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Summary and Analysis of the President's Detailed Fiscal Year 2010 Budget Request

This document has not been reviewed and approved by the Democratic Caucus of the Budget Committee and may not necessarily reflect the views of all members.

General Notes:

- All years are fiscal years unless otherwise noted.
- Throughout the document, the Congressional Budget Office is abbreviated to CBO. The Office of Management and Budget is abbreviated to OMB.
- The numbers in this document are OMB estimates.
- Throughout the document, the American Recovery and Reinvestment Act of 2009 (P.L. 111-5) is referred to as the Recovery Act.
- Unless otherwise noted, the 2009 level excludes funding provided by the Recovery Act and other emergency bills.
- Funding levels for discretionary programs are stated in budget authority, and funding levels for entitlements and other direct spending programs represent outlays.
- Numbers in tables may not add due to rounding.

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Overview of the President's 2010 Budget Request

In late February, President Obama provided a broad outline of his budget request for fiscal year 2010 that included revenue proposals, mandatory spending proposals, and spending totals by agency. In early May, the Administration submitted its detailed budget request for each program. The 2010 budget marks a departure from the policies of the previous Administration, and puts the focus on economic recovery, strategic investments, and fiscal responsibility.

Budget Totals in Billions of Dollars											
<i>(OMB estimates*)</i>											
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Receipts	2,157	2,333	2,685	3,075	3,305	3,480	3,662	3,841	4,021	4,218	4,429
Outlays	3,998	3,591	3,615	3,633	3,817	4,016	4,190	4,487	4,696	4,905	5,207
Deficit	1,841	1,258	929	557	512	536	528	645	675	688	779
<i>% of GDP</i>	12.9	8.5	6.0	3.4	2.9	2.9	2.7	3.2	3.2	3.1	3.4

**OMB's May 2009 estimates vary slightly from OMB's estimates in February*

This document provides an analysis of the President's budget request; it does not describe the congressional budget resolution or other congressional action. While advancing the major priorities included in the President's budget, the budget resolution did not assume all of the proposals in the Administration's February budget overview (and generally is not as detailed as the Administration's May budget analyzed here). Congress will continue to consider the President's proposals as it marks up and debates authorization and appropriations bills.

Economic Recovery — The Administration inherited an economy in recession and spiking unemployment, and getting the economy back on track must be the number one priority. The President's budget reflects the economic recovery legislation signed into law in February – including its provisions that provide relief to middle-income taxpayers, create jobs by investments in infrastructure and other key areas, and extend unemployment benefits for millions of Americans. It also requests additional resources to help strengthen the economy and create jobs, including additional infrastructure investments and tax relief.

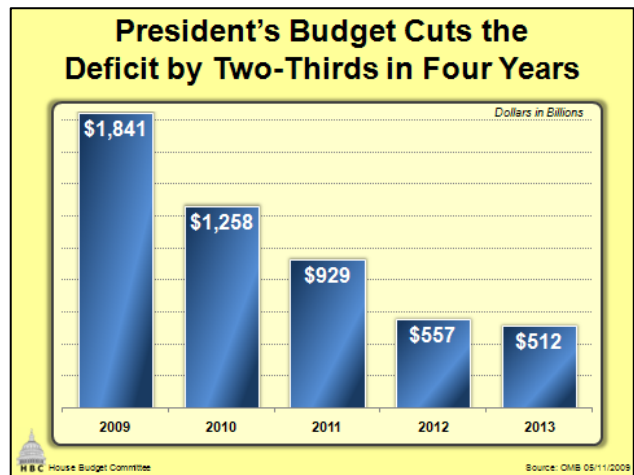
Strategic Investments — To build a stronger economy for the future, the budget proposes strategic investments in health care reform, education, and energy independence.

- **Health Care Reform** — The President's plan for reforming health care recognizes that the challenges of reducing costs, improving quality, and ensuring access are inextricably linked. The budget proposes several provisions to improve quality and efficiency in health care, saving \$309.1 billion over ten years. The budget would make a significant down-payment on health reform by putting these savings, along with \$325.6 billion from proposals to close tax loopholes and make other tax policy changes, into a \$634.7 billion

“Health Reform Reserve Fund” to help pay for an initiative to make health coverage affordable and accessible for all Americans.

- **Education** — The budget proposes to build upon the approximately \$100 billion of Recovery Act funding for education with targeted increases for new early childhood education initiatives, services to improve student achievement in elementary and secondary schools, and efforts to expand access to college. One of the biggest budgetary changes is the President’s proposal to increase the maximum Pell grant to \$5,550 for 2010, to index subsequent annual increases to one percent above the rate of inflation, and to pay for these increases by originating all new student loans in the Direct Loan program, and eliminating the bank-run student loan program.
- **Energy** — The President’s budget reflects a commitment to build a new, low-carbon economy that is powered by renewable energy and to reduce our country’s dependence on foreign oil. The budget proposes to build on the Recovery Act’s \$39.8 billion in funding and \$20.0 billion in tax incentives for energy investments that will create hundreds of thousands of new jobs. The President’s budget encourages the early commercial use of innovative energy technologies and proposes a market-based cap-and-trade approach to limit and reduce greenhouse gas emissions that would fund \$15 billion annually in additional energy investments.

Fiscal Responsibility — The Bush Administration transformed the federal budget from record surpluses to deficits as far as the eye could see. As a result, both the federal government’s debt and interest payments on that debt grew dramatically. The President’s 2010 budget proposes steps to put the budget back on a fiscally sustainable path once the economy recovers. The budget proposes to cut the deficit by two-thirds over the next four years, according to OMB estimates, which will also help slow the increase in the nation’s debt.

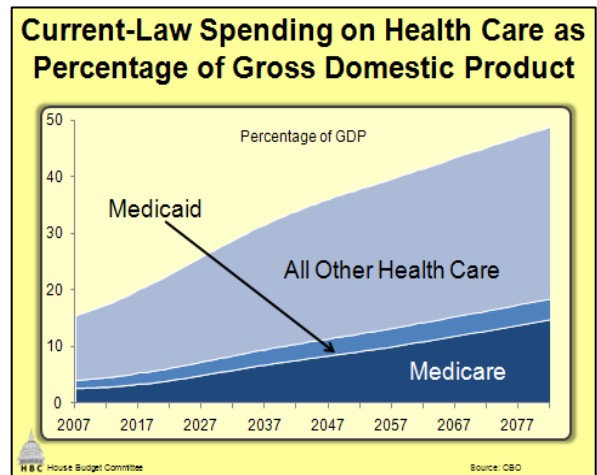


Health Care

Rising health care costs are having a significant impact on families, businesses, and the federal government's long-term fiscal outlook. Since 2000, inflation-adjusted family health insurance premiums have increased 58 percent, resulting in less take-home pay for workers. Meanwhile, the number of uninsured Americans has increased by nearly 19 percent – to 45.7 million in 2007, now nearly 1 out of 6 Americans. More than 80 percent of the uninsured are in working families. Millions more Americans are underinsured – meaning they have bare-bones insurance policies that leave them exposed to significant financial hardship if they get sick.

Despite high levels of health spending in the United States, health care quality lags far behind where it should be. For example, more than one million Americans are injured or killed each year due to prescription drug errors. There is evidence that as much as 30 percent of U.S. public *and private* health spending – about \$700 billion a year – is not related to better health outcomes.

Health care cost growth is the single largest driver of the federal government's long-term fiscal challenge. CBO projects total health care spending will increase from 16 percent of GDP today to half of GDP in 75 years. This trend directly affects the federal budget. Bending the curve on health care cost growth is critical to addressing the nation's long-term fiscal challenges. The President's budget includes a set of proposals aimed at improving health care efficiency and quality.



Recent health reform efforts by the President and Congress contrast sharply with the past eight years. These recent accomplishments include reauthorization of the Children's Health Insurance Program (CHIP) that expands health care coverage to an additional four million low-income children. In addition, the Recovery Act protects coverage for millions of Americans during the recession by temporarily increasing the federal Medicaid assistance to states and providing a 65 percent subsidy for COBRA premiums for up to nine months. The Recovery Act also makes critical investments to modernize the health care system and lower health care costs by providing \$19 billion for health information technology, \$1.0 billion for preventive health care, and \$1.1 billion for comparative effectiveness research to provide patients and doctors information on the effectiveness of different treatments.

Health Reform Reserve Fund

The President's health care reform plan recognizes that the challenges of reducing costs, improving quality, and expanding health coverage are related and must be addressed together.

The President's budget proposes \$309.1 billion in savings over ten years from measures aimed at improving health care quality and efficiency and establishing income-related premiums for the Medicare prescription drug benefit. The President's budget would set aside these savings, plus \$325.6 billion from proposals to close tax loopholes and make other tax policy changes, in a \$634.7 billion "Health Reform Reserve Fund" as a down payment on making health coverage affordable and accessible for all Americans. The budget acknowledges that additional budgetary offsets will be needed to pay for comprehensive health reform.

The budget lays out eight core principles for health reform. Under the President's principles, health reform should:

- reduce long-term health cost growth for businesses and government
- protect families from bankruptcy or debt because of health care costs
- provide a choice of health plans and physicians
- invest in prevention and wellness
- improve patient safety and quality of care
- assure affordable, quality health coverage for all Americans
- maintain coverage for people who change or lose their jobs
- end barriers to coverage for people with pre-existing medical conditions.

Highlights of health savings proposals in the President's budget are as follows:

Medicare Advantage Overpayments — Private Medicare Advantage plans are paid 14 percent more than the cost of traditional fee-for-service Medicare for comparable beneficiaries. The budget proposes to replace these overpayments with a competitive, market-based system in which payments are based on an average of private plans' bids to provide Medicare coverage, which would save \$177.2 billion over ten years.

Drug Prices — The President's budget proposes to save \$6.4 billion over ten years by supporting an approach for approval of generic versions of biologic drugs that addresses regulatory, legal, and scientific concerns. In addition, the budget proposes to reduce Medicaid drug costs by \$20.0 billion over ten years by increasing the rebate for brand name drugs from 15.1 percent to 22.1 percent of the Average Manufacturer Price, applying the additional rebate to new drug formulations, and allowing states to collect rebates on drugs provided through Medicaid managed care organizations.

Hospital Quality Improvements — The budget proposes to link part of Medicare hospital payments to hospitals' performance on quality measures, saving \$12.1 billion over ten years.

Hospitals Readmissions and Post-Acute Care Coordination — The budget includes two proposals to encourage hospitals to reduce the chances that a recently discharged patient will be readmitted with preventable health problems. It proposes to consolidate, or "bundle," payments for hospitalization and post-acute care (currently paid separately, with no incentive for

coordination) into one payment. The budget also proposes to pay less to hospitals with high rates of patients being readmitted to the hospital within 30 days of discharge due to complication or related diagnosis. Together, these provisions would save \$24.5 billion over ten years.

Medicare Home Health Payments — Payments to home health agencies exceed costs by 12 percent. The budget proposes to save \$34.1 billion over ten years by aligning payments with costs.

