-End 2006



Retained Asset Portfolios Achieve Little for the GSEs' Housing Mission

Fannie Mae and Freddie Mac have used their funding cost advantage to amass large retained asset portfolios. Together these GSEs have $1.5 trillion in debt outstanding, almost entirely for the purpose of funding these portfolios. From 1990 through 2006, the GSEs' competitive funding advantage enabled them to increase their portfolios of mortgage assets more than ten-fold, which far exceeds the growth of the overall mortgage market. Due to the size of and risks associated with the portfolios, the Administration is proposing that the new regulatory structure empower the regulator to address and mitigate these risks.

As chart 7–2 shows, 51 percent of Fannie Mae and Freddie Mac's combined retained mortgage portfolios at the end of 2006 was comprised of holdings of their own guaranteed MBS, which could easily be sold.

The function of these portfolio holdings is largely to increase profits, not facilitate affordable housing. In 1992, the Congress broadened Fannie Mae and Freddie Mac's mission to include providing liquidity for mortgages that served low-and moderate-income borrowers and those living in underserved areas. To measure this performance, the Congress mandated that HUD establish three affordable housing goal targets that Fannie Mae and Freddie Mac must meet each year. HUD has also implemented home purchase subgoals to encourage homeownership opportunities for first-time homeowners and minority homeowners. Given that Fannie Mae and Freddie Mac have a mission to help more families achieve homeownership as well as to expand rental opportunities, their retained portfolios should be largely tied to that mission. However, currently only about 30 percent of Fannie Mae and Freddie Mac's retained portfolio holdings would be eligible to qualify for any of the affordable housing goals. About half of the MBS issued by others and whole loans held by the GSEs qualify toward their affordable housing goals but none of their holdings of their own MBS contribute toward meeting the goals because loans backing the MBS are already counted. Their performance under the housing goals over time indicate that Fannie Mae and Freddie Mac should be doing more to help mission-targeted families achieve homeownership or acquire affordable rental housing.

Debt Issuance Subject to Treasury Approval

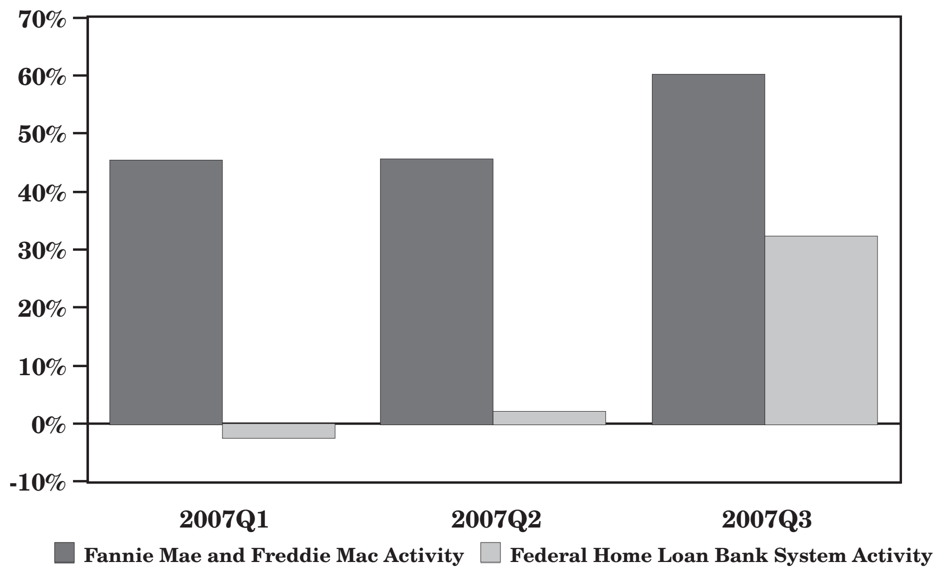
Fannie Mae and Freddie Mac fund their portfolios by issuing debt, and the U.S. Department of the Treasury has the statutory responsibility to review and approve these GSEs' debt-issuances. The Treasury Department also has debt approval over the Federal Home Loan Banks. Treasury is developing a more formalized approach to their debt approval authority. As part of that approach, Treasury is developing new debt approval procedures to enhance the clarity, transparency, standardization, and documentation of the debt approval process for Fannie Mae, Freddie Mac and the Federal Home Loan Banks.

Recent Mortgage Market Conditions Highlight Needed Reforms

In early August 2007, there was a precipitous drop in the liquidity of subprime, nontraditional, and prime jumbo mortgages. Faced with sharp increases in the delinquency and default rates of subprime and non-traditional loans in 2006 and 2007, as well as flat or declining home prices in much of the country, secondary market investors reassessed the risk of non-GSE MBS backed by those loans, which had previously been mispriced. The illiquidity of non-GSE MBS reduced the industry's capacity to securitize newly-originated subprime and jumbo loans, although some lenders continued to originate jumbo mortgages for portfolio. Freddie Mac and, to a lesser degree, Fannie Mae also incurred losses on investments in non-GSE MBS.

The three housing GSEs have continued to perform their missions during the recent market disruption. In the third quarter of 2007, Fannie Mae and Freddie Mac supported the liquidity of the secondary market by engaging in $343 billion of new business. The Federal Home Loan Banks increased their secured lending to mortgage lenders by $184 billion in that quarter. As Chart 7–3, shows, the combined activity of Fannie Mae and Freddie Mac as a share of single-family mortgage originations rose to 60 percent in the third quarter, whereas the Federal Home Loan Bank System's share increased to 32 percent. Those increases in market share highlight the need for a strong regulator.

Chart 7-3. Mortgage Purchases and Securitization by Fannie Mae and Freddie Mac and Change in Federal Home Loan Bank Advances as a Share of Single-Family Mortgage Originations, First Three Quarters of 2007



The risks of the GSEs' large portfolios are exacerbated because they are not required to hold cushions of capital against potential losses comparable to the capital requirements for other large financial institutions. Where commercial banks that are part of a financial holding company must hold a 5 percent capital-to-total assets cushion, Fannie Mae and Freddie Mac's requirement (before the 30% surcharge imposed by OFHEO for operational weakness) is half that, whereas the Federal Home Loan Banks' is 4 percent. The risk-based capital requirements for the GSEs also differ dramatically from those applicable to commercial banks. This highlights an important shortcoming of the statutory framework governing Federal oversight of the GSEs. The minimum capital and risk-based capital rules for the GSEs were written into law in 1992. Much has changed since then with regard to financial risk analysis, risk modeling, and capital requirements for comparable financial institutions. The reforms proposed by the Administration would repeal the statutory risk-based capital stress test, and would provide the new GSE regulator with the authority and flexibility to establish through regulation new risk-based capital requirements for the GSEs to help ensure that they operate with sufficient capital and reserves to support the risks that arise in the operations and management of each enterprise. A world-class regulator needs the flexibility and authority to change both the risk-based and minimum capital requirements without undue restriction in response to changing conditions.

The substantial increase in mortgage delinquencies and foreclosures in recent months serves as a reminder that mortgage lending involves credit risk. Fannie Mae and Freddie Mac are exposed to significant default risk on the mortgages they hold in portfolio or that back the MBS they guarantee. The GSEs' asset portfolios pose other substantial risks as well. Mortgage portfolios carry considerable interest-rate and pre-payment risk. This risk can be mitigated—for example, through purchase of interest-rate hedges—but the GSEs protect themselves against only some of the interest rate risk of their portfolios. Moreover, hedges are imperfect because predicting interest-rate movements and mortgage refinancing activity is difficult. As GSE asset portfolios have grown in size, the GSEs' participation in the market for hedging instruments has become dominant enough to cause interest rate spikes in the event that a GSE needs to make large and sudden adjustments to its hedging position. Further, Freddie Mac and, to a lesser extent, Fannie Mae hold large amounts of non-GSE MBS, which pose significant risks. Many of these securities are backed by subprime loans, and market values have declined as concerns about those loans have risen. Increased defaults and concerns about future defaults have led to significant losses at both of those GSEs in the last half of 2007, and led to new preferred stock issues raising $16 billion to shore up capital.

New Activities and Technological Development Require Oversight

Over the last decade, Fannie Mae and Freddie Mac have begun engaging in a wide range of new activities that were not anticipated when their charters were written. To address these changes, HUD developed a new activity review initiative under its general regulatory authority. HUD has reviewed a number of business initiatives at Fannie Mae and Freddie Mac, including international activities; partnership offices; senior housing; skilled nursing facilities; employer assisted housing plans; third party real-estate-owned programs; Commercial Mortgage-Backed Securities (CMBS); Asset-Backed Securities (ABS); multifamily variable-rate bond certificates; whole loan REMICs; and patenting programs. HUD imposed limitations on some activities and concluded that other activities were not authorized. For example, HUD's review of the GSEs' Commercial MBS programs resulted in OFHEO seeking Freddie Mac's divestiture of certain CMBS holdings, and HUD ordered Fannie Mae to end its third party Real-Estate-Owned program based on its review.

HUD completed a Financial Activities Review in late 2007. The review provided a baseline of information on Fannie Mae's and Freddie Mac's business and program activities and examined specific transactions to determine if these are consistent with the GSEs' charter authorities. HUD expects to issue its review results to the GSEs during the second quarter of fiscal year 2008.

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

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

New Regulatory Authority

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

Education Credit Programs

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

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

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

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

In 2007, the President signed the College Cost Reduction and Access Act (CCRAA) into law. The CCRAA enacted broad programmatic reforms that will save $22 billion through 2012 by reducing lender and guaranty agency subsidies that had been higher than necessary to ensure that loans are available to students in this profitable and competitive market. Stemming from proposals included in the President's 2008 Budget, the CCRAA reduced interest subsidies and default reinsurance paid to FFEL lenders; reduced fees paid to guaranty agencies; and required the Department of Education to conduct an auction pilot for the PLUS loan program, which primarily makes loans to parents to finance their child's education. As implementation of these complex provisions continues, the Administration will closely monitor the student loan marketplace to ensure it continues to be robust and efficient, and that students have access to loans from a variety of lenders. The savings from the CCRAA were used to offset the costs of providing several student and borrower benefits, including: (1) a historic increase in the Pell Grant program; (2) a reduction in student loan interest rates for subsidized loans from 6.8 percent to 3.4 percent over four years (reverting back to 6.8 percent thereafter), and (3) increased flexibility in how borrowers repay their loans.

Business and Rural Development Credit Programs and GSEs

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

Small Business Administration

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

The 2009 Budget requests $657 million, including administrative funds, for SBA to leverage more than $29 billion in financing for small businesses and disaster victims. The 7(a) General Business Loan program will support $17.5 billion in guaranteed loans while the 504 Certified Development Company program will support $7.5 billion in guaranteed loans for fixed-asset financing. SBA will supplement the capital of Small Business Investment Companies (SBICs) with $3 billion in long-term, guaranteed loans for venture capital investments in small businesses. At the end of 2007, the outstanding balance of business loans totaled $85 billion.

During the past few years, SBA has implemented several initiatives to streamline and improve operations by increasingly delegating responsibilities to lenders and centralizing operations while managing and mitigating risk. In 2003, SBA implemented a state-of-the-art Lender Loan Monitoring System (LLMS) to evaluate individual SBA lenders by tracking the expected risk of SBA guaranteed loans in their portfolios relative to expected performance of those loans.

In response to the challenges experienced in making and disbursing loans resulting from the 2005 Gulf Coast hurricanes, SBA has made a number of improvements, including implementing a case-manager system for processing loan applications and new metrics to track performance. By summer 2008, SBA expects to implement an Internet-based loan application system that will facilitate the collection of data from disaster victims and speed processing.

The Budget builds on these efforts by investing in core technology systems and human capital efforts. Increased funding is requested for the Loan Management and Accounting System (LMAS), a modern system to replace an aged mainframe system and ensure adequate stewardship over a loan portfolio that has grown 59 percent since 2001. Funds are also requested for a training initiative focused on core competencies and other important information technology investments.

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

USDA Rural Infrastructure and Business Development Programs

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

The program level for the Water and Wastewater (W&W) treatment facility loan and grant program in the 2009 President's Budget is $1.6 billion. These funds are available to communities of 10,000 or fewer residents. No change is proposed to the poverty rate for this program in 2009. The Community Facility Program is targeted to rural communities with fewer than 20,000 residents. It will have a program level of $512 million in 2009.

USDA also provides grants, direct loans, and loan guarantees to assist rural businesses, cooperatives, nonprofits, and farmers in creating new community infrastructures (i.e. educational networks or healthcare coops), and to diversify the rural economy and employment opportunities. In 2009, USDA proposes to provide $730 million in loan guarantees and direct loans to entities that serve communities of 50,000 or less through the Business and Industry guaranteed loan program and Intermediary Relending program. These loans are structured to save/create jobs and stabilize fluctuating rural economies. A recently implemented performance assessment tool will be used to calculate their impact on income growth in local, state, and national economies.

The President's Farm Bill proposal includes $1.5 billion in support for Rural Development programs over 10 years. Of this, $0.5 billion will go to enhance rural infrastructures, alleviating program backlogs, and $0.1 billion to support rural critical access hospitals. The other $0.9 billion will promote renewable energy activities, providing support to businesses and farmers who would like to produce renewable energy and increase their energy efficiencies.

Electric and Telecommunications Loans

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

The Budget includes $4.1 billion in direct electric loans for distribution, transmission, and improvements to existing generation facilities, $690 million in direct telecommunications loans, $298 million in broadband loans, and $20 million in DLT grants.

Since generation has been deregulated and has become a more commercial operation, the Administration supports using the commercial market for construction of new generation facilities. While the Administration has established a loan rate methodology for new non-nuclear generation facilities, the Administration has not proposed a loan level or requested funding needed to subsidize such loans. A loan level will be considered once Congress enacts legislation to authorize a fee on such loans and allows RUS to implement existing authority for recertification of the rural status of areas served by its borrowers.

The Budget includes a proposal to replace the 100 percent guaranteed electric and telecommunications loans that are financed through the Federal Financing Bank (FFB) with loans made directly through the Treasury. The proposed new direct loan program would improve the operations of USDA's rural utility loans by simplifying the Government's processes while providing the same benefits and flexibilities for the borrowers.

Loans to Farmers

The Farm Service Agency (FSA) assists low-income family farmers in starting and maintaining viable farming operations. Emphasis is placed on aiding beginning and socially disadvantaged farmers. FSA offers operating loans and ownership loans, both of which may be either direct or guaranteed loans. Operating loans provide credit to farmers and ranchers for annual production expenses and purchases of livestock, machinery, and equipment. Farm ownership loans assist producers in acquiring and developing their farming or ranching operations. As a condition of eligibility for direct loans, borrowers must be unable to obtain private credit at reasonable rates and terms. As FSA is the "lender of last resort," default rates on FSA direct loans are generally higher than those on private-sector loans. FSA-guaranteed farm loans are made to more creditworthy borrowers who have access to private credit markets. Because the private loan originators must retain 10 percent of the risk, they exercise care in examining the repayment ability of borrowers. The Administration's recent farm bill proposal includes policies to improve credit assistance for farm borrowers, with particular emphasis to beginning and socially disadvantaged farmers. Specifically, the Administration proposes to double assistance targeted to beginning and socially disadvantaged farmers for the direct operating loan program and reduce the interest rate for downpayment assistance to beginning farmers. Finally, because the cost of production is high for many farmers desiring to enter into farming, the farm bill includes increased loan levels for direct loan programs.

In 2007, FSA provided loans and loan guarantees to approximately 27,000 family farmers totaling $3.1 billion. The number of loans provided by these programs has fluctuated over the past several years. The average size for farm ownership loans has been increasing. The majority of assistance provided in the operating loan program is to existing FSA farm borrowers. In the farm ownership program, new customers receive the bulk of the benefits furnished. The demand for FSA direct and guaranteed loans continues to be high due to low crop/livestock prices and some regional production problems. In 2009, FSA proposes to make $3.4 billion in direct and guaranteed loans through discretionary programs.

In 2005, to further improve program effectiveness, FSA conducted an in-depth review of its direct loan portfolio to assess program performance, including the effectiveness of targeted assistance and the ability of borrowers to graduate to private credit. The results of this review will assist FSA in improving the delivery of its services and the economic viability of farmers and ranchers. FSA is currently evaluating the feasibility of obtaining a similar independent review of the guaranteed loan program. In addition, FSA recently implemented a web-based system to track loan applications. The Direct Loan System (DLS) replaces the loan making components of other automated systems. A loan servicing DLS module is currently under development. FSA successfully completed a comprehensive review of all farm loan program regulations, handbooks, and information collections. This streamlining initiative was one of the most aggressive efforts to enhance both the direct and guaranteed programs in the program's 60-year history. This initiative will reduce the burden for both applicants and the Agency, resulting in an improvement in loan processing efficiencies.

The Farm Credit System and Farmer Mac

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

The Farm Credit System

The financial condition of the System's banks and associations remains sound. The ratio of capital to assets decreased to 14.8 percent as of September 30, 2007 from 15.7 percent as of September 30, 2006, as asset growth outpaced capital growth. As of September 30, 2007, capital consisted of $2.5 billion in restricted capital held by the Farm Credit System Insurance Corporation (FCSIC) and $24.0 billion of unrestricted capital—a record level. Non-performing loans decreased, and earnings increased, resulting from growth in the loan portfolio and higher earnings on assets. Non-performing loans as a percentage of total loans outstanding fell to .43 percent as of September 30, 2007 compared to .50 percent a year earlier. Assets have grown at a 10.8 percent annual rate over the past five years, while the number of FCS institutions has decreased due to consolidation. As of September 30, 2007, the System consisted of five banks and 95 associations compared with seven banks and 104 associations in September 2002. As of September 30, 2007, 98 of the 100 FCS banks and associations had one of the top two examination ratings (1 or 2 in a 1–5 scale), while two FCS institutions had a 3 rating.

The FCSIC ensures the timely payment of principal and interest on FCS obligations on which the System banks are jointly and severally liable. FCSIC manages the Insurance Fund, which supplements the System's capital and the joint and several liability of the System banks. At September 30, 2007, the assets in Insurance Fund totaled $2.519 billion. Of that amount $40 million was allocated to the Allocated Insurance Reserve Accounts (AIRAs). At September 30, 2007, the Insurance Fund as a percentage of adjusted insured debt was 1.71 percent in the unallocated Insurance Fund and 1.74 percent including the AIRAs. This was below the statutory Secure Base amount of 2 percent. During 2007 growth in System debt has outpaced the capitalization of the Insurance Fund that occurs through investment earnings and premiums.

Over the 12-month period ending September 30, 2007, the System's loans outstanding grew by $19.2 billion, or 16.6 percent, while over the past five years they grew by $47.2 billion, or 53.6 percent. As required by law, borrowers are also stockholder owners of System banks and associations. As of September 30, 2007, the System had 472,925 stockholders. Loans to young, beginning, and small farmers and ranchers represented 11.7, 19.4, and 27.7 percent, respectively, of the total dollar volume of farm loans outstanding at the end of 2006. The percentage of loans to beginning farmers in 2006 remained the same as the percentage of loans in 2005, while percentages to young and small farmers were slightly lower. Young, beginning, and small farmers are not mutually exclusive groups and, thus, cannot be added across categories. Providing credit and related services to young, beginning, and small farmers and ranchers is a legislative mandate for the System.

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

Farmer Mac

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

Farmer Mac continues to meet core capital and regulatory risk-based capital requirements. Farmer Mac's total program activity (loans purchased and guaranteed, AgVantage bond assets, and real estate owned) as of September 30, 2007, totaled $8.4 billion. That volume represents an increase of 19 percent from program activity at September 30, 2006. Of total program activity, $2 billion were on-balance sheet loans and agricultural mortgage-backed securities, and $6.3 billion were off-balance sheet obligations. Total assets were $5.4 billion at the close of the third quarter, with non-program investments accounting for $3.3 billion of those assets. Farmer Mac's net loss for first three quarters of 2007 was $6.3 million, a significant change from the same period in 2006 during which net income was $22 million.

The currently reported year-to-date loss amount is primarily the result of fluctuations in the market value of financial derivatives and trading assets that are now recognized in the income statement and is not the result of negative developments in its operations or cash flows. This change was instituted in November 2006, when Farmer Mac opted to change its accounting methods to remove the impact of accounting for derivatives as hedges against interest rate movements. Farmer Mac has stated that it does not expect the accounting change to impact its ability to carry out its business plans or have any effect on its business model.

International Credit Programs

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

Leveling the Playing Field

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

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

Stabilizing International Financial Markets

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

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

Using Credit to Promote Sustainable Development

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

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

Ongoing Coordination

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

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

Promoting Economic Growth and Poverty Reduction through Debt Sustainability

The Enhanced Heavily Indebted Poorest Countries (HIPC) Initiative reduces the debt of some of the poorest countries with unsustainable debt burdens that are committed to economic reform and poverty reduction. Under the HIPC process, the debt of most countries is restructured before being completely forgiven. While not considered part of HIPC relief, a restructuring is often a precursor to HIPC relief. The 2009 President's Budget uses an improved methodology for estimating the long term cost to the Federal Government of HIPC debt restructuring. The revised methodology more accurately reflects a country's creditworthiness after a restructuring given the likelihood of receiving 100 percent debt reduction in the future.

Self-Sufficient Export-Import Bank

The Budget estimates that the Bank's export credit support will total $14 billion, and will be funded entirely by receipts collected from the Bank's customers. The Bank estimates it will collect $164 million in 2009 in excess of expected losses on transactions authorized in 2009 and prior years. These amounts will be used to: (1) cover the estimated costs for that portion of new authorizations where fees are insufficient to cover expected losses; and (2) to cover administrative expenses.

V. INSURANCE PROGRAMS

Deposit Insurance

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

Since its creation, the system has undergone a series of reforms, most recently in 2006. The Federal Deposit Insurance Reform Act of 2005 allows the FDIC to better manage the Deposit Insurance Fund. For example, the Act authorizes the FDIC to charge premiums for deposit insurance on a risk-adjusted basis regardless of the level of the FDIC's reserves against its insured deposits, and ensures that all financial institutions pay premiums for Federal insurance on their insured deposits. The FDIC completed implementation of these reforms during 2007.

The FDIC insures deposits in banks and savings associations (thrifts). The National Credit Union Administration (NCUA) insures deposits (shares) in most credit unions (certain credit unions are privately insured). FDIC and NCUA insure deposits up to $100,000 per account. Under the Federal Deposit Insurance Reform Act of 2005, the deposit insurance ceiling for retirement accounts was increased to $250,000. In addition, beginning in 2010, and every five years thereafter, FDIC and NCUA will have the authority to increase deposit insurance coverage limits for retirement and non-retirement accounts based on inflation if the Boards of the FDIC and NCUA determine such an increase is warranted. As of September 30, 2007, FDIC insured $4.24 trillion of deposits at 8,560 commercial banks and thrifts, and NCUA insured $556 billion of deposits (shares) at 8,163 credit unions.

Current Industry Conditions

Significant challenges have confronted the financial sector throughout the second half of calendar year 2007. Although to date the challenges have not caused a large number of failures of insured depository institutions, the outlook for the industry remains uncertain as of the beginning of 2008. During the summer of 2007, a slowdown in the U.S. housing market began to trigger concerns. Rising defaults on "subprime" loans led to markdowns on the value of debt securities backed by these loans. These securities had been packaged by financial institutions and sold to investors around the world. Uncertainty about the value of these complex financial instruments and lack of transparency about who held them led to a much lower appetite for risk and a clear preference for the most liquid and safe investments. This reassessment of risk caused widespread volatility in financial markets.[3]

Many depository institutions entered this period of market uncertainty with strong profitability and a significant capital cushion. The period from 2004–2006 was one of record growth and profitability for many banks and thrifts, and this previous strong performance has to date provided a cushion. As of September 2007, total risk-based capital ratios in the industry averaged 12.75 percent, versus a minimum required level of 8 percent. Depository institutions are also insulated by the fact that many had sold their mortgages—and hence their risk exposure—to the secondary market. In addition, many of the subprime mortgages losing value were originated by state-chartered mortgage companies rather than depository institutions. Thus the risk has been spread beyond the core banking system subject to Federal deposit insurance.

In the current market environment, institutions with a significant presence in structuring and trading mortgage-backed securities (especially the major investment banks) have recorded losses on their portfolios of mortgage-backed securities, as well as lost the fees earned in repackaging and reselling these loans. In the 3rd and 4th quarters of calendar year 2007, major investment banks recorded nearly $70 billion in writedowns due to losses on investments linked to subprime mortgages and structured credit products. While the Federal Government has no direct risk exposure from investment bank losses, many banks and other firms have also encountered difficulty raising cash through the short-term corporate debt markets.

Due to the increasing consolidation of the U.S. banking industry in recent years, the largest institutions have accounted for a growing share of total assets—whereas in 1984 depository institutions with over $10 billion in assets accounted for 42 percent of total assets in the industry, by 2004 the share of those institutions had risen to 73 percent. This consolidation, combined with the fact that many of the larger institutions with significant market and trading presence are those most affected by the current market conditions, has increased the potential risks of a major failure that could put a significant strain on the resources of the Federal deposit insurance funds.

Administration and Regulatory Responses

The financial regulators and the Administration have taken a number of steps to address the underlying problems in the credit and mortgage markets. The President's Working Group on Financial Markets (including the Treasury Department, the Federal Reserve Board, the Securities and Exchange Commission and the Commodity Futures Trading Commission) has the responsibility to examine the recent uncertainty in credit markets and work to ensure that market integrity and efficiency are not compromised. In regard to mortgage markets, in addition to the Administration proposals for modernization of the Federal Housing Administration and reform of the oversight of the housing GSEs (mentioned earlier in this chapter) the Administration has partnered 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. The HOPE NOW Alliance consists of four counseling organizations, 21 mortgage servicers and lenders (comprising 65 percent of the U.S. market for mortgage servicing and almost 85 percent of the subprime servicing market), three investor groups (including the American Securitization Forum, which represents over 370 members), and 10 trade associations. These efforts should reduce foreclosure rates and support the continued flow of capital to mortgage markets.

To aid this effort, during December 2007 Congress passed the Mortgage Forgiveness Debt Relief Act of 2007, an Administration proposal that for the next few years (through 2010) will allow borrowers to obtain relief from taxes on writedowns of loan principal during a refinancing. The Administration has also proposed to allow state and local governments to temporarily broaden their tax-exempt bond programs to include mortgage refinancings.

The Federal banking regulators (Federal Reserve, Office of the Comptroller of the Currency (OCC), Office of Thrift Supervision (OTS), and FDIC) have been closely monitoring banks' core capital levels as well as their potential susceptibility to market disruptions. During 2007, the regulators jointly issued final guidance addressing non-traditional and subprime mortgage practices, as well as guidance encouraging their institutions to proactively aid borrowers to refinance subprime mortgages.

The Federal Reserve and other Federal banking regulators have been developing new regulations to improve disclosure of mortgage and credit card terms, restrain certain practices in mortgage lending, and address unfair and deceptive lending practices more broadly. Complementing these efforts, this year HUD will also propose clearer disclosure of mortgage lending and home purchase closing costs, as mandated by the Real Estate Settlement Procedures Act. The draft text of the regulations on credit cards and mortgage lending were released for public comment in 2007, and the regulators will likely finalize these regulations during 2008.

Recent Performance of the Federal Deposit Insurance Funds

From July 2004 through January 2007, the performance of the Federal deposit insurance program was strong. No banks or thrifts failed during this period—the longest interlude without a failure in the 73-year history of the FDIC. However, there has been a deterioration of conditions in the industry since summer 2007. As of September 30, 2007, the FDIC classified 65 institutions with $18.5 billion in assets as "problem institutions" (institutions with the highest risk ratings), a

[3] For a much more detailed discussion of the problems in credit markets during 2007 and their implications, please see Chapter 2 of the 2008 Economic Report of the President.

level of problem assets more than four times higher than the comparable statistics from September 2006. The largest institution to fail since the early 1990s, NetBank (a Georgia thrift with $2.5 billion in assets) was placed in FDIC receivership in September 2007, and overall three institutions failed during 2007.

At the end of September 2007, the Deposit Insurance Fund reserve ratio (ratio of insurance reserves to insured deposits) stood at 1.22 percent—$1.2 billion below the level that would meet the target reserve ratio. Taking the redemption of credits into consideration, along with continued growth in insured deposits and a higher rate of potential failures given current conditions in the industry, the Budget projects that the FDIC will collect approximately $4.7 billion in new revenue from premiums during 2008 and 2009 combined.

The National Credit Union Share Insurance Fund, the Federal fund for credit unions that is analogous to the Deposit Insurance Fund for banks and thrifts, ended September 2007 with assets of $7.4 billion and an equity ratio of 1.31 percent, topping the NCUA-set target ratio of 1.30 percent. Over the past five years, the Share Insurance Fund's equity ratio has gradually risen from about 1.27 percent, reflecting few losses due to failures in the credit union industry. Recent market volatility, however, may increase observed losses in the credit union industry. The number of problem institutions reported by the NCUA has steadily risen during 2007, and the Share Insurance Fund has set aside more than $57 million to cover potential insurance losses from January through November 2007, versus only $2.5 million in loss expenses for all of calendar year 2006.

Basel II: Transition to a New Bank Capital Regime

A major regulatory initiative is currently underway in the banking sector, which is likely to have a significant impact on the banking sector as a whole and, by extension, on the Federal deposit insurance system. The Federal banking regulators are implementing an international agreement called the Revised Framework for the International Convergence of Capital Measurement and Capital Standards ("Basel II").

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

During 2007, the Federal banking regulators completed issuance of the rules implementing the Basel II advanced approach, the first half of the US effort to implement the Revised Basel Capital Accord. In the final Basel II advanced rule, U.S. regulators require the ten or so largest banks (including those that have major international operations, complex financial structures and expertise) to use an advanced internal ratings-based approach to calculate their credit risk capital requirements. The Basel II rulemaking allows for greater sensitivity to risk in the portfolios these banks hold. Rather than grouping assets into broad risk categories, capital requirements are tied to banks' internal assessments of the likelihood and severity of default losses from the assets they hold. The rules are also intended to allow capital requirements to more accurately account for the benefits or risk-mitigation activities undertaken by banks. The rulemaking also requires banks to hold capital to cover operational risk, which is not covered under the existing (Basel I) requirements.

Implementation of the Basel II standard in Europe began during 2007. Implementation of the U.S. Basel II rulemaking will begin with a "parallel run" on April 1, 2008 and formally go into effect for the first of three transitional years on January 1, 2009. This delay has led to concerns about a competitive imbalance between U.S. and foreign banks. There are also concerns about competitive imbalance between U.S. banks, and for that reason, regulators are expected to allow banks other than the ten largest U.S. banks to be able to choose between adopting the "Basel II advanced" approach, the current "Basel I" system, and an alternative "Basel II standardized" approach.

The "Basel II standardized" approach is intended to be more risk-sensitive than Basel I, but easier to implement than the advanced Basel II approach. The "standardized" approach is intended to be broadly based upon a system proposed by the Basel committee that provides additional risk-sensitivity through use of external credit ratings, and internal risk measures for some types of assets (i.e., loan-to-value ratios for mortgages). This alternative approach would allow banks to potentially lower their capital requirements and provide small- and mid-sized banks a means to stay competitive with the larger Basel II banks. The regulators are working to develop the standardized approach and are expected to release the draft text for public comment during 2008.

Pension Guarantees

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

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

As a result of a flawed pension funding system and exposure to losses from financially troubled plan sponsors, PBGC's single-employer program incurred substantial losses from underfunded plan terminations in 2001 through 2006. The table below shows the ten largest plan termination losses in PBGC's history. Nine of the ten have come since 2001.

The program's deficit at 2007 year-end stood at $13.1 billion, compared to a $9.7 billion surplus at 2000 year-end. This is actually a $5 billion improvement from 2006. PBGC's operating results are subject to significant fluctuation from year to year, depending on the severity of losses from plan terminations, changes in the interest factors used to discount future benefit payments, investment performance, general economic conditions and other factors such as changes in law. While the improvement may give the impression that PBGC's financial condition has improved, in fact its long-term loss exposure and flawed funding system continue to threaten its financial sustainability.[4]

[4] In addition, the airline relief provisions in the Pension Protection Act of 2006, which resulted in large plans previously classified as probable terminations being changed to the reasonably possible classification in 2006, likely postponed rather than eliminated losses, as it is likely that the airlines will eventually relapse and present a claim to the PBGC. If PBGC's deficit were calculated without regard to PPA airline provisions, PBGC estimates that its net deficit shown in this report would be approximately $8 billion higher (assuming 2006 underfunding levels for the specific airline plans remained constant).

In February 2005 the Administration proposed comprehensive reforms to address structural flaws in the statutory plan funding requirements and in the design of the insurance program. The proposal sought to strengthen funding for workers' defined-benefit pensions; provide more accurate information about pension liabilities and plan underfunding; and enable PBGC to meet its obligations to participants in terminated pension plans. Many of the President's reforms were incorporated into the Deficit Reduction Act (DRA) of 2005, enacted in February 2006, and the Pension Protection Act of 2006 (PPA), enacted in August 2006. This legislation made significant structural changes to the retirement system, but did not fully address the long-term challenges facing PBGC. While the PBGC has sufficient liquidity to meet its obligations for a number of years, neither the single-employer nor multiemployer program has the resources to satisfy fully the agency's long-term obligations to plan participants.

Further reforms are needed to address the current $14 billion gap between PBGC's liabilities and its assets. The Budget proposes to give PBGC's Board the authority to raise premiums to produce the revenue necessary to meet expected future claims and retire PBGC's deficit over ten years. The current rate-setting mechanism is inflexible and does not allow the PBGC to respond to changing conditions in the defined benefit plan universe, in the financial markets in which pension plans invest, or in its own financial condition.

Under this proposal, PBGC's Board would have the flexibility to make a broad range of changes to pre-

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

Top 10 Firms	Fiscal Years of Plan Terminations	Claims (by firm)	Percent of Total Claims (1975–2005)
1. United Airlines	2005	$7,484,348,482	22.90%
2. Bethlehem Steel	2003	3,654,380,116	11.20%
3. US Airways	2003, 2005	2,690,222,805	8.20%
4. LTV Steel*	2002, 2003, 2004	2,136,698,831	6.50%
5. National Steel	2003	1,275,628,286	3.90%
6. Pan American Air	1991, 1992	841,082,434	2.60%
7. Weirton Steel	2004	690,181,783	2.10%
8. Trans World Airlines	2001	668,377,106	2.00%
9. Kaiser Aluminum	2004	600,009,879	1.80%
10. Kemper Insurance	2005	568,417,151	1.70%
Top 10 Total	....	20,609,346,871	63.20%
All Other Total	....	12,017,433,400	36.80%
TOTAL	....	**$32,626,780,271**	**100.00%**

Sources: PBGC Fiscal Year Closing File (9/30/07), PBGC Case Administration System, and PBGC Participant System (PRISM).

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

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

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

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

miums in an effort to improve PBGC's financial condition and safeguard the future benefits of American workers. The Administration is committed to restoring the solvency of the pension insurance system and avoiding a future taxpayer bailout.

Disaster Insurance

Flood Insurance

The Federal Government provides flood insurance through the National Flood Insurance Program (NFIP), which is administered by the Federal Emergency Management Agency of the Department of Homeland Security (DHS). Flood insurance is available to homeowners and businesses in communities that have adopted and enforced appropriate flood plain management measures. Coverage is limited to buildings and their contents. By the end of 2007, the program had over 5.5 million policies in more than 20,200 communities with over $1 trillion of insurance in force.

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

DHS is using three strategies to increase the number of flood insurance policies in force: lender compliance, program simplification, and expanded marketing. DHS is educating financial regulators about the mandatory flood insurance requirement for properties that are located in floodplains and have mortgages from federally regulated lenders. These strategies have resulted in policy growth of over 3 percent in 2007 with an increase of more than 180,000 policies.

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

The program's reserve account, which is a cash fund, has sometimes had expenses greater than its revenue, forcing the NFIP to borrow funds from the Treasury in order to meet claims obligations. However, since the program began in 1968 and until 2005, the program has continued to repay all borrowed funds with interest. However, hurricanes Katrina, Rita, and Wilma generated more flood insurance claims than the cumulative number of claims from 1968 to 2004. These three storms resulted in over 234,000 claims with total claims payments expected to be approximately $20 billion. As a result, the Administration and the Congress have increased the borrowing authority to $20.8 billion to date in order to make certain that all claims could be paid.

The catastrophic nature of the 2005 hurricane season has also triggered an examination of the program, and the Administration is working with the Congress to improve the program, based on the following principles: protecting the NFIP's integrity by covering existing commitments; phasing out subsidized premiums in order to charge fair and actuarially sound premiums; increasing program participation incentives and improving enforcement of mandatory participation in the program; increasing risk awareness by educating property owners; and reducing future risks by implementing and enhancing mitigation measures. Although flood insurance reform was not achieved in 2007, the Administration looks forward to continuing to work with the Congress to enact program reforms that further mitigate the impact of flood damages and losses.

Crop Insurance

Subsidized Federal crop insurance administered by USDA's Risk Management Agency (RMA) assists farmers in managing yield and revenue shortfalls due to bad weather or other natural disasters. The program is a cooperative effort between the Federal Government and the private insurance industry. Private insurance companies sell and service crop insurance policies. These companies rely on reinsurance provided by the Federal Government and also by the commercial reinsurance market to manage their individual risk portfolio. The Federal Government reimburses private companies for a portion of the administrative expenses associated with providing crop insurance and reinsures the private companies for excess insurance losses on all policies. The Federal Government also subsidizes premiums for farmers.

The 2009 Budget reflects the Administration's Farm Bill proposals, which include specific proposals for Crop Insurance. These include allowing farmers to purchase supplemental insurance that would cover their deductible in the event of a county-wide loss, reducing the expected loss ratio to 1.00 from 1.075, allowing the private insurance companies access to their data mining information, allow the Standard Reinsurance Agreement to be renegotiated once every 3 years, along with a continuation of a series of crop insurance reforms that have been proposed in the past that will increase program participation and at the same time control program costs.

