

OVERVIEW OF THE PRESIDENT'S 2009 BUDGET

Highlights of the President's Budget

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

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



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

KEEPING AMERICA SAFE

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

A Strong Defense

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

International Engagement

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

Homeland Security

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

KEEPING AMERICA PROSPEROUS

Economic Growth

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

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

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

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

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

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

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

Quality Education

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

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

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

Affordable Health Care

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

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



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

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

Energy Security

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

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

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

Housing and Homeownership

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

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



Source: HUD

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

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

FISCAL RESPONSIBILITY

Spending Discipline

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

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

Common-sense Budget Reforms

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

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

Responsible Steps to Secure the Future

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

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

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