Medicare Drug Premiums for Higher-Income Beneficiaries — The budget proposes to require higher-income beneficiaries to pay higher premiums for the Medicare Part D drug benefit, consistent with income-related premiums for physician and outpatient services under current law. This provision would save \$8.1 billion over ten years.

Public Health Investments

The President's budget proposes critical investments in our nation's public health system, which includes enhancing food safety efforts, investing in biomedical research, preventing and treating HIV/AIDS, and enhancing the health professions workforce. The following are highlights of the President's budget:

Food and Drug Administration (FDA) — The budget proposes a program level of \$3.2 billion for FDA, which is a \$511 million increase (19.2 percent) above the 2009 level -- the largest increase ever requested for FDA. The total funding level consists of an appropriation of \$2.4 billion, \$687 million in existing user fees, and \$141 million in proposed discretionary user fees. To address the challenges of protecting our nation's food supply, the budget proposes \$259 million in additional resources (33.0 percent above 2009 level) for food safety to increase FDA's focus on prevention and to improve oversight and enforcement activities. The additional resources include \$75 million in proposed new user fees to register food facilities and increase food facility inspections. The budget also proposes to improve the safety of medical products by providing \$166 million in additional resources.

Health Resources and Services Administration (HRSA) — The President's budget proposes \$7.2 billion for the HRSA program level (\$107 million below the 2009 level), which would include the elimination of \$356 million in Congressionally directed local health projects, mostly to support health care facilities and construction. The President's budget identified these cuts as part of the Administration's broader effort to find savings throughout government programs. The budget proposes to increase funding for the National Health Service Corps by \$34 million (a 25.2 percent increase) and to provide an additional \$88 million for the Nurse Loan Repayment and Scholarship Program. These resources are part of the Administration's effort to support programs focused on strengthening the health professions workforce. The budget also proposes to increase funding for programs including autism and other developmental disorders (\$6 million

increase), Ryan White HIV/AIDS program (\$54 million increase), and family planning (\$10 million increase), including initiatives for prevention of teen pregnancy.

Indian Health Service (IHS) — The budget proposes \$4.0 billion for IHS, an increase of \$454 million (12.7 percent) from the 2009 level. Within this amount, the budget would increase funding for clinical services by \$324 million and increase contracted health services by \$107 million.

Centers for Disease Control and Prevention (CDC) — The budget proposes \$6.4 billion in discretionary resources for CDC, \$32 million above the 2009 level. Within that total, the budget proposes \$745 million in funding for the Domestic HIV/AIDS Prevention Program -- \$53 million (7.7 percent) above the 2009 level -- to reduce HIV infections, increase access to care, and reduce health disparities. It also includes \$896 million, a \$15 million increase above 2009 funding, for Chronic Disease Prevention, Health Promotion, and Genomics activities. In addition, the budget proposes \$30 million for building and facilities, a reduction of \$122 million below the 2009 level, due to the availability of \$228 million in unobligated balances for this area.

National Institutes of Health (NIH) — The budget proposes a program level of \$31.0 billion for NIH, which is \$443 million above the 2009 level. These resources fund investments in biomedical research and related activities, including over \$6 billion in cancer research funds across NIH, as part of the Administration's multi-year commitment to double cancer research funding by 2017.

Substance Abuse and Mental Health Services Administration (SAMSHA) — The budget proposes funding SAMSHA at \$3.5 billion, an increase of \$59 million from the 2009 level. Within this level, the budget would increase funding for the Children's Mental Health Program by \$17 million, while also providing \$43 million in additional resources for substance abuse prevention and treatment activities.

Agency for Healthcare Research and Quality (AHRQ) — The budget proposes \$372 million for AHRQ, the same level of funding as the 2009 level. It would maintain base comparative effectiveness funding. The budget supports ongoing efforts to improve the quality, safety, access to, and costs and utilization of health care services.

Education

One of the key priorities in the Administration's 2010 budget is investing in education to build a stronger economy. This investment would ensure that every child grows up ready to learn and graduates with the knowledge and skills needed to succeed. To support this goal, the President's budget proposes new education investments ranging from early childhood education programs to initiatives to help more high school graduates afford to attend and complete college. The President's budget proposes to partially offset the cost of these investments by eliminating 12 discretionary education programs, and discontinuing the bank-run student loan program and making all new loans through the government's Direct Loan program.

The Recovery Act

The President's proposed investments in education for 2010 are in addition to the approximately \$100 billion already provided to school districts, states, and college grant recipients by the Recovery Act – dollars that will continue to be spent through 2011. The Recovery Act funding includes \$17.1 billion for Pell grants for 2009 and 2010, \$13.0 billion for Title I programs, \$12.2 billion for special education, additional funding for several other programs, and a \$53.6 billion state fiscal stabilization fund primarily for education.

Early Childhood Initiatives

Zero-to-Five Initiative — The President's budget requests \$7.2 billion for Head Start for 2010, an increase of \$122 million over the 2009 level (excluding the \$2.1 billion of Recovery Act funds), in order to continue serving everyone currently enrolled, including the 69,000 additional children and families served due to Recovery Act funding. The budget also proposes \$800 million as a down payment for a new early childhood education initiative within the Department of Education (ED). That total includes \$500 million for a new Title I Early Childhood grant program for local educational agencies to match their Title I Recovery Act funds to build preschool programs. It also includes \$300 million for a new Early Learning Challenge Fund that will provide competitive grants to develop integrated, statewide early learning services for children through age five.

Early Reading First — The budget requests an increase of \$50 million (44 percent) for Early Reading First, for a total funding level of \$163 million for grants to improve instruction offered by programs that serve low-income pre-school-aged children, including Title I, Head Start, and publicly supported child care programs.

Elementary and Secondary Education

Teacher Training — The President’s budget requests an increase of \$420 million for the Teacher Incentive Fund, providing \$487 million for the competitive grant program that provides performance-based rewards to teachers and principals in schools that raise student achievement, and \$30 million for a new National Teacher Recruitment Campaign to attract and train new teachers. Along with continued funding for other teacher programs, the budget proposes a \$10 million (52 percent) increase for the School Leadership program and \$15 million to expand Teach for America’s efforts to recruit and train people to teach for at least two years in schools in low-income neighborhoods.

Student Achievement — The budget proposes an almost ten-fold increase for Striving Readers, providing \$70 million for the current grants aimed at helping adolescents reading below grade-level and at risk of dropping out, and \$300 million for a new demonstration program of Early Literacy Grants that would, in part, succeed the Reading First program that Congress zeroed out for 2009. The budget requests \$11.5 billion for special education state grants, matching the level of the regular 2009 funding and maintaining the federal government’s share of the cost of educating children with disabilities at about 17 percent – still below the so-called full funding ceiling of 40 percent.

School Improvement — The budget proposes to nearly triple Title I School Improvement grants from the current \$546 million to \$1.5 billion for 2010, and to require that states spend at least 40 percent on middle and high schools. Preliminary data show that almost 13,000 schools are likely to be identified as needing improvement this school year, an increase of more than 10 percent over last year. The budget requests \$100 million to continue the What Works and Innovation Fund begun by the Recovery Act, to allow evaluation and expansion of practices proven to increase student achievement. It proposes \$268 million for charter schools, a \$52 million (24 percent) increase, as a down payment towards doubling the funding over four years in order to promote successful school reform efforts. The budget also proposes \$50 million for a new High School Graduation Initiative aimed particularly at the 2,000 high schools that account for the vast majority of the one million students who drop out each year.

Ending Child Hunger by 2015 — The budget proposes to reauthorize the child nutrition programs, including the school meals programs (breakfast, lunch, after-school, and summer food). It also adds \$9.8 billion in additional spending over the next decade to improve access to nutritious meals, reduce the prevalence of obesity by providing nutritious school meals and teaching children to make wise food choices, and enhance program performance and integrity to increase the return on investments. The budget also proposes increasing 2010 funding for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) by \$917 million over the 2009 level (excluding Recovery Act funding) in order to provide assistance to the estimated 9.8 million women, infants, and children under three who will need help.

Offsetting Cuts in Funding — To offset some of the cost of new initiatives, the Administration proposes to reduce or eliminate programs that it considers duplicative or that it believes have not shown success. The savings include cutting the level of Title I state grants by \$1.5 billion (while spending that same amount on other Title I programs), reducing educational technology state grant funding by \$170 million, cutting \$49 million for one-time earmarks in the Fund for the Improvement of Education, and eliminating both the \$295 million Safe and Drug-Free Schools grant program and the \$47 million mentoring program.

Higher Education

Student Loans — The President’s budget proposes to discontinue making post-secondary student loans from the Federal Family Education Loan (FFEL) program – the bank-run guaranteed loan program – and instead make all future loans through the government’s Direct Loan program, which currently provides about 25 percent of all loans. According to the Administration’s estimates, this switch will save \$21 billion over five years. The Administration estimates it will support a loan volume of \$92 billion through almost 20 million student loans in 2010.

Pell Grants — The President’s budget proposes to increase the maximum Pell grant award for 2010 to \$5,550 – a \$200 increase – and to increase the maximum award each year thereafter by one percent above the level of the Consumer Price Index. The President’s budget pays in part for these guaranteed increases by making Pell grants an entitlement program – it is currently paid for primarily with appropriations – and using the savings from ending the guaranteed student loan program.

Other New Proposals — The budget proposes to change the current Perkins loan program by servicing it through ED and not individual campuses, allowing interest to accrue while students are still in school, and expanding it from 1,700 to 4,440 colleges to provide six times the current \$1 billion in new loan volume. The budget also includes a proposal for a new five-year \$2.5 billion College Access and Completion Fund.

Institutional Assistance — The President’s budget requests five percent increases for almost all of the Aid for Institutional Development grants, including Historically Black Colleges and Universities as well as Graduate Institutions. It also proposes a five percent increase for Hispanic-Serving Institutions.

Energy

For 2010, the President's budget proposes \$5.3 billion in appropriated funding for renewable energy, energy efficiency, emerging energy and vehicle technologies, and related programs – funding that accounts for about one-fifth of the Department of Energy's (DOE) appropriations. This total does not include funding for DOE's national security and science programs. The request is \$175 million (3.4 percent) more than the 2009 level of regular appropriations. The regular appropriations for 2009 and 2010 build on \$39.8 billion in emergency appropriations and \$20.0 billion in tax incentives for energy investments included in the Recovery Act and other legislation. The President's budget also proposes to implement a cap-and-trade program to limit and reduce greenhouse gas emissions.