The 2009 Budget also includes language to open up authorized purposes under the mandatory R&D funds provided by Agriculture Risk Protection Act of 2000 (ARPA). Expansion of authorized uses will include data mining activities, the Common Information Management System (CIMS), and other IT cost related to reducing fraud waste and abuse and IT modernization.

In addition, the 2009 Budget includes a proposal to implement a participation fee in the Federal crop insurance program. The participation fee would be charged to insurance companies participating in the Federal crop insurance program; based on a rate of about one-third cent per dollar of premium sold, the fee is expected to be sufficient to generate about $15 million annually beginning in 2010. The existing IT system is nearing the end of its useful life and recent years have seen increases in "down-time" resulting from system failures. New plans of insurance such as revenue and livestock insurance have greatly increased the size and complexity of the crop insurance program. These changes place a greater burden on the aging IT system resulting in increased IT maintenance costs and limit RMA's ability to comply with Congressional mandates pertaining to data reconciliation with the Farm Service Agency. The participation fee will help alleviate these problems.

There are various types of insurance programs. The most basic type of coverage is catastrophic coverage (CAT), which compensates the farmer for losses in excess of 50 percent of the individual's average yield at 55 percent of the expected market price. The CAT premium is entirely subsidized, and farmers pay only an administrative fee. Higher levels of coverage, called buy-up coverage, are also available. A premium is charged for buy-up coverage. The premium is determined by the level of coverage selected and varies from crop to crop and county to county. For the ten principal crops, which accounted for about 80 percent of total liability in 2007, the most recent data show that over 79 percent of eligible acres participated in the crop insurance program.

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

RMA is continuously trying to develop new products or expand existing products in order to cover more types of crops. Two new Group Risk Protection risk management tools for pasture, rangeland and forage (PRF) protection were approved for the 2007 crop year. These innovative pilot programs are based on vegetation greenness and rainfall indices and were developed to provide livestock producers the ability to purchase insurance protection for losses of forage produced for grazing or harvested for hay. The pilots proved to be more popular than anticipated and both programs are being expanded to new areas for the 2008 crop year. Also new for the 2008 crop year is the Biotech Yield Endorsement (BYE) for non-irrigated corn. The BYE is being pilot tested in four states and will provide producers a premium rate reduction if they plant non-irrigated corn that is intended to be harvested for grain and has three specific biotech traits. The premium reduction is based on data showing that non-irrigated corn containing these specific traits has a lower risk of yield loss than non-traited corn. RMA continues to pursue a number of avenues to increase program participation among underserved States and commodities by working on declining yield issues and looking at discount programs for good experienced producers who pose less risk.

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

Insurance Against Security-Related Risks

Terrorism Risk Insurance

On November 26, 2002, President Bush signed into law the Terrorism Risk Insurance Act (TRIA) of 2002 (P.L. 107–297), which was intended to help stabilize the insurance industry during a time of significant transition that followed the terrorist attacks of September 11, 2001. The Act established a temporary, three-year Federal program that provided a system of shared public and private compensation for insured commercial property and casualty losses arising from acts of foreign terrorism (as defined by the Act). In 2005, Congress passed a two-year extension (P.L.109–144), that narrowed the Government's role by increasing private sector retentions, reducing lines of insurance covered by the program, and adding an event trigger amount for Federal payments. In December 2007, Congress passed a seven-year extension (P.L.110–318). The 2007 extension of TRIA added a requirement for commercial property and casualty insurance companies to offer insurance for losses from domestic as well as foreign acts of terrorism. The 2007 extension maintains for all seven extension years an insurer deductible of 20 percent of the prior year's direct earned premiums, an insurer co-payment of 15 percent of insured losses above the deductible, and a $100 million event trigger amount for Federal payments. The 2007 extension changes mandatory recoupment provisions, requiring Treasury to collect 133 percent of the Federal payments made under the program, and accelerates time horizons for recoupment of any payments made before September 30, 2017.

The President's Working Group on Financial Markets (PWG) reported in September 2006 that the Terrorism Risk Insurance Program had achieved its goals of supporting the insurance industry post September 11, 2001. In terms of insurance availability, the PWG and successive industry analyses found record take-up rates in 2006 of nearly 60 percent, compared with 27 percent in 2002. In addition, the PWG found significant improvements in affordability demonstrated by median terrorism insurance premiums falling from $37,700 in 2005 to $16,750 in 2006. These trends are also present in high risk commercial areas like New York City. Furthermore, the estimated $450 billion in industry-wide surplus currently held by property and casualty insurers exceeds pre-September 2001 levels.

The Administration believes that TRIA should not be a permanent program, that private sector retentions under it should be increased, and that over time, the private market is the best provider of reinsurance. Over the coming year the Administration will examine possible changes to current law that could further develop the private terrorism reinsurance market.

The Budget, for the first time, includes the estimated Federal cost of providing terrorism risk insurance, reflecting the 2007 TRIA extension. The growth in the private insurance market for this coverage provides data in the form of insurance premiums that show how private insurers estimate the likelihood of attack and price their projected losses. Using this market driven data, the Government can project annual outlays and recoupment under TRIA. These estimates represent the weighted average of TRIA payments over a full range of scenarios, most of which include no terrorist attacks (and therefore no TRIA payments), and some of which include terrorist attacks of varying magnitudes. The Budget projections, however, are in no way an official forecast of future attacks.

On this basis, the Budget projects the 2007 TRIA extension will have a net deficit impact (spending less receipts from premium surcharges) of $1.78 billion over the 2009–2013 period and $3.85 billion over the 2009–2018 period.

Airline War Risk Insurance

After the September 11, 2001 attacks, private insurers cancelled third-party liability war risk coverage for airlines and dramatically increased the cost of other war risk insurance. In addition to a number of short term responses, the Congress also passed the Homeland Security Act of 2002 (P.L. 107–296). Among other provisions, this Act required the Secretary to provide additional war risk insurance coverage for hull losses and passenger liability to air carriers insured for third-party war risk liability as of June 19, 2002. The Department of Transportation Appropriations Act for 2008 (P.L. 110–161) further extended the requirement to provide insurance coverage through August 31, 2008. Acting on behalf of the Secretary, the FAA has made available insurance coverage for (i) hull losses at agreed value; (ii) death, injury, or property loss liability to passengers or crew, the limit being the same as that of the air carrier's commercial coverage before September 11, 2001; and (iii) third party liability, the limit generally being twice that of such coverage. The Secretary is also authorized to limit an air carrier's third party liability to $100 million, when the Secretary certifies that the loss is from an act of terrorism.

This program provides airlines with financial protection from war risk occurrences, and thus allows airlines to meet the basic requirement for adequate hull loss and liability coverage found in most aircraft mortgage covenants, leases and in government regulation. Without such coverage, many airlines might be grounded. Currently, aviation war risk insurance coverage is generally available from private insurers, but premiums are significantly higher in the private market. Also, private insurance coverage for occurrences involving weapons of mass destruction is more limited.

Currently 75 air carriers are insured by Department of Transportation. Coverage for individual carriers ranges from $80 million to $4 billion per carrier, with the median insurance coverage at approximately $1.8 billion per occurrence. Premiums collected by the Government for these policies are deposited into the Aviation Insurance Revolving Fund. In 2007, the Fund earned approximately $170 million in premiums for insurance provided by DOT, and it is anticipated that an additional $157 million in premiums will be earned in 2008. At the end of 2007, the balance in the Aviation Insurance Revolving Fund available for payment of future claims was $951 million. Although no claims have been paid by the Fund since 2001, the balance in the Fund would be inadequate to meet either the coverage limits of the largest policies in force ($4 billion) or to meet a series of large claims in succession. The Federal Government would pay any claims by the airlines that exceed the balance in the Aviation Insurance Revolving Fund.

Aviation insurance program authority expires on March 30, 2008. The Administration does not support a straight extension of this program and instead favors a return to private sector mechanisms for managing risk. As part of the Federal Aviation Administration (FAA) reauthorization, the Administration has proposed reforms that would gradually transition airlines from government provided insurance to privately provided insurance. Current law caps the premium rates that FAA may charge. Continuation of insurance coverage, if any, should allow FAA to set deductible levels as the first step in moving airlines to the private insurance market and reducing the indirect subsidy that the government currently provides. The Administration is committed to working with the Congress to reform this program, and to ensure that air carriers more equitably share in the risks associated with this program.

Chart 7-4. Face Value of Federal Credit Outstanding

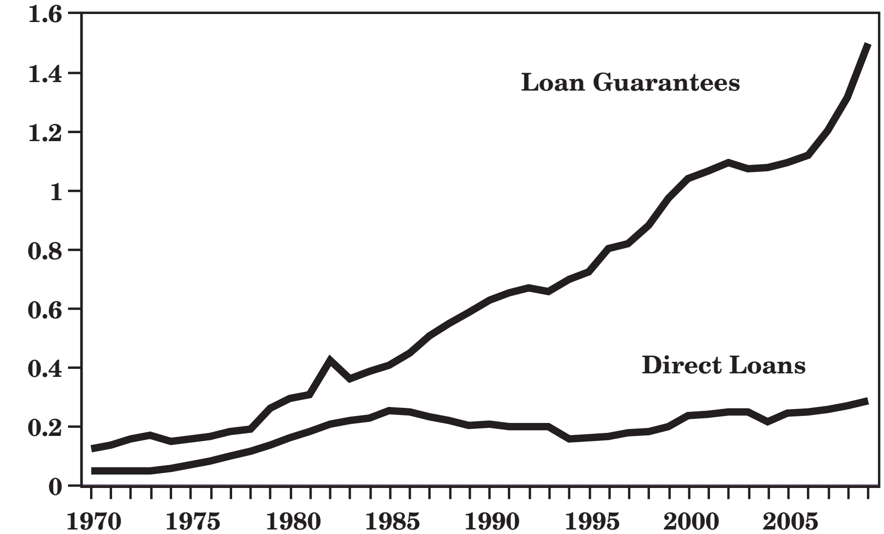


Table 7–1. ESTIMATED FUTURE COST OF OUTSTANDING FEDERAL CREDIT PROGRAMS

(In billions of dollars)

Program	Outstanding 2006	Estimated Future Costs of 2006 Outstanding [1]	Outstanding 2007	Estimated Future Costs of 2007 Outstanding [1]
Direct Loans: [2]				
Federal Student Loans	116	16	124	15
Farm Service Agency (excl. CCC), Rural Development, Rural Housing	43	10	44	10
Rural Utilities Service and Rural Telephone Bank	38	2	40	1
Housing and Urban Development	11	3	10	3
P.L. 480	8	4	8	4
Disaster Assistance	7	2	10	2
Export-Import Bank	7	2	6	2
Agency for International Development	7	3	6	2
Commodity Credit Corporation	2	1	1	....
VA Mortgage	1	....	1	-1
Other Direct Loan Programs	12	4	11	5
Total Direct Loans	251	47	260	44
Guaranteed Loans: [2]				
Federal Student Loans	325	52	363	51
FHA-Mutual Mortgage Insurance Fund	317	3	322	7
VA Mortgage	211	3	232	4
FHA-General and Special Risk Insurance Fund	98	1	108	....
Small Business [3]	67	2	72	2
Export-Import Bank	36	2	39	1
Farm Service Agency (excl. CCC), Rural Development, Rural Housing	31	....	32	....
International Assistance	22	2	22	2
Commodity Credit Corporation	3	....	3	....
Maritime Administration	3	....	3	....

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

(In billions of dollars)

Program	Outstanding 2006	Estimated Future Costs of 2006 Outstanding [1]	Outstanding 2007	Estimated Future Costs of 2007 Outstanding [1]
Government National Mortgage Association (GNMA) [3]	....	*	....	*
Other Guaranteed Loan Programs	7	1	6	2
Total Guaranteed Loans	1,120	66	1,202	69
Total Federal Credit	**1,371**	**113**	**1,461**	**113**

* Less than $500 million.

[1] Direct loan future costs are the financing account allowance for subsidy cost and the liquidating account allowance for estimated uncollectible principal and interest. Loan guarantee future costs are estimated liabilities for loan guarantees.

[2] Excludes loans and guarantees by deposit insurance agencies and programs not included under credit reform, such as CCC commodity price supports. Defaulted guaranteed loans which become loans receivable are accounted for as direct loans.

[3] Certain SBA data are excluded from the totals because they are secondary guarantees on SBA's own guaranteed loans. GNMA data are excluded from the totals because they are secondary guarantees on loans guaranteed by FHA, VA and RHS.

Table 7–2. REESTIMATES OF CREDIT SUBSIDIES ON LOANS DISBURSED BETWEEN 1992–2007 [1]

(Budget authority and outlays, in millions of dollars)

Program	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
DIRECT LOANS:												
Agriculture:												
Agriculture Credit Insurance Fund	–31	23	....	331	–656	921	10	–701	–147	–2	–14	–251
Farm Storage Facility Loans	....	....	....	....	....	–1	–7	–8	7	–1	....	51
Apple Loans	....	....	....	....	....	–2	1	....	*	*	*	*
Emergency Boll Weevil Loan	....	....	....	....	....	....	1	*	*	3	....	*
Distance Learning and Telemedicine	....	....	....	....	....	1	–1	–1	1	7	1	3
Rural Electrification and Telecommunications Loans	84	....	–39	....	–17	–42	101	265	143	–197	–108	–36
Rural Telephone Bank	10	....	–9	....	–1	....	–3	–7	–6	–17	–48	–22
Rural Housing Insurance Fund	–73	....	71	....	19	–29	–435	–64	–200	109	....	4
Rural Economic Development Loans	1	....	–1	*	....	–1	–1	....	–2	*	–3	3
Rural Development Loan Program	....	....	–6	....	....	–1	–3	....	–3	–2	–7	*
Rural Community Advancement Program [2]	8	....	5	....	37	3	–1	–84	–34	–73	–77	–8
P.L. 480	–1	....	....	....	–23	65	–348	33	–43	–239	–26	44
P.L. 480 Title I Food for Progress Credits	....	....	....	....	....	....	–112	–44	....	....	....	....
Commerce:												
Fisheries Finance	....	....	....	....	–19	–1	–3	....	1	–15	–12	11
Defense:												
Military Housing Improvement Fund	....	....	....	....	....	....	....	....	*	–4	–1	–8
Education:												
Federal Direct Student Loan Program: [3]												
Volume Reestimate	....	....	22	....	–6	....	43	....	....	....	....	....
Other Technical Reestimate	–83	172	–383	–2,158	560	....	3,678	1,999	855	2,827	2,674	408
College Housing and Academic Facilities Loans	....	....	....	....	–1	....	....	....	....	....	*	*
Historically Black Colleges and Universities	....	....	....	....	....	....	....	....	....	....	11	–16
Homeland Security:												
Disaster Assistance	....	....	....	47	36	–7	–6	*	4	*	*	*
Interior:												
Bureau of Reclamation Loans	....	....	....	3	3	–9	–14	....	17	1	1	5
Bureau of Indian Affairs Direct Loans	....	....	1	5	–1	–1	2	*	*	*	1	–1
Assistance to American Samoa	....	....	....	....	....	....	....	*	*	....	2	–1
Transportation:												
High Priority Corridor Loans	....	–3	....	....	....	....	....	....	....	....	....	....
Alameda Corridor Loan	....	....	....	–58	....	....	....	–12	....	....	....	....
Transportation Infrastructure Finance and Innovation	....	....	....	....	18	....	....	....	3	–11	7	11
Railroad Rehabilitation and Improvement Program	....	....	....	....	....	....	....	–5	–14	–11	–1	15
Treasury:												
Community Development Financial Institutions Fund	....	....	....	1	....	....	*	–1	*	–1	1	*
Veterans Affairs:												
Veterans Housing Benefit Program Fund	–72	465	–111	–52	–107	–697	17	–178	987	–44	–76	–402
Native American Veteran Housing	....	....	....	....	....	....	–3	*	*	*	1	1
Vocational Rehabilitation Loans	....	....	....	....	....	....	*	*	*	–1	1	–1
Environmental Protection Agency:												
Abatement, Control and Compliance	....	....	....	....	3	–1	*	–3	*	*	*	*
International Assistance Programs:												
Foreign Military Financing	13	4	1	152	–166	119	–397	–64	–41	–7	–6	–30
U.S. Agency for International Development:												
Micro and Small Enterprise Development	....	....	....	....	....	*	....	*	....	....	....	....
Overseas Private Investment Corporation:												
OPIC Direct Loans	....	....	....	....	....	....	–4	–21	3	–7	72	31
Debt Reduction	....	....	....	36	–4	....	*	–47	–104	54	–3	....
Small Business Administration:												
Business Loans	....	....	....	....	1	–2	1	25	....	–16	–4	4
Disaster Loans	....	–193	246	–398	–282	–14	266	589	196	61	258	–109
Other Independent Agencies:												
Export-Import Bank Direct Loans	....	....	....	–177	157	117	–640	–305	111	–257	–227	–120
Federal Communications Commission	....	4,592	980	–1,501	–804	92	346	380	732	–24	11	....
LOAN GUARANTEES:												
Agriculture:												
Agriculture Credit Insurance Fund	–51	96	....	–31	205	40	–36	–33	–22	–162	20	–36
Agriculture Resource Conservation Demonstration	....	....	....	....	2	....	1	–1	*	*	....	....
Commodity Credit Corporation Export Guarantees	343	....	....	....	–1,410	....	–13	–230	–205	–366	–232	–225
Rural Development Insurance Fund	–3	....	....	....	....	....	....	....	....	....	....	....

Table 7–2. REESTIMATES OF CREDIT SUBSIDIES ON LOANS DISBURSED BETWEEN 1992–2007 [1]—Continued

(Budget authority and outlays, in millions of dollars)

Program	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Rural Housing Insurance Fund	–10	....	109	....	152	–56	32	50	66	44	....	–19
Rural Community Advancement Program [2]	–10	....	41	....	63	17	91	15	29	–64	–16	–10
Renewable Energy	....	....	....	....	....	....	....	....	....	....	*	*
Commerce:												
Fisheries Finance	....	–2	....	....	–3	–1	3	*	1	*	1	*
Emergency Steel Guaranteed Loans	....	....	....	....	....	....	50	*	3	–75	–13	1
Emergency Oil and Gas Guaranteed Loans	....	....	....	....	*	*	*	*	*	–1	*	*
Defense:												
Military Housing Improvement Fund	....	....	....	....	....	....	....	–3	–1	–3	–5	–1
Defense Export Loan Guarantee	....	....	....	....	....	....	....	....	–5	....	....	....
Arms Initiative Guaranteed Loan Program	....	....	....	....	....	....	....	....	....	....	....	20
Education:												
Federal Family Education Loan Program: [3]												
Volume Reestimate	99	....	–13	–60	–42	....	277	....	....	....	....	....
Other Technical Reestimate	....	....	–140	667	–3,484	....	–2,483	–3,278	1,348	6,837	–3,399	–189
Health and Human Services:												
Heath Center Loan Guarantees	....	....	....	3	....	*	*	....	1	*	*	–1
Health Education Assistance Loans	....	....	....	....	....	....	–5	–37	–33	–18	–20	*
Housing and Urban Development:												
Indian Housing Loan Guarantee	....	....	....	....	–6	*	–1	*	–3	–1	*	–5
Title VI Indian Guarantees	....	....	....	....	....	....	–1	1	4	*	–4	–3
Community Development Loan Guarantees	....	....	....	....	....	....	....	19	–10	–2	4	1
FHA-Mutual Mortgage Insurance	–340	....	3,789	....	2,413	–1,308	1,100	5,947	1,979	2,842	636	3,923
FHA-General and Special Risk	–25	743	79	....	–217	–403	77	352	507	238	–1,254	–362
Interior:												
Bureau of Indian Affairs Guaranteed Loans	31	....	....	....	–14	–1	–2	–2	*	15	5	–30
Transportation:												
Maritime Guaranteed Loans (Title XI)	....	....	–71	30	–15	187	27	–16	4	–76	–11	–51
Minority Business Resource Center	....	....	....	....	....	1	....	*	*	....	*	*
Treasury:												
Air Transportation Stabilization Program	....	....	....	....	....	....	113	–199	292	–109	–95	....
Veterans Affairs:												
Veterans Housing Benefit Fund Program	–706	38	492	229	–770	–163	–184	–1,515	–462	–842	–525	183
International Assistance Programs:												
U.S. Agency for International Development:												
Development Credit Authority	....	....	....	....	....	–1	....	1	–3	–2	2	11
Micro and Small Enterprise Development	....	....	....	....	....	....	....	2	–2	....	–3	*
Urban and Environmental Credit	....	–14	....	....	....	–4	–15	48	–2	–5	–11	–22
Assistance to the New Independent States of the Former Soviet Union	....	....	....	....	....	–34	....	....	....	....	....	....
Loan Guarantees to Israel	....	....	....	....	....	....	....	–76	–111	188	34	–16
Loan Guarantees to Egypt	....	....	....	....	....	....	....	....	....	7	14	–12
Overseas Private Investment Corporation:												
OPIC Guaranteed Loans	....	....	....	....	....	5	77	60	–212	–21	–149	–268
Small Business Administration:												
Business Loans	–16	–279	–545	–235	–528	–226	304	1,750	1,034	–390	–268	–140
Other Independent Agencies:												
Export-Import Bank Guarantees	....	....	....	–191	–1,520	–417	–2,042	–1,133	–655	–1,164	–579	–174
Total	–832	5,642	4,518	–3,357	–6,427	–1,854	–142	3,468	6,008	9,003	–3,441	2,161

* Less than $500,000.
[1] Excludes interest on reestimates. Additional information on credit reform subsidy rates is contained in the Federal Credit Supplement.
[2] Includes Rural Water and Waste Disposal, Rural Community Facilities, and Rural Business and Industry programs.
[3] Volume reestimates in mandatory programs represent a change in volume of loans disbursed in the prior years.

Table 7–3. DIRECT LOAN SUBSIDY RATES, BUDGET AUTHORITY, AND LOAN LEVELS, 2007-2009

(In millions of dollars)

Agency and Program	2007 Actual			2008 Enacted			2009 Proposed		
	Subsidy rate [1]	Subsidy budget authority	Loan levels	Subsidy rate [1]	Subsidy budget authority	Loan levels	Subsidy rate [1]	Subsidy budget authority	Loan levels
Agriculture:									
Agricultural Credit Insurance Fund Program Account	9.32	92	985	9.28	88	948	9.37	88	944
Farm Storage Facility Loans Program Account	0.38	1	174	1.01	2	153	6.11	9	153
Rural Community Advancement Program [2]	9.09	132	1,451	....	....	....	....	....	....
Rural Electrification and Telecommunications Loans Program Account	–0.67	–29	4,267	–0.57	–41	7,284	–2.05	–98	4,790
Distance Learning, Telemedicine, and Broadband Program	1.98	5	283	2.15	12	523	3.90	12	298
Rural Water and Waste Disposal Program Account	....	....	....	6.81	70	1,025	3.77	48	1,269
Rural Community Facilities Program Account	....	....	....	5.55	22	404	5.72	17	302
Rural Housing Assistance Grants	47.82	1	2	....	....	....	....	....	....
Farm Labor Program Account	47.95	16	33	43.26	13	31	....	....	....
Multifamily Housing Revitalization Program Account	....	....	....	46.39	6	14	....	....	....
Rural Housing Insurance Fund Program Account	13.42	181	1,354	11.85	156	1,313	12.93	6	38
Rural Development Loan Fund Program Account	44.07	15	34	42.89	14	34	41.85	14	34
Rural Economic Development Loans Program Account	21.84	6	26	22.59	7	33	....	....	....
Commerce:									
Fisheries Finance Program Account	–8.02	–4	48	–3.72	–4	90	–12.78	–1	8
Defense—Military:									
Defense Family Housing Improvement Fund	14.57	59	406	23.86	109	457	43.50	47	107
Education:									
College Housing and Academic Facilities Loans Program Account	65.22	304	467	....	....	....	16.31	10	61
TEACH Grant Program Account	....	....	....	13.03	7	57	13.05	14	105
Loans for Short-Term Training Program Account	....	....	....	....	....	....	–0.27	....	46
Federal Direct Student Loan Program Program Account	1.37	258	18,850	0.76	169	19,891	1.13	250	21,048
Homeland Security:									
Disaster Assistance Direct Loan Program Account	....	....	....	1.73	....	25	1.04	....	25
Housing and Urban Development:									
FHA-Mutual Mortgage Insurance Program Account	....	....	3	....	....	50	....	....	50
State:									
Repatriation Loans Program Account	60.14	1	1	60.22	1	1	59.77	1	1
Transportation:									
Federal-aid Highways	3.92	30	766	10.00	232	2,320	10.00	100	998
Railroad Rehabilitation and Improvement Program	....	....	103	....	....	600	....	....	600
Treasury:									
Community Development Financial Institutions Fund Program Account	37.47	....	1	37.52	3	8	37.88	1	2
Veterans Affairs:									
Housing Program Account	5.08	6	122	0.55	2	337	–0.16	....	328
Native American Veteran Housing Loan Program Account	–13.46	–1	8	–14.48	–2	12	–10.07	–1	13
General Operating Expenses	2.00	....	3	2.16	....	3	1.93	....	3
International Assistance Programs:									
Debt Restructuring	....	31	....	....	107	....	....	34	....
Overseas Private Investment Corporation Program Account	4.42	13	291	3.22	11	342	2.34	11	450
Small Business Administration:									
Disaster Loans Program Account	17.73	267	1,506	16.27	156	959	14.92	158	1,061
Business Loans Program Account	10.21	2	19	10.12	2	20	....	....	25
Export-Import Bank of the United States:									
Export-Import Bank Loans Program Account	....	....	....	33.01	17	50	33.01	17	50
Total	**N/A**	**1,386**	**31,203**	**N/A**	**1,159**	**36,984**	**N/A**	**737**	**32,809**

[1] Additional information on credit subsidy rates is contained in the Federal Credit Supplement.
[2] 2007 data include Rural Water and Waste Disposal and Rural Community Facilities loan programs.
N/A = Not applicable.

Table 7–4. LOAN GUARANTEE SUBSIDY RATES, BUDGET AUTHORITY, AND LOAN LEVELS, 2007-2009

(In millions of dollars)

Agency and Program	2007 Actual			2008 Enacted			2009 Proposed		
	Subsidy rate [1]	Subsidy budget authority	Loan levels	Subsidy rate [1]	Subsidy budget authority	Loan levels	Subsidy rate [1]	Subsidy budget authority	Loan levels
Agriculture:									
Agricultural Credit Insurance Fund Program Account	2.58	56	2,155	2.58	67	2,607	2.61	65	2,497
Commodity Credit Corporation Export Loans Program Account	2.92	39	1,334	2.33	53	2,274	0.96	26	2,675
Rural Community Advancement Program [2]	4.09	45	1,090	....	....	....	....	....	....
Rural Water and Waste Disposal Program Account	....	....	....	–0.82	–1	75	–0.82	–1	75
Rural Community Facilities Program Account	....	....	....	3.68	8	210	3.08	6	210
Rural Housing Insurance Fund Program Account	1.37	51	3,754	1.37	84	6,141	0.30	16	5,149
Rural Business Program Account	....	....	....	4.33	63	1,463	4.35	30	700
Renewable Energy Program Account	6.49	4	57	9.69	18	184	....	....	....
Education:									
Loans for Short-Term Training Program Account	....	....	....	....	....	....	1.02	3	316
Federal Family Education Loan Program Account	6.29	6,850	108,873	1.07	1,077	100,559	2.21	2,407	109,117
Energy:									
Title 17 Innovative Technology Loan Guarantee Program	....	....	....	....	90	600	....	....	2,220
Health and Human Services:									
Health Resources and Services	3.42	1	28	3.41	....	8	....	....	....
Housing and Urban Development:									
Indian Housing Loan Guarantee Fund Program Account	2.35	5	235	2.42	9	367	2.52	11	420
Native Hawaiian Housing Loan Guarantee Fund Program Account	2.35	1	43	2.42	1	41	2.52	1	41
Native American Housing Block Grant	11.99	1	12	12.12	2	17	12.34	2	17
Community Development Loan Guarantees Program Account	2.17	4	201	2.25	5	200	....	....	....
FHA-Mutual Mortgage Insurance Program Account	–0.37	–209	56,519	–0.51	–368	72,172	–0.49	–749	151,280
FHA-General and Special Risk Program Account	–2.46	–813	32,927	–1.76	–693	39,346	–2.20	–143	6,530
Interior:									
Indian Guaranteed Loan Program Account	6.45	6	87	6.53	6	86	7.73	7	85
Transportation:									
Minority Business Resource Center Program	1.82	....	3	2.03	....	18	1.86	....	18
Federal-aid Highways	....	....	....	10.00	20	200	10.00	20	200
Railroad Rehabilitation and Improvement Program	....	....	....	....	....	100	....	....	100
Maritime Guaranteed Loan (Title XI) Program Account	....	....	....	4.35	5	115	....	....	....
Veterans Affairs:									
Housing Program Account	–0.36	–87	24,186	–0.34	–120	35,197	–0.66	–236	35,817
International Assistance Programs:									
Loan Guarantees to Israel Program Account	....	....	....	....	....	700	....	....	700
Development Credit Authority Program Account	1.99	7	350	6.00	21	348	3.05	15	475
Overseas Private Investment Corporation Program Account	–0.59	–8	1,333	–1.75	–23	1,338	–0.84	–11	1,400
Small Business Administration:									
Business Loans Program Account	....	....	20,506	....	....	28,000	–0.01	–5	28,000
Export-Import Bank of the United States:									
Export-Import Bank Loans Program Account	–0.15	–18	12,569	–1.74	–238	13,710	–1.79	–248	13,807
Total	**N/A**	**5,935**	**266,262**	**N/A**	**86**	**306,076**	**N/A**	**1,216**	**361,849**
ADDENDUM: SECONDARY GUARANTEED LOAN COMMITMENTS									
GNMA:									
Guarantees of Mortgage-backed Securities Loan Guarantee Program Account	–0.21	–193	85,071	–0.21	–163	77,400	–0.21	–163	77,400
SBA:									
Secondary Market Guarantee Program	....	....	3,678	....	....	12,000	....	....	12,000
Total, secondary guaranteed loan commitments	**N/A**	**–193**	**88,749**	**N/A**	**–163**	**89,400**	**N/A**	**–163**	**89,400**

[1] Additional information on credit subsidy rates is contained in the Federal Credit Supplement.
[2] 2007 data include Rural Water and Waste Disposal, Rural Community Facilities, and Rural Business and Industry loan guarantee programs.
N/A = Not applicable.

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

(In billions of dollars)

	Actual								Estimate	
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Direct Loans:										
Obligations	37.1	39.1	43.7	45.4	42.0	56.3	57.8	42.5	44.7	39.9
Disbursements	35.5	37.1	39.6	39.7	38.7	50.6	46.6	41.7	42.1	40.5
New subsidy budget authority	–0.4	0.3	*	0.7	0.4	2.1	4.7	1.7	5.3	0.7
Reestimated subsidy budget authority [1]	–4.4	–1.8	0.5	2.9	2.6	3.8	3.1	3.4	–0.6	....
Total subsidy budget authority	–4.8	–1.5	0.5	3.5	3.0	6.0	7.8	5.1	4.7	0.7
Loan Guarantees:										
Commitments [2]	192.6	256.4	303.7	345.9	300.6	248.5	280.7	266.5	306.1	361.9
Lender disbursements [2]	180.8	212.9	271.4	331.3	279.9	221.6	256.0	251.2	270.3	340.6
New subsidy budget authority	3.6	2.3	2.9	3.8	7.3	10.1	17.2	5.7	–2.6	1.1
Reestimated subsidy budget authority [1]	0.3	–7.1	–2.4	–3.5	2.0	3.5	7.0	–6.8	3.6	....
Total subsidy budget authority	3.9	–4.8	0.5	0.3	9.3	13.6	24.2	–1.1	1.0	1.1

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

Table 7–6. DIRECT LOAN WRITE-OFFS AND GUARANTEED LOAN TERMINATIONS FOR DEFAULTS

Agency and Program	In millions of dollars			As a percentage of outstanding loans [1]		
	2007 Actual	2008 Estimate	2009 Estimate	2007 Actual	2008 Estimate	2009 Estimate
DIRECT LOAN WRITEOFFS						
Agriculture:						
Agricultural Credit Insurance Fund	98	70	70	1.55	1.13	1.15
Rural Community Facility	1	....	....	0.05	....	....
Rural Electrification and Telecommunications Loans	1	....	....	0.00	....	....
Rural Business Investment Program	14	4	4	22.95	8.51	10.26
Rural Housing Insurance Fund	168	97	100	0.68	0.40	0.42
Rural Development Loan Fund	1	1	1	0.06	0.06	0.07
Commerce:						
Economic Development Revolving Fund	1	....	....	16.67	....	....
Education:						
Student Financial Assistance	14	13	13	4.40	4.21	4.33
Perkins Loan Assets	....	....	54	....	....	1.46
Housing and Urban Development:						
Revolving Fund (Liquidating Programs)	1	1	1	16.67	25.00	50.00
Guarantees of Mortgage-backed Securities	1	12	13	12.50	85.71	56.52
Interior:						
Revolving Fund for Loans	3	1	1	21.43	10.00	12.50
Treasury:						
Community Development Financial Institutions Fund	1	....	....	1.54	....	....
Veterans Affairs:						
Veterans Housing Benefit Program	40	78	49	4.72	10.68	6.51
International Assistance Programs:						
Debt Restructuring	....	29	....	....	12.89	....
Overseas Private Investment Corporation	2	15	15	0.26	1.73	1.48
Small Business Administration:						
Disaster Loans	107	136	157	1.34	1.51	1.81
Business Loans	7	5	4	4.05	3.27	2.96
Other Independent Agencies:						
Debt Reduction (Export-Import Bank)	7	65	....	2.33	24.62	....
Export-Import Bank	16	10	10	0.28	0.26	0.32
Spectrum Auction Program	1	172	111	0.25	59.11	74.00
Tennessee Valley Authority Fund	1	1	1	1.89	1.79	1.67
Total, direct loan writeoffs	485	710	604	0.21	0.30	0.25
GUARANTEED LOAN TERMINATIONS FOR DEFAULT						
Agriculture:						
Agricultural Credit Insurance Fund	8	48	48	0.08	0.46	0.42
Commodity Credit Corporation Export Loans	16	26	17	0.50	0.67	0.35
Rural Business and Industry Loans	95	112	132	2.52	2.98	3.35
Rural Community Facility Loans	4	4	4	0.66	0.54	0.45
Rural Housing Insurance Fund	239	271	312	1.46	1.46	1.49
Defense—Military:						
Procurement of Ammunition, Army	15	....	....	125.00	....	....
Family Housing Improvement Fund	....	7	7	....	1.43	1.46
Education:						
Loans for Short-Term Training	....	....	3	....	....	3.85
Federal Family Education Loans	7,416	7,004	7,924	2.16	1.83	1.88
Energy:						
Title 17 Innovative Technology Guarantees	....	1	3	....	0.67	0.39
Health and Human Services:						
Health Education Assistance Loans	18	19	19	1.44	1.78	2.04
Health Center Loan Guarantees	....	1	....	....	1.64	....
Housing and Urban Development:						
Indian Housing Loan Guarantee	1	1	1	0.21	0.13	0.09
Native American Housing Block Grant	....	2	2	....	2.15	1.98
FHA-Mutual Mortgage Insurance	5,152	8,476	10,290	1.61	2.52	2.56
FHA-General and Special Risk Insurance	1,009	1,737	2,176	0.98	1.56	1.89

Table 7–6. DIRECT LOAN WRITE-OFFS AND GUARANTEED LOAN TERMINATIONS FOR DEFAULTS—Continued

Agency and Program	In millions of dollars			As a percentage of outstanding loans [1]		
	2007 Actual	2008 Estimate	2009 Estimate	2007 Actual	2008 Estimate	2009 Estimate
Interior:						
Indian Guaranteed Loans	2	2	3	0.60	0.56	0.84
Veterans Affairs:						
Veterans Housing Benefit Program	855	1,881	1,806	0.39	0.77	0.66
International Assistance Programs:						
Micro and Small Enterprise Development	1	1	1	14.29	25.00	50.00
Urban and Environmental Credit Program	3	5	5	1.53	1.15	1.32
Housing and Other Credit Guaranty Programs	15	7	12	14.29	25.00	50.00
Development Credit Authority	3	2	2	1.31	0.66	0.51
Overseas Private Investment Corporation	172	100	150	4.01	2.08	2.79
Small Business Administration:						
Business Loans	1,083	1,254	1,620	1.56	1.70	2.04
Other Independent Agencies:						
Export-Import Bank	237	225	225	0.64	0.57	0.54
Total, guaranteed loan terminations for default	16,344	21,186	24,762	1.03	1.25	1.33
Total, direct loan writeoffs and guaranteed loan terminations	16,829	21,896	25,366	0.93	1.14	1.20
ADDENDUM: WRITEOFFS OF DEFAULTED GUARANTEED LOANS THAT RESULT IN LOANS RECEIVABLE						
Agriculture:						
Agricultural Credit Insurance Fund	5	7	7	9.80	11.67	10.94
Education:						
Federal Family Education Loan	1,091	1,228	1,308	5.38	5.71	6.05
Housing and Urban Development:						
FHA-Mutual Mortgage Insurance	....	20	4	....	0.74	0.16
FHA-General and Special Risk Insurance	299	27	22	8.42	0.66	0.41
Interior:						
Indian Guaranteed Loans	6	2	....	60.00	33.33	....
International Assistance Programs:						
Overseas Private Investment Corporation	22	13	20	18.97	12.15	11.76
Small Business Administration:						
Business loans	546	279	279	13.75	6.88	6.66
Total, writeoffs of loans receivable	1,969	1,576	1,640	6.30	4.86	4.83

[1] Average of loans outstanding for the year.