Increases Funding for Energy Efficiency and Renewable Energy — The President's budget proposes \$2.3 billion for these energy programs for 2010, \$140 million (6.4 percent) more than the 2009 level of regular appropriations. The requested funding builds on \$16.8 billion in emergency appropriations provided for these programs by the Recovery Act. Within the budget, proposed funding increases include boosting solar energy investments by \$145 million (82.9 percent), building technologies by \$98 million (69.8 percent), wind energy funding by \$20 million (36.4 percent), vehicle technologies programs by \$61 million (22.0 percent), and biomass/biorefinery systems by \$18 million (8.3 percent). In addition, the budget proposes \$115 million for a new program to invest in all levels of education so that America can regain its competitive edge in science and engineering. Proposed funding reductions include cutting fuel cell technologies by \$101 million (59.6 percent) and Weatherization Assistance grants by \$230 million (51.1 percent). The Recovery Act provided \$5.0 billion for weatherization grants.

Proposes to Limit Greenhouse Gas Emissions and Invest in Clean Energy Technology — The President's budget proposes implementing a cap-and-trade program to limit and reduce greenhouse gas emissions, which would yield revenues of at least \$77 billion annually beginning in 2012, and at least \$624 billion through 2019. The budget proposes to annually invest \$15 billion of these revenues in clean energy technologies. The Administration's budget proposes that the remaining \$62 billion in annual revenues be used to offset the costs of extending the Making Work Pay tax credit. Under the Administration's proposal, any additional revenue from the proposed cap-and-trade system would be used to help families, communities, and businesses make the transition to the new energy economy.

Increases Strategic Petroleum Reserve (SPR) Funding — The budget proposes providing \$229 million for SPR for 2010, which is \$24 million (11.7 percent) more than the 2009 level.

Modernizes the Electric Grid — The budget proposes \$208 million for electricity delivery and energy reliability programs for 2010, \$71 million (51.8 percent) more than regular 2009 funding. These funds build on \$4.5 billion in the Recovery Act for "smart grid" and related investments.

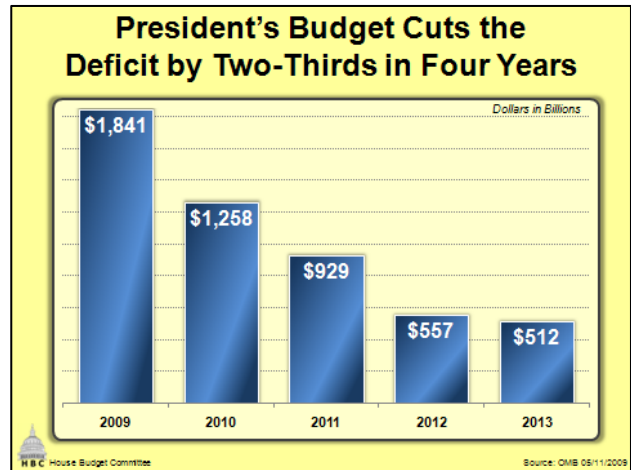
Reduces Funding for Nuclear Energy and Waste Management — The President’s budget proposes \$845 million for non-security nuclear energy programs for 2010, a cut of \$31 million (3.6 percent) below the 2009 level. In addition, the budget proposes \$98 million for civilian nuclear waste disposal, which is \$47 million (32.3 percent) less than the 2009 level. (This total does not include defense nuclear waste programs.) The budget is intended to support the Nuclear Regulatory Commission license application process at the minimum level practicable, according to DOE. The President’s budget proposes eliminating funding for the Yucca Mountain facility in Nevada. The Administration intends to convene a panel of experts to evaluate alternative approaches for meeting the federal responsibility to manage and dispose of spent nuclear fuel and high-level radioactive waste.

Ends Ultra-Deepwater Oil and Gas Research and Development Program — The budget proposes repealing this federal program, yielding mandatory savings of \$20 million for 2010, \$210 million over the 2010-2014 period, and \$250 million over ten years (2010-2019).

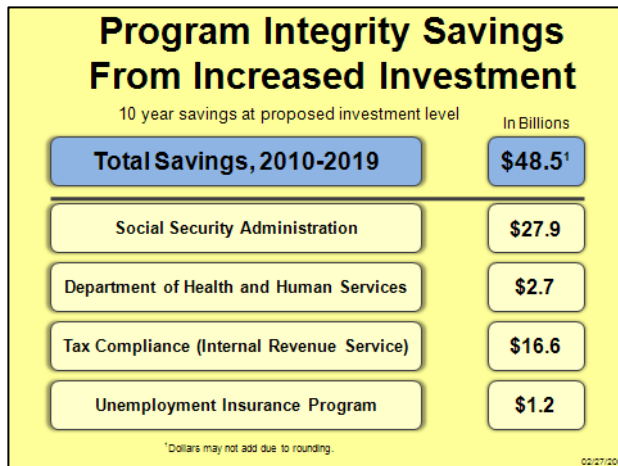
Fiscal Responsibility and Budget Enforcement

A top priority of the President’s budget is restoring fiscal responsibility and more realistic budgeting practices.

Cutting the Deficit by Two-Thirds over Four Years — The Obama Administration inherited the worst federal budget deficit in history and a downward spiraling economy that was already in recession. The President’s 2010 budget proposes to take necessary steps to address the budget deficit and, according to Administration estimates, it cuts the deficit from \$1.8 trillion in 2009 by two-thirds by the end of the President’s four-year term, to \$512 billion in 2013.



Budgeting for Disaster Costs — In a break from past practice, the budget proposes to include funding to reflect costs of unforeseen events such as natural disasters. The included level is based on a statistical probability of emergency costs. The Administration is not requesting the funds but rather proposing to include the placeholder to provide more realistic budget forecasting. The President’s budget also for the first time includes full-year funding for the cost of our overseas deployments for the upcoming budget year and includes placeholder amounts for each year beyond through the ten-year budget window.



Ensures that Taxpayer Funds are Spent Responsibly — The budget proposes to generate nearly \$50 billion in savings and additional tax revenue over the next ten years with additional discretionary investments over the next five years. These proposed investments would expand oversight activities in large benefit programs and increase tax compliance and enforcement activities to ensure taxpayer dollars are spent wisely. The budget includes the following proposed investments in program integrity:

- **Social Security** — Provides the Social Security Administration (SSA) with an additional \$485 million in 2010 and \$4.3 billion over five years for Continuing Disability Reviews and SSI redeterminations, which determine whether individuals continue to qualify for benefits. For every dollar SSA spends on disability reviews, it saves \$11 in erroneous payments.

- **Medicare and Medicaid** — Provides an additional \$311 million in 2010 and \$1.7 billion over five years for the HHS Health Care Fraud and Abuse Control Program. HHS estimates that for every dollar invested in fighting health care fraud, we recover or prevent the loss of \$1.60 in ineligible payments.
- **Tax Compliance** — Provides the IRS with an additional \$890 million in 2010 and \$7.2 billion over five years to streamline procedures and bolster front-line enforcement to ensure that businesses and individuals pay the taxes they owe. The IRS conservatively estimates a \$290 billion annual gap between taxes that are owed and taxes that have been or will be collected. The Administration estimates that for every dollar invested in improving tax compliance, it recoups five dollars owed to the federal government.
- **Unemployment Compensation** — Provides states and the Department of Labor with an additional \$50 million in 2010 and \$300 million over five years for in-person reemployment services, eligibility assessments, and improper payment reviews, which is estimated to save \$1.2 billion over the next ten years.
- **Federal-State Partnerships** — Provides \$175 million in 2010 to test new strategies for integrating and modernizing state-administered means-tested programs (such as Medicaid and the Supplemental Nutrition Assistance Program) to reduce errors and improve beneficiary service. The new initiative would test new approaches to find ideas that could generate more than a dollar of savings for each federal dollar invested, and that could be replicated on a large scale.

Budget Reform Proposals

The President's budget proposes implementing various budget reforms to promote fiscal responsibility. The reforms, which include enforcement measures, budget presentation changes, and baseline revisions, are summarized below.

Pay-As-You-Go (PAYGO) Provisions — PAYGO, first established under the Budget Enforcement Act of 1990, requires that mandatory increases and tax cuts be offset by either mandatory decreases or increased revenue. Statutory PAYGO provisions, which expired in 2002, were critical in converting chronic deficits experienced in the early 1990s to surpluses by the late 1990s. As one of its first acts, the 110th Congress instituted a tough new House PAYGO rule. To complement Congressional rules, the Administration proposes to work with Congress to renew statutory PAYGO.

The Administration also proposes to require agencies to provide offsets for any administrative proposal that would increase mandatory spending, thus establishing a PAYGO rule for administrative actions.

Expedited Rescission — The budget proposes an expedited rescission provision to grant the President authority to single out individual items in legislation for cancellation. Under the proposal, the President would be allowed to send a limited number of rescission request packages to Congress under fast-track procedures for an up-or-down vote on the cancellations. The rescissions could only reduce or eliminate funding and, therefore, could not be redirected for other purposes.

Baseline Adjustments — To provide what it considers a more realistic projection of the budgetary impact of current policies, the Administration's baseline assumes extension of the 2001 and 2003 tax cuts, the extension and indexing for inflation of the 2009 Alternative Minimum Tax provisions, accounting for additional expected Medicare physician payments, the continuation of the Transitional Medical Assistance and Qualified Individuals programs, and the continuation of mandatory diabetes funding for the National Institutes of Health and the Indian Health Service.

- **Budgeting for Iraq and Afghanistan Contingency Operations** — To provide what it considers a better approximation of costs for overseas contingency operations in Iraq and Afghanistan, the Administration's current policy baseline replaces enacted 2009 funding with the 2008 full year amounts, adjusted for inflation.
- **Removal of "One Time" Emergency Costs** — The Administration's baseline removes from 2010 and beyond designated emergencies that are non-recurring which include appropriations for the: the Advanced Technology Vehicles Loan Manufacturing Program; the rebuilding of the levees in New Orleans; and the Filipino Veterans Equity Compensation Fund.
- **Baseline Adjustments for Pay Raises and Certain Administration Expenses** — The Administration adjusts its current policy baseline to show that federal pay raises occur at the first pay period in January rather than at the start of the fiscal year (October 1). The baseline also removes special adjustments for caseload growth for specific social insurance programs.

Budget Display Changes — The President's budget changes the presentation of several budget items, including: 1) reflecting the costs for the Troubled Assets Relief Program (TARP) on a risk-adjusted, net present value basis, pursuant to the Emergency Economic Stabilization Act of 2008 (EESA); 2) the scoring of increases in U.S. contributions to the International Monetary Fund; 3) converting all Pell grant funding to mandatory, reflecting the budget's proposed programmatic changes to the program; 4) assuming the replacement of certain aviation excise taxes with user charges, beginning in 2011; and 5) presenting the level of highway construction and mass transit funding from the Highway Trust Fund that will result in a positive cash balance in the trust fund, with additional funding as discretionary budget authority from the General Fund.

Tax Policy

The President's budget proposes extending most of the 2001-03 tax cuts for middle-income families while allowing tax cuts for upper-income taxpayers to expire. The budget also proposes to raise revenues through closing corporate loopholes, implementing a cap-and-trade system, and offsetting the cost of reforming health care. (The Administration's projections of revenues and the cost of its tax proposals have changed slightly since February in response to technical re-estimates of the proposals.) All revenue amounts given for the tax proposals below are for the ten years spanning 2010-19.

Tax Cuts for Individuals and Businesses

The President's budget proposes extending \$3 trillion in tax cuts over ten years to individuals and businesses relative to current law.

Extension of Expiring Middle-Income Tax Cuts — The President's budget proposes extending the provisions of the 2001-03 tax cuts going to families earning less than \$250,000 per year that are scheduled to expire on December 31, 2010. These provisions include the 10, 15, 25, and 28 percent brackets, the child tax credit, and marriage penalty relief among others. The ten-year cost is nearly \$2 trillion.

Fixing the Alternative Minimum Tax — The President's budget also proposes a permanent fix to the Alternative Minimum Tax (AMT), which would otherwise affect tens of millions of middle class taxpayers, at a ten-year cost of \$576.1 billion.

Freezing the Estate Tax — The budget proposes freezing the estate tax at its 2009 levels – a \$3.5 million exemption for individuals and 45 percent top tax rate. The ten-year cost of this policy is \$171.1 billion.

Continuation of Provisions in the Recovery Act — The President's budget proposes extending provisions created in the Recovery Act, including:

- Making Work Pay credit of \$400 (\$800 for couples) benefiting 95 percent of Americans, at a ten-year cost of \$535.0 billion; the Administration proposes to offset this cost beginning in 2011 with auction receipts from implementation of the Administration's market-based cap on greenhouse gas emissions (\$503.9 billion over ten years);
- Expanded earned income credit and the \$1,000 child credit's refundability above \$3,000 of earned income, costing \$92.4 billion over ten years; and
- American Opportunity Tax Credit that expands the Hope credit for college, an initiative designed to boost college attendance and graduation, at a cost of \$48.5 billion over ten years.

Retirement Savings Incentives — The budget also proposes expanding the saver’s tax credit and automatically enrolling workers in IRAs and 401(k)s to promote greater retirement savings, at a ten-year cost of \$59.6 billion.

Tax Incentives for Businesses to Invest and Create New Jobs — To help jump start the economy, the budget proposes the following tax incentives for businesses at a cost of \$88.2 billion over ten years:

- Eliminating capital gains taxation on small businesses, costing \$5.8 billion over ten years;
- Extending the research and experimentation credit at a ten-year cost of \$74.5 billion over ten years;
- Expanding businesses’ capability to carry back (or forward) operating losses to reduce tax liability above what was provided in the Recovery Act (this would allow companies to receive certain tax benefits now that they otherwise would have to wait until future years to receive); and
- Extending a number of routinely expiring tax provisions like bonus depreciation for small businesses at a ten-year cost of \$17.2 billion.

Revenue Raising

The President’s budget proposes to close various tax loopholes and end a number of tax subsidies. In total, these proposals amount to \$351.3 billion over ten years.

Reinstating Superfund Taxes — The Administration’s budget proposes to reinstate these taxes, which expired in 1995, that are imposed on certain energy and manufacturing businesses to finance the cleanup of the nation’s worst hazardous waste sites, raising \$16.8 billion over ten years.

Taxing Carried Interest as Ordinary Income — The President’s budget proposes taxing partnership interests designated as “services partnership interests” as ordinary income, a proposal that would raise \$23.5 billion over ten years.

Codify Economic Substance Doctrine — The Administration proposes clarifying language in the tax code that would better define what business transactions do and do not meet the dual objectives of economic substance and a business purpose. This proposal would generate a savings of \$4.7 billion over ten years.

Repeal LIFO Accounting Method — The last-in, first-out (LIFO) accounting method assumes that the cost of inventory items sold is equal to the cost of the most recent items of inventory purchased. The Administration proposes replacing LIFO with the first-in, first out (FIFO) method that would take the value of older, cheaper inventory into account for purposes of calculating taxes, increasing revenues by \$61.1 billion over ten years.

Reform U.S. International Tax System — The Administration proposes reducing U.S. tax evasion and closing loopholes through eleven specific provisions for combined savings of \$209.9 billion over ten years. The proposals include provisions to: reform business classification rules applied to foreign business entities; defer the deduction of business expenses (except for the R&E credit) against foreign-sourced income until the profits from foreign-sourced income are first recognized for tax purposes; and limit the use of the foreign tax credit.

Eliminate Oil and Gas Subsidies — The President’s budget proposes repealing a number of tax subsidies for domestic and offshore oil and gas production for a savings of \$31.5 billion over ten years.

Require Information Reporting for Rental Property Expense Payments — Under the Administration’s proposal, recipients of rental income making payments of \$600 to service providers (e.g., plumbers, accountants) would be required to send an information return to the IRS and to the service provider. The proposal would garner \$3.0 billion over ten years.

Eliminate the Advanced Earned Income Tax Credit — The Administration proposes to significantly expand the EITC overall; this proposal would eliminate the option for taxpayers with children to receive advanced payment of the credit through their employer, with a ten-year savings of \$872 million.

Tax Offsets Specified in Reserve Funds

The President’s budget proposes two reserve funds – one for climate change and the second for health care reform – that describe tax offsets totaling \$949.5 billion over ten years.

Climate Change — The Administration’s budget assumes enactment of a cap-and-trade proposal that would raise at least \$623.9 billion.

Health Care Reform Financing — The President’s budget proposes offsetting part of the cost of health care reform through several tax offsets summing to \$325.6 billion over ten years. The proposed offsets in the President’s budget are:

- Capping itemized deductions at 28 percent of deductible expenses (\$266.7 billion over ten years), affecting only those with incomes above \$250,000;

- Initiatives to shrink the tax gap such as expanding information reporting on life insurance contracts, payments to corporations, and payments to government entities (\$10.7 billion over ten years);
- Additional reforms to close tax loopholes in the areas of financial institutions and products, insurance companies and products, tax accounting methods, and estate and gift taxation (\$47.5 billion over ten years); and
- Modifying the alternative fuel mixture credit to prevent windfall gains to the paper industry (\$702 million over ten years).

Defense and War Funding

The President's 2010 budget proposes \$687.2 billion for defense discretionary activities – \$557.1 billion for non-war related national defense appropriated activities and \$130.1 billion for costs related to the wars and overseas operations. Of the non-war amount, \$533.8 billion is for the Department of Defense (DoD), \$16.6 billion is for the nuclear weapons-related activities of the Department of Energy (DoE), and \$6.8 billion is for miscellaneous national security activities in other agencies such as the Federal Bureau of Investigation and the Coast Guard.

National Defense (Function 050)

(Budget Authority in Billions of Dollars)

	<u>2009</u>	<u>2010</u>	<u>Increase/ Decrease</u>	<u>Percent</u>
Discretionary - Excluding War				
Department of Defense	513.3	533.8	+20.5	4.0%
Atomic Energy Activities	16.4	16.6	+0.1	0.9%
Other Defense-Related Activities	<u>6.3</u>	<u>6.8</u>	<u>+0.5</u>	<u>7.2%</u>
Subtotal Base Discretionary	536.1	557.1	+21.1	3.9%
Supplemental/Recovery/War				
Enacted - War	65.9	-	-65.9	-100.0%
Enacted - Other Supplemental	0.1	-	-0.1	-100.0%
Enacted - Recovery Act	12.7	-	-12.7	-100.0%
09 Supp Request - War	75.8	-	-75.8	-100.0%
09 Supp Request - Other	0.1	-	-0.1	-100.0%
10 War Request	-	<u>130.1</u>	<u>+130.1</u>	<u>100.0%</u>
Subtotal Supplemental/Recovery/War	154.6	130.1	-24.5	-15.8%
Total Discretionary	690.6	687.2	-3.4	-0.5%
Mandatory	3.0	5.5	2.6	86.3%
Total Function 050 (supplementals, etc. excluded)	539.0	562.7	23.7	4.4%
Total Function 050 (supplementals, etc. included)	693.6	692.8	-0.8	-0.1%

The President's budget proposes a 3.9 percent increase above the 2009 enacted level for the defense discretionary spending category (excluding war and emergencies) and calls for acquisition reform to address cost overruns in major defense acquisition programs, which have worsened in recent years. The budget proposes increasing the federal acquisition workforce to better manage its large collection of weapons programs and proposes elimination and restructuring of programs that are experiencing unaffordable cost growth and that are failing to

achieve their stated objectives. The President’s budget also for the first time proposes full-year funding for the cost of our overseas deployments for the upcoming budget year and includes placeholder amounts for these costs for each year beyond through the ten-year budget window.

Non-War Funding Reflects a \$51.0 Billion Increase Since Last Administration’s Budget Submission — Funding levels for national defense, excluding supplemental funding, increase by more than \$50 billion over four years compared with the outyear projections of the previous Administration’s 2009 budget. For 2010, the President’s budget includes an \$11.6 billion increase above last year’s submission.

Comparison with the Last Administration’s Budget for National Defense
(Discretionary Budget Authority in Billions of Dollars)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	Total <u>2010-13</u>
2009 Budget	545.5	552.0	560.7	571.2	2,229.3
2010 Budget	<u>557.1</u>	<u>565.0</u>	<u>573.9</u>	<u>584.3</u>	<u>2,280.4</u>
Increase	+11.6	+13.1	+13.2	+13.2	+51.0

Note: Estimates may not add due to rounding.

Department of Defense

Department of Defense by Title — The following table compares the President’s base budget request with the 2009 enacted level, excluding emergency and war funding.

DoD Discretionary Budget Authority by Title
(Excluding Emergencies and War Funding)

<u>Appropriation Title</u>	<u>2009</u>	<u>2010</u>	Percent <u>Change</u>
Military Personnel	124.9	136.0	8.9%
Operation & Maintenance	179.1	185.7	3.7%
Procurement	101.7	107.4	5.6%
RDT&E	79.5	78.6	-1.1%
Military Construction	21.9	21.0	-4.1%
Family Housing	3.2	2.0	-38.0%
Other	<u>3.2</u>	<u>3.1</u>	<u>-1.1%</u>
Total	513.3	533.8	4.0%

Military Personnel — The military personnel accounts fund the pay and allowances of active and reserve personnel, and include accrual payments for future retirement and health benefits. The President’s “base” budget request of \$136.0 billion for personnel is 8.9 percent above the 2009 enacted level, and includes funding for growing Army and Marine Corps end strength, a 2.9 percent military pay raise, a 6.0 percent increase for basic allowance for housing, and a 5.0 percent increase for basic allowance for subsistence.

Operations and Maintenance (O&M) — The O&M accounts fund training, military exercises and operations, spare parts, fuel, and all the other items a military force needs to operate its forces and installations. The President’s O&M proposal of \$185.7 billion is a 3.7 percent increase above the 2009 enacted level to sustain readiness levels and to support an increase of 4,080 federal employees in the acquisition workforce. The President’s budget also assumes no increase in military health care fees.