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

(In millions of dollars)

Agency and Program	2007 Actual	2008 Actual	2009 Estimate
DIRECT LOAN OBLIGATIONS			
Agriculture:			
Agricultural Credit Insurance Fund Direct Loan Financing Account	910	899	944
Commerce:			
Fisheries Finance Direct Loan Financing Account	48	90	8
Education:			
Historically Black College and University Capital Financing Direct Loan Financing Account	216	....	100
Loans for Short-Term Training Direct Loan Financing Account	....	....	46
Homeland Security:			
Disaster Assistance Direct Loan Financing Account	25	25	25
Housing and Urban Development:			
FHA-General and Special Risk Direct Loan Financing Account	50	50	50
FHA-Mutual Mortgage Insurance Direct Loan Financing Account	50	50	50
State:			
Repatriation Loans Financing Account	1	1	1
Transportation:			
Railroad Rehabilitation and Improvement Direct Loan Financing Account	....	....	600
Treasury:			
Community Development Financial Institutions Fund Direct Loan Financing Account	8	16	6
Veterans Affairs:			
Vocational Rehabilitation Direct Loan Financing Account	2	3	3
Small Business Administration:			
Business Direct Loan Financing Account	19	20	25
Total, limitations on direct loan obligations	1,329	1,154	1,858
LOAN GUARANTEE COMMITMENTS			
Agriculture:			
Agricultural Credit Insurance Fund Guaranteed Loan Financing Account	2,153	2,526	2,497
Education:			
Loans for Short-Term Training Guaranteed Loan Financing Account	....	....	316
Energy:			
Title 17 Innovative Technology Guaranteed Loan Financing Account	4,000	....	38,500
Housing and Urban Development:			
Indian Housing Loan Guarantee Fund Financing Account	251	367	350
Title VI Indian Federal Guarantees Financing Account	18	12	17
Native Hawaiian Housing Loan Guarantee Fund Financing Account	36	41	....
Community Development Loan Guarantees Financing Account	131	200	....
FHA-General and Special Risk Guaranteed Loan Financing Account	45,000	45,000	35,000
FHA-Mutual Mortgage Insurance Guaranteed Loan Financing Account	185,000	185,000	185,000
Interior:			
Indian Guaranteed Loan Financing Account	87	86	85
Transportation:			
Minority Business Resource Center Guaranteed Loan Financing Account	18	18	18
RRIF Guaranteed Loan Financing Account	....	....	100
International Assistance Programs:			
Development Credit Authority Guaranteed Loan Financing Account	700	700	700
Small Business Administration:			
Business Guaranteed Loan Financing Account	20,506	28,000	28,000
Total, limitations on loan guarantee commitments	257,900	261,950	290,583
ADDENDUM: SECONDARY GUARANTEED LOAN COMMITMENT LIMITATIONS			
Housing and Urban Development:			
Guarantees of Mortgage-backed Securities Financing Account	200,000	200,000	200,000
Small Business Administration:			
Secondary Market Guarantees	12,000	12,000	12,000
Total, limitations on secondary guaranteed loan commitments	212,000	212,000	212,000

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

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

(In billions of dollars)

	Outstanding	
	2006	2007
Government Sponsored Enterprises		
Fannie Mae [2]	2,528	N/A
Freddie Mac [3]	1,543	N/A
Federal Home Loan Banks	621	824
Farm Credit System	105	111
Total	**4,797**	**N/A**

N/A = Not available.

[1] Net of purchases of federally guaranteed loans.

[2] 2007 financial data for Fannie Mae are not presented here because Fannie Mae audited financial results for 2007 have not been released.

[3] 2007 financial data for Freddie Mac are not presented here because Freddie Mac audited financial results for 2007 have not been released.

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

(In millions of dollars)

Enterprise	2007
LENDING	
Federal National Mortgage Association:[2]	
Portfolio programs:	
Net change	N/A
Outstandings	N/A
Mortgage-backed securities:	
Net change	N/A
Outstandings	N/A
Federal Home Loan Mortgage Corporation:[3]	
Portfolio programs:	
Net change	N/A
Outstandings	N/A
Mortgage-backed securities:	
Net change	N/A
Outstandings	N/A
Farm Credit System:	
Agricultural credit bank:	
Net change	1,712
Outstandings	30,475
Farm credit banks:	
Net change	4,764
Outstandings	80,949
Federal Agricultural Mortgage Corporation:	
Net change	1,303
Outstandings	8,362
Federal Home Loan Banks:[4]	
Net change	173,108
Outstandings	916,963
Less guaranteed loans purchased by:	
Federal National Mortgage Association:[2]	
Net change	N/A
Outstandings	N/A
Other:	
Net change	N/A
Outstandings	N/A
BORROWING	
Federal National Mortgage Association:[2]	
Portfolio programs:	
Net change	N/A
Outstandings	N/A
Mortgage-backed securities:	
Net change	N/A
Outstandings	N/A
Federal Home Loan Mortgage Corporation:[3]	
Portfolio programs:	
Net change	N/A
Outstandings	N/A
Mortgage-backed securities:	
Net change	N/A
Outstandings	N/A
Farm Credit System:	
Agricultural credit bank:	
Net change	1,889
Outstandings	34,736
Farm credit banks:	
Net change	5,828
Outstandings	100,204
Federal Agricultural Mortgage Corporation:	
Net change	490
Outstandings	5,044
Federal Home Loan Banks:[4]	
Net change	192,621
Outstandings	1,136,660

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

(In millions of dollars)

Enterprise	2007
DEDUCTIONS [5]	
Less borrowing from other GSEs:	
Net change	N/A
Outstandings	N/A
Less purchase of Federal debt securities:	
Net change	N/A
Outstandings	N/A
Federal National Mortgage Association:	
Net change	N/A
Outstandings	N/A
Other:	
Net change	N/A
Outstandings	N/A

N/A = Not available.

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

[2] Financial data for Fannie Mae are not presented here because audited financial results for 2007 have not been released.

[3] Financial data for Freddie Mac are not presented here because audited financial statements for 2007 have not been released.

[4] The net change in borrowings is derived from the difference in borrowings between 2007 and the Federal Home Loan Banks' audited financial statements of 2006.

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

8. AID TO STATE AND LOCAL GOVERNMENTS

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

Federal grants help State and local governments finance programs covering most areas of domestic public spending, including income support, infrastructure, education, and social services. Federal grant outlays were $443.8 billion in 2007 and are estimated to be $466.6 billion in 2008 and $476.1 billion in 2009. These amounts include the value of loan subsidies for loans to State and local governments.

Grant outlays to State and local governments for payments to individuals, such as Medicaid payments, are estimated to be 66 percent of total grants in 2009; grant outlays for physical capital investment, 16 percent; and grant outlays for all other purposes, largely education, training, and social services, 18 percent.

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

The deductibility of State and local personal income and property taxes from gross income for Federal income tax purposes and the exclusion of interest on State and local bonds from Federal taxation comprise the two largest categories of tax expenditures benefiting State and local governments. In 2009, these provisions are estimated to be worth $85.0 billion. Chapter 19, "Tax Expenditures," of this volume provides a detailed discussion of the measurement and definition of tax expenditures and a complete list of the estimated costs of specific tax expenditures. Tax expenditures that especially aid State and local governments are displayed separately at the end of Tables 19–1 and 19–2.

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

Table 8–1. FEDERAL GRANT OUTLAYS BY AGENCY

(In billions of dollars)

Agency	2007 Actual	Estimate	
		2008	2009
Department of Agriculture	26.2	28.6	28.6
Department of Commerce	0.4	0.8	0.8
Department of Education	40.2	41.6	40.6
Department of Energy	0.2	0.1	*
Department of Health and Human Services	256.1	268.7	279.4
Department of Homeland Security	8.8	8.2	7.6
Department of Housing and Urban Development	40.0	41.4	38.1
Department of the Interior	4.1	4.7	5.4
Department of Justice	4.0	3.9	3.9
Department of Labor	7.0	6.9	6.9
Department of Transportation	47.9	52.9	56.1
Department of the Treasury	0.5	0.6	0.6
Department of Veterans Affairs	0.6	0.7	0.7
Environmental Protection Agency	4.0	3.2	3.6
Other agencies	3.7	4.1	3.9
Total	443.8	466.6	476.1

* $50 million or less.

Table 8–1 shows the distribution of grants by agency. Grant outlays by the Department of Health and Human Services are estimated to be $279.4 billion in 2009, almost 60 percent of total grant outlays. Most of the remaining grant spending is in the Departments of Agriculture, Education, Housing and Urban Development, and Transportation, which account for another 34 percent of grant outlays.

HIGHLIGHTS OF THE FEDERAL AID PROGRAM

Several proposals in the 2009 Budget affect Federal aid to State and local governments and the important relationships between the levels of government. In addition to the proposals relating to specific grant programs discussed below, the Administration intends to work with State and local governments to make the Federal system more efficient and effective and to improve the design, administration, and financial management of Federal grant programs through reducing improper payments and assessing performance of grants with the Program Assessment Rating Tool (PART), as discussed in a later section of this chapter.

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

Homeland Security

The 2009 Budget provides $2.2 billion in support, primarily in the form of grants to the Federal Government's State and local partners in homeland security and continues to emphasize programs which distribute grant awards on the basis of risk. In addition, the Budget introduces a new competitive grant program designed to address national vulnerabilities; this program supports REAL ID implementation and infrastructure protection projects in 2009.

The Budget also strengthens border security and interior enforcement by partnering with State and local law enforcement to expand the 287(g) program. This program improves coordination and provides assistance and training in immigration law for State and local law enforcement officials.

Natural Resources and Environment

Grant outlays for natural resources and environment programs are estimated to be $5.9 billion in 2009.

The 2009 Budget promotes the efficient use of water by partnering with State and local agencies to fund Water Conservation and Water Supply Studies through a competitive grant process. These studies will conserve water by improving water-use efficiency, increase water availability by assessing the impact of increased water demand and changing demographics on water supply, and prevent the decline of species by proactively addressing adverse environmental impacts on habitats.

The Budget also helps States and communities finance wastewater and drinking water infrastructure needs. The Budget:

- 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.
- Provides $555 million to meet the Administration's commitment to provide $6.8 billion total 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.
- Provides $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.

Community and Regional Development

Grant outlays for community and regional development programs are estimated to be $17.1 billion in 2009.

The 2009 Budget provides $2.8 billion in budget authority for the Community Development Block Grant program. This program needs reform and has been reduced from $3.9 billion in regular funding in 2008 because it is not well-targeted to the neediest communities and its results have not been adequately demonstrated.

Education

Grant outlays for elementary, secondary, and career and technical education are estimated to be $37.3 billion in 2009.

The 2009 Budget continues to support reauthorization of the *No Child Left Behind Act* (NCLB), building on the Administration's 2007 blueprint for reauthorizing and strengthening the law. The Budget provides $14.3 billion for Title I, a 63 percent increase since 2001; $1.0 billion for effective, research-based literacy instruction through Reading First; and $491 million for School Improvement Grants. With these grants, along with over $570 million reserved from Title I, States can help turn around low-performing schools. Additionally, the Budget supports expanded school choice for students at risk of being left behind including $236 million in Federal grants to charter schools (a $25 million increase), $300 million in Pell Grants for Kids to enable low-income students enrolled in low-performing schools to attend a private or out of district school, and $800 million available in new scholarships for low-income students to participate in afterschool programs of their choice. The Budget also provides extra assistance for students most at risk of being left behind, including migrant students, students in state-run institutions, and limited English proficient students.

The Budget also ensures the Nation's future competitiveness by supporting the education components of the President's American Competitiveness Initiative including providing $70 million to train teachers to teach Advanced Placement/International Baccalaureate courses and expand low-income students' access to them, $95 million for Math Now to improve instruction in mathematics, and $10 million for an Adjunct Teacher Corps to bring math and science professionals into high-need schools as teachers.

Transportation

Federal grants support State and local highway, transit, and airport construction programs. For 2009, grant outlays are estimated to be $56.1 billion for transportation programs.

Specifically, the Budget provides $39.4 billion in obligation limitation for the Federal Aid Highway program to support authorized highway programs through 2009, the end of the current authorization law. This amount will contribute to satisfying the President's 2005 agreement to provide $286.4 billion for surface transportation programs through the authorization period. The $10.1 billion contained in the Budget for transit assistance is also included in this total. In addition, the Budget requests $2.75 billion in budget authority for capital grants to States through the Federal Aviation Administration's Airport Improvement Program.

The 2009 Budget also provides $100 million for State matching grants for intercity passenger rail capital projects to empower States to address their transportation goals and priorities. It further includes $34 million for grants from the Pipeline and Hazardous Materials Safety Administration to State pipeline agencies.

Training and Employment

Grant outlays for training and employment are estimated to be $4.2 billion in 2009.

The 2009 Budget reforms the Department of Labor's job training grant programs to increase significantly the number of workers trained while saving taxpayer dollars. The Budget consolidates several similar grant programs, eliminates unnecessary administrative expenditures, and proposes a State match to leverage more State resources for workforce investment. The Budget also creates Career Advancement Accounts, worker-directed accounts that help workers develop their skills and compete for 21st Century jobs.

Social Services

Grant outlays for social service programs are estimated to be $14.7 billion in 2009.

The 2009 Budget strengthens programs for children by providing $7.0 billion in budget authority for Head Start to provide comprehensive, high-quality educational, health, nutritional, and social services to approximately 895,000 disadvantaged children and families and $20 million in budget authority for adoption incentives to build on the substantial increases in the number of adoptions since the mid-nineties.

Health

Grant outlays for health related programs are estimated to be $232.3 billion in 2009.

In 2009, the Department of Health and Human Service's Federal Medicaid outlays are estimated to be $215.7 billion. Medicaid is an open-ended means-tested entitlement program that is financed jointly by the Federal government and States. Medicaid provides health coverage and services to low-income children, pregnant women, elderly persons, and disabled individuals. The 2009 Budget enhances and reforms Medicaid by extending coverage for welfare recipients transitioning to work and continuing Medicare Part B premium assistance for qualified low-income seniors through September 30, 2009. Additionally, the Budget enhances States' ability to implement premium assistance programs under Medicaid. Lastly, the Budget proposes reforms to improve program integrity, increase State flexibility, and promote cost-effective management of Medicaid dollars.

The State Children's Health Insurance Program (SCHIP) was established in 1997 to provide health care coverage for low-income, uninsured children who do not qualify for Medicaid. The Budget proposes to reauthorize SCHIP through 2013 and increase funding above current levels by $19.7 billion over the same period to meet anticipated State needs in covering low-income, uninsured children. This proposal includes Federal outreach grants of $50 million in 2009 and $100 million in each of the following four years to reach eligible, uninsured children.

The Access to Recovery program has provided substance abuse treatment and recovery support services to more than 199,000 people since 2004. The 2009 Budget supports faith-based community programs by providing $98 million to enhance this program. Additionally, the Budget proposes $204 million to prevent teenage pregnancy, pre-marital sexual activity, and the incidence of sexually transmitted disease through abstinence-only education.

The 2009 Budget will expand care for vulnerable populations by strengthening access to drug treatment and prevention activities. The Budget provides $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.

Income Security

Grant outlays for income security programs are estimated to be $94.9 billion in 2009.

The 2009 Budget reauthorizes the Food Stamp Program and increases funding for the Special Supplemental Nutrition Program for Women, Infants and Children (WIC). Since 2001, the Department of Agriculture has 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.

The Budget provides $6.1 billion in budget authority 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.

The 2009 Budget expands affordable housing and minority homeownership by providing $2 billion for the HOME Investment Partnerships program (HOME), 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 sixteen years ago, almost 812,000 units of affordable housing have been created. The Budget also:

- Funds Housing Choice Vouchers for over two million extremely low- to low-income families, while removing the cap on the maximum number of housing units Public Housing Authorities can assist.
- Supports Public Housing Operating Fund by providing $4.3 billion, a 2½ percent increase over last year and the highest proposed funding level in history. This funding will provide the necessary operating expenses for 1.2 million public housing units.
- Expands Homeless Assistance Grants by providing over $1.6 billion in budget authority for funding at least 160,000 beds for homeless individuals. Aided by this Administration initiative, the Department of Housing and Urban Development documented an unprecedented 11.5 percent decline in homelessness from 2005 to 2006.

Administration of Justice

Grant outlays for administration of justice programs are estimated to be $4.2 billion in 2009.

The 2009 Budget supports State and local law enforcement by reforming the Byrne Public Safety and Protection Program to provide money 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. The Budget also funds the Violent Crime Reduction Partnership Initiative which is targeted to support multi-jurisdictional task forces to help communities that have experienced an increase in violent crime.

Overall, 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, which 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. These four competitive grant programs include the Violent Crime Reduction Partnership, the Byrne Public Safety and Protection Program, the Violence Against Women Program, and the Child Safety and Juvenile Justice Program.

PERFORMANCE OF GRANTS TO STATE AND LOCAL GOVERNMENTS

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

In addition, this Administration began in the 2004 Budget to assess every Federal program over a five-year period using the Program Assessment Rating Tool, or PART. With this budget, the sixth year of using the PART, the Administration has evaluated about 98 percent of the Budget.

The PART assesses each program on four components (purpose, planning, management, and results/accountability) and gives a score for each of the components. The scores for each component are then weighted—with results/accountability carrying the greatest weight—and the program is given an overall score. A program is rated effective if it receives an overall score of 85 percent or more, moderately effective if the score is 70 to 84 percent, adequate if the score is 50 to 69 percent, and inadequate if the score is 49 percent or lower. The program is given a rating "Results Not Demonstrated" if the program does not have good performance measures or lacks data for existing measures. Chapter 2 of this volume discusses the PART in more detail.

As shown in Table 8–2, 280 of the programs that have been assessed are primarily grants to State and local governments. Of these 280, 97 programs, or 35 percent of all grant programs assessed, received a rating of "Results Not Demonstrated". This is higher than for all programs, in which 19 percent were given this rating. Factors that hinder the ability of some grant programs to demonstrate results include the wide breadth of purpose of some grants, lack of agreement among grantees and Federal parties on the purpose and performance measures, and therefore lack of focused planning to achieve common goals.

Table 8–2 also shows that the average rating for the 280 grant programs was "adequate."

- 22 were rated effective;
- 66 were rated moderately effective;
- 79 were rated adequate; and
- 16 were rated ineffective.
- 97 were rated "results not demonstrated";

If the 97 programs rated "Results Not Demonstrated" are excluded, the average rating was "adequate"; the same as the rating for all 280 grants.

The ratings of the largest five of these 280 grant programs are summarized here, with funding estimates from the 2007 spring update of PART programs. More complete summaries of these and other programs can be found at *www.ExpectMore.gov*.

- *Department of Health and Human Services: Medicaid ($190.6 billion in 2007). Rating: Adequate.* Medicaid is a means-tested, Federal-State funded entitlement program that provides medical assistance, including acute and long-term care, to families with dependent children as well as aged, blind, or disabled individuals. The Centers for Medicare and Medicaid Services (CMS) provides Federal oversight of this program. In 2007, the number of Medicaid enrollees was 49.1 million. Nearly one in every four children in America relies on Medicaid for health coverage. Two-thirds of all Medicaid enrollees are in low-wage working families. Medicaid also pays for six out of every ten beds in nursing homes. Center for Medicare and Medicaid Services (CMS) created new performance measures that assess health quality and focus on improving program management. More work needs to be done; CMS is working on a national strategy to improve the quality of care across State Medicaid programs and is developing a national payment error rate for Medicaid. The Federal government matches all allowable State dollars spent on Medicaid, regardless of the amount or quality of service. This funding structure leaves Medicaid vulnerable, and has enabled States to shift costs to Medicaid that may not be appropriate.
- *Department of Transportation: Highway Infrastructure ($38.3 billion in 2007). Rating: Adequate.* The purpose of the FHWA's Highway Infrastructure Program is to provide financial grants and technical assistance to States to construct, maintain, and improve the performance of the Nation's

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

Component	Average Scores: All grant programs (280 programs)	Average Scores: Programs excluding grants rated "results not demonstrated" (183 programs)
Purpose	85%	87%
Planning	65%	79%
Management	78%	84%
Results/Accountability	36%	49%
Average rating [1]	Adequate	Adequate

Rating [1]	Number of grant programs
Effective	22
Moderately effective	66
Adequate	79
Ineffective	16
Results not demonstrated	97
Total number of grant programs rated	280

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

highway system in accordance with federal policy goals. The majority of funds are allocated to States, which ultimately use the funds directly for highway maintenance and construction. However, projects are chosen by the States themselves and are not based on need or the value-added to the Nation's highway system. In 2004, 42 percent of Federal funds ($13 billion) was spent on projects off of the National Highway System which were not determined to have national significance. The program's long-term trends do show improvement for all strategic outcome measures. The program, with the State departments of transportation, has recently implemented a financial integrity review and evaluation procedure as a remedy to longstanding issues. As a result of the new initiative, the Agency eliminated a grants management material weakness in the Highway Trust Fund 2006 financial statements and is working next to eliminate additional internal control weaknesses.

- *Department of Health and Human Services: Temporary Assistance for Needy Families (TANF) ($17.1 billion in 2007). Rating: Moderately Effective.* This program provides time-limited cash assistance to needy families with children while working toward achieving the goals of ending dependence by promoting work and marriage, preventing out-of-wedlock births, and encouraging the formation and maintenance of two-parent families. The program has produced modest, but statistically significant increases in employment and earnings among welfare recipients as well as reduced caseloads, poverty, and welfare dependency. It is inconclusive whether the program has promoted marriage or reduced the incidence of out-of-wedlock births, but the program has a new performance measure to increase the number of children living in married couple households.
- *Department of Housing and Urban Development (HUD): Housing Vouchers ($15.9 billion in 2007). Rating: Moderately Effective*. The Housing Choice Voucher Program assists two million extremely low to low-income households across the country to afford housing. The program purpose is to help these families afford decent, safe, and sanitary housing. Tenants, who may otherwise pay over 50 percent of their income to rent an apartment in the private market, pay 30 percent of their income under this program. A variety of studies show housing vouchers to be a cost-effective means of delivering affordable housing for very low-income families. Because these housing subsidies are portable, the program allows families access to often better housing, in better neighborhoods. As a part of the 2009 Budget, the Administration proposes reforms that include a rental funding structure that simplifies the program and decreases the likelihood of improper payments, and allocates program funding on a budget, rather than on a unit basis. The Administration will also continue to work with Congress to streamline the program, giving more flexibility to Public Housing Agencies to administer the program to serve more families and better address local needs and market conditions.
- *Department of Education: Title I Grants to Local Educational Agencies ($12.8 billion for 2007). Rat-*

ing: Moderately Effective. This program provides supplemental education funding, especially in high-poverty areas, for local activities that help improve the performance of low-achieving students or, in the case of school-wide programs, to help all students in high-poverty schools to meet challenging State academic standards. The program has developed meaningful long-term performance measures, established baselines, and set annual targets required to meet ambitious statutory academic proficiency goals. First-year data show a rate of progress consistent with meeting annual performance targets. The Department of Education has expanded and strengthened its monitoring of State and local program implementation, including compliance with statutory requirements and fiscal management practices.

Block Grants. One of the most common tools used by the Federal Government is the block grant, particularly in the social services area where States and localities are the service providers. Block grants are embraced for their flexibility to meet local needs, but are also criticized because accountability for results can be difficult when funds are allocated based on formulas and population counts rather than achievements or needs. In addition, block grants pose performance measurement challenges precisely because they can be used for a wide range of activities. The obstacles to measuring and achieving results through block grants are reflected in PART scores: they receive the lowest average score of the seven PART types, 5 percent of block grant programs assessed to date were rated "ineffective", and 30 percent were rated "results not demonstrated."

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

HISTORICAL PERSPECTIVES

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

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

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

(Outlays; in billions of dollars)

	Actual											Estimate	
	1960	1965	1970	1975	1980	1985	1990	1995	2000	2005	2007	2008	2009
A. Distribution of grants by function:													
Natural resources and environment	0.1	0.2	0.4	2.4	5.4	4.1	3.7	4.0	4.6	5.9	6.1	5.6	5.9
Agriculture	0.2	0.5	0.6	0.4	0.6	2.4	1.3	0.8	0.7	0.9	0.8	0.8	0.9
Transportation	3.0	4.1	4.6	5.9	13.0	17.0	19.2	25.8	32.2	43.4	47.9	52.9	56.1
Community and regional development	0.1	0.6	1.8	2.8	6.5	5.2	5.0	7.2	8.7	20.2	20.7	21.3	17.1
Education, training, employment, and social services	0.5	1.1	6.4	12.1	21.9	17.1	21.8	30.9	36.7	57.2	58.1	59.6	57.2
Health	0.2	0.6	3.8	8.8	15.8	24.5	43.9	93.6	124.8	197.8	208.3	220.4	232.3
Income security	2.6	3.5	5.8	9.4	18.5	27.9	36.8	58.4	68.7	90.9	91.0	94.2	94.9
Administration of Justice	....	....	0.0	0.7	0.5	0.1	0.6	1.2	5.3	4.8	4.6	4.3	4.2
General government	0.2	0.2	0.5	7.1	8.6	6.8	2.3	2.3	2.1	4.4	3.6	4.1	4.2
Other	0.0	0.1	0.1	0.2	0.7	0.8	0.8	0.8	2.1	2.6	2.8	3.3	3.3
Total	7.0	10.9	24.1	49.8	91.4	105.9	135.3	225.0	285.9	428.0	443.8	466.6	476.1
B. Distribution of grants by BEA category:													
Discretionary	N/A	2.9	10.2	21.0	53.3	55.5	63.3	94.0	116.7	181.7	184.8	189.9	185.8
Mandatory	N/A	8.0	13.9	28.8	38.1	50.4	72.0	131.0	169.2	246.3	259.0	276.6	290.3
Total	7.0	10.9	24.1	49.8	91.4	105.9	135.3	225.0	285.9	428.0	443.8	466.6	476.1
C. Composition:													
Current dollars:													
Payments for individuals [1]	2.5	3.7	8.7	16.8	32.6	50.1	77.3	144.4	182.6	273.9	284.4	300.5	313.5
Physical capital [1]	3.3	5.0	7.1	10.9	22.6	24.9	27.2	39.6	48.7	60.8	70.8	76.1	75.5
Other grants	1.2	2.2	8.3	22.2	36.2	30.9	30.9	41.0	54.6	93.3	88.7	90.0	87.1
Total	7.0	10.9	24.1	49.8	91.4	105.9	135.3	225.0	285.9	428.0	443.8	466.6	476.1
Percentage of total grants:													
Payments for individuals [1]	35.3%	34.1%	36.2%	33.6%	35.7%	47.3%	57.1%	64.2%	63.9%	64.0%	64.1%	64.4%	65.9%
Physical capital [1]	47.3%	45.7%	29.3%	21.9%	24.7%	23.5%	20.1%	17.6%	17.0%	14.2%	15.9%	16.3%	15.9%
Other grants	17.4%	20.2%	34.5%	44.5%	39.6%	29.2%	22.8%	18.2%	19.1%	21.8%	20.0%	19.3%	18.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Constant (FY 2000) dollars:													
Payments for individuals [1]	12.0	16.9	33.5	48.0	63.9	75.0	96.6	157.6	182.6	245.8	242.1	247.8	253.3
Physical capital [1]	17.0	24.2	27.2	26.0	38.9	34.2	32.6	43.3	48.7	52.0	54.2	56.0	53.6
Other grants	10.0	15.6	44.6	83.8	89.9	53.9	42.9	47.0	54.6	75.9	65.3	63.6	59.4
Total	39.0	56.7	105.3	157.7	192.6	163.1	172.1	247.9	285.9	373.6	361.6	367.4	366.2
D. Total grants as a percent of:													
Federal outlays:													
Total	7.6%	9.2%	12.3%	15.0%	15.5%	11.2%	10.8%	14.8%	16.0%	17.3%	16.3%	15.9%	15.3%
Domestic programs [2]	18.0%	18.3%	23.2%	21.7%	22.2%	18.2%	17.1%	21.6%	22.0%	23.5%	22.3%	21.9%	21.4%
State and local expenditures	14.8%	15.5%	20.1%	24.0%	27.4%	22.0%	18.9%	22.8%	22.2%	24.6%	22.6%	N/A	N/A
Gross domestic product	1.4%	1.6%	2.4%	3.2%	3.4%	2.6%	2.4%	3.1%	2.9%	3.5%	3.2%	3.3%	3.2%
E. As a share of total State and local gross investments:													
Federal capital grants	24.6%	25.5%	25.4%	26.0%	35.4%	30.2%	21.9%	26.0%	21.9%	21.5%	20.9%	N/A	N/A
State and local own-source financing	75.4%	74.5%	74.6%	74.0%	64.6%	69.8%	78.1%	74.0%	78.1%	78.5%	79.1%	N/A	N/A
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	N/A	N/A

N/A: Not available.
* 50 million or less.
[1] Grants that are both payments for individuals and capital investment are shown under capital investment.
[2] Excludes national defense, international affairs, net interest, and undistributed offsetting receipts

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

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

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

Since the late 1970s changes in the relative amounts among functions reflect steady growth of grants for health (Medicaid) and income security. The functions with the largest amount of grants are health; income security; education, training, employment, and social services; and transportation, with combined estimated grant outlays of $405.3 billion, or more than 90 percent of total grant outlays in 2007.

The increase in total outlays for grants overall since 1990 has been driven by increases in grants for health, which have increased more than four-fold from $43.9 billion in 1990 to $208.3 billion in 2007. The income security; education, training, employment, and social services; and transportation functions also increased substantially, but at a slower rate than the increase for health.

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

Funding for grant programs classified as mandatory is determined in authorizing legislation. Funding levels for mandatory programs can only be changed by changing eligibility criteria or benefit formulas established in law and are usually not limited by the annual appropriations process. Outlays for mandatory grant programs were $259.0 billion in 2007. The three largest mandatory grant programs are Medicaid, with outlays of $190.6 billion in 2007, Temporary Assistance for Needy Families, $16.9 billion, and child nutrition programs, $12.9 billion.

The funding level for discretionary grant programs is determined annually through appropriations acts. Outlays for discretionary grant programs were $184.8 billion in 2007. Table 8–4 at the end of this chapter identifies discretionary and mandatory grant programs separately. For more information on these categories, see Chapter 26, "The Budget System and Concepts" in this volume.

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

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

Grants for physical capital assist States and localities with construction and other physical capital activities. The major capital grants are for highways, but there are also grants for airports, mass transit, sewage treatment plant construction, community development, and other facilities. Grants for physical capital were almost half of total grants in 1960, shortly after grants began for construction of the Interstate Highway System. The relative share of these outlays has declined, as payments for individuals have grown. In 2007, grants for physical capital were $70.8 billion, 16 percent of total grants.

The other grants are primarily for education, training, employment, and social services. These grants were 20 percent of total grants in 2007.

Section D of this table shows grants as a percentage of Federal outlays, State and local expenditures, and gross domestic product. Grants have increased as a percentage of total Federal outlays from 11 percent in 1990 to 16 percent in 2007. Grants as a percentage of domestic programs were 22 percent in 2007. As a percentage of total State and local expenditures, grants have increased from 19 percent in 1990 to 23 percent in 2007.

Section E shows the relative contribution of physical capital grants in assisting States and localities with gross investment. Federal capital grants are estimated to be 21 percent of State and local gross investment in 2007.

OTHER INFORMATION ON FEDERAL AID TO STATE AND LOCAL GOVERNMENTS

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

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

Data for summary and detailed grants to State and local governments can be found in many sections of a separate budget volume entitled *Historical Tables*. Section 12 of that document is devoted exclusively to grants to State and local governments. Additional information on grants can be found in Section 6 (Composition of Federal Government Outlays); Section 9 (Federal Government Outlays for Investment: Major Physical Capital, Research and Development, and Education and Training); Section 11 (Federal Government Payments for Individuals); and Section 15 (Total (Federal and State and Local) Government Finances).

Current and updated grant receipt information by State and local governments can be found on *USAspending.gov*. This public website also contains contract and loan information and is updated monthly.

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

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

- *Federal Aid to States*, a report on Federal spending by State for grants for the most recently completed fiscal year.