Procurement — The budget proposes \$107.4 billion for procurement of weapons systems and military equipment including aircraft, ships, vehicles, and satellites. This level is 5.6 percent more than the 2009 enacted level and includes funding for nine ships (eight Navy and one Army), an increase in the number of Joint Strike Fighters procured from 14 to 30, and an increase for the procurement of Terminal High Altitude Area Defense systems and SM-3 missiles. The President’s budget also proposes a number of program terminations, including ending production of F-22 and C-17 aircraft after 187 and 205 units, respectively, canceling the VH-1 Presidential Helicopter, and eliminating the eight manned ground vehicles of the Future Combat System program.

Military Construction — These accounts fund the facilities where military personnel work and the barracks where single enlisted personnel live. The proposed 2010 funding level of \$21.0 billion for construction of new facilities is 4.1 percent below the 2009 enacted level. This reduction is due to the decreasing level of activity associated with base closure decisions (BRAC 2005) as the program approaches its statutory deadline of September 2011. Excluding BRAC, the military construction budget reflects a 3.1 percent increase above the 2009 enacted level.

Budget Authority (Billions of Dollars)

	<u>2009</u>	<u>2010</u>	<u>Increase/ Decrease</u>
Military Construction	13.1	13.5	3.1%
BRAC 2005	<u>8.8</u>	<u>7.5</u>	<u>-14.8%</u>
Total	21.9	21.0	-4.1%

War Costs — The budget proposes \$130.1 billion for overseas contingency operations for 2010; it also includes outyear costs totaling \$50 billion per year from 2011 through 2019, which are considered placeholders and do not reflect specific policy assumptions. It recognizes for the first time that our nation’s commitments overseas will not have a cost of zero beyond the budget year, thus providing a more realistic look than in prior years at the likely costs and their effect on the budget’s bottom line. The budget also includes the second installment of overseas military operations funding for 2009 totaling \$75.8 billion (this excludes the \$7.1 billion supplemental request for international affairs activities). (To date, only a partial year of funding totaling

\$68 billion has been enacted for 2009 for overseas operations, which includes foreign aid operations.)

Atomic Energy Defense Activities

The budget proposes \$16.6 billion for the nuclear weapons-related activities of DoE and other agencies. This is \$143 million (0.9 percent) above the 2009 enacted level.

Nuclear Nonproliferation Programs — DoE oversees several important programs to stop the spread of nuclear materials to terrorist groups and nations that could pose a threat to the United States. Most of these programs are focused on stopping the spread of materials located in Russia and other states of the former Soviet Union. The President's budget requests \$2.1 billion for these programs for 2010, which is \$654 million (44.1 percent) above the 2009 level. This increase is primarily funding for the Mixed Oxide Fuel Fabrication Facility and reflects transfer of this program from the Office of Nuclear Energy to the National Nuclear Security Administration.

Weapons Activities/Stockpile Stewardship — This program maintains the safety and reliability of nuclear weapons in the absence of underground tests. Stockpile stewardship relies on computer modeling, surveillance of weapons, and experiments that do not produce nuclear yields. The budget requests \$6.4 billion for the stockpile stewardship program, which is slightly more than the 2009 level.

Cleanup of Former Weapons Production Sites — The budget proposes \$5.5 billion for the accounts dedicated to environmental activities, primarily the cleanup of nuclear and other hazardous waste, at DoE's weapons production sites. This is \$161 million (2.9 percent) below the 2009 level. The Recovery Act provided an additional \$5.1 billion to complete lower-risk footprint reduction efforts and accelerate completion of cleanup activities.

Homeland Security and Law Enforcement

This section summarizes the President’s request for homeland security and local law enforcement programs.

Homeland Security

The homeland security budget spans approximately 31 agencies, the largest of which are the Departments of Homeland Security (DHS), Defense, Health and Human Services, and Justice. The President’s budget proposes a total of \$71.4 billion for homeland security activities for 2010, \$2.2 billion more than the 2009 enacted level excluding supplemental funding. These totals reflect mandatory and discretionary resources, including homeland security funding for the Department of Defense and homeland security activities that are fee-funded. Net appropriations for domestic homeland security activities (a total that excludes all national defense and international affairs funding as well as fee-funded activities) for 2010 total \$39.2 billion. The 2010 domestic total reflects a \$2.0 billion (5.4 percent) increase above the 2009 level.

Homeland Security Funding

(Billions of Dollars)

	Enacted		Increase/ Decrease	% Change
	<u>2009</u>	<u>2010</u>		
Total Resources	69.2	71.4	2.2	3.2%
Mandatory Programs	2.6	2.6	0.0	0.7%
Fee-Funded Discretionary Programs	5.5	5.4	-0.1	-1.2%
Net Appropriated Programs:	61.1	63.4	2.2	3.6%
<i>National Defense (Function 050)</i>	23.9	24.1	0.2	1.0%
<i>International Affairs</i>	0.1	0.1	0.0	-17.3%
<i>Domestic Discretionary</i>	37.1	39.2	2.0	5.4%

Note: Estimates exclude the 2009 advance appropriation and proposed transfers associated with Project Bioshield.

State and Local Programs for First Responders — The budget proposes \$2.4 billion within DHS for three first responder grant programs: the State Homeland Security Program, Urban Area Security Initiative, and the Firefighters Assistance Grants program. This amount is \$136 million below the amount provided in regular 2009 appropriations. However, when including the \$210 million provided by the Recovery Act to the 2010 request, the budget reflects a \$75 million increase above the level provided in regular 2009 appropriations.

First Responder Grant Programs (Millions of Dollars)

	2009	Recovery	2010	Change	Change
	<u>Enacted</u>	<u>Funding</u>	<u>Budget</u>	<u>10 budget-</u>	<u>Including</u>
				<u>09 Enacted</u>	<u>Recovery</u>
State Homeland Security Grant Program	890	-	890	-	-
Urban Area Security Initiative	838	-	887	50	50
Firefighters Assistance Grants	<u>775</u>	<u>210</u>	<u>590</u>	<u>-185</u>	<u>25</u>
Total	<u>2,503</u>	<u>210</u>	<u>2,367</u>	<u>-136</u>	<u>75</u>

Note: 2009 Enacted excludes supplemental funding. Recovery Funding reflects funds appropriated in the American Recovery and Reinvestment Act of 2009. Change Including Recovery reflects the comparison of the 2010 budget plus recovery funds to funds provided through regular FY09 appropriations. Numbers may not add due to rounding.

Port Security — Port security grants from DHS provide funds for port agencies to install the fencing, surveillance technologies, and other measures needed to prevent terrorists from gaining access to docks and other port facilities. The President’s 2010 budget proposes \$250 million for port security grants, which is \$150 million below the \$400 million enacted in the regular 2009 appropriation for DHS. However, when adding the \$150 million provided for port security grants by the Recovery Act to the President’s 2010 request, total funding matches the \$400 million provided in regular 2009 appropriations. The Security and Accountability for Every (SAFE) Port Act of 2006 authorized \$400 million per year for the port security grant program.

Customs and Border Security — The President’s budget proposes \$10.1 billion in appropriated funding for U.S. Customs and Border Protection at DHS, \$230 million (2.3 percent) more than the 2009 non-emergency level. The Recovery Act provided an additional \$680 million for non-intrusive inspection systems, tactical communications, border security fencing, and construction projects at land ports of entry.

Support for Law Enforcement in Our Communities

Combating Violence and Trafficking Along the Southwestern Border — Funding proposed for the Department of Justice (DOJ) includes increases in several law enforcement agencies to combat violence and the trafficking of drugs and weapons at the southwestern U.S.-Mexico border. The President proposes a \$232 million increase and coordination among the DOJ agencies that would implement the Southwest Border Enforcement Initiative. The resources would support 632 agents and 110 attorneys among the Bureau of Alcohol, Tobacco, and Firearms, the Drug Enforcement Administration, the U.S. Marshals Service, the U.S. Attorneys, and other DOJ components.

Community Oriented Policing Services — The President proposes a total of \$761 million for the Community Oriented Policing Services (COPS) program, a \$210 million increase above the non-emergency 2009 level. That funding includes \$298 million for COPS hiring grants and builds off of the \$1 billion provided in the recently enacted Recovery Act for hiring additional

police officers. The President requests these funds to support the goal of hiring an additional 50,000 officers to protect our communities.

Byrne Memorial Justice Assistance Grant Program — The Administration continues funding the Edward Byrne Memorial Justice Assistance Grant program (Byrne-JAG) by requesting \$519 million for 2010. Byrne-JAG supports almost all aspects of the local criminal justice system, including training and equipping law enforcement officers and funding drug task forces. The Recovery Act included \$2 billion for the Byrne JAG program for 2009.

International Affairs

For 2010, the President's budget proposes \$53.8 billion for appropriated international affairs programs administered by such agencies as the Departments of State (State) and Agriculture, and the U.S. Agency for International Development (USAID). The budget level is \$16.0 billion (42.3 percent) more than regular appropriations for 2009, \$11.5 billion (27.3 percent) more than the 2009 level including enacted emergency funds, and \$4.4 billion (8.9 percent) more than the 2009 level including all emergency funding requested by the President to date. The requested level for 2010 is intended to provide through regular appropriations certain funding that has, in recent years, been requested and appropriated as emergency supplemental funding. Just over two-thirds of the international affairs budget (\$36.7 billion) goes to foreign assistance, while most of the remainder goes to diplomacy, State administration, and international broadcasting.

Increases Funding for Global Health — The budget proposes \$7.6 billion for 2010 for global health and child survival programs. This funding includes \$5.6 billion for international HIV/AIDS activities (excluding funding requested for the National Institutes of Health and Centers for Disease Control). The budget level is \$100 million more than the 2009 level. Congress has authorized appropriations of \$48 billion for five years (2009-2013). The request for global health and child survival programs also includes \$585 million for malaria, \$173 million for tuberculosis, and \$524 million for maternal and child health programs.

Expands Foreign Service Ranks — The President's budget proposes to increase the number of diplomats, foreign aid officers, and other staff at State and USAID. The budget proposes \$12.1 billion for State's administration of foreign affairs, which is \$3.1 billion (34.6 percent) more than 2009 enacted funding and \$1.6 billion (15.3 percent) more than the 2009 level including the President's pending supplemental request. This level would support an estimated 1,226 new positions. The budget also proposes \$1.7 billion for USAID, which is \$650 million (62.0 percent) more than 2009 enacted funding and \$449 million (35.9 percent) more than the level including the pending supplemental request.

Increases Security Assistance to Other Nations — The budget proposes \$5.7 billion for foreign military financing, military education, and peacekeeping operations. The budget level is \$307 million (5.7 percent) more than enacted 2009 funding and \$157 million (2.8 percent) more than the level including the pending supplemental request. The request includes \$2.8 billion for Israel and \$1.3 billion for Egypt. The budget also proposes \$550 million for the Merida Initiative to combat drug trafficking, crime, and terrorism in Mexico and Central America.

Supports the President's Strategies for Afghanistan, Pakistan, and Iraq — The budget proposes some regular appropriations for these nations for 2010, in addition to enacted and requested supplemental international affairs funding for them for 2009. The budget proposes \$4.4 billion in regular funding for Afghanistan and Pakistan, and \$500 million for Iraq.

Boosts Funding for the Millennium Challenge Corporation (MCC) — The budget proposes \$1.4 billion for MCC for 2010, which is \$550 million (62.9 percent) more than the 2009 level but \$119 million (7.7 percent) less than the 2008 level. Through 2008, the United States had completed compacts totaling \$6.3 billion with 18 nations.

Veterans

For 2010, the President's budget proposes \$53.2 billion in appropriations for America's 23 million veterans and their families, which is \$5.4 billion (11.3 percent) more than the 2009 level of \$47.8 billion (excluding supplemental funding and medical care collections). About 99.5 percent of appropriated veterans funding (\$53.0 billion) is for the Department of Veterans Affairs (VA).

Increases Veterans' Health Care Funding — The President's budget proposes \$44.5 billion in appropriations for VA's medical services, medical facilities, and medical support and compliance for 2010 (excluding medical care collections, which provide another \$2.9 billion). The VA medical care budget is \$4.3 billion (10.7 percent) more than the 2009 level (excluding \$1.0 billion in Recovery Act supplemental funding). With the increased funding, VA expects to provide an estimated 6.1 million patients with timely, high-quality health care in 2010. The budget does not propose to bill private insurance companies for VA's treatment of conditions related to veterans' military service. The budget indicates that the Administration will work with Congress to provide funding a year in advance for VA's three medical care accounts.

Expands Eligibility for VA Health Care — The Administration is taking steps to restore health care eligibility to non-disabled veterans with modest incomes (those in Priority Group 8), reversing the Bush Administration's ban since January 2003. The Administration estimates that this expansion will bring 500,000 additional veterans into VA's health care system by 2013.

Boosts Medical and Prosthetic Research — The budget proposes \$580 million for VA's health care research, which is \$70 million (13.7 percent) more than the 2009 level. This increase will allow VA to increase its study and improve its treatment of such conditions as post-traumatic stress disorder (PTSD) and blast-related injuries like traumatic brain injury (TBI).

Invests in New Information Technology (IT) — The budget proposes increasing VA's IT funding to \$3.3 billion for 2010, which is \$559 million (20.3 percent) more than the 2009 level (excluding \$50 million in Recovery Act funding). In April, the President announced an initiative for VA and the Department of Defense to create a Joint Virtual Lifetime Electronic Record. There is currently no comprehensive system for streamlined sharing of records between the two agencies.

Increases VA Construction Funding — The budget proposes to provide \$1.9 billion for VA construction, which is \$39 million more than the 2009 level (excluding Recovery Act funding). The budget increases Major Construction to \$1.2 billion, \$271 million (29.3 percent) more than the 2009 level. The budget reduces funding for Minor Construction and State Extended Care Grants, the latter of which received \$150 million in the Recovery Act. Funding for State Veterans Cemeteries Grants would be the same as the 2009 level of \$42 million.

Provides More Funding for Benefits Claims Processing — The budget proposes \$1.8 billion to administer veterans' benefits, which is \$364 million (24.9 percent) more than the 2009 level. The budget proposes continuing to increase Veterans Benefits Administration personnel by adding 1,325 full-time personnel in 2010, and funding a paperless claims processing initiative.

Economic Recovery

The President inherited a deep recession that began in December of 2007. The collapse of the housing market and the resulting crisis in the credit markets have combined to stall consumer spending and corporate investment. The drop in demand has hurt all major sectors of our economy – including retail, manufacturing, construction, and services – resulting in increased layoffs and a further reduction in demand. Rescuing the economy involves three interconnected steps, all of which the Administration is addressing: thawing frozen credit markets, stabilizing housing markets, and increasing demand in the economy.

Thawing Frozen Credit Markets

Troubled Assets Relief Program (TARP) — Created in the Emergency Economic Stabilization Act in the fall of 2008, the TARP provides up to \$700 billion in capital and other assistance to financial institutions. To date, Treasury has committed all but \$110 billion of the TARP’s obligation limit. Of the improvements the President implemented to better target TARP resources, a capital assistance component uses a ‘stress test’ to evaluate a bank’s ability to lend and function during a period of significant losses, and recapitalizes these privately held banks as needed. In addition, the President proposes to use TARP funds to raise private dollars towards purchasing “troubled” mortgages, mortgage-backed securities, and other assets. The President’s budget includes \$250 billion as a placeholder for 2009 in the event that the Administration needs to request additional resources for financial stabilization, if warranted; to date, the Administration has not made such a request.

Stabilizing Housing Markets

Making Homes Affordable Program — The President’s housing plan provides relief for 7 to 9 million homeowners through the combination of three components. First, the program allows homeowners with current performing mortgages held or guaranteed by Fannie Mae or Freddie Mac to refinance into more affordable rates. Second, the Administration committed \$50 billion from the TARP and used assistance from Fannie and Freddie to help at-risk homeowners avoid foreclosure. Finally, Treasury increased its maximum capital commitment to Fannie Mae and Freddie Mac, as previously authorized by Congress, from a combined \$200 billion to \$400 billion.

Federal Housing Administration (FHA) Programs — The President proposes to continue FHA’s critical role of making mortgage credit widely available through its federal guarantee. Demand for FHA products increases as private credit markets tighten, and the Administration proposes expanding FHA’s total loan guarantee limitation from \$315 billion to \$400 billion for 2010.

The single-family component of FHA's guarantees has no budgetary cost because of insurance premium income and the low credit risk of borrowers. However, the decline in home prices has particularly affected the Home Equity Conversion Mortgages (HECM) program – FHA's reverse mortgage program. The President proposes an appropriation of \$798 million in credit subsidy for HECM in order to continue this income support program for seniors.

Counseling and Fraud Prevention — The President's request for the Department of Housing and Urban Development includes \$100 million, a \$35 million increase over the 2009 level, for counseling programs that help families choose mortgages they can afford, as well as \$37 million for an agency-wide initiative to combat mortgage fraud and predatory loan practices.

Increasing Demand in the Economy

The American Recovery and Reinvestment Act of 2009 — The President's proposal reflects the Recovery Act, a \$787 billion package of immediate assistance to families and communities but also long-term investments in the economy. The economic investments include provisions that provide tax relief to middle-income families, extend unemployment benefits for millions of Americans, and create jobs through investments in infrastructure and other key areas. CBO estimates that the Recovery Act will create or save up to 3.6 million jobs and will raise GDP by between 1.1 percent and 3.4 percent by the fourth quarter of 2010. CBO also estimates that these actions will help end the recession in the fall of 2009.

Housing and Economic Development

The President's budget builds on the shorter-term economic investments in the recently enacted Recovery Act and proposes a number of long-term investments in affordable housing, infrastructure, and worker support to create jobs and sustain employment over the long term.

Housing

Invests in Affordable Housing — In 2007, about 22 percent of families in rental housing spent more than half their incomes on rent, reflecting the growing shortage of affordable housing. The budget proposes to increase funding to help families afford rental housing, primarily via a \$1.8 billion increase in rental housing vouchers that help more than two million families. The budget also proposes to invest in preserving existing affordable housing, including a \$1.0 billion increase in funding for Project-Based Section 8 Rental Assistance. The budget also proposes to spend \$1.0 billion in 2010 to capitalize the Affordable Housing Trust Fund that Congress authorized last year. Finally, the budget proposes a slight decrease in funding for the Public Housing Capital Fund for 2010 relative to the regular 2009 appropriation. This Fund also received \$4.0 billion in the Recovery Act to fund the backlog of public housing repair needs.

Continues Active Role in Foreclosure Mitigation and Housing Counseling, Proposes New Efforts to Prevent Mortgage Fraud — The Department of Housing and Urban Development (HUD) is playing a central role in efforts to mitigate foreclosures through the President's Making Home Affordable Program and the Hope for Homeowners Program. The budget requests \$100 million, a \$35 million increase over the 2009 level, for counseling programs that help families choose mortgages they can afford, as well as \$37 million for an agency-wide initiative to combat mortgage fraud and predatory loan practices.

Proposes New Office of Sustainable Housing and Communities — The budget proposes \$2 million for a new office to provide technical and policy support for energy efficiency, green building, and integrated housing and transportation projects around the country.

Community and Economic Development

Requests Full Funding for the Community Development Block Grant (CDBG) with Altered Formula — The budget proposes to increase funding for CDBG by \$550 million to the full authorized level of \$4.5 billion, and to alter the allocation formula to address population and demographic changes since the allocation formula was developed in 1977. The increase would allow HUD to provide all communities with at least the level of funding they received in 2009, while using the new funds to expand to communities that have a high level of need but receive less funding under the current formula.

Proposes Creation of National Infrastructure Bank — The budget proposes to provide \$5.0 billion a year to capitalize a new National Infrastructure Bank that will invest in large capital infrastructure projects likely to generate significant regional or national economic benefits. The new bank would use a variety of financing arrangements, including loans and grants, and is intended to coordinate with and leverage private, state, and local investments.

Boosts Funding for USDA Rural Development Proposals — The budget proposes \$257 million for USDA Rural Business Service Programs (RBS), nearly twice the regular 2009 funding level for these programs and slightly below the 2009 total including Recovery Act funds. The budget also includes \$621 million for RBS programs' renewable energy development efforts required by the 2008 Farm Bill. RBS programs provide a mix of loans and grants to help establish, expand, and modernize rural businesses, which results in jobs being created or saved. The Administration estimates that the funding requested for 2010 would create or save 71,000 jobs.

Challenges Public, Private, Non-Profit Partners to Revitalize Neighborhoods — The President's budget requests \$250 million for a new Choice Neighborhoods Initiative. This new program would replace HOPE VI, which has invested \$6.1 billion over the past 15 years in demolishing public housing units and replacing them with mixed-income developments. Research shows that HOPE VI projects have reduced neighborhood poverty, crime, and unemployment, and in some cases, improved the educational performance of low-income children, but HOPE VI also reduced the number of housing units in targeted neighborhoods for very low-income families. The Choice Neighborhoods Initiatives would fund a broader array of activities and expand affordable housing options in neighborhoods that do not have public housing.

Worker Assistance

Recovery Act Funding for Child Care Results in More Children Receiving Assistance — The budget's 2010 funding reflects the Recovery Act, which provided an additional \$1.0 billion for child care assistance in 2009 and 2010. The Administration estimates that funding provided through the Child Care Development Block Grant and the Social Services Block Grant will result in 2.5 million children receiving child care assistance in 2009 and 2010.

Proposes Significant Increase in Appropriations for Rapid Response to Mass Layoffs and Other Worker Dislocations — The Recovery Act provided the Department of Labor with an additional \$200 million for National Emergency Grants, which help communities experiencing plant closings or other large-scale workforce disruptions. The number of emergency grants increased by more than 60 percent between 2008 and 2009. The budget requests \$71 million (a 45 percent increase over the regular funding level) to continue addressing the needs of dislocated workers when the Recovery Act funds expire on June 30, 2010.