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

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

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

DETAILED FEDERAL AID TABLE

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

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

(in millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2007 Actual	2008 Estimate	2009 Estimate	2007 Actual	2008 Estimate	2009 Estimate
ENERGY						
Discretionary:						
Department of Energy:						
Energy Programs:						
Energy Supply and Conservation	213	......	......	215	......	......
Energy Efficiency and Renewable Energy	......	227	59	......	102	27
Total, discretionary	**213**	**227**	**59**	**215**	**102**	**27**
Mandatory:						
Tennessee Valley Authority	452	448	463	452	448	463
Total, energy	**665**	**675**	**522**	**667**	**550**	**490**
NATURAL RESOURCES AND ENVIRONMENT						
Discretionary:						
Department of Agriculture:						
Farm Service Agency:						
Grassroots Source Water Protection Program	4	4	......	4	4	......
Natural Resources Conservation Service:						
Watershed Rehabilitation Program	6	4	12	2	2	7
Resource Conservation and Development	......	......	......	1	1	......
Watershed and Flood Prevention Operations	12	16	......	148	78	31
Forest Service:						
State and Private Forestry	269	255	103	316	361	128
Management of National Forest Lands for Subsistence Uses	5	5	......	5	6	2
Department of Commerce:						
National Oceanic and Atmospheric Administration:						
Operations, Research, and Facilities	77	166	94	31	85	41
Pacific Coastal Salmon Recovery	67	67	35	79	74	67
Procurement, Acquisition and Construction	42	39	16	17	16	6
Department of the Interior:						
Bureau of Land Management:						
Miscellaneous Permanent Payment Accounts	......	......	......	......	121	......
Office of Surface Mining Reclamation and Enforcement:						
Regulation and Technology	59	64	64	54	61	63
Abandoned Mine Reclamation Fund	165	30	11	178	167	141
United States Geological Survey:						
Surveys, Investigations, and Research	5	6	......	5	6	......
United States Fish and Wildlife Service:						
State and Tribal Wildlife Grants	67	74	74	67	107	99
Cooperative Endangered Species Conservation Fund	81	74	75	82	110	98
Landowner Incentive Program	24	......	......	16	25	24
National Park Service:						
Urban Park and Recreation Fund	......	......	–1	5	4	2
National Recreation and Preservation	55	67	45	51	63	52
Land Acquisition and State Assistance	30	23	6	47	35	40
Historic Preservation Fund	65	70	66	73	82	107
Environmental Protection Agency:						
State and Tribal Assistance Grants	3,214	2,932	2,612	3,938	3,080	3,463
Hazardous Substance Superfund	33	25	40	25	25	26
Leaking Underground Storage Tank Trust Fund	56	89	54	53	80	64
Total, discretionary	**4,336**	**4,010**	**3,306**	**5,197**	**4,593**	**4,461**
Mandatory:						
Department of the Interior:						
Bureau of Land Management:						
Miscellaneous Permanent Payment Accounts	132	28	37	131	27	36
Minerals Management Service:						
National Petroleum Reserve, Alaska	13	16	6	13	16	6
National Forests Fund, Payment to States	15	8	7	15	8	8
Leases of Lands Acquired for Flood Control, Navigation, and Allied Purposes	4	3	3	4	3	3
States Share from Certain Gulf of Mexico Leases	......	......	19	......	......	19
Coastal Impact Assistance	250	250	250	1	82	481

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

(in millions of dollars)

Function, Category, Agency and Program	Budget Authority 2007 Actual	Budget Authority 2008 Estimate	Budget Authority 2009 Estimate	Outlays 2007 Actual	Outlays 2008 Estimate	Outlays 2009 Estimate
Office of Surface Mining Reclamation and Enforcement:						
Payments to States in Lieu of Coal Fee Receipts	....	....	22	....	....	9
Abandoned Mine Reclamation Fund	....	87	91	....	25	24
Bureau of Reclamation:						
Bureau of Reclamation Loan Program Account	5	19	....	11	19	....
United States Fish and Wildlife Service:						
Federal Aid in Wildlife Restoration	296	340	348	265	300	301
Cooperative Endangered Species Conservation Fund	46	49	42	46	49	51
Sport Fish Restoration	432	491	467	372	478	478
Department of the Treasury:						
Financial Management Service:						
Payment to Terrestrial Wildlife Habitat Restoration Trust Fund	5	5	5	5	5	5
Total, mandatory	**1,198**	**1,296**	**1,297**	**863**	**1,012**	**1,421**
Total, natural resources and environment	**5,534**	**5,306**	**4,603**	**6,060**	**5,605**	**5,882**
AGRICULTURE						
Discretionary:						
Department of Agriculture:						
Cooperative State Research, Education, and Extension Service:						
Extension Activities	455	458	436	430	475	511
Outreach for Socially Disadvantaged Farmers	6	7	7	6	7	7
Research and Education Activities	398	267	197	306	294	302
Integrated Activities	25	25	4	25	23	21
Agricultural Marketing Service:						
Payments to States and Possessions	8	12	1	9	11	9
Farm Service Agency:						
State Mediation Grants	4	4	4	4	4	4
Total, discretionary	**896**	**773**	**649**	**780**	**814**	**854**
Mandatory:						
Department of Agriculture:						
Farm Service Agency:						
Commodity Credit Corporation Fund	23	15	....	23	15	....
Total, agriculture	**919**	**788**	**649**	**803**	**829**	**854**
COMMERCE AND HOUSING CREDIT						
Mandatory:						
Department of Commerce:						
National Oceanic and Atmospheric Administration:						
Promote and Develop Fishery Products and Research Pertaining to American Fisheries	4	8	6	6	7	6
National Telecommunications and Information Administration:						
Digital Television Transition and Public Safety Fund	1,000	....	....	24	296	396
Federal Communications Commission:						
Universal Service Fund	1,418	1,689	1,711	1,418	1,689	1,711
Total, commerce and housing credit	**2,422**	**1,697**	**1,717**	**1,448**	**1,992**	**2,113**
TRANSPORTATION						
Discretionary:						
Department of Transportation:						
Federal Aviation Administration:						
Grants-in-aid for Airports (Airport and Airway Trust Fund)	....	....	....	3,874	2,970	4,090
Federal Highway Administration:						
Emergency Relief Program	871	195	....	841	1,112	979
State Infrastructure Banks	....	....	....	....	2	1
Appalachian Development Highway System	20	16	....	72	99	84
Federal-aid Highways	....	....	....	33,222	36,796	38,833
Miscellaneous Appropriations	....	10	....	157	90	69
Miscellaneous Highway Trust Funds	....	–1	....	158	167	133
Federal Motor Carrier Safety Administration:						
Motor Carrier Safety Grants	....	....	....	210	361	302

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

(in millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2007 Actual	2008 Estimate	2009 Estimate	2007 Actual	2008 Estimate	2009 Estimate
National Highway Traffic Safety Administration:						
Highway Traffic Safety Grants				402	619	661
Federal Railroad Administration:						
Intercity Passenger Rail Grant Program		30	100		2	10
Rail Line Relocation and Improvement Program		20			10	10
Alaska Railroad Rehabilitation				5	2	
Federal Transit Administration:						
Job Access and Reverse Commute Grants				69	62	42
Interstate Transfer Grants-transit				2	1	1
Washington Metropolitan Area Transit Authority				2		
Formula Grants	36			2,043	1,584	959
Capital Investment Grants	1,566	1,569	1,621	2,662	2,718	2,606
Discretionary Grants (Highway Trust Fund, Mass Transit Account)				12	24	24
Formula and Bus Grants				4,194	6,237	7,225
Pipeline and Hazardous Materials Safety Administration:						
Pipeline Safety	20	23	34	19	23	28
Total, discretionary	**2,513**	**1,862**	**1,755**	**47,944**	**52,879**	**56,057**
Mandatory:						
Department of Transportation:						
Federal Aviation Administration:						
Grants-in-aid for Airports (Airport and Airway Trust Fund)	3,671	–169	2,750			
Federal Highway Administration:						
Federal-aid Highways	36,360	38,447	28,503			
Miscellaneous Appropriations	1	1		1	1	
Federal Motor Carrier Safety Administration:						
Motor Carrier Safety Grants	294	289	307			
National Highway Traffic Safety Administration:						
Highway Traffic Safety Grants	572	570	602			
Federal Transit Administration:						
Formula and Bus Grants	8,240	7,739	8,361			
Total, mandatory	**49,138**	**46,877**	**40,523**	**1**	**1**	
Total, transportation	**51,651**	**48,739**	**42,278**	**47,945**	**52,880**	**56,057**
COMMUNITY AND REGIONAL DEVELOPMENT						
Discretionary:						
Department of Agriculture:						
Rural Development:						
Rural Community Advancement Program	728			760		
Rural Utilities Service:						
Distance Learning, Telemedicine, and Broadband Program	11	57	21	13	46	37
Rural Water and Waste Disposal Program Account		539	269		773	675
Rural Housing Service:						
Rural Community Facilities Program Account		81	20		106	72
Rural Business—Cooperative Service:						
Rural Business Program Account		97	27		88	76
Department of Commerce:						
Economic Development Assistance Programs	251	243	100	243	319	296
Department of Homeland Security:						
Federal Emergency Management Agency:						
State and Local Programs	2,655	3,465	1,900	2,385	1,601	2,410
Firefighter Assistance Grants	662	750	300	499	662	702
Mitigation Grants				32	62	
Disaster Relief	3,803	2,872	1,330	5,351	5,609	4,242
Department of Housing and Urban Development:						
Community Planning and Development:						
Community Development Fund	3,770	6,866	2,791	10,867	11,458	8,124
Urban Development Action Grants				1	3	
Community Development Loan Guarantees Program Account	3	5		1	5	6
Brownfields Redevelopment	6	10		11	26	27
Empowerment Zones/enterprise Communities/renewal Communities				25	27	18
Office of Lead Hazard Control and Healthy Homes:						
Lead Hazard Reduction	150	145	116	147	155	166

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

(in millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2007 Actual	2008 Estimate	2009 Estimate	2007 Actual	2008 Estimate	2009 Estimate
Department of the Interior:						
Bureau of Indian Affairs and Bureau of Indian Education:						
Operation of Indian Programs	152	179	157	182	161	148
Indian Guaranteed Loan Program Account	20	16	8	20	16	7
Appalachian Regional Commission	57	65	57	67	73	59
Delta Regional Authority	12	12	6	8	12	6
Denali Commission	50	22	2	33	49	74
Total, discretionary	**12,330**	**15,424**	**7,104**	**20,645**	**21,251**	**17,145**
Mandatory:						
Department of Housing and Urban Development:						
Community Planning and Development:						
Community Development Loan Guarantees Program Account	8	4	.....	8	4	.....
Total, community and regional development	**12,338**	**15,428**	**7,104**	**20,653**	**21,255**	**17,145**
EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES						
Discretionary:						
Department of Commerce:						
National Telecommunications and Information Administration:						
Public Telecommunications Facilities, Planning and Construction	20	17	.....	21	31	23
Information Infrastructure Grants	.....	.....	.....	7	3	2
Department of Education:						
Office of Elementary and Secondary Education:						
Indian Education	115	116	116	112	114	114
Impact Aid	1,224	1,236	1,236	1,156	1,377	1,281
Education Reform	.....	.....	.....	1	.....	.....
Education for the Disadvantaged	14,679	14,892	16,571	14,409	14,927	15,251
School Improvement Programs	5,110	5,158	4,502	5,299	5,219	5,099
Office of Innovation and Improvement:						
Innovation and Improvement	549	640	721	501	961	542
Office of Safe and Drug-Free Schools:						
Safe Schools and Citizenship Education	665	643	261	686	711	649
Office of English Language Acquisition:						
English Language Acquisition	629	658	686	683	743	602
Office of Special Education and Rehabilitative Services:						
Special Education	11,600	10,348	11,351	11,585	11,495	11,725
Rehabilitation Services and Disability Research	127	125	–9	129	160	35
American Printing House for the Blind	18	22	22	18	22	22
Office of Vocational and Adult Education:						
Career, Technical and Adult Education	1,970	1,920	1,345	1,927	2,066	1,851
Office of Postsecondary Education:						
Higher Education	402	376	302	411	452	408
Office of Federal Student Aid:						
Student Financial Assistance	65	64	.....	60	71	51
Institute of Education Sciences	25	48	100	11	24	32
Hurricane Education Recovery	30	.....	.....	415	359	.....
Department of Health and Human Services:						
Administration for Children and Families:						
Promoting Safe and Stable Families	82	82	82	82	82	82
Children and Families Services Programs	8,618	8,637	8,122	8,496	8,524	8,278
Administration on Aging:						
Aging Services Programs	1,365	1,393	1,362	1,339	1,372	1,371
Department of the Interior:						
Bureau of Indian Affairs and Bureau of Indian Education:						
Operation of Indian Programs	99	116	116	111	112	111
Department of Labor:						
Employment and Training Administration:						
Training and Employment Services	3,060	3,219	2,826	3,006	2,975	3,008
Community Service Employment for Older Americans	98	109	77	78	118	96
State Unemployment Insurance and Employment Service Operations	102	89	17	118	73	47
Foreign Labor Certification Administration	.....	.....	18	.....	.....	11
Unemployment Trust Fund	964	951	249	922	968	802
Corporation for National and Community Service:						
Domestic Volunteer Service Programs, Operating Expenses	106	.....	.....	139	78	7

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

(in millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2007 Actual	2008 Estimate	2009 Estimate	2007 Actual	2008 Estimate	2009 Estimate
National and Community Service Programs, Operating Expenses	265	.....	.....	224	158	89
VISTA Advance Payments Revolving Fund	4	.....	.....	1	3	.....
Operating Expenses	.....	360	345	.....	110	232
Corporation for Public Broadcasting	465	448	200	465	448	200
District of Columbia:						
District of Columbia General and Special Payments:						
Federal Payment for Resident Tuition Support	33	35	35	33	35	35
Federal Payment to Jump Start Public School Reform	.....	.....	20	.....	.....	20
Federal Payment for School Improvement	40	41	54	40	41	54
National Endowment for the Arts:						
National Endowment for the Arts: Grants and Administration	40	48	41	38	43	44
Institute of Museum and Library Services:						
Office of Museum and Library Services: Grants and Administration	234	250	254	246	287	248
Total, discretionary	**52,803**	**52,041**	**51,022**	**52,769**	**54,162**	**52,422**
Mandatory:						
Department of Education:						
Office of Special Education and Rehabilitative Services:						
Rehabilitation Services and Disability Research	2,837	2,874	2,975	2,766	2,916	2,945
Department of Health and Human Services:						
Administration for Children and Families:						
Promoting Safe and Stable Families	364	339	339	369	358	332
Social Services Block Grant	1,700	1,700	1,200	1,956	1,936	1,302
Children and Families Services Programs	.....	12	50	.....	5	25
Department of Labor:						
Employment and Training Administration:						
Federal Unemployment Benefits and Allowances	260	260	260	217	219	214
Total, mandatory	**5,161**	**5,185**	**4,824**	**5,308**	**5,434**	**4,818**
Total, education, training, employment, and social services	**57,964**	**57,226**	**55,846**	**58,077**	**59,596**	**57,240**
HEALTH						
Discretionary:						
Department of Agriculture:						
Food Safety and Inspection Service:						
Salaries and Expenses	47	47	47	44	45	48
Department of Health and Human Services:						
Health Resources and Services Administration	2,902	2,847	2,847	3,183	3,110	3,060
Centers for Disease Control and Prevention:						
Disease Control, Research, and Training	2,358	2,358	2,358	2,358	2,358	2,358
Substance Abuse and Mental Health Services Administration	3,206	1,158	1,113	3,179	1,187	1,224
Departmental Management:						
Public Health and Social Services Emergency Fund	478	408	351	1,405	1,206	595
General Departmental Management	125	122	133	134	104	126
Department of Labor:						
Occupational Safety and Health Administration:						
Salaries and Expenses	96	91	91	101	97	97
Mine Safety and Health Administration:						
Salaries and Expenses	8	8	8	8	8	8
Total, discretionary	**9,220**	**7,039**	**6,948**	**10,412**	**8,115**	**7,516**
Mandatory:						
Department of Health and Human Services:						
Centers for Medicare and Medicaid Services:						
Grants to States for Medicaid	168,255	206,921	214,753	190,624	203,788	215,662
State Children's Health Insurance Fund	5,690	6,640	6,815	6,000	7,600	8,202
State Grants and Demonstrations	698	764	652	1,275	929	934
Total, mandatory	**174,643**	**214,325**	**222,220**	**197,899**	**212,317**	**224,798**
Total, health	**183,863**	**221,364**	**229,168**	**208,311**	**220,432**	**232,314**

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

(in millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2007 Actual	2008 Estimate	2009 Estimate	2007 Actual	2008 Estimate	2009 Estimate
INCOME SECURITY						
Discretionary:						
Department of Agriculture:						
Food and Nutrition Service:						
Commodity Assistance Program	178	211	70	184	221	87
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	5,204	6,020	6,100	5,309	5,974	5,955
Department of Health and Human Services:						
Administration for Children and Families:						
Low Income Home Energy Assistance	2,161	2,570	2,000	2,498	2,522	2,136
Refugee and Entrant Assistance	370	408	445	389	476	510
Payments to States for the Child Care and Development Block Grant	2,056	2,056	2,056	2,128	1,994	2,055
Department of Homeland Security:						
Federal Emergency Management Agency:						
Emergency Food and Shelter	151	153	100	150	154	100
Department of Housing and Urban Development:						
Public and Indian Housing Programs:						
Public Housing Operating Fund	3,864	4,200	4,300	3,706	4,278	4,286
Drug Elimination Grants for Low-income Housing				1	1	
Revitalization of Severely Distressed Public Housing (HOPE VI)	96	100		516	450	400
Native Hawaiian Housing Block Grant	9	9	6	8	7	6
Tenant Based Rental Assistance	15,881	15,696	16,031	15,971	16,051	16,253
Project-based Rental Assistance	149	239	232	187	244	249
Public Housing Capital Fund	2,420	2,422	2,009	3,071	3,021	2,958
Native American Housing Block Grant	624	630	627	580	609	630
Community Planning and Development:						
Homeless Assistance Grants	1,434	1,584	1,633	1,386	1,406	1,440
Home Investment Partnership Program	1,756	1,701	1,963	1,876	2,018	2,022
Housing Opportunities for Persons with AIDS	286	298	298	278	303	289
Rural Housing and Economic Development	17	17		20	23	23
Housing Programs:						
Homeownership and Opportunity for People Everywhere Grants (HOPE Grants)	–1					
Housing for Persons with Disabilities	237	236	158	305	301	285
Housing for the Elderly	735	734	538	978	925	900
Department of Labor:						
Employment and Training Administration:						
Unemployment Trust Fund	2,508	2,464	2,636	2,529	2,471	2,610
Total, discretionary	**40,135**	**41,748**	**41,202**	**42,070**	**43,449**	**43,194**
Mandatory:						
Department of Agriculture:						
Agricultural Marketing Service:						
Funds for Strengthening Markets, Income, and Supply (section 32)	1,131	503	1,022	693	502	1,012
Food and Nutrition Service:						
Food Stamp Program	4,635	4,847	5,015	4,602	4,808	4,998
Commodity Assistance Program	15	15	15	8	8	8
Child Nutrition Programs	13,195	13,811	14,340	12,871	14,278	14,505
Department of Health and Human Services:						
Administration for Children and Families:						
Payments to States for Child Support Enforcement and Family Support Programs	4,399	3,998	3,766	4,238	4,277	3,960
Contingency Fund				56	231	271
Payments to States for Foster Care and Adoption Assistance	6,855	6,877	6,889	6,563	6,670	6,886
Child Care Entitlement to States	2,917	2,917	2,917	2,994	2,979	2,966
Temporary Assistance for Needy Families	17,059	17,059	17,058	16,876	17,030	17,085
Total, mandatory	**50,206**	**50,027**	**51,022**	**48,901**	**50,783**	**51,691**
Total, income security	**90,341**	**91,775**	**92,224**	**90,971**	**94,232**	**94,885**
SOCIAL SECURITY						
Mandatory:						
Social Security Administration:						
Federal Disability Insurance Trust Fund	40	39	34	16	44	37

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

(in millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2007 Actual	2008 Estimate	2009 Estimate	2007 Actual	2008 Estimate	2009 Estimate
VETERANS BENEFITS AND SERVICES						
Discretionary:						
Department of Veterans Affairs:						
Veterans Health Administration:						
Medical Services	504	554	579	504	554	579
Departmental Administration:						
Grants for Construction of State Extended Care Facilities	85	165	85	109	96	97
Grants for the Construction of State Veterans Cemeteries	32	40	32	26	27	23
Total, veterans benefits and services	**621**	**759**	**696**	**639**	**677**	**699**
ADMINISTRATION OF JUSTICE						
Discretionary:						
Department of Homeland Security:						
Federal Emergency Management Agency:						
State and Local Programs	375			340	50	
Department of Housing and Urban Development:						
Fair Housing and Equal Opportunity:						
Fair Housing Activities	46	50	51	47	47	50
Department of Justice:						
Legal Activities and U.S. Marshals:						
Assets Forfeiture Fund	21	21	21	21	21	21
Office of Justice Programs:						
Justice Assistance	158	131	89	205	164	266
State and Local Law Enforcement Assistance	1,144	1,091	269	1,328	1,257	1,341
Juvenile Justice Programs	285	331	126	312	299	384
Community Oriented Policing Services	511	251	–100	758	480	230
Violence against Women Prevention and Prosecution Programs	373	371	260	367	338	339
Equal Employment Opportunity Commission:						
Salaries and Expenses	30	28	26	33	28	26
Federal Drug Control Programs:						
High-intensity Drug Trafficking Areas Program	201	230	200	193	215	188
State Justice Institute:						
State Justice Institute: Salaries and Expenses	3	4		3	4	
Total, discretionary	**3,147**	**2,508**	**942**	**3,607**	**2,903**	**2,845**
Mandatory:						
Department of Justice:						
Legal Activities and U.S. Marshals:						
Assets Forfeiture Fund	457	392	480	406	313	563
Office of Justice Programs:						
Crime Victims Fund	580	500	554	557	1,000	725
Department of the Treasury:						
Departmental Offices:						
Treasury Forfeiture Fund	144	110	110	33	124	113
Total, mandatory	**1,181**	**1,002**	**1,144**	**996**	**1,437**	**1,401**
Total, administration of justice	**4,328**	**3,510**	**2,086**	**4,603**	**4,340**	**4,246**
GENERAL GOVERNMENT						
Discretionary:						
Department of Agriculture:						
Forest Service:						
Forest Service Permanent Appropriations	315				315	
Department of Health and Human Services:						
Administration for Children and Families:						
Disabled Voter Services				3	2	1
Department of the Interior:						
United States Fish and Wildlife Service:						
National Wildlife Refuge Fund	14	14	11	14	14	11
Insular Affairs:						
Assistance to Territories	48	48	47	53	54	53
Trust Territory of the Pacific Islands					1	1

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

(in millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2007 Actual	2008 Estimate	2009 Estimate	2007 Actual	2008 Estimate	2009 Estimate
Department-Wide Programs:						
Payments in Lieu of Taxes	233	229	195	232	229	195
District of Columbia:						
District of Columbia Courts:						
Federal Payment to the District of Columbia Courts	217	224	224	191	224	222
Defender Services in District of Columbia Courts	43	48	48	37	48	48
District of Columbia General and Special Payments:						
Federal Support for Economic Development and Management Reforms in the District	39	37	33	39	37	33
Election Assistance Commission:						
Election Reform Programs	....	115	....	....	58	52
Election Data Collections Grants	....	10	....	....	10	....
Total, discretionary	**909**	**725**	**558**	**569**	**992**	**616**
Mandatory:						
Department of Agriculture:						
Forest Service:						
Forest Service Permanent Appropriations	367	113	88	433	204	88
Department of Energy:						
Energy Programs:						
Payments to States under Federal Power Act	3	3	3	3	3	3
Department of Homeland Security:						
Customs and Border Protection:						
Refunds, Transfers, and Expenses of Operation, Puerto Rico	93	98	97	92	98	97
Department of the Interior:						
Minerals Management Service:						
Mineral Leasing and Associated Payments	1,883	2,146	2,644	1,883	2,146	2,644
Geothermal Lease Revenues, Payment to Counties	4	9	....	4	9	....
Office of Surface Mining Reclamation and Enforcement:						
Payments to States in Lieu of Coal Fee Receipts	....	187	187	....	52	89
United States Fish and Wildlife Service:						
National Wildlife Refuge Fund	12	12	12	12	12	12
Insular Affairs:						
Assistance to Territories	30	28	28	22	16	17
Payments to the United States Territories, Fiscal Assistance	127	123	113	124	121	113
Department of the Treasury:						
Alcohol and Tobacco Tax and Trade Bureau:						
Internal Revenue Collections for Puerto Rico	462	479	491	462	479	491
Corps of Engineers-Civil Works:						
Permanent Appropriations	4	4	4	....	4	4
Total, mandatory	**2,985**	**3,202**	**3,667**	**3,035**	**3,144**	**3,558**
Total, general government	**3,894**	**3,927**	**4,225**	**3,604**	**4,136**	**4,174**
Total, Grants	**414,580**	**451,233**	**441,152**	**443,797**	**466,568**	**476,136**
Discretionary	127,123	127,116	114,241	184,847	189,937	185,836
Mandatory	287,457	324,117	326,911	258,950	276,631	290,300

APPENDIX: SELECTED GRANT DATA BY STATE

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

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

- The Federal agency that administers the program.
- The program title and number as contained in the *Catalog of Federal Domestic Assistance.*
- The budget account number from which the program is funded.
- Actual 2007 obligations by State, Federal territory, and Indian tribes in thousands of dollars. Undistributed obligations shown at the bottom of each page are generally project funds that are not distributed by formula, or programs for which State-by-State data are not available.
- Estimates of 2008 obligations by State from previous budget authority, from new budget authority, and total obligations.
- Estimates of 2009 obligations by State, which are based on the 2009 Budget request, unless otherwise noted.
- The percentage share of 2009 estimated program funds distributed to each State.

Table 8–5. Summary of Programs by Agency, Bureau, and Program

(obligations in millions of dollars)

Agency, Bureau, and Program	FY 2007 (actual)	Estimated FY 2008 obligations from:			FY 2009 (estimated)
		Previous authority	New authority	Total	
Department of Agriculture, Food and Nutrition Service					
School Breakfast Program (10.553)	2,229	....	2,367	2,367	2,522
National School Lunch Program (10.555)	7,835	350	7,860	8,210	8,600
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (10.557)	5,548	185	6,020	6,205	6,251
Child and Adult Care Food Program (10.558)	2,305	....	2,287	2,287	2,387
State Administrative Matching Grants for Food Stamp Program (10.561)	2,509	....	2,620	2,620	2,723
Department of Education, Office of Elementary and Secondary Education					
Title I Grants to Local Educational Agencies (84.010)	12,838	....	13,899	13,899	14,305
Improving Teacher Quality State Grants (84.367)	2,887	....	2,935	2,935	2,835
Department of Education, Office of Special Education and Rehabilitative Services					
Special Education—Grants to States (84.027)	10,783	....	10,948	10,948	11,285
Rehabilitation Services—Vocational Rehabilitation Grants to States (84.126)	2,837	....	2,874	2,874	2,874
Department of Health and Human Services, Centers for Medicare and Medicaid Services					
State Children's Health Insurance Program (93.767)	5,690	....	6,640	6,640	5,315
Grants to States for Medicaid (93.778)	205,114	....	207,053	207,053	220,768
Department of Health and Human Services, Administration for Children and Families					
Temporary Assistance for Needy Families (TANF)—Family Assistance Grants (93.558)	17,034	....	17,059	17,059	17,059
Child Support Enforcement—Federal Share of State and Local Administrative Costs and Incentives (93.563)	4,396	....	4,201	4,201	3,825
Low Income Home Energy Assistance Program (93.568)	1,980	....	1,980	1,980	1,700
Child Care and Development Block Grant (93.575)	2,051	....	2,062	2,062	2,062
Child Care and Development Fund—Mandatory (93.596a)	1,240	....	1,240	1,240	1,240
Child Care and Development Fund—Matching (93.596b)	1,677	....	1,677	1,677	1,677
Head Start (93.600)	6,888	....	6,878	6,878	7,027
Foster Care—Title IV–E (93.658)	4,688	....	4,581	4,581	4,463
Adoption Assistance (93.659)	1,942	....	2,156	2,156	2,286
Social Services Block Grant (93.667)	1,700	....	1,700	1,700	1,200
Department of Housing and Urban Development, Public and Indian Housing Programs					
Public Housing Operating Fund (14.850)	3,865	....	4,200	4,200	4,300
Section 8 Housing Choice Vouchers (14.871)	16,303	350	15,696	16,047	16,031
Public Housing Capital Fund (14.872)	2,605	160	2,422	2,582	2,009
Department of Housing and Urban Development, Community Planning and Development					
Community Development Block Grants (14.218)	3,772	....	6,866	6,866	2,794
HOME Investment Partnerships Program (14.239)	1,757	....	1,704	1,704	1,967
Department of Transportation, Federal Aviation Administration					
Airport Improvement Program (20.106)	3,691	67	17	84	2,750
Department of Transportation, Federal Highway Administration					
Highway Planning and Construction (20.205)	35,576	....	41,216	41,216	39,399
Department of Transportation, Federal Transit Administration					
Federal Transit Formula Grants and Research (20.507)	8,003	1,452	5,148	6,600	8,614
Federal Communications Commission					
Universal Service Fund E–Rate	1,418	....	1,689	1,689	1,712
Total	381,160	2,565	387,994	390,558	401,980

Table 8–6. Summary of Programs by State

(obligations in millions of dollars)

State or Territory	All programs FY 2007 (actual)	Programs distributed in all years					FY 2009 Percentage of distributed total
		FY 2007 (actual)	Estimated FY 2008 obligations from:			FY 2009 (estimated)	
			Previous authority	New authority	Total		
Alabama	5,568	5,568	28	5,335	5,363	5,464	1.41
Alaska	1,729	1,729	13	1,476	1,490	1,728	0.45
Arizona	7,446	7,446	53	7,962	8,015	8,531	2.20
Arkansas	3,944	3,944	19	4,219	4,239	4,592	1.19
California	45,829	45,829	439	45,089	45,528	46,682	12.06
Colorado	3,644	3,644	21	3,627	3,648	3,800	0.98
Connecticut	4,417	4,417	76	4,514	4,590	4,664	1.20
Delaware	1,017	1,017	10	1,043	1,053	1,112	0.29
District of Columbia	1,867	1,867	70	1,958	2,028	2,071	0.53
Florida	16,568	16,568	112	16,254	16,366	16,802	4.34
Georgia	9,739	9,739	79	9,507	9,587	9,862	2.55
Hawaii	1,528	1,528	12	1,361	1,373	1,404	0.36
Idaho	1,595	1,595	6	1,570	1,576	1,684	0.44
Illinois	14,550	14,550	68	13,662	13,729	13,861	3.58
Indiana	6,962	6,962	39	6,810	6,849	7,111	1.84
Iowa	3,184	3,184	12	3,108	3,120	3,260	0.84
Kansas	2,809	2,809	19	2,683	2,702	2,767	0.71
Kentucky	5,729	5,729	22	5,800	5,823	6,026	1.56
Louisiana	6,915	6,915	30	7,317	7,347	7,833	2.02
Maine	2,225	2,225	5	2,114	2,119	2,277	0.59
Maryland	5,789	5,789	73	5,712	5,785	6,005	1.55
Massachusetts	10,010	10,010	88	9,758	9,846	10,162	2.62
Michigan	10,916	10,916	38	10,709	10,748	11,195	2.89
Minnesota	6,017	6,017	43	6,075	6,118	6,442	1.66
Mississippi	4,616	4,616	19	4,615	4,634	4,892	1.26
Missouri	7,412	7,412	32	7,736	7,767	8,359	2.16
Montana	1,312	1,312	4	1,201	1,205	1,245	0.32
Nebraska	1,904	1,904	11	1,899	1,910	1,993	0.51
Nevada	1,836	1,836	44	1,723	1,767	1,763	0.46
New Hampshire	1,279	1,279	8	1,263	1,271	1,331	0.34
New Jersey	10,007	10,007	41	9,402	9,443	9,655	2.49
New Mexico	3,469	3,469	13	3,541	3,554	3,819	0.99
New York	39,935	39,935	240	40,227	40,467	41,570	10.74
North Carolina	10,944	10,944	71	11,012	11,083	11,657	3.01
North Dakota	947	947	4	935	939	959	0.25
Ohio	14,475	14,475	62	14,379	14,440	15,185	3.92
Oklahoma	4,514	4,514	15	4,626	4,641	4,646	1.20
Oregon	3,901	3,901	15	3,983	3,999	4,247	1.10
Pennsylvania	16,703	16,703	65	16,498	16,562	17,216	4.45
Rhode Island	1,781	1,781	8	1,706	1,714	1,780	0.46
South Carolina	5,110	5,110	28	5,041	5,069	5,117	1.32
South Dakota	1,020	1,020	3	978	981	1,010	0.26
Tennessee	7,930	7,930	36	7,804	7,839	8,173	2.11
Texas	26,564	26,564	152	26,018	26,170	26,978	6.97
Utah	2,314	2,314	11	2,149	2,160	2,239	0.58
Vermont	1,145	1,145	2	1,135	1,137	1,155	0.30
Virginia	6,023	6,023	57	6,103	6,160	6,395	1.65
Washington	6,588	6,588	51	6,319	6,370	6,568	1.70
West Virginia	3,013	3,013	10	2,975	2,985	3,087	0.80
Wisconsin	5,571	5,571	24	5,605	5,629	5,926	1.53
Wyoming	713	713	2	668	670	716	0.18
American Samoa	55	55	*	58	58	65	0.02
Guam	136	136	1	126	128	139	0.04
Northern Mariana Islands	110	110	*	35	35	94	0.02
Puerto Rico	2,623	2,623	85	2,708	2,793	2,770	0.72
Freely Associated States	7	7	....	7	7	7	*
Virgin Islands	147	147	2	162	165	166	0.04
Indian Tribes	825	825	2	880	882	906	0.23
Total, programs distributed by State in all years	**374,926**	**374,926**	**2,496**	**371,178**	**373,675**	**387,162**	**100.00**
MEMORANDUM:.							
Not distributed by State in all years [1]	6,234	6,234	69	16,815	16,884	14,818	N/A
Total, including undistributed	381,160	381,160	2,565	387,994	390,558	401,980	N/A

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

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

Table 8–7. School Breakfast Program (10.553)

(obligations in thousands of dollars)

State or Territory	FY 2007 Actual	Estimated FY 2008 obligations from: Previous authority	New authority	Total	FY 2009 (estimated)	FY 2009 Percentage of distributed total
Alabama	43,015	....	47,129	47,129	50,217	1.99
Alaska	4,926	....	5,397	5,397	5,751	0.23
Arizona	44,933	....	49,231	49,231	52,456	2.08
Arkansas	31,293	....	34,286	34,286	36,533	1.45
California	264,441	....	289,734	289,734	308,719	12.24
Colorado	18,503	....	20,273	20,273	21,601	0.86
Connecticut	14,149	....	15,502	15,502	16,518	0.65
Delaware	5,275	....	5,780	5,780	6,158	0.24
District of Columbia	4,077	....	4,467	4,467	4,760	0.19
Florida	122,102	....	133,781	133,781	142,546	5.65
Georgia	109,652	....	120,140	120,140	128,012	5.08
Hawaii	7,364	....	8,068	8,068	8,597	0.34
Idaho	11,978	....	13,124	13,124	13,984	0.55
Illinois	61,853	....	67,769	67,769	72,209	2.86
Indiana	36,321	....	39,795	39,795	42,402	1.68
Iowa	14,266	....	15,631	15,631	16,655	0.66
Kansas	17,016	....	18,644	18,644	19,865	0.79
Kentucky	44,963	....	49,264	49,264	52,491	2.08
Louisiana	50,114	....	54,907	54,907	58,505	2.32
Maine	6,516	....	7,139	7,139	7,607	0.30
Maryland	25,585	....	28,032	28,032	29,869	1.18
Massachusetts	28,882	....	31,644	31,644	33,718	1.34
Michigan	50,457	....	55,283	55,283	58,905	2.34
Minnesota	23,785	....	26,060	26,060	27,767	1.10
Mississippi	44,210	....	48,439	48,439	51,612	2.05
Missouri	42,994	....	47,106	47,106	50,193	1.99
Montana	4,586	....	5,025	5,025	5,354	0.21
Nebraska	9,347	....	10,241	10,241	10,912	0.43
Nevada	12,842	....	14,070	14,070	14,992	0.59
New Hampshire	3,237	....	3,547	3,547	3,779	0.15
New Jersey	35,290	....	38,665	38,665	41,199	1.63
New Mexico	25,237	....	27,651	27,651	29,463	1.17
New York	118,500	....	129,834	129,834	138,341	5.48
North Carolina	77,333	....	84,730	84,730	90,281	3.58
North Dakota	3,091	....	3,387	3,387	3,609	0.14
Ohio	62,701	....	68,698	68,698	73,199	2.90
Oklahoma	38,834	....	42,548	42,548	45,336	1.80
Oregon	26,942	....	29,519	29,519	31,453	1.25
Pennsylvania	56,359	....	61,750	61,750	65,795	2.61
Rhode Island	5,433	....	5,953	5,953	6,343	0.25
South Carolina	48,749	....	53,412	53,412	56,911	2.26
South Dakota	5,072	....	5,557	5,557	5,921	0.23
Tennessee	53,207	....	58,296	58,296	62,116	2.46
Texas	281,954	....	308,922	308,922	329,163	13.05
Utah	11,767	....	12,892	12,892	13,737	0.54
Vermont	3,354	....	3,675	3,675	3,916	0.16
Virginia	40,779	....	44,679	44,679	47,607	1.89
Washington	32,749	....	35,881	35,881	38,232	1.52
West Virginia	16,881	....	18,496	18,496	19,707	0.78
Wisconsin	22,341	....	24,478	24,478	26,082	1.03
Wyoming	2,326	....	2,548	2,548	2,715	0.11
American Samoa	....	....	....	....	....	....
Guam	1,732	....	1,898	1,898	2,022	0.08
Northern Mariana Islands	....	....	....	....	....	....
Puerto Rico	30,371	....	33,276	33,276	35,456	1.41
Freely Associated States	....	....	....	....	....	....
Virgin Islands	829	....	908	908	968	0.04
Indian Tribes	....	....	....	....	....	....
Undistributed	68,037	....	....	....	....	....
DoD/USAF/USMC/USN	23	....	25	25	27	*
Total	**2,228,573**	....	**2,367,186**	**2,367,186**	**2,522,286**	[1] **100.00**

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

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

(obligations in thousands of dollars)

State or Territory	FY 2007 Actual	Estimated FY 2008 obligations from: Previous authority	New authority	Total	FY 2009 (estimated)	FY 2009 Percentage of distributed total
Alabama	149,726	6,811	153,046	159,857	167,449	1.95
Alaska	22,874	1,041	23,381	24,422	25,582	0.30
Arizona	173,653	7,900	177,503	185,403	194,208	2.26
Arkansas	93,501	4,254	95,573	99,827	104,568	1.22
California	1,026,794	46,711	1,049,555	1,096,266	1,148,328	13.35
Colorado	83,037	3,778	84,877	88,655	92,866	1.08
Connecticut	63,855	2,905	65,271	68,176	71,413	0.83
Delaware	17,693	805	18,085	18,890	19,787	0.23
District of Columbia	14,141	643	14,455	15,098	15,815	0.18
Florida	415,638	18,908	424,853	443,761	464,836	5.41
Georgia	327,140	14,882	334,393	349,275	365,863	4.25
Hawaii	27,314	1,243	27,919	29,162	30,547	0.36
Idaho	35,655	1,622	36,445	38,067	39,875	0.46
Illinois	298,952	13,600	305,579	319,179	334,338	3.89
Indiana	148,624	6,761	151,919	158,680	166,216	1.93
Iowa	66,469	3,024	67,942	70,966	74,337	0.86
Kansas	66,140	3,009	67,606	70,615	73,969	0.86
Kentucky	129,949	5,912	132,830	138,742	145,331	1.69
Louisiana	157,038	7,144	160,519	167,663	175,626	2.04
Maine	23,731	1,080	24,257	25,337	26,540	0.31
Maryland	95,550	4,347	97,668	102,015	106,860	1.24
Massachusetts	108,709	4,945	111,119	116,064	121,577	1.41
Michigan	199,897	9,094	204,328	213,422	223,558	2.60
Minnesota	100,582	4,576	102,812	107,388	112,488	1.31
Mississippi	125,889	5,727	128,680	134,407	140,790	1.64
Missouri	138,541	6,303	141,612	147,915	154,940	1.80
Montana	17,627	802	18,018	18,820	19,713	0.23
Nebraska	42,943	1,954	43,895	45,849	48,026	0.56
Nevada	52,571	2,392	53,736	56,128	58,794	0.68
New Hampshire	16,066	731	16,422	17,153	17,968	0.21
New Jersey	151,890	6,910	155,257	162,167	169,869	1.98
New Mexico	66,491	3,025	67,965	70,990	74,361	0.86
New York	481,272	21,894	491,942	513,836	538,239	6.26
North Carolina	249,823	11,365	255,361	266,726	279,394	3.25
North Dakota	12,771	581	13,054	13,635	14,283	0.17
Ohio	230,288	10,476	235,394	245,870	257,547	2.99
Oklahoma	109,824	4,996	112,259	117,255	122,824	1.43
Oregon	75,414	3,431	77,086	80,517	84,341	0.98
Pennsylvania	235,909	10,732	241,139	251,871	263,833	3.07
Rhode Island	20,965	954	21,430	22,384	23,447	0.27
South Carolina	133,043	6,052	135,993	142,045	148,791	1.73
South Dakota	19,968	908	20,411	21,319	22,332	0.26
Tennessee	171,327	7,794	175,125	182,919	191,607	2.23
Texas	850,870	38,708	869,733	908,441	951,585	11.07
Utah	59,272	2,696	60,586	63,282	66,288	0.77
Vermont	10,046	457	10,269	10,726	11,235	0.13
Virginia	145,661	6,626	148,891	155,517	162,903	1.89
Washington	124,140	5,647	126,892	132,539	138,834	1.61
West Virginia	47,037	2,140	48,080	50,220	52,605	0.61
Wisconsin	106,152	4,829	108,505	113,334	118,717	1.38
Wyoming	9,765	444	9,982	10,426	10,921	0.13
American Samoa	...	...	...	...	...	...
Guam	5,497	250	5,619	5,869	6,148	0.07
Northern Mariana Islands	...	...	...	...	...	...
Puerto Rico	121,995	5,550	124,699	130,249	136,435	1.59
Freely Associated States	...	...	...	...	...	...
Virgin Islands	4,231	192	4,325	4,517	4,732	0.06
Indian Tribes	...	...	...	...	...	...
Undistributed	145,664	...	...	...	...	...
DoD/USAF/USMC/USN	5,612	255	5,737	5,992	6,276	0.07
Total	**7,835,226**	**349,816**	**7,860,032**	**8,209,848**	**8,599,755**	[1] **100.00**

[1] Excludes undistributed obligations.