Transportation

The President's budget proposes \$72.3 billion in discretionary resources, both budget authority and obligation limitations, for the Department of Transportation (DOT) for 2010. The Department includes programs for highways, mass transit, aviation, rail, and maritime activities. The new resources are in addition to the \$48.1 billion in transportation funding included in the Recovery Act.

Maintains Overall Funding Levels for Highway and Mass Transit Programs —

Traveling on congested roads cost the country as much as \$78 billion annually in wasted time and fuel. The next surface transportation authorization will include funding to tackle congestion, needed repairs, and system expansion. Because the details of the next highway bill are not yet known, the President's budget proposes to maintain current funding levels for highway construction, highway safety and mass transit programs.

However, under existing funding levels, projected fuel tax revenue dedicated to the Highway Trust Fund is unable to keep pace with current spending. Americans are driving less, driving more fuel-efficient vehicles, and driving more vehicles with alternative fuel sources – all factors that limit the level of trust fund revenue. Because of the projected insolvency of the Highway Trust Fund and until a reauthorization proposal takes shape, the Administration's budget displays large General Fund contributions to the surface transportation programs – \$36.1 billion of the \$41.9 billion in total highway construction funding and \$5.3 billion of the \$10.3 billion in total mass transit funding for 2010.

Upgrades the Country's Air Traffic Control System — The budget proposes \$16.0 billion for the Federal Aviation Administration (FAA) for 2010, a \$486 million increase above the amount provided in regular 2009 appropriations. This funding includes \$865 million towards Next Generation Air Transportation System (NextGen), the FAA's planned upgrade of the air traffic control system to a satellite-based system. The upgrade reduces congestion in the skies and on the runways. Also within the FAA's total funding, the Administration proposes \$3.5 billion in grants for airport planning and development

Invests in Amtrak and in High Speed Rail — The Administration proposes \$1.5 billion for Amtrak in combined capital, debt service, and operating grants in 2010. In addition to supporting standard intercity passenger rail, the President proposes to build on the Recovery Act's \$8 billion investment in high speed rail corridors. A new federal office will partner with states to provide multi-year, stable funding for high speed rail. For 2010, the President proposes \$1 billion for this continued effort.

Creates a National Infrastructure Bank — The budget proposes to provide \$5.0 billion a year to capitalize a new National Infrastructure Bank that will invest in large capital infrastructure projects likely to generate significant regional or national economic benefits. The new bank would use a variety of financing arrangements, including loans and grants, and is intended to coordinate with and leverage private, state, and local investments.

Environmental Protection and Natural Resources

The President's budget requests significant increases for environmental and natural resource programs that saw little or no increase over the past eight years. The funding would help the nation to meet critical environmental needs and enhance our nation's treasured natural resources.

Requests Significant Increase for the Environmental Protection Agency (EPA) — For 2010, the budget requests \$10.5 billion for EPA, a \$2.8 billion (37 percent) increase from the 2009 regular level. The majority of this increase is for a \$2.4 billion increase over the 2009 regular level for the Clean Water State Revolving Fund and the Drinking Water State Revolving Fund. The budget also proposes \$475 million for an interagency Great Lakes restoration initiative to target the most significant problems in the region, including invasive aquatic species, non-point source pollution, and contaminated sediment.

Increases Weather Satellite, Climate Sensor, and Fisheries Management Funding at NOAA — The budget requests \$4.5 billion for the National Oceanic and Atmospheric Administration (NOAA). This level includes \$1.4 billion to fund the development and acquisition of weather satellites and climate sensors, and proposed increases for fisheries management activities.

Invests in Department of the Interior and Forest Service Land Management Activities — The budget proposes increases for national parks, refuges, and public lands with a 7.1 percent increase in 2010 for the National Park Service, Fish and Wildlife Service, and Bureau of Land Management. The budget also proposes a contingency reserve of \$75 million for Interior wildland fire suppression activities.

The budget provides a total of \$5.2 billion for the U.S. Forest Service, an increase of \$468 million over the 2009 regular level. This includes a proposed contingency reserve of \$282 million for wildland fire suppression and a \$68 million increase for an initiative to protect natural resources and maintain facilities.

Increases Funding for Conservation through the Land and Water Conservation Fund — The budget requests \$420 million for the Land and Water Conservation Fund, an increase of \$116 million over the 2009 regular level. The 2010 funding request is a down payment towards the goal of reaching \$900 million in LWCF funding by 2014.

Mineral Development — The President's budget contains a number of proposals concerning receipts from mineral development. In particular, the budget proposes to:

- Create a new excise tax on offshore oil and gas production in the Gulf of Mexico by limiting royalty relief;
- Terminate mandatory payments to coal producing states that have been certified as completing their abandoned coal mine reclamation programs;

- Charge a user fee to oil companies for processing oil and gas drilling permits on federal lands, and increase returns from oil and gas production on federal lands through administrative actions such as royalty rate adjustments.

Agriculture

Mandatory Programs

Proposed Reductions to Mandatory Farm Programs — The President's budget proposes to reduce spending on agricultural programs by \$16.0 billion over ten years by implementing a commodity program payment limit (for proposed savings of \$126 million), reducing direct payments to farms with revenue sales of more than \$500,000 annually (\$9.8 billion), reducing crop insurance subsidies (\$5.2 billion), eliminating cotton storage credits (\$570 million), and reducing program funding for overseas brand promotion (\$358 million).

Other Mandatory Programmatic Reductions — In addition, the President's budget proposes to permanently reduce funding for several mandatory programs where the Administration cites concerns about program management, duplication, or evidence of insufficient demand. This would provide an estimated \$764 million in savings in 2010. Programs that are reduced include Wetlands Reserve Program, (reduced by \$280 million), Environmental Quality Incentives Program (\$250 million), and Wildlife Habitat Incentives program (\$43 million). These programs are typically reduced annually. The budget proposes to reduce them permanently so the savings can only be counted once rather than annually.

Imposes New User Fees — The budget proposes new user fees that are subject to authorizing legislation, including:

- **Grain Inspection, Packers, and Stockyards Administration (GIPSA)** — The budget proposes \$27 million in new fees in 2010 for GIPSA to fund the development, review, and maintenance of grain standards, as well as licensing packers, stockyards, and other meat and poultry participants.
- **Animal and Plant Health Inspection Service (APHIS)** — The budget proposes a new fee to help cover the costs associated with the Animal Welfare Act, Virus Serum Toxin Act, and Plant Protection Act. The budget estimates that APHIS would collect \$20 million in fees in 2010 under this proposal.
- **Food Safety and Inspection Service (FSIS)** — The budget proposes a new user fee that would be charged to facilities that have product recalls, are linked to an outbreak of food borne illness, or require resampling and retesting because of positive samples. The budget estimates that FSIS would collect \$4 million in fees in 2010 under this proposal.

Appropriated Programs

Redirection of Research and Extension Funding — The budget requests \$1.2 billion for the Agricultural Research Service’s main salaries account, a reduction of \$34 million (2.9 percent) below the 2009 regular level. To achieve savings, about \$40 million in Congressional earmarks are proposed to be discontinued with funds redirected to high priority activities. The National Institute for Food and Agriculture (currently the Cooperative State Research, Education and Extension Service) is funded at \$1.2 billion in 2010, \$55 million lower than the 2009 regular level. This level includes a \$70 million increase for rural revitalization that is offset by the proposed elimination of \$128 million in earmarks.

Redirection of Animal and Plant Health Funding — The budget proposes \$877 million for the Animal and Plant Health Inspection Service’s operating activities, just below a freeze at the 2009 regular level.

Science and Technology

Investments in science and technology foster economic growth, create high-tech jobs, and help our businesses lead in a global economy. The President's budget requests increased support for graduate fellowships and early career researchers, education of technicians in high-technology fields, and critical research priorities in global climate change. In addition, the budget encourages more innovative research. The increases requested in the President's budget build on significant increases provided in the American Recovery and Reinvestment Act.

Supports the Goal of Doubling Science Funding — The budget proposes increases for the National Science Foundation (NSF), the Department of Energy's Office of Science, Department of Commerce's National Institute of Standards and Technology (NIST), and other agencies to achieve the President's goal of doubling the amount of federal funding for science.

- **National Science Foundation** — The President's budget requests \$7.0 billion for 2010, an increase of \$554 million or 8.5 percent over the 2009 regular level. A key goal of the additional funding is to triple the number of NSF's Graduate Research Fellowships by 2013. The proposed funding builds on \$3.0 billion provided in the Recovery Act.
- **DOE Office of Science** — The 2010 budget would provide \$4.9 billion for general science programs in DOE, an increase of \$169 million (3.5 percent) above the 2009 regular level. The proposed funding builds on \$1.6 billion provided in the Recovery Act.
- **National Institute of Standards and Technology** — The budget requests \$846 million for NIST, an increase of \$27 million over the 2009 regular level, including \$652 million for labs and construction of research facilities. This funding level includes \$125 million for the Hollings Manufacturing Extension Partnership and \$70 million for the Technology Innovation Partnership. The proposed funding builds on \$580 million provided in the Recovery Act.

Emphasizes NASA Funding for Earth Science, Space Exploration, and Aeronautics — Funding for NASA would increase by 5.1 percent from the 2009 regular level, to a total of \$18.7 billion for 2010. The proposed budget for NASA will support deployment of a global climate change research and monitoring system, exploration of space by humans and robots, and aeronautics research to address aviation safety, air traffic control, noise and emissions reductions, and fuel efficiency.