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

(obligations in thousands of dollars)

State or Territory	FY 2007 Actual	Estimated FY 2008 obligations from:			FY 2009 (estimated)	FY 2009 Percentage of distributed total
		Previous authority	New authority	Total		
Alabama	95,783	3,199	103,936	107,135	107,929	1.73
Alaska	23,068	770	25,032	25,802	25,993	0.42
Arizona	98,619	3,294	107,013	110,307	111,125	1.78
Arkansas	57,018	1,904	61,872	63,776	64,248	1.03
California	899,005	30,025	975,530	1,005,555	1,013,008	16.20
Colorado	54,693	1,827	59,348	61,175	61,628	0.99
Connecticut	41,111	1,373	44,610	45,983	46,324	0.74
Delaware	12,214	408	13,254	13,662	13,763	0.22
District of Columbia	11,604	388	12,591	12,979	13,075	0.21
Florida	288,556	9,637	313,118	322,755	325,147	5.20
Georgia	197,784	6,605	214,620	221,225	222,865	3.57
Hawaii	30,416	1,016	33,005	34,021	34,273	0.55
Idaho	21,943	733	23,811	24,544	24,726	0.40
Illinois	198,109	6,616	214,972	221,588	223,231	3.57
Indiana	86,927	2,903	94,326	97,229	97,950	1.57
Iowa	40,804	1,363	44,277	45,640	45,978	0.74
Kansas	39,255	1,311	42,596	43,907	44,233	0.71
Kentucky	89,293	2,982	96,894	99,876	100,616	1.61
Louisiana	95,140	3,177	103,239	106,416	107,204	1.71
Maine	16,705	558	18,127	18,685	18,823	0.30
Maryland	75,419	2,519	81,838	84,357	84,983	1.36
Massachusetts	81,351	2,717	88,275	90,992	91,667	1.47
Michigan	159,028	5,311	172,564	177,875	179,194	2.87
Minnesota	82,232	2,746	89,232	91,978	92,660	1.48
Mississippi	71,163	2,377	77,220	79,597	80,187	1.28
Missouri	81,508	2,722	88,446	91,168	91,844	1.47
Montana	13,485	450	14,633	15,083	15,195	0.24
Nebraska	25,996	868	28,209	29,077	29,292	0.47
Nevada	29,995	1,002	32,548	33,550	33,799	0.54
New Hampshire	12,586	420	13,658	14,078	14,182	0.23
New Jersey	99,002	3,306	107,429	110,735	111,556	1.78
New Mexico	40,009	1,336	43,415	44,751	45,082	0.72
New York	362,194	12,096	393,024	405,120	408,123	6.53
North Carolina	152,335	5,088	165,301	170,389	171,652	2.75
North Dakota	9,544	319	10,356	10,675	10,754	0.17
Ohio	171,805	5,738	186,429	192,167	193,591	3.10
Oklahoma	57,279	1,913	62,155	64,068	64,542	1.03
Oregon	63,935	2,135	69,377	71,512	72,042	1.15
Pennsylvania	149,618	4,997	162,353	167,350	168,591	2.70
Rhode Island	18,041	603	19,576	20,179	20,329	0.33
South Carolina	78,092	2,608	84,739	87,347	87,995	1.41
South Dakota	12,297	411	13,343	13,754	13,856	0.22
Tennessee	116,873	3,903	126,821	130,724	131,693	2.11
Texas	510,492	17,049	553,945	570,994	575,226	9.20
Utah	34,101	1,139	37,004	38,143	38,425	0.61
Vermont	12,522	418	13,588	14,006	14,110	0.23
Virginia	91,750	3,064	99,560	102,624	103,385	1.65
Washington	112,464	3,756	122,037	125,793	126,725	2.03
West Virginia	32,403	1,082	35,161	36,243	36,512	0.58
Wisconsin	71,893	2,401	78,013	80,414	81,010	1.30
Wyoming	7,436	248	8,069	8,317	8,379	0.13
American Samoa	6,795	227	7,373	7,600	7,657	0.12
Guam	7,593	254	8,239	8,493	8,556	0.14
Northern Mariana Islands	1,943	65	2,108	2,173	2,189	0.04
Puerto Rico	207,509	6,930	225,172	232,102	233,823	3.74
Freely Associated States	....	....	....	....	....	....
Virgin Islands	5,857	196	6,355	6,551	6,600	0.11
Indian Tribes	52,552	1,755	57,025	58,780	59,216	0.95
Undistributed	....	....	....	....	....	....
Other [1]	30,632	1,023	33,239	34,262	34,516	0.55
Total	**5,547,776**	**185,281**	**6,020,000**	**6,205,281**	**6,251,277**	[2] **100.00**

[1] Includes WIC Infrastructure, Technical Assistance, Breastfeeding Peer Counselors, and State Management Information Systems.
[2] Excludes undistributed obligations.

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

(obligations in thousands of dollars)

State or Territory	FY 2007 Actual	Estimated FY 2008 obligations from:			FY 2009 (estimated)	FY 2009 Percentage of distributed total
		Previous authority	New authority	Total		
Alabama	34,609	....	36,671	36,671	38,277	1.60
Alaska	7,323	....	7,759	7,759	8,099	0.34
Arizona	42,699	....	45,243	45,243	47,225	1.98
Arkansas	30,259	....	32,062	32,062	33,466	1.40
California	246,388	....	261,068	261,068	272,503	11.42
Colorado	19,151	....	20,292	20,292	21,181	0.89
Connecticut	11,372	....	12,050	12,050	12,577	0.53
Delaware	10,608	....	11,240	11,240	11,732	0.49
District of Columbia	3,578	....	3,791	3,791	3,957	0.17
Florida	121,075	....	128,289	128,289	133,908	5.61
Georgia	84,626	....	89,668	89,668	93,596	3.92
Hawaii	4,847	....	5,136	5,136	5,361	0.22
Idaho	5,546	....	5,876	5,876	6,134	0.26
Illinois	99,376	....	105,297	105,297	109,909	4.60
Indiana	33,701	....	35,709	35,709	37,273	1.56
Iowa	21,788	....	23,086	23,086	24,097	1.01
Kansas	30,718	....	32,548	32,548	33,974	1.42
Kentucky	26,055	....	27,607	27,607	28,817	1.21
Louisiana	52,798	....	55,944	55,944	58,394	2.45
Maine	9,249	....	9,800	9,800	10,229	0.43
Maryland	33,195	....	35,173	35,173	36,713	1.54
Massachusetts	44,910	....	47,586	47,586	49,670	2.08
Michigan	52,211	....	55,322	55,322	57,745	2.42
Minnesota	54,405	....	57,647	57,647	60,171	2.52
Mississippi	28,413	....	30,106	30,106	31,425	1.32
Missouri	39,240	....	41,578	41,578	43,399	1.82
Montana	9,111	....	9,654	9,654	10,077	0.42
Nebraska	23,875	....	25,298	25,298	26,406	1.11
Nevada	3,758	....	3,982	3,982	4,156	0.17
New Hampshire	3,041	....	3,222	3,222	3,363	0.14
New Jersey	53,050	....	56,211	56,211	58,673	2.46
New Mexico	33,904	....	35,924	35,924	37,497	1.57
New York	156,833	....	166,177	166,177	173,456	7.27
North Carolina	72,710	....	77,042	77,042	80,417	3.37
North Dakota	9,355	....	9,912	9,912	10,347	0.43
Ohio	65,078	....	68,955	68,955	71,976	3.02
Oklahoma	49,329	....	52,268	52,268	54,557	2.29
Oregon	23,244	....	24,629	24,629	25,708	1.08
Pennsylvania	60,930	....	64,560	64,560	67,388	2.82
Rhode Island	7,054	....	7,474	7,474	7,802	0.33
South Carolina	23,700	....	25,112	25,112	26,212	1.10
South Dakota	7,030	....	7,449	7,449	7,775	0.33
Tennessee	40,869	....	43,304	43,304	45,201	1.89
Texas	198,991	....	210,847	210,847	220,082	9.22
Utah	17,624	....	18,674	18,674	19,492	0.82
Vermont	3,959	....	4,195	4,195	4,379	0.18
Virginia	28,940	....	30,664	30,664	32,007	1.34
Washington	38,189	....	40,464	40,464	42,237	1.77
West Virginia	14,675	....	15,549	15,549	16,230	0.68
Wisconsin	35,412	....	37,522	37,522	39,165	1.64
Wyoming	4,659	....	4,937	4,937	5,153	0.22
American Samoa	....	....	....	....	....	....
Guam	254	....	269	269	281	0.01
Northern Mariana Islands	....	....	....	....	....	....
Puerto Rico	23,680	....	25,091	25,091	26,190	1.10
Freely Associated States	....	....	....	....	....	....
Virgin Islands	654	....	693	693	723	0.03
Indian Tribes	....	....	....	....	....	....
Undistributed	147,081	....	....	....	....	....
Total	**2,305,129**	....	**2,286,629**	**2,286,629**	**2,386,780**	[1] **100.00**

[1] Excludes undistributed obligations.

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

(obligations in thousands of dollars)

State or Territory	FY 2007 Actual	Estimated FY 2008 obligations from:			FY 2009 (estimated)	FY 2009 Percentage of distributed total
		Previous authority	New authority	Total		
Alabama	31,936	....	32,171	32,171	33,436	1.23
Alaska	9,759	....	9,831	9,831	10,218	0.38
Arizona	37,786	....	38,065	38,065	39,561	1.45
Arkansas	25,778	....	25,968	25,968	26,989	0.99
California	421,010	....	424,115	424,115	440,785	16.19
Colorado	27,977	....	28,184	28,184	29,292	1.08
Connecticut	24,783	....	24,966	24,966	25,948	0.95
Delaware	8,597	....	8,660	8,660	9,001	0.33
District of Columbia	13,100	....	13,197	13,197	13,716	0.50
Florida	69,088	....	69,597	69,597	72,334	2.66
Georgia	61,942	....	62,399	62,399	64,853	2.38
Hawaii	11,569	....	11,654	11,654	12,112	0.44
Idaho	11,205	....	11,288	11,288	11,732	0.43
Illinois	100,926	....	101,671	101,671	105,668	3.88
Indiana	34,499	....	34,754	34,754	36,120	1.33
Iowa	17,132	....	17,258	17,258	17,937	0.66
Kansas	17,585	....	17,714	17,714	18,411	0.68
Kentucky	39,712	....	40,005	40,005	41,578	1.53
Louisiana	48,254	....	48,610	48,610	50,521	1.86
Maine	8,154	....	8,214	8,214	8,537	0.31
Maryland	39,516	....	39,808	39,808	41,373	1.52
Massachusetts	41,715	....	42,023	42,023	43,675	1.60
Michigan	94,854	....	95,554	95,554	99,310	3.65
Minnesota	42,353	....	42,666	42,666	44,343	1.63
Mississippi	26,264	....	26,458	26,458	27,498	1.01
Missouri	44,037	....	44,362	44,362	46,106	1.69
Montana	7,919	....	7,978	7,978	8,291	0.30
Nebraska	12,155	....	12,245	12,245	12,726	0.47
Nevada	13,180	....	13,278	13,278	13,800	0.51
New Hampshire	5,729	....	5,771	5,771	5,998	0.22
New Jersey	90,363	....	91,030	91,030	94,609	3.47
New Mexico	33,773	....	34,023	34,023	35,360	1.30
New York	275,086	....	277,116	277,116	288,010	10.58
North Carolina	69,149	....	69,660	69,660	72,398	2.66
North Dakota	6,875	....	6,925	6,925	7,198	0.26
Ohio	99,817	....	100,553	100,553	104,506	3.84
Oklahoma	41,506	....	41,812	41,812	43,456	1.60
Oregon	43,616	....	43,938	43,938	45,665	1.68
Pennsylvania	139,541	....	140,570	140,570	146,097	5.37
Rhode Island	9,138	....	9,206	9,206	9,568	0.35
South Carolina	18,546	....	18,683	18,683	19,417	0.71
South Dakota	7,274	....	7,328	7,328	7,616	0.28
Tennessee	48,708	....	49,067	49,067	50,996	1.87
Texas	151,308	....	152,425	152,425	158,417	5.82
Utah	20,970	....	21,124	21,124	21,955	0.81
Vermont	7,475	....	7,530	7,530	7,826	0.29
Virginia	78,957	....	79,540	79,540	82,667	3.04
Washington	49,372	....	49,737	49,737	51,692	1.90
West Virginia	14,473	....	14,580	14,580	15,153	0.56
Wisconsin	35,334	....	35,595	35,595	36,994	1.36
Wyoming	4,345	....	4,377	4,377	4,550	0.17
American Samoa	....	....	....	....	....	....
Guam	2,336	....	2,353	2,353	2,446	0.09
Northern Mariana Islands	....	....	....	....	....	....
Puerto Rico	....	....	....	....	....	....
Freely Associated States	....	....	....	....	....	....
Virgin Islands	4,332	....	4,364	4,364	4,535	0.17
Indian Tribes	....	....	....	....	....	....
Undistributed	−92,254	....	....	....	....	....
Total	**2,508,553**	....	**2,620,000**	**2,620,000**	**2,723,000**	[1] **100.00**

[1] Excludes undistributed obligations.

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

(obligations in thousands of dollars)

State or Territory	FY 2007 Actual	Estimated FY 2008 obligations from:			FY 2009 (estimated)	FY 2009 Percentage of distributed total
		Previous authority	New authority	Total		
Alabama	194,251		214,991	214,991	222,999	1.56
Alaska	34,025		38,782	38,782	40,062	0.28
Arizona	263,204		272,913	272,913	274,362	1.92
Arkansas	122,031		143,561	143,561	150,207	1.05
California	1,643,496		1,696,362	1,696,362	1,726,660	12.07
Colorado	123,928		135,822	135,822	141,655	0.99
Connecticut	111,879		116,530	116,530	115,522	0.81
Delaware	34,110		38,366	38,366	39,628	0.28
District of Columbia	46,026		47,481	47,481	49,393	0.35
Florida	589,157		648,128	648,128	684,447	4.78
Georgia	410,011		446,325	446,325	462,328	3.23
Hawaii	39,639		44,675	44,675	47,033	0.33
Idaho	41,327		46,769	46,769	48,938	0.34
Illinois	593,136		593,016	593,016	588,643	4.11
Indiana	230,085		245,548	245,548	249,612	1.74
Iowa	69,214		73,177	73,177	75,355	0.53
Kansas	88,061		95,425	95,425	98,523	0.69
Kentucky	185,854		210,413	210,413	218,377	1.53
Louisiana	277,650		308,753	308,753	321,929	2.25
Maine	43,870		51,907	51,907	54,304	0.38
Maryland	188,034		188,316	188,316	192,271	1.34
Massachusetts	211,607		234,021	234,021	239,308	1.67
Michigan	460,302		523,125	523,125	542,541	3.79
Minnesota	114,583		124,791	124,791	127,993	0.89
Mississippi	174,679		188,589	188,589	193,970	1.36
Missouri	201,452		224,131	224,131	232,048	1.62
Montana	38,635		43,557	43,557	45,260	0.32
Nebraska	50,662		60,376	60,376	63,087	0.44
Nevada	80,299		79,754	79,754	84,303	0.59
New Hampshire	34,248		38,255	38,255	39,499	0.28
New Jersey	252,409		289,822	289,822	297,192	2.08
New Mexico	103,847		113,229	113,229	117,503	0.82
New York	1,210,071		1,224,956	1,224,956	1,238,206	8.66
North Carolina	301,104		358,662	358,662	376,764	2.63
North Dakota	29,825		33,838	33,838	34,946	0.24
Ohio	449,255		513,621	513,621	530,056	3.71
Oklahoma	128,266		148,369	148,369	154,619	1.08
Oregon	121,425		140,318	140,318	146,316	1.02
Pennsylvania	516,459		567,750	567,750	587,544	4.11
Rhode Island	50,390		52,952	52,952	53,284	0.37
South Carolina	187,902		205,430	205,430	214,194	1.50
South Dakota	37,274		41,565	41,565	42,969	0.30
Tennessee	205,728		240,758	240,758	253,110	1.77
Texas	1,169,500		1,301,829	1,301,829	1,343,209	9.39
Utah	58,197		59,538	59,538	61,129	0.43
Vermont	27,199		32,640	32,640	33,697	0.24
Virginia	204,733		226,630	226,630	237,163	1.66
Washington	182,795		188,788	188,788	193,690	1.35
West Virginia	89,221		99,947	99,947	103,997	0.73
Wisconsin	201,601		198,828	198,828	197,691	1.38
Wyoming	28,094		31,244	31,244	32,282	0.23
American Samoa	8,626		9,610	9,610	9,898	0.07
Guam	9,261		11,580	11,580	11,927	0.08
Northern Mariana Islands	3,303		3,491	3,491	3,595	0.03
Puerto Rico	455,589		511,419	511,419	538,073	3.76
Freely Associated States						
Virgin Islands	11,592		12,913	12,913	13,301	0.09
Indian Tribes	91,754		97,546	97,546	100,476	0.70
Undistributed						
Census	3,437		3,930	3,930	4,000	0.03
Pacific Regional Education Lab	3,811		3,811	3,811	3,811	0.03
Total	**12,838,125**		**13,898,875**	[1] **13,898,875**	[1] **14,304,901**	[2] **100.00**

[1] State allocations for 2008 and 2009 are preliminary estimates based on currently available data. Allocations based on new data may result in significant changes from these preliminary estimates.
[2] Excludes undistributed obligations.

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

(obligations in thousands of dollars)

State or Territory	FY 2007 Actual	Estimated FY 2008 obligations from:			FY 2009 (estimated)	FY 2009 Percentage of distributed total
		Previous authority	New authority	Total		
Alabama	45,924	....	47,006	47,006	45,343	1.60
Alaska	13,752	....	13,987	13,987	13,495	0.48
Arizona	48,406	....	48,508	48,508	46,417	1.64
Arkansas	27,691	....	28,670	28,670	27,633	0.97
California	331,226	....	333,420	333,420	321,120	11.33
Colorado	32,112	....	32,892	32,892	31,696	1.12
Connecticut	26,565	....	26,703	26,703	25,905	0.91
Delaware	13,752	....	13,987	13,987	13,495	0.48
District of Columbia	13,752	....	13,987	13,987	13,495	0.48
Florida	130,979	....	133,937	133,937	128,952	4.55
Georgia	77,838	....	79,174	79,174	76,042	2.68
Hawaii	13,752	....	13,987	13,987	13,495	0.48
Idaho	13,752	....	13,987	13,987	13,495	0.48
Illinois	118,046	....	117,749	117,749	114,011	4.02
Indiana	49,204	....	50,342	50,342	48,514	1.71
Iowa	21,891	....	22,325	22,325	21,618	0.76
Kansas	22,433	....	22,708	22,708	21,993	0.78
Kentucky	44,085	....	45,089	45,089	43,656	1.54
Louisiana	63,732	....	65,253	65,253	63,279	2.23
Maine	13,752	....	13,987	13,987	13,495	0.48
Maryland	41,424	....	41,396	41,396	40,121	1.42
Massachusetts	50,884	....	51,805	51,805	50,280	1.77
Michigan	109,550	....	112,217	112,217	109,003	3.84
Minnesota	37,842	....	38,499	38,499	37,346	1.32
Mississippi	42,062	....	42,778	42,778	41,436	1.46
Missouri	49,803	....	50,956	50,956	49,172	1.73
Montana	13,752	....	13,987	13,987	13,495	0.48
Nebraska	14,029	....	14,264	14,264	13,771	0.49
Nevada	15,347	....	15,447	15,447	14,773	0.52
New Hampshire	13,752	....	13,987	13,987	13,495	0.48
New Jersey	63,836	....	65,407	65,407	63,351	2.23
New Mexico	22,499	....	23,098	23,098	22,315	0.79
New York	228,364	....	227,826	227,826	221,790	7.82
North Carolina	65,161	....	67,896	67,896	65,004	2.29
North Dakota	13,752	....	13,987	13,987	13,495	0.48
Ohio	104,982	....	107,857	107,857	104,427	3.68
Oklahoma	32,691	....	33,967	33,967	32,758	1.16
Oregon	27,999	....	28,888	28,888	27,832	0.98
Pennsylvania	113,433	....	115,314	115,314	111,973	3.95
Rhode Island	13,752	....	13,987	13,987	13,495	0.48
South Carolina	37,101	....	37,932	37,932	36,449	1.29
South Dakota	13,752	....	13,987	13,987	13,495	0.48
Tennessee	49,288	....	51,116	51,116	49,163	1.73
Texas	240,403	....	247,032	247,032	237,584	8.38
Utah	18,799	....	18,979	18,979	18,297	0.65
Vermont	13,752	....	13,987	13,987	13,495	0.48
Virginia	51,306	....	52,437	52,437	50,603	1.78
Washington	47,422	....	48,010	48,010	46,341	1.63
West Virginia	23,079	....	23,716	23,716	23,107	0.82
Wisconsin	46,532	....	46,354	46,354	44,986	1.59
Wyoming	13,752	....	13,987	13,987	13,495	0.48
American Samoa	3,416	....	3,481	3,481	3,345	0.12
Guam	5,057	....	5,135	5,135	4,972	0.18
Northern Mariana Islands	1,611	....	1,639	1,639	1,580	0.06
Puerto Rico	91,535	....	92,572	92,572	89,371	3.15
Freely Associated States	....	....	....	....	....	....
Virgin Islands	4,281	....	4,348	4,348	4,208	0.15
Indian Tribes	14,365	....	14,603	14,603	14,105	0.50
Undistributed	....	....	....	....	....	....
Evaluation	14,437	....	14,676	14,676	14,176	0.50
Total	**2,887,439**	....	**2,935,248**	**2,935,248**	**2,835,248**	[1] **100.00**

[1] Excludes undistributed obligations.

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

(obligations in thousands of dollars)

State or Territory	FY 2007 Actual	Estimated FY 2008 obligations from:			FY 2009 (estimated)	FY 2009 Percentage of distributed total
		Previous authority	New authority	Total		
Alabama	170,486	....	172,827	172,827	177,615	1.57
Alaska	33,552	....	34,370	34,370	35,493	0.31
Arizona	167,830	....	172,909	172,909	180,825	1.60
Arkansas	105,159	....	106,603	106,603	109,557	0.97
California	1,150,176	....	1,165,973	1,165,973	1,198,276	10.62
Colorado	141,994	....	144,726	144,726	151,248	1.34
Connecticut	124,652	....	126,364	126,364	129,865	1.15
Delaware	30,750	....	31,680	31,680	33,131	0.29
District of Columbia	15,461	....	15,929	15,929	16,658	0.15
Florida	590,329	....	598,437	598,437	615,017	5.45
Georgia	295,043	....	303,971	303,971	317,888	2.82
Hawaii	37,427	....	37,941	37,941	38,992	0.35
Idaho	50,887	....	51,586	51,586	53,016	0.47
Illinois	474,790	....	481,311	481,311	494,646	4.38
Indiana	239,750	....	243,042	243,042	249,776	2.21
Iowa	114,456	....	116,028	116,028	119,242	1.06
Kansas	100,185	....	101,561	101,561	104,375	0.92
Kentucky	147,980	....	150,013	150,013	154,169	1.37
Louisiana	177,474	....	179,912	179,912	184,896	1.64
Maine	51,300	....	52,005	52,005	53,445	0.47
Maryland	187,713	....	190,291	190,291	195,563	1.73
Massachusetts	266,132	....	269,787	269,787	277,261	2.46
Michigan	375,542	....	380,700	380,700	391,247	3.47
Minnesota	177,961	....	180,405	180,405	185,404	1.64
Mississippi	111,568	....	113,101	113,101	116,234	1.03
Missouri	212,961	....	215,886	215,886	221,867	1.97
Montana	34,572	....	35,120	35,120	36,244	0.32
Nebraska	70,005	....	70,966	70,966	72,932	0.65
Nevada	63,116	....	65,026	65,026	68,003	0.60
New Hampshire	44,492	....	45,103	45,103	46,352	0.41
New Jersey	338,874	....	343,528	343,528	353,045	3.13
New Mexico	85,445	....	86,618	86,618	89,018	0.79
New York	711,692	....	721,466	721,466	741,454	6.57
North Carolina	298,208	....	304,552	304,552	317,915	2.82
North Dakota	24,969	....	25,724	25,724	26,902	0.24
Ohio	410,348	....	415,983	415,983	427,508	3.79
Oklahoma	138,669	....	140,574	140,574	144,469	1.28
Oregon	120,909	....	122,570	122,570	125,966	1.12
Pennsylvania	400,450	....	405,950	405,950	417,197	3.70
Rhode Island	40,998	....	41,561	41,561	42,712	0.38
South Carolina	164,211	....	166,466	166,466	171,078	1.52
South Dakota	29,744	....	30,644	30,644	32,047	0.28
Tennessee	218,639	....	221,642	221,642	227,782	2.02
Texas	903,726	....	916,138	916,138	952,229	8.44
Utah	100,055	....	101,664	101,664	106,147	0.94
Vermont	24,075	....	24,803	24,803	25,939	0.23
Virginia	264,057	....	267,684	267,684	275,100	2.44
Washington	207,507	....	210,357	210,357	216,185	1.92
West Virginia	71,200	....	72,178	72,178	74,177	0.66
Wisconsin	195,173	....	197,854	197,854	203,335	1.80
Wyoming	25,257	....	26,021	26,021	27,212	0.24
American Samoa	6,202	....	6,297	6,297	6,454	0.06
Guam	13,753	....	13,962	13,962	14,310	0.13
Northern Mariana Islands	4,713	....	4,785	4,785	4,904	0.04
Puerto Rico	102,591	....	105,695	105,695	110,534	0.98
Freely Associated States	6,579	....	6,579	6,579	6,579	0.06
Virgin Islands	8,741	....	8,874	8,874	9,095	0.08
Indian Tribes	87,433	....	88,767	88,767	90,978	0.81
Undistributed	....	....	....	....	....	....
Technical Assistance	15,000	....	15,000	15,000	15,000	0.13
Total	**10,782,961**	....	**10,947,512**	**10,947,512**	**11,284,511**	[1] **100.00**

[1] Excludes undistributed obligations.

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

(obligations in thousands of dollars)

State or Territory	FY 2007 Actual	Estimated FY 2008 obligations from:			FY 2009 (estimated)	FY 2009 Percentage of distributed total
		Previous authority	New authority	Total		
Alabama	57,890	....	55,817	55,817	55,750	1.94
Alaska	9,450	....	9,464	9,464	9,464	0.33
Arizona	56,407	....	57,950	57,950	58,928	2.05
Arkansas	36,527	....	35,809	35,809	35,821	1.25
California	277,135	....	275,593	275,593	274,421	9.55
Colorado	34,772	....	36,014	36,014	36,419	1.27
Connecticut	20,348	....	19,947	19,947	19,835	0.69
Delaware	9,479	....	9,464	9,464	9,464	0.33
District of Columbia	12,633	....	12,618	12,618	12,644	0.44
Florida	154,109	....	152,844	152,844	152,953	5.32
Georgia	76,685	....	92,259	92,259	93,055	3.24
Hawaii	11,255	....	11,053	11,053	10,969	0.38
Idaho	15,725	....	15,868	15,868	16,047	0.56
Illinois	106,346	....	105,254	105,254	104,758	3.64
Indiana	66,226	....	66,660	66,660	66,518	2.31
Iowa	32,387	....	31,156	31,156	31,023	1.08
Kansas	27,642	....	26,929	26,929	26,856	0.93
Kentucky	51,377	....	51,743	51,743	51,756	1.80
Louisiana	43,078	....	56,383	56,383	56,125	1.95
Maine	15,289	....	15,030	15,030	14,917	0.52
Maryland	39,862	....	38,114	38,114	37,914	1.32
Massachusetts	46,478	....	45,530	45,530	45,366	1.58
Michigan	96,240	....	97,347	97,347	96,620	3.36
Minnesota	43,805	....	43,124	43,124	43,062	1.50
Mississippi	42,113	....	41,288	41,288	41,144	1.43
Missouri	61,039	....	62,038	62,038	61,954	2.16
Montana	11,147	....	10,762	10,762	10,809	0.38
Nebraska	17,948	....	17,356	17,356	17,301	0.60
Nevada	15,547	....	17,932	17,932	18,247	0.63
New Hampshire	10,800	....	10,736	10,736	10,682	0.37
New Jersey	54,675	....	55,185	55,185	54,730	1.90
New Mexico	22,861	....	22,685	22,685	22,681	0.79
New York	147,134	....	147,352	147,352	146,515	5.10
North Carolina	88,755	....	92,813	92,813	93,836	3.26
North Dakota	9,342	....	9,464	9,464	9,464	0.33
Ohio	118,397	....	120,401	120,401	119,651	4.16
Oklahoma	40,565	....	40,629	40,629	40,704	1.42
Oregon	35,110	....	35,175	35,175	35,298	1.23
Pennsylvania	125,031	....	121,102	121,102	120,403	4.19
Rhode Island	10,276	....	10,051	10,051	9,935	0.35
South Carolina	50,595	....	50,735	50,735	51,173	1.78
South Dakota	9,518	....	9,464	9,464	9,464	0.33
Tennessee	66,251	....	65,576	65,576	66,105	2.30
Texas	212,142	....	217,750	217,750	219,250	7.63
Utah	26,821	....	28,030	28,030	28,685	1.00
Vermont	9,464	....	9,464	9,464	9,464	0.33
Virginia	63,650	....	62,084	62,084	62,130	2.16
Washington	48,881	....	51,125	51,125	51,258	1.78
West Virginia	25,540	....	25,313	25,313	25,119	0.87
Wisconsin	54,832	....	55,247	55,247	55,250	1.92
Wyoming	8,520	....	9,464	9,464	9,464	0.33
American Samoa	924	....	929	929	921	0.03
Guam	2,052	....	2,878	2,878	2,891	0.10
Northern Mariana Islands	1,126	....	1,160	1,160	1,177	0.04
Puerto Rico	68,548	....	71,021	71,021	70,799	2.46
Freely Associated States	....	....	....	....	....	....
Virgin Islands	1,965	....	1,974	1,974	1,962	0.07
Indian Tribes	34,444	....	34,892	34,892	34,892	1.21
Undistributed	....	....	....	....	....	....
Total	**2,837,160**	....	**2,874,043**	**2,874,043**	**2,874,043**	[1] **100.00**

[1] Excludes undistributed obligations.

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

(obligations in thousands of dollars)

State or Territory	FY 2007 Actual	Estimated FY 2008 obligations from: Previous authority	New authority	Total	FY 2009 (estimated)	FY 2009 Percentage of distributed total
Alabama	74,295	....	72,328	72,328	72,328	1.44
Alaska	15,699	....	11,186	11,186	11,186	0.22
Arizona	127,859	....	142,957	142,957	142,957	2.84
Arkansas	49,308	....	47,544	47,544	47,544	0.94
California	790,789	....	789,164	789,164	789,164	15.66
Colorado	71,545	....	71,545	71,545	71,545	1.42
Connecticut	39,891	....	38,810	38,810	38,810	0.77
Delaware	11,058	....	12,760	12,760	12,760	0.25
District of Columbia	11,709	....	12,057	12,057	12,057	0.24
Florida	296,067	....	301,724	301,724	301,724	5.99
Georgia	287,179	....	167,924	167,924	167,924	3.33
Hawaii	15,314	....	15,243	15,243	15,243	0.30
Idaho	24,316	....	23,803	23,803	23,803	0.47
Illinois	390,740	....	208,344	208,344	208,344	4.13
Indiana	93,469	....	97,385	97,385	97,385	1.93
Iowa	50,231	....	33,177	33,177	33,177	0.66
Kansas	36,542	....	36,635	36,635	36,635	0.73
Kentucky	70,115	....	68,237	68,237	68,237	1.35
Louisiana	89,586	....	84,083	84,083	84,083	1.67
Maine	17,161	....	15,450	15,450	15,450	0.31
Maryland	111,401	....	72,403	72,403	72,403	1.44
Massachusetts	153,634	....	73,335	73,335	73,335	1.46
Michigan	149,383	....	147,082	147,082	147,082	2.92
Minnesota	52,819	....	48,613	48,613	48,613	0.96
Mississippi	84,028	....	60,989	60,989	60,989	1.21
Missouri	72,140	....	77,618	77,618	77,618	1.54
Montana	15,736	....	15,922	15,922	15,922	0.32
Nebraska	21,892	....	21,377	21,377	21,377	0.42
Nevada	52,056	....	51,072	51,072	51,072	1.01
New Hampshire	10,779	....	10,657	10,657	10,657	0.21
New Jersey	210,050	....	105,519	105,519	105,519	2.09
New Mexico	52,045	....	52,045	52,045	52,045	1.03
New York	340,807	....	328,680	328,680	328,680	6.52
North Carolina	136,117	....	136,117	136,117	136,117	2.70
North Dakota	7,738	....	7,889	7,889	7,889	0.16
Ohio	157,997	....	157,858	157,858	157,858	3.13
Oklahoma	70,828	....	70,828	70,828	70,828	1.41
Oregon	56,734	....	60,116	60,116	60,116	1.19
Pennsylvania	173,554	....	168,758	168,758	168,758	3.35
Rhode Island	40,939	....	13,958	13,958	13,958	0.28
South Carolina	70,651	....	71,017	71,017	71,017	1.41
South Dakota	10,354	....	10,504	10,504	10,504	0.21
Tennessee	97,460	....	99,842	99,842	99,842	1.98
Texas	557,980	....	556,191	556,191	556,191	11.04
Utah	40,486	....	41,292	41,292	41,292	0.82
Vermont	5,753	....	5,637	5,637	5,637	0.11
Virginia	94,070	....	90,339	90,339	90,339	1.79
Washington	79,883	....	79,883	79,883	79,883	1.58
West Virginia	27,517	....	25,666	25,666	25,666	0.51
Wisconsin	69,715	....	69,563	69,563	69,563	1.38
Wyoming	6,942	....	6,373	6,373	6,373	0.13
American Samoa	630	....	630	630	630	0.01
Guam	1,838	....	1,838	1,838	1,838	0.04
Northern Mariana Islands	578	....	578	578	578	0.01
Puerto Rico	48,090	....	48,090	48,090	48,090	0.95
Freely Associated States	....	....	....	....	....	....
Virgin Islands	1,365	....	1,365	1,365	1,365	0.03
Indian Tribes	....	....	....	....	....	....
Undistributed	43,138	....	1,600,000	[1] 1,600,000	[1] 275,000	....
Total	**5,690,000**	....	**6,640,000**	**6,640,000**	**5,315,000**	[2] **100.00**

[1] Includes additional funding appropriated in P.L. 110–173 for States that have projected expenditures in excess of available funding. This funding will be distributed to States according to statute.

[2] Excludes undistributed obligations.