DISCRETIONARY TERMINATIONS AND REDUCTIONS

(Budget authority in millions of dollars)

Terminations	2009 Enacted	2010 Request	2010 Change from 2009
Academies for American History and Civics, Department of Education	2	.....	-2
Anthrax Vaccine Research, Department of Health and Human Services	8	.....	-8
Brownfields Economic Development Initiative, Department of Housing and Urban Development	10	.....	-10
C-17 Strategic Airlift Aircraft, Department of Defense .....	.....	91	91
California Diesel Emissions Reduction Grants, Environmental Protection Agency	15	.....	-15
Character Education Program, Department of Education	12	.....	-12
Christopher Columbus Fellowship Foundation	1	.....	-1
Civic Education, Department of Education	33	.....	-33
Close-Up Fellowships, Department of Education	2	.....	-2
Combat Search and Rescue (CSAR-X) Helicopter, Department of Defense	233	89	-144
Corridor H of the Appalachian Development Highway, Department of Transportation	10	.....	-10
Delta Health Initiative, Department of Health and Human Services	26	.....	-26
Denali Access, Department of Transportation	6	.....	-6
Denali Commission, Department of Health and Human Services	20	.....	-20
Denali Job Training, Department of Labor	3	.....	-3
Economic Action Program, Department of Agriculture	5	.....	-5
Emergency Operations Centers Grant Program, Department of Homeland Security	35	.....	-35
Environmental Infrastructure Construction, Corps of Engineers	180	.....	-180
Even Start, Department of Education	66	.....	-66
F-22 Raptor Fighter Aircraft, Department of Defense	2,907	.....	-2,907
Foundations for Learning, Department of Education	1	.....	-1
Future Combat Systems Manned Ground Vehicles, Department of Defense	3,614	2,981	-633
Harry S. Truman Scholarship Foundation	1	.....	-1
Health Care Facilities and Construction, Department of Health and Human Services	310	.....	-310
High Energy Cost Grant, Department of Agriculture	18	.....	-18
Homeland Security Grants, Environmental Protection Agency	5	.....	-5
Inter-City Bus Security Grant Program, Department of Homeland Security	12	.....	-12
Javits Gifted and Talented Education Program, Department of Education	7	.....	-7
Joint Strike Fighter Alternate Engine, Department of Defense	465	.....	-465
Local Government Climate Change Grants, Environmental Protection Agency	10	.....	-10
Loran-C, Department of Homeland Security	35	.....	-35
Los Alamos Neutron Science Center Refurbishment, Department of Energy	19	.....	-19
Multiple Kill Vehicle Program, Department of Defense	283	.....	-283
National Institute for Literacy, Department of Education	6	.....	-6
Next Generation Bomber, Department of Defense .....	.....	.....	.....
Nuclear Hydrogen Activities, Department of Energy	8	.....	-8
Nuclear Power 2010, Department of Energy	178	20	-158
Oil Research and Development Program (Discretionary Funding), Department of Energy	5	.....	-5
Presidential Helicopter (VH-71), Department of Defense	835	85	-750
Public Broadcasting Grants, Department of Agriculture	5	.....	-5
Public Telecom Facilities, Department of Commerce	18	.....	-18
Rail Line Relocation Grants, Department of Transportation	25	.....	-25
Ready to Teach, Department of Education	11	.....	-11
Reliable Replacement Warhead, Department of Energy .....	.....	.....	.....
Resource Conservation and Development Program, Department of Agriculture	51	.....	-51
Rural Community Facilities, Department of Health and Human Services	10	.....	-10
Rural Empowerment Zones and Enterprise Communities Grants, Department of Agriculture	8	.....	-8
Safe and Drug-Free Schools and Communities State Grants, Department of Education	295	.....	-295
State Criminal Alien Assistance Program (SCAAP), Department of Justice	400	.....	-400
Student Mentoring Program, Department of Education	47	.....	-47
Surface Transportation Priorities, Department of Transportation	161	.....	-161
Transformational Satellite, Department of Defense	768	.....	-768
Trucking Security Program, Department of Homeland Security	8	.....	-8
Water Infrastructure Earmarks, Environmental Protection Agency	145	.....	-145
Watershed and Flood Prevention Program, Department of Agriculture	24	.....	-24
Work Incentive Grants, Department of Labor	17	.....	-17
Yucca Mountain Repository Program, Department of Energy	288	197	-91
Total, Discretionary Terminations	11,667	3,463	-8,204

DISCRETIONARY TERMINATIONS AND REDUCTIONS—Continued
(Budget authority in millions of dollars)

Reductions	2009 Enacted	2010 Request	2010 Change from 2009
Abandoned Mine Lands Discretionary Grants, Department of the Interior	20	7	-13
African Development Foundation Program	33	30	-3
Agricultural Research Service Buildings and Facilities, Department of Agriculture	47	-50	-97
Airborne Laser Program, Department of Defense	401	187	-214
Aircraft Carrier Build Schedule, Department of Defense	1,211	484	-727
East-West Center Assistance, Department of State / International Programs	21	12	-9
Election Assistance Commission Grants, Election Assistance Commission	106	52	-54
Food and Drug Administration Construction Earmark for the National Center for Natural Products Research in Buildings and Facilities, Department of Health and Human Services	16	12	-4
Government Reliance on Contracted Service Support, Department of Defense	20,100	19,200	-900
Ground-Based Midcourse Defense Program, Department of Defense	1,507	983	-524
Low-Performing Corps Construction Projects, Corps of Engineers	244	.....	-244
LPD-17 and Mobile Landing Platform Transport Ships, Department of Defense	930	1,177	247
Navy CG(X) Cruiser, Department of Defense	142	150	8
Office of Labor-Management Standards, Department of Labor	45	41	-4
Real Choice Change Systems Grants, Department of Health and Human Services	5	3	-2
Recruiting and Retention Adjustments to Maintain End-Strength, Department of Defense	7,039	6,246	-793
Targeted Funding for Alaska Native Villages Infrastructure, Environmental Protection Agency	19	10	-9
Voice of America, Broadcasting Board of Governors	3	1	-2
Total, Discretionary Reductions	31,889	28,545	-3,344
Total, Discretionary Terminations and Reductions	43,556	32,008	-11,548

MANDATORY TERMINATIONS AND REDUCTIONS

(Budget authority in millions of dollars)

Terminations	2010	2011	2012	2013	2014	2010-2014	2010-2019
Abandoned Mine Lands Payments to Certified States, Department of the Interior	-142	-164	-208	-210	-206	-928	-1,520
Advanced Earned Income Tax Credit, Department of the Treasury	-125	-76	-77	-78	-81	-437	-872
Conservation Reserve Program Set-aside for Public Access, Department of Agriculture	-5	-11	-14	-17	-20	-65	-178
Cotton Storage Payments, Department of Agriculture	-52	-58	-56	-56	-57	-279	-570
Entitlements for Financial Intermediaries Under the Federal Family Education Loan Program, Department of Education	-3,636	-6,037	-5,099	-3,605	-3,121	-21,498	-41,441
Oil and Gas Company Tax Preferences, Eliminate Preferential Time Period Treatment for Geological and Geophysical Amortization Period for Independent Producers, Department of Energy .....	.....	-41	-154	-240	-233	-668	-1,189
Oil and Gas Company Tax Preferences, Repeal Deduction for Tertiary Injectants, Department of Energy .....	.....	-5	-9	-9	-8	-31	-62
Oil and Gas Company Tax Preferences, Repeal Enhanced Oil Recovery Credit, Department of Energy .....	.....	.....	.....	.....	.....	.....	.....
Oil and Gas Company Tax Preferences, Repeal Expensing of Intangible Drilling Costs, Department of Energy .....	.....	-347	-595	-526	-395	-1,863	-3,349
Oil and Gas Company Tax Preferences, Repeal Manufacturing Tax Deduction for Oil and Natural Gas Companies, Department of Energy .....	.....	-757	-1,310	-1,392	-1,464	-4,923	-13,292
Oil and Gas Company Tax Preferences, Repeal Marginal Well Tax Credit, Department of Energy .....	.....	.....	.....	.....	.....	.....	.....
Oil and Gas Company Tax Preferences, Repeal Passive Loss Exemption for Working Interests in Oil and Natural Gas, Department of Energy .....	.....	-2	-5	-6	-6	-19	-49
Oil and Gas Company Tax Preferences, Repeal Percentage Depletion for Oil and Natural Gas, Department of Energy .....	.....	-316	-752	-925	-960	-2,953	-8,251
Oil and Gas Research and Development Program (Mandatory Funding), Department of Energy	-20	-40	-50	-50	-50	-210	-250
Total, Mandatory Terminations	-3,980	-7,854	-8,329	-7,114	-6,601	-33,874	-71,023
Reductions							
Crop Insurance Premiums/Underwriting Gains & Fees, Department of Agriculture .....	.....	-429	-427	-595	-599	-2,050	-5,184
Market Access Program, Department of Agriculture	-4	-34	-40	-40	-40	-158	-358
Payments to High-Income Farmers, Department of Agriculture	-58	-24	-10	-9	-7	-108	-126
Phase-Out Direct Payments to Farms with Sales Above \$500,000, Department of Agriculture	-85	-480	-625	-1,225	-1,225	-3,670	-9,765
Terrorism Risk Insurance Program, Department of the Treasury .....	.....	-21	337	-228	-351	-263	-644
Total, Mandatory Reductions	-147	-988	-765	-2,097	-2,222	-6,249	-16,077
Total, Mandatory Terminations and Reductions	-4,127	-8,842	-9,094	-9,211	-8,823	-40,123	-87,100

OTHER SAVINGS

	Amount
Administrative Services at Posts, Department of State	\$5 million total upon completion
Branding Activities, Department of Homeland Security	\$750 thousand annually
Bureau of Information Resource Management Inventory Reduction, Department of State	Additional warehouse space for other use
Computer Consolidation, Department of Education	\$8 million in 2009
Conferences, Department of Veterans Affairs	\$18 million in 2009
Contract Consolidation, Department of State	7%-10% annually
Electronic Correspondence for Immigrant Visa Processing, Department of State	\$1 million in the first year
Energy Use, Department of Homeland Security	\$3 million annually
Healthy Start, Grow Smart, Department of Health and Human Services	\$5.1 million in 2009
International Office Closure, Department of Education	\$713 thousand annually
IT Infrastructure Streamlining, Environmental Protection Agency	\$2 million annually
Levy Payments to Federal Contractors with Delinquent Debt, Department of the Treasury	\$2 billion over ten years
Marketing and Regulatory Programs Work Reforms, Department of Agriculture	\$1.5 million annually
Office Leases, Department of Agriculture	\$62 million over a 15-year lease term
Office of Inspector General Office Consolidation, Department of Health and Human Services	\$2 million total
Office Supplies and Computer Software, Department of Homeland Security	\$59 million annually over five years
Online Judicial Forfeiture Notices, Department of Justice	\$6.7 million annually over five years
Recovery Act Savings, Department of Transportation	15%-20% savings on bids in the early months of Recovery Act projects
Rural Development Online Training, Department of Agriculture	\$1.3 million annually
Secretary's Regional Representatives, Department of Education	\$2 million annually
USDA-IRS Data Sharing on Farmer Income, Department of Agriculture	\$16 million annually
Utility Bill Online Payments, Department of Agriculture	\$671 thousand annually

PROGRAM INTEGRITY SAVINGS
(Budget authority in millions of dollars)

	2010	2011	2012	2013	2014	2010– 2014	2010– 2019
Program Integrity Savings							
Savings from Discretionary Allocation Adjustments:							
Centers for Medicare and Medicaid Services, Department of Health and Human Services	-485	-503	-530	-565	-591	-2,674	-2,674
Disability Insurance and Supplemental Security Income Programs, Social Security Administration	-195	-1,683	-2,464	-3,367	-4,356	-12,065	-27,894
IRS Tax Enforcement, Department of the Treasury	-290	-1,119	-2,348	-3,864	-5,729	-13,350	-16,640
Unemployment Insurance, Department of Labor	-102	-214	-236	-260	-287	-1,099	-1,249
Total, Savings from Discretionary Allocation Adjustments	-1,072	-3,519	-5,578	-8,056	-10,963	-29,188	-48,457
Savings from Mandatory Proposals:							
Unemployment Insurance, Department of Labor .....	.....	-519	-573	-284	-294	-1,869	-2,017
Total, Program Integrity Savings	-1,072	-4,038	-6,151	-8,340	-11,257	-31,057	-50,474