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

(obligations in thousands of dollars)

State or Territory	FY 2007 Actual	Estimated FY 2008 obligations from:			FY 2009 (estimated)	FY 2009 Percentage of distributed total
		Previous authority	New authority	Total		
Alabama	2,940,192	....	2,854,209	2,854,209	2,902,936	1.31
Alaska	697,380	....	784,273	784,273	829,820	0.38
Arizona	4,624,960	....	5,163,537	5,163,537	5,697,855	2.58
Arkansas	2,440,263	....	2,714,004	2,714,004	2,986,444	1.35
California	22,683,720	....	22,331,784	22,331,784	22,987,211	10.41
Colorado	1,575,252	....	1,686,845	1,686,845	1,749,468	0.79
Connecticut	2,236,684	....	2,381,441	2,381,441	2,484,981	1.13
Delaware	548,117	....	579,951	579,951	629,680	0.29
District of Columbia	1,065,559	....	1,128,518	1,128,518	1,160,444	0.53
Florida	8,531,917	....	8,636,353	8,636,353	8,923,940	4.04
Georgia	4,565,846	....	4,549,510	4,549,510	4,732,392	2.14
Hawaii	704,610	....	645,876	645,876	641,815	0.29
Idaho	838,439	....	868,829	868,829	949,417	0.43
Illinois	7,155,690	....	6,676,912	6,676,912	6,554,010	2.97
Indiana	3,869,405	....	3,785,158	3,785,158	4,006,475	1.81
Iowa	1,707,669	....	1,716,131	1,716,131	1,837,941	0.83
Kansas	1,472,038	....	1,397,881	1,397,881	1,451,626	0.66
Kentucky	3,284,546	....	3,454,644	3,454,644	3,587,128	1.62
Louisiana	3,803,243	....	4,556,003	4,556,003	4,988,758	2.26
Maine	1,484,706	....	1,416,912	1,416,912	1,550,455	0.70
Maryland	2,935,024	....	2,956,354	2,956,354	3,149,359	1.43
Massachusetts	5,820,039	....	5,827,467	5,827,467	6,087,855	2.76
Michigan	5,568,026	....	5,529,730	5,529,730	5,755,101	2.61
Minnesota	3,436,915	....	3,661,427	3,661,427	3,899,054	1.77
Mississippi	2,552,166	....	2,821,625	2,821,625	3,037,716	1.38
Missouri	4,360,484	....	4,852,522	4,852,522	5,351,146	2.42
Montana	543,287	....	528,498	528,498	530,571	0.24
Nebraska	981,488	....	1,010,665	1,010,665	1,078,282	0.49
Nevada	784,490	....	765,079	765,079	761,832	0.35
New Hampshire	651,312	....	688,778	688,778	729,834	0.33
New Jersey	5,022,922	....	4,781,329	4,781,329	4,805,928	2.18
New Mexico	2,100,824	....	2,216,652	2,216,652	2,445,720	1.11
New York	24,142,473	....	25,488,362	25,488,362	26,241,144	11.89
North Carolina	6,721,726	....	6,797,374	6,797,374	7,293,491	3.30
North Dakota	357,941	....	405,574	405,574	406,863	0.18
Ohio	8,055,587	....	8,131,860	8,131,860	8,741,262	3.96
Oklahoma	2,426,504	....	2,642,701	2,642,701	2,597,854	1.18
Oregon	1,988,613	....	2,145,878	2,145,878	2,350,413	1.06
Pennsylvania	9,197,164	....	9,420,349	9,420,349	9,980,814	4.52
Rhode Island	993,167	....	1,003,199	1,003,199	1,060,762	0.48
South Carolina	2,987,929	....	2,969,534	2,969,534	2,990,390	1.35
South Dakota	425,246	....	427,429	427,429	428,339	0.19
Tennessee	4,908,617	....	4,813,880	4,813,880	5,073,891	2.30
Texas	14,379,998	....	13,968,726	13,968,726	14,431,063	6.54
Utah	1,163,571	....	1,097,868	1,097,868	1,130,124	0.51
Vermont	628,688	....	662,876	662,876	671,280	0.30
Virginia	2,737,821	....	2,889,595	2,889,595	3,033,180	1.37
Washington	3,213,924	....	3,279,825	3,279,825	3,376,379	1.53
West Virginia	1,739,467	....	1,799,288	1,799,288	1,870,618	0.85
Wisconsin	2,891,600	....	3,017,857	3,017,857	3,264,916	1.48
Wyoming	248,079	....	251,148	251,148	261,339	0.12
American Samoa	8,290	....	8,831	8,831	8,831	*
Guam	12,484	....	13,645	13,645	13,645	0.01
Northern Mariana Islands	4,574	....	4,851	4,851	4,851	*
Puerto Rico	250,400	....	297,870	297,870	297,870	0.13
Freely Associated States	....	....	....	....	....	....
Virgin Islands	12,445	....	13,795	13,795	12,381	0.01
Indian Tribes	....	....	....	....	....	....
Undistributed	....	....	....	....	....	....
Survey & Certification	200,385	....	223,000	223,000	228,798	0.10
Fraud Control Units	174,800	....	186,000	186,000	195,300	0.09
Vaccines for Children	2,735,437	....	2,702,206	2,702,206	2,766,230	1.25
Vaccines for Children Collection	513	....	....	....	....	....
Medicare Part B Transfer	358,675	....	300,000	300,000	....	....
Incurred but Not Reported	1,614,242	....	3,000,000	3,000,000	3,231,000	1.46
Adjustments	−453,530	....	−3,879,712	−3,879,712	520,106	0.24
Total	**205,114,043**	....	**207,052,706**	**207,052,706**	**220,768,328**	[1] **100.00**

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

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

(obligations in thousands of dollars)

State or Territory	FY 2007 Actual	Estimated FY 2008 obligations from: Previous authority	New authority	Total	FY 2009 (estimated)	FY 2009 Percentage of distributed total
Alabama	104,408	....	104,408	104,408	104,408	0.61
Alaska	53,620	....	53,620	53,620	53,620	0.31
Arizona	226,131	....	226,131	226,131	226,131	1.33
Arkansas	62,937	....	62,951	62,951	62,951	0.37
California	3,665,236	....	3,663,779	3,663,779	3,663,779	21.48
Colorado	149,626	....	149,626	149,626	149,626	0.88
Connecticut	261,986	....	266,788	266,788	266,788	1.56
Delaware	31,117	....	32,291	32,291	32,291	0.19
District of Columbia	92,595	....	92,610	92,610	92,610	0.54
Florida	622,746	....	622,746	622,746	622,746	3.65
Georgia	368,025	....	368,025	368,025	368,025	2.16
Hawaii	98,905	....	98,905	98,905	98,905	0.58
Idaho	33,911	....	33,911	33,911	33,911	0.20
Illinois	585,057	....	585,057	585,057	585,057	3.43
Indiana	206,799	....	206,799	206,799	206,799	1.21
Iowa	130,994	....	130,994	130,994	130,994	0.77
Kansas	101,931	....	101,931	101,931	101,931	0.60
Kentucky	181,288	....	181,288	181,288	181,288	1.06
Louisiana	180,999	....	180,999	180,999	180,999	1.06
Maine	78,121	....	78,121	78,121	78,121	0.46
Maryland	229,098	....	229,098	229,098	229,098	1.34
Massachusetts	459,371	....	459,371	459,371	459,371	2.69
Michigan	775,353	....	775,353	775,353	775,353	4.55
Minnesota	263,434	....	263,434	263,434	263,434	1.54
Mississippi	95,803	....	95,803	95,803	95,803	0.56
Missouri	217,052	....	217,052	217,052	217,052	1.27
Montana	39,172	....	39,172	39,172	39,172	0.23
Nebraska	57,769	....	57,514	57,514	57,514	0.34
Nevada	45,928	....	47,641	47,641	47,641	0.28
New Hampshire	38,521	....	38,521	38,521	38,521	0.23
New Jersey	404,035	....	404,035	404,035	404,035	2.37
New Mexico	117,131	....	117,131	117,131	117,131	0.69
New York	2,442,931	....	2,442,931	2,442,931	2,442,931	14.32
North Carolina	338,350	....	338,350	338,350	338,350	1.98
North Dakota	26,400	....	26,400	26,400	26,400	0.15
Ohio	727,968	....	727,968	727,968	727,968	4.27
Oklahoma	147,594	....	145,860	145,860	145,860	0.86
Oregon	166,799	....	166,799	166,799	166,799	0.98
Pennsylvania	719,499	....	719,499	719,499	719,499	4.22
Rhode Island	95,022	....	95,022	95,022	95,022	0.56
South Carolina	99,968	....	99,968	99,968	99,968	0.59
South Dakota	21,280	....	21,280	21,280	21,280	0.12
Tennessee	213,089	....	213,089	213,089	213,089	1.25
Texas	538,965	....	538,965	538,965	538,965	3.16
Utah	83,611	....	84,314	84,314	84,314	0.49
Vermont	47,353	....	47,353	47,353	47,353	0.28
Virginia	158,285	....	158,285	158,285	158,285	0.93
Washington	382,267	....	382,267	382,267	382,267	2.24
West Virginia	110,176	....	110,176	110,176	110,176	0.65
Wisconsin	314,499	....	314,499	314,499	314,499	1.84
Wyoming	18,360	....	18,501	18,501	18,501	0.11
American Samoa	....	....	....	....	....	....
Guam	2,819	....	3,465	3,465	3,465	0.02
Northern Mariana Islands	....	....	....	....	....	....
Puerto Rico	71,562	....	71,562	71,562	71,562	0.42
Freely Associated States	....	....	....	....	....	....
Virgin Islands	2,847	....	2,847	2,847	2,847	0.02
Indian Tribes	167,748	....	171,487	171,487	171,487	1.01
Undistributed	....	....	....	....	....	....
Tribal New Program	7,551	....	7,633	7,633	7,633	0.04
Responsible Fatherhood	149,962	....	150,000	150,000	150,000	0.88
Territories Matching Fund	....	....	15,000	15,000	15,000	0.09
Total	**17,034,004**	....	**17,058,625**	**17,058,625**	**17,058,625**	[1] **100.00**

[1] Excludes undistributed obligations.

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

(obligations in thousands of dollars)

State or Territory	FY 2007 Actual	Estimated FY 2008 obligations from: Previous authority	New authority	Total	FY 2009 (estimated)	FY 2009 Percentage of distributed total
Alabama	44,635	....	42,394	42,394	38,394	1.00
Alaska	18,254	....	17,337	17,337	15,701	0.41
Arizona	66,615	....	63,270	63,270	57,301	1.50
Arkansas	34,264	....	32,543	32,543	29,473	0.77
California	776,584	....	737,586	737,586	667,999	17.46
Colorado	52,353	....	49,724	49,724	45,033	1.18
Connecticut	51,430	....	48,847	48,847	44,238	1.16
Delaware	22,070	....	20,962	20,962	18,984	0.50
District of Columbia	13,509	....	12,831	12,831	11,620	0.30
Florida	221,436	....	210,315	210,315	190,474	4.98
Georgia	87,609	....	83,209	83,209	75,359	1.97
Hawaii	11,038	....	10,484	10,484	9,494	0.25
Idaho	36,653	....	34,812	34,812	31,528	0.82
Illinois	136,680	....	129,816	129,816	117,569	3.07
Indiana	50,678	....	48,133	48,133	43,592	1.14
Iowa	42,103	....	39,988	39,988	36,216	0.95
Kansas	54,516	....	51,778	51,778	46,893	1.23
Kentucky	33,869	....	32,168	32,168	29,133	0.76
Louisiana	66,320	....	62,989	62,989	57,046	1.49
Maine	16,058	....	15,252	15,252	13,813	0.36
Maryland	95,683	....	90,878	90,878	82,304	2.15
Massachusetts	99,930	....	94,911	94,911	85,957	2.25
Michigan	161,464	....	153,355	153,355	138,887	3.63
Minnesota	102,382	....	97,240	97,240	88,067	2.30
Mississippi	41,666	....	39,573	39,573	35,840	0.94
Missouri	48,296	....	45,870	45,870	41,543	1.09
Montana	12,869	....	12,223	12,223	11,070	0.29
Nebraska	32,550	....	30,916	30,916	27,999	0.73
Nevada	33,777	....	32,080	32,080	29,054	0.76
New Hampshire	38,922	....	36,967	36,967	33,479	0.88
New Jersey	181,123	....	172,027	172,027	155,797	4.07
New Mexico	88,955	....	84,487	84,487	76,517	2.00
New York	207,139	....	196,736	196,736	178,175	4.66
North Carolina	84,723	....	80,468	80,468	72,877	1.91
North Dakota	53,336	....	50,657	50,657	45,878	1.20
Ohio	204,888	....	194,598	194,598	176,239	4.61
Oklahoma	46,670	....	44,326	44,326	40,144	1.05
Oregon	80,712	....	76,659	76,659	69,427	1.82
Pennsylvania	141,546	....	134,437	134,437	121,754	3.18
Rhode Island	7,725	....	7,337	7,337	6,645	0.17
South Carolina	43,301	....	41,126	41,126	37,246	0.97
South Dakota	48,192	....	45,772	45,772	41,454	1.08
Tennessee	63,918	....	60,708	60,708	54,980	1.44
Texas	217,289	....	206,377	206,377	186,907	4.89
Utah	43,782	....	41,583	41,583	37,660	0.98
Vermont	45,914	....	43,608	43,608	39,494	1.03
Virginia	71,460	....	67,871	67,871	61,468	1.61
Washington	78,684	....	74,733	74,733	67,682	1.77
West Virginia	21,738	....	20,646	20,646	18,699	0.49
Wisconsin	68,074	....	64,655	64,655	58,556	1.53
Wyoming	8,095	....	7,688	7,688	6,963	0.18
American Samoa	....	....	....	....	....	....
Guam	8,719	....	8,281	8,281	7,500	0.20
Northern Mariana Islands	....	....	....	....	....	....
Puerto Rico	40,322	....	38,297	38,297	34,684	0.91
Freely Associated States	....	....	....	....	....	....
Virgin Islands	15,429	....	14,654	14,654	13,272	0.35
Indian Tribes	19,653	....	45,000	45,000	61,000	1.59
Undistributed	....	....	....	....	....	....
Total	**4,395,600**	....	**4,201,182**	**4,201,182**	**3,825,078**	[1] **100.00**

[1] Excludes undistributed obligations.

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

(obligations in thousands of dollars)

State or Territory	FY 2007 Actual	Estimated FY 2008 obligations from: Previous authority	New authority	Total	FY 2009 (estimated)	FY 2009 Percentage of distributed total
Alabama	16,673	....	16,673	16,673	14,315	0.84
Alaska	7,418	....	7,418	7,418	6,369	0.37
Arizona	7,451	....	7,451	7,451	6,397	0.38
Arkansas	12,796	....	12,796	12,796	10,986	0.65
California	89,236	....	89,236	89,236	76,617	4.51
Colorado	31,367	....	31,367	31,367	26,932	1.58
Connecticut	40,920	....	40,920	40,920	35,133	2.07
Delaware	5,431	....	5,431	5,431	4,663	0.27
District of Columbia	6,355	....	6,355	6,355	5,456	0.32
Florida	26,527	....	26,527	26,527	22,776	1.34
Georgia	20,979	....	20,979	20,979	18,013	1.06
Hawaii	2,113	....	2,113	2,113	1,814	0.11
Idaho	11,642	....	11,642	11,642	9,995	0.59
Illinois	113,259	....	113,259	113,259	97,243	5.72
Indiana	51,274	....	51,274	51,274	44,023	2.59
Iowa	36,343	....	36,343	36,343	31,204	1.84
Kansas	16,674	....	16,649	16,649	14,295	0.84
Kentucky	26,686	....	26,686	26,686	22,912	1.35
Louisiana	17,144	....	17,144	17,144	14,720	0.87
Maine	25,541	....	25,541	25,541	21,929	1.29
Maryland	31,332	....	31,332	31,332	26,901	1.58
Massachusetts	81,820	....	81,820	81,820	70,250	4.13
Michigan	106,706	....	106,706	106,706	91,617	5.39
Minnesota	77,469	....	77,469	77,469	66,514	3.91
Mississippi	14,350	....	14,350	14,350	12,321	0.72
Missouri	45,240	....	45,240	45,240	38,842	2.28
Montana	11,843	....	11,843	11,843	10,168	0.60
Nebraska	17,963	....	17,958	17,958	15,419	0.91
Nevada	3,809	....	3,809	3,809	3,270	0.19
New Hampshire	15,493	....	15,493	15,493	13,302	0.78
New Jersey	75,798	....	75,798	75,798	65,079	3.83
New Mexico	9,358	....	9,345	9,345	8,023	0.47
New York	247,709	....	247,708	247,708	212,679	12.51
North Carolina	36,319	....	36,319	36,319	31,183	1.83
North Dakota	12,753	....	12,753	12,753	10,949	0.64
Ohio	100,195	....	100,195	100,195	86,026	5.06
Oklahoma	14,004	....	14,000	14,000	12,020	0.71
Oregon	23,744	....	23,744	23,744	20,386	1.20
Pennsylvania	133,273	....	133,273	133,273	114,426	6.73
Rhode Island	13,435	....	13,435	13,435	11,535	0.68
South Carolina	13,318	....	13,318	13,318	11,435	0.67
South Dakota	10,410	....	10,410	10,410	8,938	0.53
Tennessee	27,033	....	27,033	27,033	23,210	1.37
Texas	44,144	....	44,144	44,144	37,902	2.23
Utah	14,285	....	14,285	14,285	12,265	0.72
Vermont	11,613	....	11,613	11,613	9,970	0.59
Virginia	38,166	....	38,166	38,166	32,768	1.93
Washington	38,357	....	38,357	38,357	32,933	1.94
West Virginia	17,660	....	17,660	17,660	15,163	0.89
Wisconsin	69,733	....	69,733	69,733	59,872	3.52
Wyoming	5,626	....	5,626	5,626	4,830	0.28
American Samoa	44	....	44	44	38	*
Guam	96	....	96	96	82	*
Northern Mariana Islands	33	....	33	33	29	*
Puerto Rico	2,381	....	2,381	2,381	2,044	0.12
Freely Associated States	....	....	....	....	....	....
Virgin Islands	91	....	91	91	78	*
Indian Tribes	21,046	....	21,103	21,103	18,118	1.07
Undistributed	....	....	....	....	....	....
Discretionary Funds	27,225	....	27,225	27,225	23,375	1.38
Technical Assistance	293	....	288	288	248	0.01
Total	**1,979,996**	....	**1,980,000**	**1,980,000**	**1,700,000**	[1] **100.00**

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

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

(obligations in thousands of dollars)

State or Territory	FY 2007 Actual	Estimated FY 2008 obligations from:			FY 2009 (estimated)	FY 2009 Percentage of distributed total
		Previous authority	New authority	Total		
Alabama	40,007	....	39,938	39,938	39,938	1.94
Alaska	4,057	....	4,064	4,064	4,064	0.20
Arizona	50,535	....	51,631	51,631	51,631	2.50
Arkansas	25,026	....	25,551	25,551	25,551	1.24
California	231,863	....	229,338	229,338	229,338	11.12
Colorado	23,765	....	23,919	23,919	23,919	1.16
Connecticut	14,164	....	13,742	13,742	13,742	0.67
Delaware	4,452	....	4,554	4,554	4,554	0.22
District of Columbia	3,168	....	2,885	2,885	2,885	0.14
Florida	114,853	....	112,313	112,313	112,313	5.45
Georgia	78,229	....	80,270	80,270	80,270	3.89
Hawaii	7,768	....	7,269	7,269	7,269	0.35
Idaho	11,655	....	12,026	12,026	12,026	0.58
Illinois	76,570	....	75,188	75,188	75,188	3.65
Indiana	41,430	....	42,047	42,047	42,047	2.04
Iowa	17,655	....	18,275	18,275	18,275	0.89
Kansas	18,509	....	18,834	18,834	18,834	0.91
Kentucky	35,314	....	35,714	35,714	35,714	1.73
Louisiana	45,664	....	42,649	42,649	42,649	2.07
Maine	6,667	....	6,834	6,834	6,834	0.33
Maryland	25,701	....	25,113	25,113	25,113	1.22
Massachusetts	25,406	....	24,755	24,755	24,755	1.20
Michigan	57,741	....	57,162	57,162	57,162	2.77
Minnesota	25,580	....	26,031	26,031	26,031	1.26
Mississippi	31,951	....	32,362	32,362	32,362	1.57
Missouri	38,694	....	38,962	38,962	38,962	1.89
Montana	5,677	....	5,943	5,943	5,943	0.29
Nebraska	11,507	....	11,733	11,733	11,733	0.57
Nevada	14,230	....	14,789	14,789	14,789	0.72
New Hampshire	4,685	....	4,723	4,723	4,723	0.23
New Jersey	36,494	....	35,243	35,243	35,243	1.71
New Mexico	18,281	....	18,456	18,456	18,456	0.90
New York	107,222	....	103,991	103,991	103,991	5.04
North Carolina	66,514	....	67,494	67,494	67,494	3.27
North Dakota	3,679	....	3,784	3,784	3,784	0.18
Ohio	66,959	....	67,654	67,654	67,654	3.28
Oklahoma	31,005	....	31,683	31,683	31,683	1.54
Oregon	22,310	....	22,582	22,582	22,582	1.10
Pennsylvania	62,528	....	62,022	62,022	62,022	3.01
Rhode Island	5,595	....	5,383	5,383	5,383	0.26
South Carolina	36,828	....	36,809	36,809	36,809	1.79
South Dakota	5,412	....	5,514	5,514	5,514	0.27
Tennessee	44,348	....	45,692	45,692	45,692	2.22
Texas	216,536	....	221,872	221,872	221,872	10.76
Utah	22,336	....	22,898	22,898	22,898	1.11
Vermont	2,906	....	2,936	2,936	2,936	0.14
Virginia	39,306	....	38,813	38,813	38,813	1.88
Washington	33,180	....	33,657	33,657	33,657	1.63
West Virginia	13,533	....	13,562	13,562	13,562	0.66
Wisconsin	29,529	....	30,024	30,024	30,024	1.46
Wyoming	2,687	....	2,765	2,765	2,765	0.13
American Samoa	2,606	....	2,536	2,536	2,536	0.12
Guam	4,048	....	4,023	4,023	4,023	0.20
Northern Mariana Islands	1,799	....	1,887	1,887	1,887	0.09
Puerto Rico	34,860	....	33,311	33,311	33,311	1.62
Freely Associated States	....	....	....	....	....	....
Virgin Islands	1,858	....	1,865	1,865	1,865	0.09
Indian Tribes	30,399	....	41,242	41,242	41,242	2.00
Undistributed	....	....	....	....	....	....
Technical Assistance	5,122	....	5,155	5,155	5,155	0.25
Research Set-Aside	9,813	....	9,649	9,649	9,649	0.47
Child Care Aware	982	....	965	965	965	0.05
Total	**2,051,198**	....	**2,062,081**	**2,062,081**	**2,062,081**	[1] **100.00**

[1] Excludes undistributed obligations.

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

(obligations in thousands of dollars)

State or Territory	FY 2007 Actual	Estimated FY 2008 obligations from:			FY 2009 (estimated)	FY 2009 Percentage of distributed total
		Previous authority	New authority	Total		
Alabama	16,442	....	16,442	16,442	16,442	1.33
Alaska	3,545	....	3,545	3,545	3,545	0.29
Arizona	19,827	....	19,827	19,827	19,827	1.60
Arkansas	5,300	....	5,300	5,300	5,300	0.43
California	85,593	....	85,593	85,593	85,593	6.90
Colorado	10,174	....	10,174	10,174	10,174	0.82
Connecticut	18,738	....	18,738	18,738	18,738	1.51
Delaware	5,179	....	5,179	5,179	5,179	0.42
District of Columbia	4,567	....	4,567	4,567	4,567	0.37
Florida	43,027	....	43,027	43,027	43,027	3.47
Georgia	36,548	....	36,548	36,548	36,548	2.95
Hawaii	4,972	....	4,972	4,972	4,972	0.40
Idaho	2,868	....	2,868	2,868	2,868	0.23
Illinois	56,874	....	56,874	56,874	56,874	4.59
Indiana	26,182	....	26,182	26,182	26,182	2.11
Iowa	8,508	....	8,508	8,508	8,508	0.69
Kansas	9,812	....	9,812	9,812	9,812	0.79
Kentucky	16,702	....	16,702	16,702	16,702	1.35
Louisiana	13,865	....	13,865	13,865	13,865	1.12
Maine	3,019	....	3,019	3,019	3,019	0.24
Maryland	23,301	....	23,301	23,301	23,301	1.88
Massachusetts	44,973	....	44,973	44,973	44,973	3.63
Michigan	32,082	....	32,082	32,082	32,082	2.59
Minnesota	23,368	....	23,368	23,368	23,368	1.89
Mississippi	6,293	....	6,293	6,293	6,293	0.51
Missouri	24,669	....	24,669	24,669	24,669	1.99
Montana	3,191	....	3,191	3,191	3,191	0.26
Nebraska	10,595	....	10,595	10,595	10,595	0.85
Nevada	2,580	....	2,580	2,580	2,580	0.21
New Hampshire	4,582	....	4,582	4,582	4,582	0.37
New Jersey	26,374	....	26,374	26,374	26,374	2.13
New Mexico	8,308	....	8,308	8,308	8,308	0.67
New York	101,981	....	101,981	101,981	101,981	8.23
North Carolina	69,639	....	69,639	69,639	69,639	5.62
North Dakota	2,506	....	2,506	2,506	2,506	0.20
Ohio	70,125	....	70,125	70,125	70,125	5.66
Oklahoma	24,910	....	24,910	24,910	24,910	2.01
Oregon	19,409	....	19,409	19,409	19,409	1.57
Pennsylvania	55,337	....	55,337	55,337	55,337	4.46
Rhode Island	6,634	....	6,634	6,634	6,634	0.54
South Carolina	9,867	....	9,867	9,867	9,867	0.80
South Dakota	1,711	....	1,711	1,711	1,711	0.14
Tennessee	37,702	....	37,702	37,702	37,702	3.04
Texas	59,844	....	59,844	59,844	59,844	4.83
Utah	12,592	....	12,592	12,592	12,592	1.02
Vermont	3,945	....	3,945	3,945	3,945	0.32
Virginia	21,329	....	21,329	21,329	21,329	1.72
Washington	41,883	....	41,883	41,883	41,883	3.38
West Virginia	8,727	....	8,727	8,727	8,727	0.70
Wisconsin	24,511	....	24,511	24,511	24,511	1.98
Wyoming	2,815	....	2,815	2,815	2,815	0.23
American Samoa	....	....	....	....	....	....
Guam	....	....	....	....	....	....
Northern Mariana Islands	....	....	....	....	....	....
Puerto Rico	....	....	....	....	....	....
Freely Associated States	....	....	....	....	....	....
Virgin Islands	....	....	....	....	....	....
Indian Tribes	58,249	....	58,340	58,340	58,340	4.71
Undistributed	....	....	....	....	....	....
Technical Assistance	3,792	....	3,792	3,792	3,792	0.31
Total	**1,239,566**	....	**1,239,657**	**1,239,657**	**1,239,657**	[1] **100.00**

[1] Excludes undistributed obligations.

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

(obligations in thousands of dollars)

State or Territory	FY 2007 Actual	Estimated FY 2008 obligations from: Previous authority	New authority	Total	FY 2009 (estimated)	FY 2009 Percentage of distributed total
Alabama	24,711		25,166	25,166	25,166	1.50
Alaska	4,194		4,048	4,048	4,048	0.24
Arizona	36,859		37,884	37,884	37,884	2.26
Arkansas	15,410		15,747	15,747	15,747	0.94
California	222,167		217,404	217,404	217,404	12.96
Colorado	27,318		26,991	26,991	26,991	1.61
Connecticut	18,682		18,140	18,140	18,140	1.08
Delaware	4,457		4,616	4,616	4,616	0.28
District of Columbia	2,696		2,647	2,647	2,647	0.16
Florida	92,324		90,955	90,955	90,955	5.42
Georgia	54,753		56,397	56,397	56,397	3.36
Hawaii	6,921		6,821	6,821	6,821	0.41
Idaho	8,559		9,025	9,025	9,025	0.54
Illinois	74,366		73,387	73,387	73,387	4.38
Indiana	36,577		35,853	35,853	35,853	2.14
Iowa	15,049		15,957	15,957	15,957	0.95
Kansas	15,371		15,861	15,861	15,861	0.95
Kentucky	22,378		22,725	22,725	22,725	1.35
Louisiana	26,141		24,727	24,727	24,727	1.47
Maine	5,971		6,084	6,084	6,084	0.36
Maryland	31,642		32,568	32,568	32,568	1.94
Massachusetts	32,974		30,500	30,500	30,500	1.82
Michigan	56,413		55,142	55,142	55,142	3.29
Minnesota	27,667		28,338	28,338	28,338	1.69
Mississippi	17,108		17,216	17,216	17,216	1.03
Missouri	31,064		31,905	31,905	31,905	1.90
Montana	4,482		4,818	4,818	4,818	0.29
Nebraska	9,844		10,152	10,152	10,152	0.61
Nevada	14,460		14,717	14,717	14,717	0.88
New Hampshire	6,598		6,488	6,488	6,488	0.39
New Jersey	49,209		47,167	47,167	47,167	2.81
New Mexico	11,042		11,547	11,547	11,547	0.69
New York	103,030		101,483	101,483	101,483	6.05
North Carolina	49,319		49,402	49,402	49,402	2.95
North Dakota	3,027		3,243	3,243	3,243	0.19
Ohio	62,124		62,217	62,217	62,217	3.71
Oklahoma	19,526		20,462	20,462	20,462	1.22
Oregon	19,218		19,334	19,334	19,334	1.15
Pennsylvania	62,339		61,883	61,883	61,883	3.69
Rhode Island	5,487		5,278	5,278	5,278	0.31
South Carolina	23,206		23,374	23,374	23,374	1.39
South Dakota	4,234		4,398	4,398	4,398	0.26
Tennessee	31,693		32,765	32,765	32,765	1.95
Texas	147,643		151,191	151,191	151,191	9.01
Utah	17,634		18,835	18,835	18,835	1.12
Vermont	2,834		2,875	2,875	2,875	0.17
Virginia	41,672		41,123	41,123	41,123	2.45
Washington	33,401		34,303	34,303	34,303	2.05
West Virginia	8,573		8,715	8,715	8,715	0.52
Wisconsin	28,832		29,245	29,245	29,245	1.74
Wyoming	2,531		2,723	2,723	2,723	0.16
American Samoa						
Guam						
Northern Mariana Islands						
Puerto Rico						
Freely Associated States						
Virgin Islands						
Indian Tribes						
Undistributed						
Technical Assistance	3,415		3,501	3,501	3,501	0.21
Total	[1] **1,677,145**		**1,677,343**	**1,677,343**	**1,677,343**	[2] **100.00**

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

Table 8–24. Head Start (93.600)

(obligations in thousands of dollars)

State or Territory	FY 2007 Actual	Estimated FY 2008 obligations from:			FY 2009 (estimated)	FY 2009 Percentage of distributed total
		Previous authority	New authority	Total		
Alabama	107,070	....	106,911	106,911	108,965	1.55
Alaska	12,524	....	12,506	12,506	12,746	0.18
Arizona	103,928	....	103,774	103,774	105,768	1.51
Arkansas	64,793	....	64,697	64,697	65,940	0.94
California	835,096	....	833,854	833,854	849,871	12.10
Colorado	68,621	....	68,519	68,519	69,836	0.99
Connecticut	52,113	....	52,035	52,035	53,035	0.75
Delaware	13,290	....	13,271	13,271	13,526	0.19
District of Columbia	25,211	....	25,174	25,174	25,658	0.37
Florida	264,221	....	263,829	263,829	268,898	3.83
Georgia	169,204	....	168,952	168,952	172,199	2.45
Hawaii	22,981	....	22,946	22,946	23,387	0.33
Idaho	22,908	....	22,874	22,874	23,314	0.33
Illinois	271,880	....	271,477	271,477	276,693	3.94
Indiana	96,597	....	96,454	96,454	98,307	1.40
Iowa	51,762	....	51,685	51,685	52,679	0.75
Kansas	51,137	....	51,061	51,061	52,042	0.74
Kentucky	108,291	....	108,130	108,130	110,208	1.57
Louisiana	146,504	....	146,287	146,287	149,098	2.12
Maine	27,725	....	27,684	27,684	28,216	0.40
Maryland	78,356	....	78,240	78,240	79,743	1.13
Massachusetts	108,797	....	108,636	108,636	110,723	1.58
Michigan	235,518	....	235,168	235,168	239,687	3.41
Minnesota	72,300	....	72,193	72,193	73,580	1.05
Mississippi	162,357	....	162,116	162,116	165,231	2.35
Missouri	119,483	....	119,305	119,305	121,598	1.73
Montana	21,036	....	21,004	21,004	21,408	0.30
Nebraska	36,207	....	36,154	36,154	36,848	0.52
Nevada	24,380	....	24,344	24,344	24,812	0.35
New Hampshire	13,441	....	13,421	13,421	13,679	0.19
New Jersey	129,545	....	129,353	129,353	131,839	1.88
New Mexico	52,515	....	52,437	52,437	53,445	0.76
New York	434,979	....	434,333	434,333	442,679	6.30
North Carolina	141,858	....	141,647	141,647	144,369	2.05
North Dakota	17,246	....	17,220	17,220	17,551	0.25
Ohio	247,915	....	247,547	247,547	252,303	3.59
Oklahoma	81,384	....	81,263	81,263	82,825	1.18
Oregon	59,715	....	59,626	59,626	60,772	0.86
Pennsylvania	229,113	....	228,773	228,773	233,169	3.32
Rhode Island	22,106	....	22,073	22,073	22,497	0.32
South Carolina	82,842	....	82,719	82,719	84,309	1.20
South Dakota	18,903	....	18,875	18,875	19,238	0.27
Tennessee	119,832	....	119,654	119,654	121,954	1.74
Texas	480,685	....	479,971	479,971	489,194	6.96
Utah	37,920	....	37,864	37,864	38,591	0.55
Vermont	13,615	....	13,595	13,595	13,856	0.20
Virginia	99,507	....	99,359	99,359	101,268	1.44
Washington	100,776	....	100,627	100,627	102,560	1.46
West Virginia	50,852	....	50,776	50,776	51,752	0.74
Wisconsin	91,253	....	91,117	91,117	92,868	1.32
Wyoming	12,422	....	12,404	12,404	12,642	0.18
American Samoa	2,159	....	2,156	2,156	2,197	0.03
Guam	2,173	....	2,169	2,169	2,211	0.03
Northern Mariana Islands	1,671	....	1,669	1,669	1,701	0.02
Puerto Rico	250,345	....	249,974	249,974	254,777	3.63
Freely Associated States	....	....	....	....	....	....
Virgin Islands	8,030	....	8,018	8,018	8,172	0.12
Indian Tribes	188,210	....	187,931	187,931	198,442	2.82
Undistributed	....	....	....	....	....	....
Palau	1,339	....	1,337	1,337	1,363	0.02
Migrant Program	287,675	....	287,248	287,248	299,668	4.26
Training and Technical Assistance	175,197	....	174,949	174,949	178,664	2.54
Research and Evaluation	19,793	....	20,000	20,000	20,000	0.28
Program Support	38,590	....	38,590	38,590	42,000	0.60
Total	**6,887,896**	....	**6,877,975**	**6,877,975**	**7,026,571**	[1] **100.00**

[1] Excludes undistributed obligations.

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

(obligations in thousands of dollars)

State or Territory	FY 2007 Actual	Estimated FY 2008 obligations from: Previous authority	New authority	Total	FY 2009 (estimated)	FY 2009 Percentage of distributed total
Alabama	32,825	....	32,090	32,090	31,201	0.70
Alaska	17,010	....	16,629	16,629	16,168	0.36
Arizona	79,411	....	77,634	77,634	75,482	1.69
Arkansas	35,608	....	34,811	34,811	33,846	0.76
California	1,302,354	....	1,273,218	1,273,218	1,237,919	27.74
Colorado	63,983	....	62,551	62,551	60,817	1.36
Connecticut	93,106	....	91,023	91,023	88,500	1.98
Delaware	5,738	....	5,609	5,609	5,454	0.12
District of Columbia	15,926	....	15,570	15,570	15,138	0.34
Florida	152,408	....	148,998	148,998	144,867	3.25
Georgia	51,703	....	50,546	50,546	49,145	1.10
Hawaii	24,157	....	23,616	23,616	22,961	0.51
Idaho	8,830	....	8,633	8,633	8,393	0.19
Illinois	199,759	....	195,289	195,289	189,875	4.25
Indiana	92,549	....	90,478	90,478	87,970	1.97
Iowa	31,556	....	30,850	30,850	29,995	0.67
Kansas	36,283	....	35,471	35,471	34,488	0.77
Kentucky	53,460	....	52,264	52,264	50,815	1.14
Louisiana	49,854	....	48,739	48,739	47,387	1.06
Maine	15,618	....	15,268	15,268	14,845	0.33
Maryland	137,880	....	134,795	134,795	131,058	2.94
Massachusetts	64,838	....	63,387	63,387	61,630	1.38
Michigan	78,191	....	76,442	76,442	74,323	1.67
Minnesota	45,016	....	44,008	44,008	42,788	0.96
Mississippi	10,681	....	10,442	10,442	10,152	0.23
Missouri	61,411	....	60,037	60,037	58,372	1.31
Montana	15,225	....	14,884	14,884	14,471	0.32
Nebraska	18,582	....	18,166	18,166	17,663	0.40
Nevada	29,788	....	29,121	29,121	28,314	0.63
New Hampshire	13,003	....	12,712	12,712	12,360	0.28
New Jersey	67,755	....	66,240	66,240	64,403	1.44
New Mexico	22,705	....	22,197	22,197	21,581	0.48
New York	370,648	....	362,355	362,355	352,310	7.89
North Carolina	83,618	....	81,747	81,747	79,481	1.78
North Dakota	11,617	....	11,357	11,357	11,042	0.25
Ohio	188,383	....	184,168	184,168	179,062	4.01
Oklahoma	42,893	....	41,933	41,933	40,771	0.91
Oregon	55,035	....	53,804	53,804	52,312	1.17
Pennsylvania	378,226	....	369,764	369,764	359,513	8.06
Rhode Island	11,853	....	11,587	11,587	11,266	0.25
South Carolina	22,217	....	21,720	21,720	21,118	0.47
South Dakota	5,152	....	5,037	5,037	4,898	0.11
Tennessee	40,863	....	39,949	39,949	38,841	0.87
Texas	216,800	....	211,949	211,949	206,073	4.62
Utah	19,232	....	18,802	18,802	18,281	0.41
Vermont	10,810	....	10,568	10,568	10,275	0.23
Virginia	88,499	....	86,519	86,519	84,120	1.88
Washington	84,682	....	82,787	82,787	80,492	1.80
West Virginia	40,469	....	39,564	39,564	38,467	0.86
Wisconsin	61,374	....	60,001	60,001	58,338	1.31
Wyoming	1,665	....	1,628	1,628	1,583	0.04
American Samoa	....	....	....	....	....	....
Guam	....	....	....	....	....	....
Northern Mariana Islands	....	....	....	....	....	....
Puerto Rico	7,917	....	7,740	7,740	7,525	0.17
Freely Associated States	....	....	....	....	....	....
Virgin Islands	....	....	....	....	....	....
Indian Tribes	....	....	....	....	....	....
Undistributed	....	....	....	....	....	....
Technical Assistance	18,506	....	16,303	16,303	14,851	0.33
New Program Option	....	....	....	....	10,000	0.22
Total	**4,687,672**	....	**4,581,000**	[1] **4,581,000**	**4,463,000**	[2] **100.00**

[1] Assumes a lapse of $61 million.
[2] Excludes undistributed obligations.

Table 8–26. Adoption Assistance (93.659)

(obligations in thousands of dollars)

State or Territory	FY 2007 Actual	Estimated FY 2008 obligations from:			FY 2009 (estimated)	FY 2009 Percentage of distributed total
		Previous authority	New authority	Total		
Alabama	8,999	....	9,989	9,989	10,591	0.46
Alaska	7,825	....	8,686	8,686	9,210	0.40
Arizona	48,174	....	53,475	53,475	56,699	2.48
Arkansas	10,775	....	11,961	11,961	12,682	0.55
California	344,878	....	382,819	382,819	405,904	17.76
Colorado	20,887	....	23,186	23,186	24,584	1.08
Connecticut	25,075	....	27,834	27,834	29,512	1.29
Delaware	1,694	....	1,880	1,880	1,993	0.09
District of Columbia	10,493	....	11,648	11,648	12,350	0.54
Florida	59,428	....	65,967	65,967	69,944	3.06
Georgia	38,162	....	42,361	42,361	44,915	1.96
Hawaii	12,449	....	13,819	13,819	14,652	0.64
Idaho	3,875	....	4,301	4,301	4,560	0.20
Illinois	87,306	....	96,913	96,913	102,756	4.50
Indiana	44,593	....	49,500	49,500	52,485	2.30
Iowa	30,594	....	33,960	33,960	36,007	1.58
Kansas	12,867	....	14,283	14,283	15,144	0.66
Kentucky	27,173	....	30,163	30,163	31,982	1.40
Louisiana	15,342	....	17,031	17,031	18,057	0.79
Maine	12,504	....	13,880	13,880	14,717	0.64
Maryland	21,515	....	23,882	23,882	25,322	1.11
Massachusetts	32,518	....	36,097	36,097	38,273	1.67
Michigan	113,213	....	125,670	125,670	133,248	5.83
Minnesota	23,827	....	26,449	26,449	28,044	1.23
Mississippi	5,162	....	5,730	5,730	6,076	0.27
Missouri	32,221	....	35,767	35,767	37,923	1.66
Montana	8,370	....	9,291	9,291	9,851	0.43
Nebraska	8,604	....	9,550	9,550	10,126	0.44
Nevada	9,812	....	10,891	10,891	11,548	0.51
New Hampshire	4,201	....	4,664	4,664	4,945	0.22
New Jersey	35,341	....	39,230	39,230	41,595	1.82
New Mexico	12,627	....	14,016	14,016	14,861	0.65
New York	201,523	....	223,697	223,697	237,185	10.38
North Carolina	33,687	....	37,394	37,394	39,648	1.73
North Dakota	3,685	....	4,091	4,091	4,338	0.19
Ohio	164,831	....	182,967	182,967	193,999	8.49
Oklahoma	23,708	....	26,317	26,317	27,904	1.22
Oregon	31,319	....	34,765	34,765	36,861	1.61
Pennsylvania	108,234	....	120,143	120,143	127,388	5.57
Rhode Island	7,986	....	8,865	8,865	9,400	0.41
South Carolina	15,245	....	16,922	16,922	17,943	0.78
South Dakota	2,848	....	3,162	3,162	3,353	0.15
Tennessee	34,301	....	38,075	38,075	40,371	1.77
Texas	59,941	....	66,537	66,537	70,549	3.09
Utah	7,306	....	8,109	8,109	8,598	0.38
Vermont	7,096	....	7,877	7,877	8,352	0.37
Virginia	14,150	....	15,707	15,707	16,654	0.73
Washington	34,487	....	38,282	38,282	40,590	1.78
West Virginia	13,099	....	14,540	14,540	15,417	0.67
Wisconsin	47,488	....	52,713	52,713	55,892	2.44
Wyoming	694	....	770	770	817	0.04
American Samoa	....	....	....	....	....	....
Guam	....	....	....	....	....	....
Northern Mariana Islands	....	....	....	....	....	....
Puerto Rico	157	....	174	174	185	0.01
Freely Associated States	....	....	....	....	....	....
Virgin Islands	....	....	....	....	....	....
Indian Tribes	....	....	....	....	....	....
Undistributed	....	....	....	....	....	....
Total	**1,942,289**	....	**2,156,000**	**2,156,000**	**2,286,000**	[1] **100.00**

[1] Excludes undistributed obligations.

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

(obligations in thousands of dollars)

State or Territory	FY 2007 Actual	Estimated FY 2008 obligations from: Previous authority	New authority	Total	FY 2009 (estimated)	FY 2009 Percentage of distributed total
Alabama	25,994	....	25,968	25,968	18,330	1.53
Alaska	3,785	....	3,783	3,783	2,671	0.22
Arizona	33,873	....	34,817	34,817	24,577	2.05
Arkansas	15,850	....	15,871	15,871	11,203	0.93
California	206,069	....	205,854	205,854	145,307	12.11
Colorado	26,607	....	26,839	26,839	18,945	1.58
Connecticut	20,020	....	19,789	19,789	13,969	1.16
Delaware	4,811	....	4,819	4,819	3,402	0.28
District of Columbia	3,140	....	3,284	3,284	2,318	0.19
Florida	101,461	....	102,142	102,142	72,100	6.01
Georgia	51,744	....	52,872	52,872	37,322	3.11
Hawaii	7,273	....	7,258	7,258	5,124	0.43
Idaho	8,151	....	8,280	8,280	5,845	0.49
Illinois	72,793	....	72,454	72,454	51,144	4.26
Indiana	35,771	....	35,648	35,648	25,164	2.10
Iowa	16,918	....	16,838	16,838	11,886	0.99
Kansas	15,654	....	15,607	15,607	11,017	0.92
Kentucky	23,802	....	23,749	23,749	16,764	1.40
Louisiana	25,800	....	24,210	24,210	17,090	1.42
Maine	7,537	....	7,462	7,462	5,267	0.44
Maryland	31,941	....	31,708	31,708	22,382	1.87
Massachusetts	36,494	....	36,347	36,347	25,657	2.14
Michigan	57,722	....	57,004	57,004	40,238	3.35
Minnesota	29,274	....	29,175	29,175	20,594	1.72
Mississippi	16,660	....	16,434	16,434	11,600	0.97
Missouri	33,081	....	32,990	32,990	23,287	1.94
Montana	5,336	....	5,334	5,334	3,765	0.31
Nebraska	10,031	....	9,985	9,985	7,048	0.59
Nevada	13,772	....	14,091	14,091	9,946	0.83
New Hampshire	7,471	....	7,424	7,424	5,241	0.44
New Jersey	49,721	....	49,262	49,262	34,773	2.90
New Mexico	10,998	....	11,036	11,036	7,790	0.65
New York	109,815	....	109,010	109,010	76,948	6.41
North Carolina	49,523	....	50,007	50,007	35,299	2.94
North Dakota	3,631	....	3,590	3,590	2,534	0.21
Ohio	65,383	....	64,809	64,809	45,748	3.81
Oklahoma	20,235	....	20,210	20,210	14,266	1.19
Oregon	20,766	....	20,896	20,896	14,750	1.23
Pennsylvania	70,890	....	70,244	70,244	49,584	4.13
Rhode Island	6,138	....	6,028	6,028	4,255	0.35
South Carolina	24,268	....	24,399	24,399	17,223	1.44
South Dakota	4,425	....	4,415	4,415	3,116	0.26
Tennessee	34,008	....	34,097	34,097	24,069	2.01
Texas	130,377	....	132,734	132,734	93,694	7.81
Utah	14,085	....	14,399	14,399	10,164	0.85
Vermont	3,553	....	3,523	3,523	2,487	0.21
Virginia	43,159	....	43,155	43,155	30,462	2.54
Washington	35,861	....	36,113	36,113	25,492	2.12
West Virginia	10,362	....	10,268	10,268	7,248	0.60
Wisconsin	31,575	....	31,374	31,374	22,146	1.85
Wyoming	2,905	....	2,908	2,908	2,053	0.17
American Samoa	49	....	49	49	34	*
Guam	293	....	293	293	207	0.02
Northern Mariana Islands	59	....	59	59	41	*
Puerto Rico	8,793	....	8,793	8,793	6,207	0.52
Freely Associated States	....	....	....	....	....	....
Virgin Islands	293	....	293	293	207	0.02
Indian Tribes	....	....	....	....	....	....
Undistributed	....	....	....	....	....	....
Total	**1,700,000**	....	**1,700,000**	**1,700,000**	**1,200,000**	[1] **100.00**

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

Table 8–28. Public Housing Operating Fund (14.850)

(obligations in thousands of dollars)

State or Territory	FY 2007 Actual	Estimated FY 2008 obligations from:			FY 2009 (estimated)	FY 2009 Percentage of distributed total
		Previous authority	New authority	Total		
Alabama	115,805	......	125,658	125,658	128,654	2.99
Alaska	8,261	......	8,963	8,963	9,177	0.21
Arizona	30,074	......	32,633	32,633	33,411	0.78
Arkansas	17,483	......	18,970	18,970	19,423	0.45
California	116,571	......	126,489	126,489	129,505	3.01
Colorado	22,355	......	24,257	24,257	24,835	0.58
Connecticut	65,049	......	70,583	70,583	72,266	1.68
Delaware	9,156	......	9,935	9,935	10,172	0.24
District of Columbia	46,074	......	49,994	49,994	51,186	1.19
Florida	110,518	......	119,921	119,921	122,780	2.86
Georgia	129,754	......	140,793	140,793	144,150	3.35
Hawaii	13,928	......	15,113	15,113	15,474	0.36
Idaho	1,221	......	1,324	1,324	1,356	0.03
Illinois	243,307	......	264,007	264,007	270,302	6.29
Indiana	43,238	......	46,917	46,917	48,035	1.12
Iowa	6,427	......	6,974	6,974	7,140	0.17
Kansas	17,341	......	18,816	18,816	19,265	0.45
Kentucky	53,380	......	57,921	57,921	59,302	1.38
Louisiana	69,154	......	75,037	75,037	76,827	1.79
Maine	11,983	......	13,003	13,003	13,313	0.31
Maryland	83,425	......	90,523	90,523	92,682	2.16
Massachusetts	137,199	......	148,871	148,871	152,421	3.54
Michigan	54,173	......	58,782	58,782	60,184	1.40
Minnesota	48,320	......	52,431	52,431	53,681	1.25
Mississippi	32,699	......	35,481	35,481	36,327	0.84
Missouri	39,738	......	43,119	43,119	44,147	1.03
Montana	4,455	......	4,834	4,834	4,949	0.12
Nebraska	12,391	......	13,445	13,445	13,766	0.32
Nevada	14,710	......	15,961	15,961	16,342	0.38
New Hampshire	10,127	......	10,989	10,989	11,251	0.26
New Jersey	163,875	......	177,818	177,818	182,057	4.23
New Mexico	9,519	......	10,329	10,329	10,575	0.25
New York	891,422	......	967,322	967,322	990,384	23.03
North Carolina	110,101	......	119,468	119,468	122,316	2.84
North Dakota	2,982	......	3,235	3,235	3,312	0.08
Ohio	181,188	......	196,603	196,603	201,291	4.68
Oklahoma	29,415	......	31,917	31,917	32,678	0.76
Oregon	16,112	......	17,483	17,483	17,900	0.42
Pennsylvania	259,365	......	281,432	281,432	288,142	6.70
Rhode Island	27,878	......	30,250	30,250	30,971	0.72
South Carolina	37,647	......	40,850	40,850	41,824	0.97
South Dakota	2,783	......	3,020	3,020	3,092	0.07
Tennessee	97,173	......	105,441	105,441	107,955	2.51
Texas	146,485	......	158,948	158,948	162,738	3.78
Utah	4,582	......	4,972	4,972	5,091	0.12
Vermont	3,604	......	3,911	3,911	4,004	0.09
Virginia	67,904	......	73,682	73,682	75,438	1.75
Washington	36,415	......	39,513	39,513	40,456	0.94
West Virginia	17,233	......	18,699	18,699	19,145	0.45
Wisconsin	21,852	......	23,712	23,712	24,277	0.56
Wyoming	1,402	......	1,522	1,522	1,558	0.04
American Samoa	......	......	......	......	......	......
Guam	3,543	......	3,845	3,845	3,937	0.09
Northern Mariana Islands	......	......	......	......	......	......
Puerto Rico	145,161	......	157,511	157,511	161,267	3.75
Freely Associated States	......	......	......	......	......	......
Virgin Islands	19,199	......	20,833	20,833	21,329	0.50
Indian Tribes	......	......	......	......	......	......
Undistributed	......	......	......	......	......	......
Asset Management	......	......	5,940	5,940	5,940	0.14
Total	**3,865,156**	......	**4,200,000**	[1] **4,200,000**	[1] **4,300,000**	[2] **100.00**

[1] 2008 and 2009 amounts by State assume the same allocations as 2007, and are subject to change.
[2] Excludes undistributed obligations.

Table 8–29. Section 8 Housing Choice Vouchers (14.871)

(obligations in thousands of dollars)

State or Territory	FY 2007 Actual	Estimated FY 2008 obligations from:			FY 2009 (estimated)	FY 2009 Percentage of distributed total
		Previous authority	New authority	Total		
Alabama	145,084	3,167	141,931	145,098	144,605	0.90
Alaska	28,634	625	28,011	28,636	28,539	0.18
Arizona	141,108	3,080	138,040	141,120	140,642	0.88
Arkansas	94,998	2,074	92,933	95,007	94,684	0.59
California	2,914,875	63,637	2,851,517	2,915,154	2,905,258	18.12
Colorado	223,270	4,874	218,417	223,291	222,533	1.39
Connecticut	326,633	7,131	319,533	326,664	325,555	2.03
Delaware	34,461	752	33,712	34,464	34,347	0.21
District of Columbia	153,101	3,342	149,773	153,115	152,596	0.95
Florida	710,715	15,515	695,267	710,782	708,370	4.42
Georgia	401,270	8,760	392,548	401,308	399,947	2.49
Hawaii	94,608	2,065	92,551	94,616	94,296	0.59
Idaho	34,979	764	34,219	34,983	34,864	0.22
Illinois	815,356	17,800	797,633	815,433	812,665	5.07
Indiana	191,925	4,190	187,754	191,944	191,292	1.19
Iowa	91,179	1,991	89,198	91,189	90,878	0.57
Kansas	57,830	1,262	56,573	57,835	57,639	0.36
Kentucky	165,912	3,622	162,305	165,927	165,365	1.03
Louisiana	214,817	4,690	210,148	214,838	214,108	1.34
Maine	76,126	1,662	74,471	76,133	75,875	0.47
Maryland	381,222	8,322	372,936	381,258	379,964	2.37
Massachusetts	798,572	17,433	781,214	798,647	795,937	4.96
Michigan	321,249	7,013	314,266	321,279	320,189	2.00
Minnesota	212,643	4,642	208,021	212,663	211,941	1.32
Mississippi	97,620	2,131	95,498	97,629	97,299	0.61
Missouri	228,358	4,985	223,395	228,380	227,605	1.42
Montana	27,824	607	27,219	27,826	27,732	0.17
Nebraska	59,019	1,288	57,737	59,025	58,825	0.37
Nevada	95,809	2,092	93,726	95,818	95,493	0.60
New Hampshire	74,304	1,622	72,689	74,311	74,059	0.46
New Jersey	629,346	13,739	615,667	629,406	627,270	3.91
New Mexico	75,034	1,638	73,404	75,042	74,787	0.47
New York	1,909,672	41,689	1,868,163	1,909,852	1,903,371	11.87
North Carolina	330,411	7,213	323,230	330,443	329,321	2.05
North Dakota	29,440	643	28,800	29,443	29,342	0.18
Ohio	513,353	11,207	502,194	513,401	511,659	3.19
Oklahoma	125,128	2,732	122,408	125,140	124,715	0.78
Oregon	190,111	4,150	185,979	190,129	189,484	1.18
Pennsylvania	534,239	11,663	522,627	534,290	532,476	3.32
Rhode Island	64,308	1,404	62,911	64,315	64,097	0.40
South Carolina	127,147	2,776	124,383	127,159	126,728	0.79
South Dakota	27,455	599	26,858	27,457	27,364	0.17
Tennessee	172,480	3,765	168,731	172,496	171,912	1.07
Texas	906,681	19,793	886,973	906,766	903,689	5.64
Utah	64,001	1,397	62,610	64,007	63,789	0.40
Vermont	38,035	830	37,208	38,038	37,910	0.24
Virginia	320,130	6,989	313,172	320,161	319,074	1.99
Washington	348,663	7,612	341,084	348,696	347,513	2.17
West Virginia	61,564	1,344	60,226	61,570	61,361	0.38
Wisconsin	142,087	3,102	138,998	142,100	141,618	0.88
Wyoming	10,736	234	10,502	10,736	10,700	0.07
American Samoa	....	....	....	....	....	....
Guam	29,793	650	29,145	29,795	29,695	0.19
Northern Mariana Islands	3,335	73	3,262	3,335	3,324	0.02
Puerto Rico	166,503	3,635	162,884	166,519	165,954	1.04
Freely Associated States	....	....	....	....	....	....
Virgin Islands	11,852	259	11,595	11,854	11,813	0.07
Indian Tribes	....	....	....	....	....	....
Undistributed	....	....	....	....	....	....
Disaster Assistance	258,003	....	....	....	39,000	0.24
Total	**16,303,008**	**350,274**	**15,696,249**	**16,046,523**	**16,031,071**	[1] **100.00**

[1] Excludes undistributed obligations.

Table 8–30. Public Housing Capital Fund (14.872)

(obligations in thousands of dollars)

State or Territory	FY 2007 Actual	Estimated FY 2008 obligations from:			FY 2009 (estimated)	FY 2009 Percentage of distributed total
		Previous authority	New authority	Total		
Alabama	75,337	4,627	70,538	75,165	58,537	2.91
Alaska	3,059	188	2,864	3,052	2,377	0.12
Arizona	11,531	708	10,797	11,505	8,960	0.45
Arkansas	23,871	1,466	22,351	23,817	18,548	0.92
California	105,423	6,474	98,708	105,182	81,914	4.08
Colorado	15,731	966	14,729	15,695	12,223	0.61
Connecticut	33,375	2,050	31,250	33,300	25,933	1.29
Delaware	6,354	390	5,949	6,339	4,937	0.25
District of Columbia	28,850	1,772	27,013	28,785	22,417	1.12
Florida	72,692	4,464	68,063	72,527	56,483	2.81
Georgia	92,884	5,704	86,968	92,672	72,172	3.59
Hawaii	13,905	854	13,020	13,874	10,804	0.54
Idaho	1,478	91	1,384	1,475	1,148	0.06
Illinois	199,316	12,241	186,621	198,862	154,870	7.71
Indiana	34,735	2,133	32,522	34,655	26,989	1.34
Iowa	6,250	384	5,852	6,236	4,856	0.24
Kansas	14,031	862	13,137	13,999	10,902	0.54
Kentucky	46,308	2,844	43,358	46,202	35,981	1.79
Louisiana	59,647	3,663	55,848	59,511	46,346	2.31
Maine	6,642	408	6,219	6,627	5,161	0.26
Maryland	48,647	2,988	45,549	48,537	37,799	1.88
Massachusetts	71,026	4,362	66,503	70,865	55,188	2.75
Michigan	49,450	3,037	46,301	49,338	38,423	1.91
Minnesota	38,936	2,391	36,456	38,847	30,253	1.51
Mississippi	25,174	1,546	23,571	25,117	19,561	0.97
Missouri	41,771	2,565	39,110	41,675	32,456	1.62
Montana	3,720	228	3,483	3,711	2,890	0.14
Nebraska	10,617	652	9,941	10,593	8,249	0.41
Nevada	8,922	548	8,354	8,902	6,933	0.35
New Hampshire	6,481	398	6,068	6,466	5,036	0.25
New Jersey	90,554	5,561	84,787	90,348	70,362	3.50
New Mexico	7,757	476	7,263	7,739	6,027	0.30
New York	439,508	26,989	394,672	421,661	326,925	16.27
North Carolina	65,521	4,024	61,348	65,372	50,911	2.53
North Dakota	2,737	168	2,562	2,730	2,126	0.11
Ohio	109,341	6,715	102,377	109,092	84,959	4.23
Oklahoma	21,088	1,295	19,745	21,040	16,386	0.82
Oregon	12,401	762	11,611	12,373	9,635	0.48
Pennsylvania	181,920	11,172	170,334	181,506	141,353	7.03
Rhode Island	15,794	970	14,788	15,758	12,272	0.61
South Carolina	28,920	1,776	27,078	28,854	22,471	1.12
South Dakota	3,900	240	3,652	3,892	3,031	0.15
Tennessee	68,302	4,195	63,952	68,147	53,071	2.64
Texas	111,590	6,853	104,483	111,336	86,706	4.31
Utah	3,636	223	3,404	3,627	2,825	0.14
Vermont	3,304	203	3,094	3,297	2,567	0.13
Virginia	58,726	3,607	54,986	58,593	45,631	2.27
Washington	35,149	2,159	32,910	35,069	27,311	1.36
West Virginia	12,248	752	11,468	12,220	9,517	0.47
Wisconsin	21,365	1,312	20,004	21,316	16,601	0.83
Wyoming	1,128	69	1,056	1,125	876	0.04
American Samoa	....	....	....	....	....	....
Guam	1,525	94	1,428	1,522	1,185	0.06
Northern Mariana Islands	....	....	....	....	....	....
Puerto Rico	144,821	8,894	135,597	144,491	112,527	5.60
Freely Associated States	....	....	....	....	....	....
Virgin Islands	7,467	459	6,991	7,450	5,802	0.29
Indian Tribes	....	....	....	....	....	....
Undistributed	....	....	....	....	....	....
Total	**2,604,865**	**159,972**	**2,422,117**	**2,582,089**	**2,009,423**	[1] **100.00**

[1] Excludes undistributed obligations.

Table 8–31. Community Development Block Grants (14.218)

(obligations in thousands of dollars)

State or Territory	FY 2007 Actual	Estimated FY 2008 obligations from:			FY 2009 (estimated)	FY 2009 Percentage of distributed total
		Previous authority	New authority	Total		
Alabama	49,801	....	48,336	48,336	36,765	1.42
Alaska	4,760	....	4,623	4,623	3,516	0.14
Arizona	54,591	....	53,162	53,162	40,436	1.56
Arkansas	27,757	....	26,995	26,995	20,533	0.79
California	471,738	....	455,203	455,203	346,233	13.35
Colorado	38,555	....	37,300	37,300	28,371	1.09
Connecticut	42,118	....	40,850	40,850	31,071	1.20
Delaware	7,272	....	7,034	7,034	5,350	0.21
District of Columbia	18,757	....	18,042	18,042	13,723	0.53
Florida	162,551	....	157,192	157,192	119,562	4.61
Georgia	83,062	....	80,957	80,957	61,577	2.37
Hawaii	15,366	....	14,884	14,884	11,321	0.44
Idaho	12,277	....	11,970	11,970	9,105	0.35
Illinois	176,982	....	170,567	170,567	129,735	5.00
Indiana	70,896	....	68,354	68,354	51,991	2.00
Iowa	41,572	....	40,290	40,290	30,645	1.18
Kansas	28,177	....	27,327	27,327	20,785	0.80
Kentucky	46,029	....	44,684	44,684	33,987	1.31
Louisiana	62,745	....	63,992	63,992	48,673	1.88
Maine	19,961	....	19,399	19,399	14,755	0.57
Maryland	56,070	....	53,959	53,959	41,042	1.58
Massachusetts	110,765	....	107,309	107,309	81,621	3.15
Michigan	133,058	....	127,986	127,986	97,348	3.75
Minnesota	58,621	....	56,698	56,698	43,125	1.66
Mississippi	35,517	....	34,618	34,618	26,331	1.01
Missouri	68,075	....	65,655	65,655	49,938	1.92
Montana	9,285	....	8,984	8,984	6,833	0.26
Nebraska	19,589	....	18,954	18,954	14,417	0.56
Nevada	20,425	....	19,859	19,859	15,105	0.58
New Hampshire	13,340	....	12,951	12,951	9,851	0.38
New Jersey	101,921	....	98,543	98,543	74,953	2.89
New Mexico	21,238	....	20,670	20,670	15,722	0.61
New York	352,789	....	340,605	340,605	259,066	9.99
North Carolina	71,884	....	70,004	70,004	53,246	2.05
North Dakota	6,414	....	6,217	6,217	4,729	0.18
Ohio	163,639	....	158,120	158,120	120,268	4.64
Oklahoma	30,558	....	29,613	29,613	22,524	0.87
Oregon	36,996	....	35,892	35,892	27,300	1.05
Pennsylvania	224,183	....	216,692	216,692	164,819	6.35
Rhode Island	17,315	....	16,805	16,805	12,782	0.49
South Carolina	39,231	....	38,013	38,013	28,913	1.11
South Dakota	8,065	....	7,834	7,834	5,959	0.23
Tennessee	50,540	....	48,859	48,859	37,163	1.43
Texas	257,621	....	250,290	250,290	190,374	7.34
Utah	20,729	....	20,246	20,246	15,399	0.59
Vermont	8,423	....	8,183	8,183	6,224	0.24
Virginia	61,853	....	59,739	59,739	45,438	1.75
Washington	62,051	....	60,072	60,072	45,691	1.76
West Virginia	25,353	....	24,558	24,558	18,679	0.72
Wisconsin	67,446	....	64,867	64,867	49,339	1.90
Wyoming	4,246	....	4,138	4,138	3,147	0.12
American Samoa	954	....	963	963	897	0.03
Guam	2,823	....	2,851	2,851	2,657	0.10
Northern Mariana Islands	1,361	....	1,375	1,375	1,281	0.05
Puerto Rico	111,779	....	108,336	108,336	82,402	3.18
Freely Associated States	....	....	....	....	....	....
Virgin Islands	1,792	....	1,811	1,811	1,688	0.07
Indian Tribes	59,400	....	62,000	62,000	57,420	2.21
Undistributed	....	....	....	....	200,000	....
Set-asides [1]	1,584	....	4,570	4,570	8,175	0.32
Earmarks	....	....	205,800	205,800	....	....
Earmarks Rescission	....	....	....	....	....	....
Hurricane Supplemental	....	....	3,000,000	3,000,000	−205,800	−7.93
Total [2]	**3,771,900**	....	**6,865,800**	**6,865,800**	**2,794,200**	[3] **100.00**

[1] Includes transfer to Working Capital Fund (IT). 2008 and 2009 also include set-aside for technical assistance.
[2] Includes Special Purpose Grants/Insular Areas (14.225) and State's Program (14.228).
[3] Excludes undistributed obligations.

Table 8–32. HOME Investment Partnerships Program (14.239)

(obligations in thousands of dollars)

State or Territory	FY 2007 Actual	Estimated FY 2008 obligations from: Previous authority	New authority	Total	FY 2009 (estimated)	FY 2009 Percentage of distributed total
Alabama	24,129	....	23,218	23,218	27,677	1.41
Alaska	4,053	....	3,971	3,971	4,734	0.24
Arizona	24,605	....	23,475	23,475	27,983	1.42
Arkansas	15,267	....	14,870	14,870	17,726	0.90
California	247,348	....	236,777	236,777	282,251	14.35
Colorado	20,875	....	19,872	19,872	23,689	1.20
Connecticut	19,983	....	19,017	19,017	22,669	1.15
Delaware	4,892	....	4,783	4,783	5,702	0.29
District of Columbia	8,732	....	8,459	8,459	10,084	0.51
Florida	76,989	....	73,484	73,484	87,597	4.45
Georgia	40,940	....	39,588	39,588	47,191	2.40
Hawaii	7,386	....	7,147	7,147	8,520	0.43
Idaho	6,637	....	6,361	6,361	7,583	0.39
Illinois	71,862	....	68,792	68,792	82,004	4.17
Indiana	28,946	....	27,647	27,647	32,957	1.68
Iowa	14,378	....	13,791	13,791	16,440	0.84
Kansas	12,970	....	12,441	12,441	14,830	0.75
Kentucky	23,829	....	22,974	22,974	27,386	1.39
Louisiana	29,748	....	28,617	28,617	34,113	1.73
Maine	8,119	....	7,769	7,769	9,261	0.47
Maryland	24,166	....	23,034	23,034	27,458	1.40
Massachusetts	45,238	....	43,309	43,309	51,627	2.63
Michigan	48,503	....	46,485	46,485	55,413	2.82
Minnesota	21,679	....	20,661	20,661	24,629	1.25
Mississippi	16,501	....	15,901	15,901	18,955	0.96
Missouri	29,463	....	28,111	28,111	33,510	1.70
Montana	5,922	....	5,681	5,681	6,772	0.34
Nebraska	8,636	....	8,269	8,269	9,857	0.50
Nevada	11,467	....	11,014	11,014	13,129	0.67
New Hampshire	6,209	....	6,009	6,009	7,163	0.36
New Jersey	46,447	....	44,498	44,498	53,044	2.70
New Mexico	10,529	....	10,083	10,083	12,019	0.61
New York	191,562	....	183,577	183,577	218,834	11.13
North Carolina	38,386	....	37,895	37,895	45,173	2.30
North Dakota	3,593	....	3,513	3,513	4,188	0.21
Ohio	63,545	....	60,661	60,661	72,311	3.68
Oklahoma	19,405	....	18,692	18,692	22,282	1.13
Oregon	20,744	....	19,869	19,869	23,685	1.20
Pennsylvania	71,545	....	69,064	69,064	82,328	4.19
Rhode Island	9,086	....	8,671	8,671	10,336	0.53
South Carolina	18,764	....	18,445	18,445	21,987	1.12
South Dakota	4,086	....	3,928	3,928	4,682	0.24
Tennessee	29,534	....	28,362	28,362	33,809	1.72
Texas	112,075	....	107,795	107,795	128,497	6.53
Utah	8,874	....	8,457	8,457	10,081	0.51
Vermont	4,079	....	3,936	3,936	4,692	0.24
Virginia	32,302	....	32,151	32,151	38,326	1.95
Washington	32,603	....	31,251	31,251	37,253	1.89
West Virginia	12,424	....	12,020	12,020	14,328	0.73
Wisconsin	27,003	....	25,864	25,864	30,831	1.57
Wyoming	3,543	....	3,500	3,500	4,172	0.21
American Samoa	315	....	307	307	358	0.02
Guam	1,303	....	1,267	1,267	1,476	0.08
Northern Mariana Islands	600	....	583	583	680	0.03
Puerto Rico	31,797	....	30,988	30,988	36,939	1.88
Freely Associated States	....	....	....	....	....	....
Virgin Islands	1,164	....	1,131	1,131	1,319	0.07
Indian Tribes	....	....	....	....	....	....
Undistributed	....	....	....	....	....	....
Set-asides [1]	52,470	....	65,965	65,965	14,100	0.72
Total	**1,757,250**	....	**1,704,000**	**1,704,000**	**1,966,640**	[2] **100.00**

[1] Includes set-asides for technical assistance and transfer to Working Capital Fund (IT). 2007 and 2008 also include set-aside for Housing Counseling program.
[2] Excludes undistributed obligations.

Table 8–33. Airport Improvement Program (20.106)

(obligations in thousands of dollars)

State or Territory	FY 2007 Actual	Estimated FY 2008 obligations from: Previous authority	New authority	Total	FY 2009 (estimated)	FY 2009 Percentage of distributed total
Alabama	[1] 59,171	....	....	....	43,465	1.58
Alaska	213,350	....	....	....	156,726	5.70
Arizona	68,714	....	....	....	50,477	1.84
Arkansas	40,700	....	....	....	29,898	1.09
California	285,590	....	....	....	209,793	7.63
Colorado	79,379	....	....	....	58,311	2.12
Connecticut	18,346	....	....	....	13,477	0.49
Delaware	11,023	....	....	....	8,098	0.29
District of Columbia	....	....	....	....	....	....
Florida	[1] 180,530	....	....	....	132,324	4.81
Georgia	98,409	....	....	....	72,291	2.63
Hawaii	36,450	....	....	....	26,776	0.97
Idaho	29,350	....	....	....	21,560	0.78
Illinois	151,591	....	....	....	111,358	4.05
Indiana	53,760	....	....	....	39,492	1.44
Iowa	43,294	....	....	....	31,804	1.16
Kansas	20,090	....	....	....	14,758	0.54
Kentucky	74,338	....	....	....	54,609	1.99
Louisiana	61,948	....	....	....	45,507	1.65
Maine	26,299	....	....	....	19,319	0.70
Maryland	46,504	....	....	....	34,162	1.24
Massachusetts	38,554	....	....	....	28,322	1.03
Michigan	123,737	....	....	....	90,897	3.31
Minnesota	66,083	....	....	....	48,545	1.77
Mississippi	[1] 40,819	....	....	....	29,985	1.09
Missouri	90,746	....	....	....	66,662	2.42
Montana	38,280	....	....	....	28,120	1.02
Nebraska	20,315	....	....	....	14,924	0.54
Nevada	57,916	....	....	....	42,545	1.55
New Hampshire	36,876	....	....	....	27,089	0.99
New Jersey	64,030	....	....	....	47,036	1.71
New Mexico	24,966	....	....	....	18,340	0.67
New York	131,577	....	....	....	96,656	3.51
North Carolina	73,160	....	....	....	53,743	1.95
North Dakota	24,958	....	....	....	18,334	0.67
Ohio	84,929	....	....	....	62,388	2.27
Oklahoma	42,441	....	....	....	31,177	1.13
Oregon	29,775	....	....	....	21,872	0.80
Pennsylvania	115,682	....	....	....	84,980	3.09
Rhode Island	17,450	....	....	....	12,819	0.47
South Carolina	35,035	....	....	....	25,736	0.94
South Dakota	27,587	....	....	....	20,265	0.74
Tennessee	74,342	....	....	....	54,611	1.99
Texas	264,254	....	....	....	194,120	7.06
Utah	39,884	....	....	....	29,299	1.07
Vermont	5,743	....	....	....	4,219	0.15
Virginia	90,697	....	....	....	66,626	2.42
Washington	97,388	....	....	....	71,541	2.60
West Virginia	34,514	....	....	....	25,354	0.92
Wisconsin	42,112	....	....	....	30,935	1.12
Wyoming	24,899	....	....	....	18,290	0.67
American Samoa	7,249	....	....	....	5,325	0.19
Guam	14,879	....	....	....	10,930	0.40
Northern Mariana Islands	78,738	....	....	....	57,841	2.10
Puerto Rico	[1] 14,936	....	....	....	10,973	0.40
Freely Associated States	....	....	....	....	....	....
Virgin Islands	4,758	....	....	....	3,494	0.13
Indian Tribes	....	....	....	....	....	....
Undistributed	....	....	....	....	....	....
Other [2]	113,022	67,275	16,636	83,911	121,802	4.43
Total	**3,691,167**	**67,275**	**16,636**	**83,911**	**2,750,000**	[3] **100.00**

[1] Includes amounts provided in the Department of Defense Appropriations Act of 2006 (P.L. 109–148).
[2] Includes Personnel and related expenses, Small Community Air service, Airport Technology Research, Airport Cooperative Research, and Reimbursable obligations.
[3] Excludes undistributed obligations.

Table 8–34. Highway Planning and Construction (20.205)

(obligations in thousands of dollars)

State or Territory	FY 2007 Actual	Estimated FY 2008 obligations from: Previous authority	New authority	Total	FY 2009 (estimated)	FY 2009 Percentage of distributed total
Alabama	767,386	....	652,727	652,727	656,872	2.00
Alaska	411,574	....	282,067	282,067	300,998	0.91
Arizona	625,445	....	645,075	645,075	610,406	1.85
Arkansas	404,518	....	408,704	408,704	416,556	1.27
California	2,886,155	....	3,027,694	3,027,694	3,162,052	9.61
Colorado	490,246	....	439,113	439,113	446,157	1.36
Connecticut	425,597	....	448,399	448,399	431,018	1.31
Delaware	131,491	....	128,378	128,378	131,930	0.40
District of Columbia	139,394	....	131,278	131,278	133,053	0.40
Florida	1,885,484	....	1,646,927	1,646,927	1,578,592	4.80
Georgia	1,194,996	....	1,189,444	1,189,444	1,162,418	3.53
Hawaii	220,602	....	138,187	138,187	136,530	0.41
Idaho	271,536	....	240,342	240,342	243,503	0.74
Illinois	1,109,584	....	1,116,884	1,116,884	1,142,839	3.47
Indiana	868,506	....	837,222	837,222	836,098	2.54
Iowa	402,325	....	376,024	376,024	360,764	1.10
Kansas	377,662	....	331,623	331,623	333,192	1.01
Kentucky	628,504	....	563,101	563,101	566,296	1.72
Louisiana	848,891	....	525,533	525,533	514,001	1.56
Maine	164,422	....	145,808	145,808	151,612	0.46
Maryland	528,725	....	526,802	526,802	515,479	1.57
Massachusetts	587,717	....	563,444	563,444	541,062	1.64
Michigan	1,052,832	....	949,589	949,589	1,052,965	3.20
Minnesota	592,911	....	516,029	516,029	569,617	1.73
Mississippi	619,132	....	386,730	386,730	391,782	1.19
Missouri	853,843	....	762,557	762,557	774,723	2.35
Montana	366,168	....	307,594	307,594	314,519	0.96
Nebraska	274,878	....	241,810	241,810	243,125	0.74
Nevada	291,086	....	235,089	235,089	213,313	0.65
New Hampshire	166,460	....	148,716	148,716	147,227	0.45
New Jersey	842,596	....	869,636	869,636	850,350	2.58
New Mexico	318,732	....	302,479	302,479	315,597	0.96
New York	1,629,822	....	1,520,182	1,520,182	1,460,951	4.44
North Carolina	952,078	....	926,526	926,526	942,342	2.86
North Dakota	243,813	....	202,566	202,566	205,806	0.63
Ohio	1,316,630	....	1,166,230	1,166,230	1,219,640	3.71
Oklahoma	600,914	....	503,343	503,343	503,944	1.53
Oregon	421,991	....	377,426	377,426	377,013	1.15
Pennsylvania	1,629,520	....	1,505,915	1,505,915	1,452,764	4.41
Rhode Island	191,374	....	169,132	169,132	163,290	0.50
South Carolina	592,659	....	533,175	533,175	525,912	1.60
South Dakota	233,282	....	212,628	212,628	221,063	0.67
Tennessee	724,349	....	705,610	705,610	710,041	2.16
Texas	2,698,316	....	2,676,993	2,676,993	2,679,360	8.14
Utah	303,530	....	234,082	234,082	235,817	0.72
Vermont	170,104	....	136,260	136,260	144,261	0.44
Virginia	819,017	....	856,745	856,745	870,616	2.65
Washington	756,976	....	572,684	572,684	565,539	1.72
West Virginia	433,801	....	352,622	352,622	356,731	1.08
Wisconsin	671,767	....	625,584	625,584	640,579	1.95
Wyoming	236,583	....	210,640	210,640	225,145	0.68
American Samoa	6,030	....	14,180	14,180	14,840	0.05
Guam	217	....	511	511	534	*
Northern Mariana Islands	2,583	....	6,075	6,075	6,358	0.02
Puerto Rico	180,474	....	107,292	107,292	113,399	0.34
Freely Associated States	....	....	....	....	....	....
Virgin Islands	10,814	....	25,434	25,434	26,618	0.08
Indian Tribes	....	....	....	....	....	....
Undistributed	....	....	8,489,214	8,489,214	6,491,516	....
Total	**35,576,045**	....	**41,216,051**	**41,216,051**	**39,398,728**	[1] **100.00**

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

Table 8–35. Federal Transit Formula Grants and Research (20.507)

(obligations in thousands of dollars)

State or Territory	FY 2007 Actual	Estimated FY 2008 obligations from:			FY 2009 (estimated)	FY 2009 Percentage of distributed total
		Previous authority	New authority	Total		
Alabama	43,455	10,394	29,486	39,880	51,645	0.60
Alaska	38,222	10,701	35,628	46,329	63,521	0.74
Arizona	91,462	38,289	60,802	99,091	102,423	1.19
Arkansas	10,563	9,585	17,807	27,392	30,818	0.36
California	1,105,171	292,123	739,828	1,031,951	1,259,897	14.63
Colorado	78,385	9,796	58,466	68,262	97,095	1.13
Connecticut	157,466	62,890	94,399	157,289	152,706	1.77
Delaware	11,418	7,368	10,562	17,929	17,337	0.20
District of Columbia	82,703	63,763	116,607	180,369	196,139	2.28
Florida	314,026	63,722	209,666	273,387	355,886	4.13
Georgia	204,333	43,368	105,763	149,131	187,875	2.18
Hawaii	22,849	7,278	25,586	32,864	45,330	0.53
Idaho	14,529	2,420	11,051	13,471	18,965	0.22
Illinois	449,868	17,277	338,893	356,170	550,281	6.39
Indiana	77,929	22,839	56,608	79,447	97,133	1.13
Iowa	32,911	5,037	22,326	27,363	38,687	0.45
Kansas	20,023	12,751	18,457	31,208	31,583	0.37
Kentucky	31,095	6,915	29,549	36,465	52,252	0.61
Louisiana	68,616	11,760	41,548	53,309	73,439	0.85
Maine	17,336	1,712	9,195	10,908	14,934	0.17
Maryland	132,815	54,795	118,283	173,078	200,785	2.33
Massachusetts	356,277	58,773	216,529	275,302	361,881	4.20
Michigan	114,040	13,920	83,373	97,293	146,156	1.70
Minnesota	103,715	29,092	61,553	90,645	100,635	1.17
Mississippi	20,638	7,505	16,201	23,707	28,284	0.33
Missouri	85,408	15,189	52,672	67,861	92,555	1.07
Montana	17,050	2,165	9,118	11,283	15,491	0.18
Nebraska	8,834	6,592	13,702	20,294	23,290	0.27
Nevada	15,814	38,060	27,502	65,561	44,069	0.51
New Hampshire	11,014	5,133	8,615	13,749	14,370	0.17
New Jersey	609,647	11,552	340,654	352,206	551,467	6.40
New Mexico	38,539	6,652	16,517	23,169	28,541	0.33
New York	1,760,823	137,021	880,490	1,017,511	1,446,237	16.79
North Carolina	74,508	43,156	61,885	105,041	104,978	1.22
North Dakota	5,515	2,621	6,845	9,466	11,402	0.13
Ohio	164,360	27,520	119,416	146,937	205,133	2.38
Oklahoma	27,736	4,143	23,834	27,977	42,058	0.49
Oregon	81,680	4,747	50,443	55,190	82,192	0.95
Pennsylvania	507,636	26,172	247,703	273,874	406,964	4.72
Rhode Island	40,870	3,576	17,137	20,713	28,301	0.33
South Carolina	22,359	14,550	25,917	40,467	46,225	0.54
South Dakota	8,583	1,136	6,889	8,025	11,593	0.13
Tennessee	51,692	15,971	43,374	59,344	74,330	0.86
Texas	347,359	69,400	236,970	306,370	421,278	4.89
Utah	34,647	5,414	31,822	37,236	54,501	0.63
Vermont	14,897	572	4,095	4,667	6,968	0.08
Virginia	132,389	36,216	83,390	119,606	142,858	1.66
Washington	201,307	31,757	126,092	157,848	209,618	2.43
West Virginia	12,453	4,971	14,508	19,479	22,963	0.27
Wisconsin	64,789	12,127	50,461	62,588	89,580	1.04
Wyoming	9,090	1,128	5,519	6,647	9,140	0.11
American Samoa	595	198	307	504	546	0.01
Guam	833	....	688	688	1,157	0.01
Northern Mariana Islands	962	....	786	786	1,422	0.02
Puerto Rico	6,803	59,493	53,403	112,897	84,662	0.98
Freely Associated States	....	....	....	....	....	....
Virgin Islands	....	1,029	899	1,928	1,570	0.02
Indian Tribes	....	....	....	....	....	....
Undistributed	....	....	....	....	....	....
Oversight	44,626	4	57,736	57,740	63,248	0.73
Total [1]	**8,002,662**	**1,452,335**	**5,147,555**	**6,599,890**	**8,614,396**	[2] **100.00**

[1] Includes Fixed Guideway Modernization (CFDA 20.500), Metropolitan Planning and State Planning (CFDA 20.505), Formula Program for Non-Urbanized Areas (CFDA 20.509), Elderly and Persons with Disabilities (CFDA 20.513), Job Access and Reverse Commute (CFDA 20.516), and New Freedom Initiative (CFDA 20.521).

[2] Excludes undistributed obligations.

Table 8–36. Universal Service Fund E–Rate (1)

(obligations in thousands of dollars)

State or Territory	FY 2007 Actual	Estimated FY 2008 obligations from:			FY 2009 (estimated)	FY 2009 Percentage of distributed total
		Previous authority	New authority	Total		
Alabama	27,567	....	32,836	32,836	33,279	1.94
Alaska	12,809	....	15,256	15,256	15,462	0.90
Arizona	38,914	....	46,351	46,351	8,569	0.50
Arkansas	7,098	....	8,455	8,455	46,977	2.74
California	202,738	....	241,482	241,482	244,744	14.30
Colorado	17,745	....	21,136	21,136	21,421	1.25
Connecticut	16,572	....	19,738	19,738	20,005	1.17
Delaware	1,051	....	1,252	1,252	1,269	0.07
District of Columbia	474	....	565	565	573	0.03
Florida	46,661	....	55,578	55,578	56,329	3.29
Georgia	42,648	....	50,799	50,799	51,485	3.01
Hawaii	1,276	....	1,520	1,520	1,541	0.09
Idaho	2,912	....	3,469	3,469	3,516	0.21
Illinois	59,507	....	70,879	70,879	71,837	4.20
Indiana	21,620	....	25,752	25,752	26,100	1.52
Iowa	8,362	....	9,961	9,961	10,095	0.59
Kansas	10,716	....	12,764	12,764	12,936	0.76
Kentucky	17,017	....	20,270	20,270	20,543	1.20
Louisiana	53,575	....	63,814	63,814	64,676	3.78
Maine	4,793	....	5,710	5,710	5,787	0.34
Maryland	8,664	....	10,320	10,320	10,459	0.61
Massachusetts	22,956	....	27,343	27,343	27,713	1.62
Michigan	29,392	....	35,008	35,008	35,481	2.07
Minnesota	16,663	....	19,848	19,848	20,116	1.18
Mississippi	22,903	....	27,280	27,280	27,649	1.62
Missouri	19,172	....	22,835	22,835	23,144	1.35
Montana	2,646	....	3,152	3,152	3,195	0.19
Nebraska	5,932	....	7,066	7,066	7,161	0.42
Nevada	4,403	....	5,245	5,245	5,316	0.31
New Hampshire	1,271	....	1,513	1,513	1,534	0.09
New Jersey	30,362	....	36,165	36,165	36,653	2.14
New Mexico	23,680	....	28,206	28,206	28,587	1.67
New York	126,778	....	151,007	151,007	153,047	8.94
North Carolina	41,588	....	49,536	49,536	50,205	2.93
North Dakota	4,648	....	5,536	5,536	5,611	0.33
Ohio	53,109	....	63,258	63,258	64,113	3.75
Oklahoma	31,094	....	37,036	37,036	37,536	2.19
Oregon	8,030	....	9,565	9,565	9,694	0.57
Pennsylvania	49,391	....	58,830	58,830	59,625	3.48
Rhode Island	4,783	....	5,698	5,698	5,775	0.34
South Carolina	37,011	....	44,084	44,084	44,679	2.61
South Dakota	4,274	....	5,090	5,090	5,159	0.30
Tennessee	37,919	....	45,166	45,166	45,776	2.67
Texas	149,619	....	178,213	178,213	180,620	10.55
Utah	10,107	....	12,038	12,038	12,201	0.71
Vermont	1,140	....	1,358	1,358	1,376	0.08
Virginia	22,718	....	27,060	27,060	27,425	1.60
Washington	16,190	....	19,284	19,284	19,544	1.14
West Virginia	6,971	....	8,303	8,303	8,415	0.49
Wisconsin	15,375	....	18,314	18,314	18,561	1.08
Wyoming	4,534	....	5,400	5,400	5,473	0.32
American Samoa	....	....	....	....	....	....
Guam	742	....	884	884	896	0.05
Northern Mariana Islands	....	....	....	....	....	....
Puerto Rico	4,114	....	4,900	4,900	4,966	0.29
Freely Associated States	....	....	....	....	....	....
Virgin Islands	5,130	....	6,110	6,110	6,193	0.36
Indian Tribes	....	....	....	....	....	....
Undistributed	....	....	....	....	....	....
Northern Mariana Islands	670	....	795	795	806	0.05
Total [1]	**1,418,034**	....	**1,689,033**	**1,689,033**	**1,711,848**	[2] **100.00**

[1] This program is not included in the Catalog of Federal Domestic Assistance. Amounts exclude funding provided to private schools and libraries.
[2] Excludes undistributed obligations.

9. INTEGRATING SERVICES WITH INFORMATION TECHNOLOGY

As one of the largest users and acquirers of data, information and supporting technology systems in the world, the United States Government continues its efforts to strengthen its capabilities in managing technology and information in order to be the world's leader in information technology. The President proposes to spend nearly $71 billion for Information Technology (IT) and the associated support services. Departments and agencies continue to build upon their successes including their efforts with portfolio management by continuing to focus on results by applying the principles and methods of Earned Value Management (EVM) to achieve improved customer service levels and greater savings.

ACHIEVING RESULTS FOR THE AMERICAN PEOPLE

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

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

This Budget chapter and Table 9–1, "Effectiveness of Agency's IT Management and E-Gov Processes," fulfill the statutory reporting requirement of the Clinger-Cohen Act of 1996. Table 9–1 and other tables referenced in the text are available on-line at *www.budget.gov* or on the CD–ROM with printed versions provided by the Government Printing Office. Other management guidance provided to Federal departments and agencies is included in Table 9–2, "Management Guidance," which accompanies this chapter, and individual guidance memoranda are available at *www.whitehouse.gov/OMB/memoranda.*

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

The Federal departments and agencies continue to improve in their efforts to guarantee success and results for the taxpayer. There were 585 major investments representing about $27 billion on the "Management Watch List (MWL)," i.e., those IT investment justifications needing improvement in performance measurement, earned value management or system security. Before the start of each fiscal year, agencies are directed to remediate the shortfalls identified prior to expending additional funds. The agencies work to remediate the weaknesses or put measures in place to monitor the progress of an IT investment, which could include multiple projects. If an investment is still on the MWL agencies must describe their plans to manage or mitigate risk before undertaking or continuing development activities related to that investment. As of December 31, 2007, 52 percent of the agencies (14 of 27) had acceptable 2008 business cases. Remaining on last year's MWL, there were 134 business cases valued in 2008 at $8.6 billion from thirteen agencies. Table 9–3, "Management Watch List for FY 08," provides a listing of the 134 business cases by department and agency. The IT projects associated with these investments have been moved to the High Risk List. Table 9–4, "High Risk IT Projects as of September 30, 2007," is a complete listing to date of all High Risk IT projects being monitored by the Office of Management and Budget (OMB) and/or the departments and agencies.

This year, 585 of the 810 2009 major IT investments are on the MWL as of December 31, 2007. See Table 9–5, "Agencies with IT Investments on the Management Watch List." In the evaluation of the departments' and agencies' business cases, the following criteria were used for placing investments on the MWL [Table 9–6, "FY 2009 Exhibit 300 Evaluation Criteria," provides the explanation for numeric evaluation for the business cases]:

- Overall Evaluation of 30 or less;
- Security Evaluation of 3 or less;
- If any other evaluation element has a rating of 2 or less;
- Project Manager Rating mismatched between Exhibit 53 and Exhibit 300;
- Project Manager identified has not been validated as qualified for the Investment as identified on the Exhibit 53;
- Agencies failing to receive a "satisfactory" or better evaluation by the agency IG in their annual Federal Information Security Management Act (FISMA) reports due to OMB on October 1, 2007 for the quality of their C&A process;
- Agencies failing to receive a "satisfactory" or better evaluation by the agency IG in their annual

FISMA reports due to OMB on October 1, 2007 for the quality of their PIA process and the investment requires a PIA;
- The agency is currently red for the Cost/Schedule Performance element of the PMA E-Gov Scorecard; and/or
- Overall Consistency Issue.

OMB will release investments remaining on the MWL in the spring of 2008 for the quarter ending March 31, 2008. Departments and agencies have been provided the specific information regarding the weaknesses for their investments. Many of the investments still need to address security, performance measures, implementation of earned value management and other issues prior to obligating funding in 2009. Table 9–7, "Comparison of the Management Watch List by Fiscal Year," illustrates the analysis of total portfolio including the number of projects on the High Risk List. Table 9–8, "Number of Recurring Investments on the Management Watch List," includes by department and agency the same investments on the MWL since inception.

The "high risk list" approach is separate and distinct from the MWL since it presents oversight authorities with information differing in focus, timing and expected results. It is not designed to replace pre-existing oversight and internal agency processes, but rather to supplement and complement them. The objective of the analysis is to manage the risk associated with the IT projects each quarter to achieve the intended outcomes. Each quarter agencies evaluate and report to OMB on the performance of the high risk projects. These projects are considered *high*-risk, requiring special attention from the highest level of agency management and oversight authorities due to size, complexity, and/or nature of the risk of the project, but are not necessarily *at*-risk.

Unlike the MWL, the high risk list contains a mix of major and non-major systems, as well as discrete projects and programmatic activities. The criteria for inclusion on the high risk list include, but are not limited to: Major systems the agency or OMB deems to be high risk due to a variety of factors, such as:

- high cost;
- complexity;
- high profile political or citizen interest;
- cross-organizational or agency impact or interdependencies with other systems efforts;
- major systems on the MWL at the conclusion of the prior fiscal year and continuing to warrant heightened attention during project execution;
- major systems formally designated as an E-Government or Line of Business (LoB) Shared Service Provider;
- planned or underway E-Government initiative migration projects (which are removed upon completion);
- existing or legacy agency systems retiring once their functionality has been migrated to a common solution (also removed once retired); and
- Program or Program Management Office activities supporting government-wide common solutions.

OMB and agencies monitor the status of projects on the high risk list, and track their progress in establishing goals and performance against cost and schedule baselines.

The Report on Information Technology (IT) Spending for the Federal Government (Exhibit 53) located at *www.whitehouse.gov/OMB*, provides details of the Administration's proposed 2009 IT investments. Related documents on IT security and Electronic Government (E-Government) will also be available at *www.whitehouse.gov/OMB* and will be published in the spring of 2008.

The 2009 proposed IT investments were analyzed for trends and potential duplications across government entities. At about $71 billion, the 2009 Federal IT portfolio represents a 3.8 percent increase over the 2008 President's Budget. The following represents the highlights:

	FY 2007	FY 2008	FY 2009	Percent Change[1]
Major IT Investments	857	840	810	–4%
Not Well Planned and Managed	263	364	535	47%
Well Planned and Managed	594	494	275	–44%

[1] Change from 2008 to 2009.

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

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

The inter-agency taskforces have driven significant accomplishments for each LoB initiative. The IT Infrastructure (ITI) LoB puts in place a government-wide approach for measuring and optimizing agency infrastructures to enhance cost efficiency/service levels and better enable core agency missions and customer-centric services. The ITI LoB, with the assistance of industry experts, will provide tools and metrics for agencies to leverage in order to optimize their commodity infrastructure cost efficiency/service level metrics. The ITI

LoB will provide tools and metrics in the following areas:

- Desktop/Seat Management and Support;
- Data Centers; and
- Data Networks and Telecommunications.

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

The Administration continues to leverage government buying power while reducing redundant purchases through the SmartBUY program. Launched in June 2003, the SmartBUY program continues to provide increased cost avoidance savings to Federal agencies through new and existing agreements with commercial software providers. The SmartBUY Office located at the General Services Administration (GSA) continues to manage a total of twenty-five agreements within nine programs. In June 2007, SmartBUY awarded the multiple award agreement in support of OMB policy memorandum, M–06–16, "Protection of Sensitive Agency Information," which would include data at rest and remote access. These agreements included the ability of the state, local and tribal governments to procure products leveraging the federal government's buying power and receiving reduced pricing to meet their needs. In October 2007, the Administration broadened the scope of the current SmartBUY agreements to offer cost savings to all U.S. Federal government agencies (including DoD) for volume purchases. This ensures optimal pricing and leverages federal purchasing power. To date, the Federal government has avoided and/or saved more than $600 million dollars ($133 million in 2007) through the use of this program.

In August 2006, OMB released Memorandum 06–22 (M–06–22), *Cost Savings Achieved Through E–Government and Line of Business Initiatives*. M–06–22 asked agencies to identify legacy investments impacted by agency use of an E-Gov or LoB initiative and develop baseline cost estimates for these investments. Going forward, it is expected agencies savings will be realized by the migration of functions from their legacy systems, which can be terminated, to government wide common solutions. Agencies were requested to measure actual costs for the identified investments on an ongoing basis to provide the basis for estimating these savings.

Based on agency-reported estimated costs for 2007 as compared to agency-reported actual costs for the 2007, estimated gross cost savings is approximately $508 million.

2007 Baseline Cost Estimate—Investments Impacted by E-Gov	2007 Actual Costs	2007 Gross Cost Savings
$7,331M	$6,823M	$508M

OMB is continuing to work with agencies to identify additional legacy investments impacted by E-Gov and LoB initiatives.

Government IT Workforce.—With rapid advances in IT, improved program performance is first and foremost driven by the Federal employees who manage the IT projects and portfolios. Qualified project managers and an IT workforce with the necessary skills and competencies help ensure agency investments are well planned and managed.

In 2007, an IT Workforce Assessment Survey was developed and administered by the Chief Information Officers (CIO) Council. Using the survey results, agencies prepared a gap analysis report and improvement plan which identified competencies for improvement, staffing targets, and milestones with specific dates to successfully reach targets established. Agencies submitted plans to Office of Personnel Management (OPM) in June 2007. Progress against these plans is measured and included in the President's Management Agenda Human Capital Scorecard. As of September 1, 2007, 24 of 25 scorecard agencies have IT professionals on board have:

- met planned skill or competency gap closure milestones; and
- met or are consistently meeting their IT hiring targets.

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

	Current Number of Positions Filled	Number of Positions Filled on June 30, 2008
Enterprise Architecture	1,673	1,670
Solutions Architecture	1,457	1,472
IT Security	8,407	8,449
IT Project Management	6,248	6,061
Total	17,785	17,652

Agencies have also made progress in assignment of project managers to major IT investments. As reported by agencies on their 2009 Exhibit 53 submissions, 88 percent of major IT investments have qualified project managers, an increase from approximately 83 percent in agency 2008 submissions.

Going forward, agencies will continue to carry out the actions in their IT gap analysis and improvement plans. In June 2008, agencies will submit a measured results report to OPM comparing projected goals established in 2007 to actual outcomes in 2008.

Securing Government Systems.—The Federal government continues to improve information security performance relative to certification and accreditation rates and testing of security controls and contingency plans. In 2007, the percentage of certified and accredited systems rose from 88 percent to 92 percent. Even greater gains were reported in testing of security controls—from 88 percent of systems to 95 percent of systems—and for contingency plan testing—from 77 percent to 86 percent. Several larger agencies reported especially notable progress regarding these measures, including the National Aeronautics and Space Administration

(NASA), the Department of State, Treasury, and the Department of Defense.

Agencies have also maintained or improved performance relative to Inspector General qualitative assessments of IT security processes. Overall quality of the certification and accreditation processes as determined by agency Inspectors General (IG) increased compared to 2006, with76 percent of agencies reporting “satisfactory” or better processes, up from 60 percent the prior year. 76 percent of agencies also demonstrated they have an effective process in place for identifying and correcting weaknesses using Plans of Action and Milestone (POA&M) management processes.

Departments and agencies progress against their corrective actions plans is measured in the President’s Management Agenda Expanded Electronic Government Scorecard. Agencies report quarterly on their efforts to address IT security weaknesses against key IT security performance measures.

The overall security status and progress in percentage of systems, from 2002 to 2007, is as follows:

(In Fiscal Years)

	2002	2003	2004	2005	2006	2007
Effective Security and Privacy Controls (C&A)	47%	62%	77%	85%	88%	93%
Tested Contingency Plans	35%	48%	57%	61%	77%	86%
Tested Security Controls	60%	64%	76%	72%	88%	95%
Total Systems Reported	7,957	7,998	8,623	10,289	10,595	10,304

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

FY 2002	N/A (was not required in until FY 2003)
FY 2003	12
FY 2004	18
FY 2005	19
FY 2006	18
FY 2007	19

Additional information and detail concerning the Federal government’s IT security program and agency IT security performance can be found in OMB’s Annual Report to Congress on IT Security. The next such report will be issued by March 1, 2008 and will be made available on OMB’s website.

Protecting Privacy.—In May 2006, the President signed an Executive Order creating the Federal Identity Theft Task Force. The Task Force issued its strategic plan which was submitted to the President. It is available at *http://www.idtheft.gov*. Several of the Task Force’s recommendations address the need to improve data security in the government, improve the agencies’ ability to respond to data breaches, and reduce the risk to personally identifiable information.

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

To help ensure safeguard of personally identifiable information, agencies are required to report on several performance metrics related to information privacy. In 2007’s annual FISMA report, agency IGs also provided a qualitative assessment of the quality of the agency’s Privacy Impact Assessment process. The 2007 agency FISMA reports no overall percentage improvement in meeting several key privacy performance measures:

- *Privacy Impact Assessments (PIAs).* In 2007, 84 percent of applicable systems government-wide have publicly posted privacy impact assessments verses the goal of 90 percent.
- *System of Records Notices (SORNs).* In 2007, 83 percent of systems government-wide with personally identifiable information contained in a system of records covered by the Privacy Act have developed, published, and maintained current systems of records notices verses the goal of 90 percent.
- *IG assessment of Quality of agency PIA process.* In 2007, 76 percent of IG’s rated the agency’s PIA process as satisfactory or better. (Two agencies did not complete the assessment due to time constraints, as this metric was added to the annual report requirements only 2 months prior to the report due date.)

Though the overall percent of systems with PIAs and SORNs for those systems require one stayed the same in 2007’s annual FISMA report compared to the 2006 FISMA annual report, it is important to note agencies have increased the number of systems identified as requiring PIAs and SORNS significantly, collectively by more than 500 and 700 systems respectively. Thus to maintain the overall percentage of completion despite a sizable increase in the inventory is indicative of continued progress.

Initiative to Secure Federal Information Systems and Facilities.—Inconsistent agency approaches to facility security and computer security are inefficient and costly, and increase risks to the Federal government. On August 27, 2004, the President issued Homeland Security Presidential Directive 12 (HSPD–12) titled, “Policy for a Common Identification Standard for Federal Employees and Contractors,” to address the recommendation of the 9–11 Commission to improve the security of our federal facilities and information systems. In accordance with HSPD–12, agencies are required to follow specific technical standards and business processes for the issuance of federal credentials including a standardized background investigation to verify employees' and contractors' identities. In October 2006, agencies met the major milestone of their HSPD–12 implementation plans to begin issuance of compliant identification cards.

As of September 2007, departments and agencies had issued HSPD–12 identity credentials to 1 percent of the total workforce. OMB issued additional instructions to improve public reporting of the federal government's progress towards our milestones. As of December 31, 2007, with more accurate reporting from the departments and agencies, the required background investigations for 56 percent of federal employees and 43 percent for contractors have been completed. In accordance with their HSPD–12 implementation plans, by October 27, 2008, agencies are expected to complete background investigations for all existing employees and contractors and have their infrastructure and capabilities in place so they are issuing credentials as standard business practice.

Initiative for Improving Government Networking Capabilities.—In order for the departments and agencies to overcome technical limitations arising from this need to interoperate and support emerging requirements and technologies, the Administration set June 2008 as the date by which all agencies' infrastructure (network backbones) must be IPv6-capable. Since the publication of OMB guidance in August 2005, agencies have been working toward the demonstration of capability to route IPv6 packets within their respective network backbones, to meet the June 2008 mandate. At the same time, the National Institute of Standards and Technology (NIST) has been working toward development of a technical profile and testing infrastructure for longer term product compliance.

The NIST will release a standards profile in March 2008 which will become effective 24 months following its publication date. The profile is a forward looking planning tool for Agencies, IPv6 equipment suppliers, testing laboratories, test equipment suppliers and Accreditation bodies. Since it is vital to protect critical US infrastructure, the technical profile includes sufficient security requirements, including a specification for Network Protection Devices as a first barrier against unauthorized access, and also effective deployment of the latest IP Security (IPsec) specifications, to provide integrity and authentication. In addition, the Federal Acquisition Regulation Council is finalizing language linking identifiable compliant IPv6 products with acquisition regulations.

Making Government Accessible to All.—Agency public websites continue to provide citizens timely information and services. For example, General Services Administration's (GSA's) Office of Citizen Services and Communications manages the operations of USA.gov, which serves as a consolidated gateway to all Federal websites and the information they publish.

Providing access to government information helps ensure a well-informed citizenry, and promotes public participation in agency activities. An example is Regulations.gov, a government-wide website for rulemaking which facilitates public participation in the Federal regulatory process. Regulations.gov allows citizens, business and other government entities to easily find, view, and comment on Federal regulatory action. The portal allows the public to communicate with a wide range of government agencies whose regulations may affect their daily lives. The site acts as a mechanism for the public to have a voice in influencing upcoming Federal regulations.

An E-Rulemaking analysis of Regulations.gov projects the initiative will save the Federal government more than $100 million over a five-year period since agencies will not need to deploy or maintain duplicative electronic comment management systems.

SUCCESSFULLY USING ELECTRONIC GOVERNMENT

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

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

Department of State

Virtual Presence Posts

State's Virtual Presence Posts (VPPs) are an innovative approach to extend the reach of State Department diplomatic services and consular information to cities and populations not served by physical embassies and consulates. The VPPs use information technology to deliver services cost-effectively, without the risks and challenges of staffing additional overseas posts. Currently, 41 VPPs are in operation in all regions of the world. These VPP web sites are designed to serve both local country residents and US citizens. VPP sites connect Americans and foreign nationals at the government to government, government to foreign national, and American citizen to foreign national levels. They provide a variety of services tailored to local requirements by the country team. These services usually include consular information, web-based engagement (through web chats and online forums) and other limited services.

State regularly tracks the activities of VPP and tracks the number of visits to each of these sites. The VPPs are a highly leveraged and cost-effective mechanism for promoting US interests and engaging local populations around the world. The Department's Human Resources Bureau estimates to maintain a single US Foreign Service Officer costs at least $1 million annually, including $400,000 for employee costs. Establishing a Virtual Presence Post (VPP), costs approximately $10,000 for the website, $1,000 for annual hosting, and approximately $10,000 for Embassy visits to that city.

The VPPs using web technologies assist those with visual or mobility disabilities to access USG information. VPP websites are section 508 compliant and are easily accessible from anywhere internet access is available; homes, public locations such as American Corners, Binational Centers and internet cafes. This wide availability can be especially helpful to those who face difficulties in traveling to the nearest embassy or consulate. While The VPP program has been managed through State's capital planning as a minor investment it is following State department's processes and procedures to ensure the VPP's deliver their intended benefits to the communities.

Department of Housing and Urban Development

National Housing Locator Service

When disaster occurs, emergency response agencies and staff need flexible, innovative tools to quickly address basic human needs such as housing, food, and medical services. The Department of Housing and Urban Development (HUD), in support of FEMA, State and Local Housing Authorities, and other First Responders, launched the intergovernmental National Housing Locator Service (NHLS) website in January 2007. The NHLS is an accessible, searchable, web-based clearinghouse of over 200,000 rental housing vacancies available nationwide for emergency use.

In less than a year, the NHLS has come to represent a new model for quickly developing information applications to address HUD's strategic requirements and allows HUD to interoperate easily with other government organizations. Prior to this solution, government housing agencies and first responders would manually, over the course of weeks, collect, compile, and verify vacancy information from multiple agency legacy systems and on-line sources one by one. With NHLS, there is now one streamlined business process supported by state-of-the-art technology delivering quality data, day or night.

The move to the NHLS citizen-centric, one-stop portal is transforming the housing locator process and is realizing cost savings through the efficiencies achieved by reducing the housing locator process from weeks to seconds. This modern approach to application development allows HUD to invest incrementally in the program, in response to real-world requirements that evolve quickly in step with the nation's disaster-response capabilities.

The Administration continues the focus of the department and agency specific services movement to citizen-centered services. Overall funding for the President's E-Government initiatives has reduced annually since 2004 as the initiatives have met their milestones and have become incorporated into the daily operations of Federal departments and agencies. This reduction has come as result of moving the initiatives to fee-for-service models where appropriate, thereby eliminating the need for agency contributions. Chapter 9, Table 9–10, "Status of the Presidential E-Government Initiatives," provides an update for each project.

CONTINUING TO ACHIEVE RESULTS

In 2009 and beyond, the Federal government will continue to identify IT opportunities for collaboration and consolidation while improving services. The Federal government has huge potential and opportunities for growth and to ensure program success and results through the effective use of information technology. In the coming year, each department and agency will leverage existing capabilities to the maximum potential while ensuring reliability, security, privacy and continuity of services. Key milestones will be achieved by the departments and agencies to strengthen their information resources programs. The deployment of the Federal Desktop Core Configuration in conjunction with IPv6, optimization of infrastructure in particular limiting external access points (Trusted Internet Connections initiative) with authorized access to physical and logical systems (HSPD–12 credentials) are all being realized in 2008. The institution of the management practices along with the strengthened infrastructure within each department and agency and throughout the government will ensure these results. GSA in conjunction with OMB will work with the Chief Information Officers (CIO) Council and individual departments' and agencies' CIOs to put into place a program to assess the policy uptake. This program will assist the CIO to ensure clear results are being demonstrated to achieve the outcome of improved information assurance, optimization of resources and performance levels. By completing these initiatives, the departments and agencies will be able to continue to improve their program and mission delivery and evolve their services into the next generation, Web 2.0 services.

10. FEDERAL DRUG CONTROL FUNDING

Table 10–1. Federal Drug Control Funding, FY 2007–2009[1]

(Budget authority, in millions of dollars)

Department/Agency	Enacted		2009 Request
	2007	2008	
Department of Defense:[2]	1,329.8	1,177.4	1,060.5
Department of Education:	495.0	431.6	218.1
Department of Health and Human Services:			
Centers for Medicare and Medicaid Services	....	45.0	265.0
Indian Health Service	148.2	173.2	162.0
National Institute on Drug Abuse	1,000.0	1,000.7	1,001.7
Substance Abuse and Mental Health Services Administration	2,443.2	2,445.8	2,370.6
Total HHS	3,591.4	3,664.7	3,799.3
Department of Homeland Security:			
Counternarcotics Enforcement	2.5	2.7	4.0
Customs and Border Protection	1,968.5	2,130.9	2,191.9
Immigration and Customs Enforcement	422.8	412.3	428.9
U.S. Coast Guard	1,080.9	1,004.3	1,071.0
Total DHS	3,474.7	3,550.2	3,695.8
Department of Interior:			
Bureau of Indian Affairs	2.6	6.3	6.3
Total DOI	2.6	6.3	6.3
Department of Justice:			
Bureau of Prisons	65.1	67.2	69.2
Drug Enforcement Administration	1,969.1	2,105.3	2,181.0
Interagency Crime and Drug Enforcement	497.9	497.9	531.6
Office of Justice Programs	245.5	222.8	114.2
Total Department of Justice	2,777.6	2,893.2	2,896.0
ONDCP:			
Counterdrug Technology Assessment Center	20.0	1.0	5.0
Operations	26.8	26.4	26.8
High Intensity Drug Trafficking Area Program	224.7	230.0	200.0
Other Federal Drug Control Programs	193.0	164.3	189.7
Total ONDCP	464.5	421.7	421.5
Department of State/International Affairs:[3]			
Bureau of Int'l Narcotics and Law Enforcement Affairs	1,055.7	646.8	1,173.2
Economic Support and Development Assistance	239.0	363.6	315.2
Total Department of State/International Affairs	1,294.7	1,010.4	1,488.4
Department of Treasury:			
Internal Revenue Service	55.6	57.3	59.2
Department of Veterans Affairs:			
Veterans Health Administration	354.1	447.2	465.0
Other Priorities:[4]	3.9	3.7	3.7
Total Federal Drug Budget	**$13,843.9**	**$13,663.7**	**$14,113.8**

[1] Detail may not add due to rounding.

[2] To determine fiscal controls, the Department of Defense rolls over unobligated supplemental funding into the next fiscal year; therefore, the supplemental amounts listed here will not match DoD budget justification material. Of the $150.5 million appropriated in the FY 2006 supplemental for Afghanistan efforts, $86.9 million was allocated in FY 2006 and $63.6 million was allocated in FY 2007. Of the $254.7 million appropriated in the FY 2007 supplemental for Afghanistan efforts, $139.1 million was allocated in FY 2007, and $115.6 was allocated in FY 2008. The FY 2008 Omnibus provided $192.6 million for Afghanistan efforts.

[3] The pending FY 2008 GWOT Supplemental includes an additional $385.1M in State Department narcotics funding to support the Merida Initiative. These funds are not included in the FY 2008 enacted total reported for the State Department.

[4] Includes (1) the Small Business Administration's Drug-Free Workplace grants, and (2) the Department of Transportation National Highway Traffic Safety Administration's Drug Impaired Driving Program.

11. CALIFORNIA–FEDERAL BAY–DELTA PROGRAM BUDGET CROSSCUT (CALFED)

The California-Federal Bay-Delta program (also known as CALFED) is a cooperative effort of the Federal Government, the State of California, local Governments, and water users, to proactively address the water management and aquatic ecosystem needs of California's Central Valley. This valley, one of the most productive agricultural regions of the world, is drained by the Sacramento River in the north and the San Joaquin River in the south. The two rivers meet southwest of Sacramento, forming the Sacramento-San Joaquin Delta, and drain west into San Francisco Bay.

The extensive development of the area's water resources has significantly boosted agricultural production, but has also adversely affected the region's ecosystems. CALFED participants recognized the need to provide a safe, clean, reliable source of water for multiple uses, while at the same time restoring or maintaining the ecosystems of the area and protecting against floods. This recognition resulted in the 1994 Bay-Delta Accord, which laid the foundation for the CALFED program. CALFED's adaptive management approach to water resources development and management seeks to balance achievement among the program's four objectives: Water Supply Reliability, Levee System Integrity, Water Quality, and Ecosystem Restoration. The program integrates science and monitoring into program management to track progress toward achieving those goals. The parties signed a Record of Decision in 2000, spelling out the different program components and goals.

In 2004, the President signed the Calfed Bay-Delta Authorization Act (P.L. 108–361) into law. This Act, authorizing funding and activities for the CALFED program through 2010, provides new programmatic authority for participating agencies, authorizes $395 million to be appropriated for the Federal share of CALFED activities, and specifies criteria for program cost-shares and achieving balanced implementation of CALFED program components. Federal agencies contributing to CALFED goals include: the Department of the Interior's Bureau of Reclamation, Fish and Wildlife Service, and U.S. Geological Survey; the Department of Agriculture's Natural Resources Conservation Service; the U.S. Army Corps of Engineers; the Department of Commerce's National Oceanic and Atmospheric Administration; and the Environmental Protection Agency.

The Budget includes a crosscut of estimated Federal funding by each of the CALFED agencies, fulfilling the reporting requirements of P.L. 108–361. The *Analytical Perspectives* volume also contains a table with further detail as part of supplemental material that is available on the Internet and as a CD-ROM in the printed document.

CALFED–RELATED FEDERAL FUNDING BUDGET CROSSCUT

Federal Fiscal Years 1998–2009

(Dollars in millions)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Bureau of Reclamation	153.37	114.67	138.51	79.75	103.32	74.21	75.74	81.10	99.83	101.34	96.05	76.09
Corps of Engineers	100.69	103.34	93.79	54.19	58.23	57.83	72.64	52.31	91.29	87.44	42.82	20.95
Natural Resources Conservation Service	....	14.54	12.85	16.95	39.08	39.00	48.75	36.39	34.64	26.86	36.00	26.00
NOAA Fisheries	0.30	0.38	0.45	0.55	0.58	0.78	0.78	0.78	0.78	0.50	0.53	0.53
Geological Survey	3.16	3.16	4.32	5.37	5.09	4.91	4.89	5.42	5.18	4.08	3.73	3.73
Fish & Wildlife Service	0.94	1.14	3.65	18.23	5.61	11.19	13.68	8.91	10.74	7.53	1.45	1.45
Environmental Protection Agency	3.20	3.05	57.26	53.38	54.26	20.69	62.78	97.65	36.56	36.13	0.46	[1] N/A
Total:	**261.66**	**240.28**	**310.82**	**228.41**	**266.15**	**208.60**	**279.25**	**282.56**	**279.00**	**263.87**	**181.04**	**128.74**

[1] Estimate not available.